



PRESENTS

# OPERATIONAL RISK MANAGEMENT



Operational Risk has been increasing day by day in the Nepalese Financial Sector and large risks events are taking place one after another. INR Draft events taken place in Kathmandu, good for payment incident happened at one of the development banks and remittance fund embezzlement case incurred at one of the large commercial banks are the examples of a few incidents.

It is always difficult to assess that when, how and what intensity the operational risk events occurs. But, the losses stemming from operational risks may erode the capital of a BFI with such a magnitude and intensity that the BFI may be left with no room for escaping from the impact, which could precipitate up to a situation of collapse. Therefore, a clear understanding on operational risk and its control has been always a challenge to the management.

In order to manage Operational risk, Banks and Financial Institutions (BFIs) formulate Operational Risks Management Policy, which is supported by a Standard Operation Manual/ Guideline and generally rely heavily on the internal audit function for the assurance that the Policy and guidelines have been duly complied with.

Internal Audit and / or External Auditor may not always be able to capture the actual picture as they submit their report based on the sample audit and it is basically post events. One of the critical components in the operational risk management is human assets (people). People do involve in managing all risks like Credit Risks, Market Risks, Reputational Risks, etc. Unless human assets are strengthened with required skills for managing all types of risks and cultured with good corporate governance, managing operational risks will not be possible. Operational risks can be mitigated and managed by the combine effort of all Staffs and Board of Directors.

All the respective staffs can therefore play instrumental role in implementing the Operational Risk Management Policy and manual/guidelines thereon, identifying the Early Warning Signals (EWSs), Defining Key Risk Indicators (KRIs), Re-reporting the Risk Events for further analyzing, assessing and mitigating risk proactively.

Having regard to above one and half day training on Operational Risk Management has been designed aiming to educate the branch staffs of banks and financial institutions for managing operational risks proactively and effectively so that such risk events could be averted/ mitigated.

Expert trainers have been identified from the central Bank and commercial Bank in order to have the best blending of theory, regulations and practical.

|                    |   |
|--------------------|---|
| Duration (in Days) | 1.5 days  |
| Target Audience    | Up to Officer Level   |
| Program delivery   | Power point, Audio Visual demonstration, Interaction, Case studies, discussions   |
| Date, Venue & Time | 29th (3:00pm to 6:00pm) & 30th (9:30am to 5:00pm) March 2019 at NBI Hall, Kathmandu   |
| Program takeaway:  | <ul style="list-style-type: none"> <li>* Thorough Understanding of Operational Risks</li> <li>* Understanding Operational Risks Management Framework</li> <li>* Having Risks Mitigating Measures</li> </ul>   |
| Program Content:   | <ol style="list-style-type: none"> <li>1. Operational Risk Management</li> <li>2. Risks in Branch Operations <ul style="list-style-type: none"> <li>· Cash Management Risks &amp; Mitigants</li> <li>· Remittance Operations Risk &amp; Mitigants</li> <li>· Payment Instruments Risk &amp; Mitigants</li> </ul> </li> <li>3. Bank Frauds and Prevention</li> <li>4. Role of Bank staffs in Operation Risk Management</li> </ol>  |
| Facilitator/s      | <p>Mr. Prabin Basnet, FCA, ISA, EMBA<br/>Chief Executive Officer<br/>Kamana Sewa Bikas Bank Ltd.</p> <p>Mr. Basnet is a Senior chartered accountant and Banking professional, with a collective experience of more than a decade in Audit, consultancy, Operation Management, Financial Management, Retail sales etc., previously working as Head Retail Banking at NIC Asia Bank Ltd and Assistant General Manager at Machhapuchhre Bank.</p> <p><b>Mr. Basnet's value propositions include contribution in adoption of better cost management practices, system/process reengineering to enhance efficiency, strategic thinking/ business remodeling to generate competitive edge and grab available opportunity, Balance sheet Management to generate bottom line, contribution in strengthening risk management framework specially in operation, liquidity and market risk, development of Policy and procedural framework, Efficient fund/Investment management etc.</b></p> <p>He uses interactive tools and techniques along-with appropriate theoretical framework based on international best practices and relate them with our current practices so as to ensure understandability and internalization of the Participants. He also uses sufficient day to day case studies appropriate for the training topics. Mr. Basnet believes in continuous improvement and always looks forward to enhance learning experience for the participants as well as himself.</p> |



# Course Outline

## Day 2

|                                  |  |
|----------------------------------|--|
| Session 1<br>9:30am to 11:00am   | <p>Risks and Mitigation measures in Branch Operations</p> <ul style="list-style-type: none"> <li>• Risk and Mitigation Measures -payment channels</li> <li>• Risk and Mitigation Measures -Branch administration</li> <li>• Risk and Mitigation Measures –Book keeping</li> <li>• Risk and mitigation measures-IT Risks</li> </ul>   |
|                                  | Tea Break (15 minutes)   |
| Session II<br>11:15am to 12:45pm | <p>Operational Risk - People aspects</p> <ol style="list-style-type: none"> <li>1. Who are people?</li> <li>2. Why people risk management?</li> <li>3. Guiding principles in people risk management <ul style="list-style-type: none"> <li>• Segregation of duty</li> <li>• Dual control</li> <li>• Dual signature</li> <li>• Cross check/audit</li> <li>• Proper Hiring practices</li> <li>• Leave planning/Force leave</li> <li>• Succession planning</li> <li>• Training</li> <li>• Job description and Performance management contracts</li> </ul> </li> <li>4. Recent International / Domestic Cases causing exposure to Banks/FIs</li> </ol> |
|                                  | Lunch Break (45 minutes)   |
| Session III<br>1:30pm to 3:00pm  | <p>Banking Frauds &amp; Prevention</p> <ul style="list-style-type: none"> <li>• What is fraud ?</li> <li>• Nature of Frauds</li> <li>• Why frauds are expanding</li> </ul>   |
|                                  | Tea Break (15 minutes)   |
| Session IV<br>3:15pm to 4:45pm   | <p>Role of Bank staffs in Operation Risk Management</p> <ul style="list-style-type: none"> <li>• Major tools <ul style="list-style-type: none"> <li>* Self-audit</li> <li>* Output checking</li> <li>* Cross check and audits</li> <li>* Training</li> <li>* Review and monitoring</li> </ul> </li> <li>• Role as supervisor <ul style="list-style-type: none"> <li>* Counseling</li> <li>* Motivate</li> <li>* Trust</li> <li>* Confidence</li> <li>* Team Building/Bonding</li> <li>* Monitoring</li> </ul> </li> <li>• Feed Back <ul style="list-style-type: none"> <li>* Customer</li> <li>* Other staffs</li> </ul> </li> </ul>               |
| <b>4:45pm to 5:00pm</b>          | Certificate Distribution & Closing   |