

Module 3 – Fundamentals of Operational Risk Management and Risk Governance

Syllabus (from HKMA)	HKIB Module Outline			Further elaboration			
	Chapter	Section	Topics	Corresponding chapters of the two reference books mapped with Syllabus / Module Outline		Other reference	
				The Hong Kong Institute of Bankers (2013). Operational Risk Management (1 st digital ed.) (ISBN 13: 978-0-470-82768-0). WILEY.	Ariane Chapelle (2018). Operational Risk Management: Best Practices in the Financial Services Industry (1st digital ed.) (ISBN 13: 978-1-119-54907-9). WILEY.	Circular	
1	• Overview and definition of operational risk	1	1.1	Overview Of Operational Risk - Introduction	Chapter 1 Overview and Definition	Chapter 1 Risk Identification Tools Chapter 3 Risk Definition and Taxonomy Chapter 4 Risk Connectivity and Risk Networks	<ul style="list-style-type: none"> • Hong Kong Monetary Authority, SA-1: Risk Management Framework; October 2017 • Hong Kong Monetary Authority, OR-1: Operational Risk Management; November 2005 • Hong Kong Monetary Authority, IC-1: Risk-based Supervisory Approach; October 2001 • Basel Committee: Principles For The Sound Management Of Operational Risk; June 2011 • ORX, ORX Reference Taxonomy for operational and non-financial risk - Causes & Impacts SUMMARY REPORT - November 2020
		1.2	- Definition				
2	• Drivers of operational risk (e.g. processes, people, systems and external events)	1	1.3	Overview Of Operational Risk - Drivers			
3	• Different types of operational risks - Conduct, External events, Financial Crime, Fraud, Legal and Compliance, Information Technology	1	1.4	Overview Of Operational Risk - Different Types			
4	• Operational risk events and their consequences	1	1.5	Overview Of Operational Risk - Risk Analysis Model – Cause, Events, Impact			
5	• Relationship between operational risk and other types of risks	1	1.6	Overview Of Operational Risk - Relationship With Other Risk Functions			
6	• Components of the risk framework and governance structure	2	2.1	Operational Risk Framework and Governance - Introduction	Chapter 2 Operational Risk Frameworks Chapter 4 Methods and Tools Chapter 11 Risk Governance	Chapter 9 Operational Risk Governance Chapter 12 Conduct & Culture	<ul style="list-style-type: none"> • Hong Kong Monetary Authority, SA-1: Risk Management Framework; October 2017 • Hong Kong Monetary Authority, OR-1: Operational Risk Management; November 2005 • Hong Kong Monetary Authority, IC-1: Risk-based Supervisory Approach; October 2001 • Basel Committee: Principles For The Sound Management Of Operational Risk; June 2011 • ORX, ORX Reference Taxonomy for operational and non-financial risk - Causes & Impacts SUMMARY REPORT - November 2020
		2.2	- Risk Governance Structure				
7	• Overview of three lines of defence model - Roles and responsibilities of risk management and control functions and their interdependence	2	2.3	Operational Risk Framework and Governance - Three Lines Of Defense			
8	• Roles and responsibilities of the Board and senior management	2	2.4	Operational Risk Framework and Governance - Roles And Responsibilities			
9	• Effective risk culture and indicators	2	2.5	Operational Risk Framework and Governance - Risk Culture And Indicators			
10	• Development of risk governance in the market and emerging operational risks	2	2.6	Operational Risk Framework and Governance - Risk Governance On Handling Of Emerging Risk			

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11	• Principles of operational risk management framework and implementation (including risk governance frameworks, risk identification and assessment, risk control and mitigation, risk monitoring and reporting, and business resiliency and continuity planning)	3	3.1 Operational Risk Principles and Appetite - Introduction 3.2 - Principles Of Operational Risk Management Framework And Implementation - Risk control and mitigation 3.3	Chapter 1 Overview and Definition Chapter 4 Methods and Tools Chapter 10 Regulatory Requirements	Chapter 5 Risk Appetite Chapter 7 Scenario Assessment Chapter 10 Risk Mitigation Chapter 13 Incident Data Collection (for the parts on risk monitoring and reporting) Chapter 14 Key Risk Indicators (for the parts on risk monitoring and reporting) Chapter 15 Risk Reporting	<ul style="list-style-type: none"> • Hong Kong Monetary Authority, SA-1: Risk Management Framework; October 2017 • Hong Kong Monetary Authority, OR-1: Operational Risk Management; November 2005 • Hong Kong Monetary Authority, IC-1: Risk-based Supervisory Approach; October 2001 • Basel Committee: Principles For The Sound Management Of Operational Risk; June 2011
12	• Operational risk management policy and procedures (including principles, application and scope) - Operational risk planning and processes - Operational risk appetite framework - Operational risk impact	3	3.4 Operational Risk Principles and Appetite - Operational Risk Planning And Processes - Operational Risk Appetite Framework 3.5 - Operational Risk Impact 3.6			
13	• Overview of operational risk measurement – frequency and severity - Overview of operational risk assessment - Overview of operational risk reporting and dashboards	4	4.1 Operational Risk Assessment, Measurement And Reporting - Introduction 4.2 - Operational Risk Assessment 4.3 - Quantification Of Operational Risk 4.4 - Risk Reporting And Dashboard	Chapter 5 Risk Identification Chapter 6 Risk Measurement and Assessment	Chapter 1 Risk Identification Tools Chapter 3 Risk Definition and Taxonomy Chapter 6 Risk and Control Self-Assessments Chapter 7 Scenario Assessment Chapter 8 Regulatory Capital and Modeling Chapter 15 Risk Reporting	<ul style="list-style-type: none"> • Hong Kong Monetary Authority, SA-1: Risk Management Framework; October 2017 • Hong Kong Monetary Authority, OR-1: Operational Risk Management; November 2005 • Hong Kong Monetary Authority, IC-1: Risk-based Supervisory Approach; October 2001 • Basel Committee: Principles For The Sound Management Of Operational Risk; June 2011
14	• Understanding financial products offered in the banking industry and their operational risk implications	4	4.5 Operational Risk Assessment, Measurement And Reporting - Nature Of The Financial Products 4.6 - Common Risk Types			
15	• Technology risk management, such as cybersecurity, data privacy and protection, IT change and system disruption, including examples of control activities	5	5.1 Technology, Resiliency And Enterprise Risk Assessment - Introduction 5.2 - Technology Risk Framework 5.3 - Cybersecurity	Nil	Chapter 18 Information Security Risk Chapter 20 Resilience and Reputation	<ul style="list-style-type: none"> • Hong Kong Monetary Authority, SA-1: Risk Management Framework; October 2017 • Basel Committee: Consultative Document Revisions To The Principles For The Sound Management Of Operational Risk; November 2020 • Basel Committee: Consultative Document Principles For Operational Resilience; August 2020 • Hong Kong Monetary Authority, TM-G-1: General



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		5.4 5.5 5.6	- Data Privacy - System Change Control - Resiliency Risk			Principles for Technology Risk Management, June 2003 • Hong Kong Monetary Authority, TM-G-2: Business Continuity Planning, December 2002
16	• Overview of disaster recovery and business continuity plans	5	5.7 Technology, Resiliency And Enterprise Risk Assessment - Types Of Disasters 5.8 - Business Impact Analysis 5.9 - Resiliency Plan 5.10 - Plan Testing			
17	• Enterprise risk management framework	5	5.11 Technology, Resiliency And Enterprise Risk Assessment - Enterprise Risk Framework 5.12 - Enterprise Risk Appetite 5.13 - Enterprise Risk Limit			
18	• Case studies, best practices and challenges associated with operational risk management and risk governance	1	1.7 Fundamental Of Operational Risk - Case Studies 1.8 - Best Practice Guidance	Chapter 3 Case Studies	Nil	• Hong Kong Monetary Authority, Operational Incidents Watch



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	2	2.7	Operational Risk Framework and Governance - Case Studies - Best Practice Guidance			
	3	2.8 3.7	Operational Risk Principles and Appetite - Case Studies - Best Practice Guidance			
	4	3.8 4.7	Operational Risk Assessment, Measurement And Reporting - Case Studies			
		4.8	- Best Practice Guidance			
	5	5.14	Technology, Resiliency And Enterprise Risk Assessment - Case Studies			
		5.15	- Best Practice Guidance			
	6	6.1	Integrated Case Studies And Best Practices - Case Studies			