

Module Outline

Certified Banker (CB Stage)

Operational Risk Management

Benchmarked HKQF Level:	6
No. of Credits:	30
Total Notional Learning Hours:	300
a) Class contact hours:	30 hours (3-hour per session x 10)
b) Self-study hours:	267 hours
c) Assessment hours:	3 hours
Pre-requisite:	NA

Module Objective

This module contributes to the achievement of the knowledge and skills embedded in the Programme Intended Outcomes by integrating theory and real-life experience on a wide range of topics related to operational risk management. By utilizing tools and resources available, the learners would have an opportunity to develop research skills to map the latest market standard with internal operation. Such skills are crucial for shaping up the internal operations of an organization to meet external challenges, and they would enhance the learners' competence to develop investigative strategies which are vital for both individual and organizational development.

Module Intended Outcomes (MIOs) and Units of Competencies (UoCs)

Upon completion of the Module, candidates should be able to:

MIOs	Intended Outcomes / Competence	*Unit of Competencies (UoCs)
MIO-1	Critically evaluate the performance of a wide range of operational functions related to product, services and process operations in the perspectives of operational risk management.	107386L6 / 109331L6 107404L6 109295L6
MIO-2	Exercise judgment in day-to-day management work activities to distinguish the nature of risk in operations functions and operational functions issues to formulate risk management solutions in compliance with regulatory requirement.	109296L6 109199L5 109200L5 109204L5
MIO-3	Propose justified solutions and recommendations on operational functions enhancement based on analysis and synthesis of relevant information.	

**Note: For the details of the UoCs, please refer to the Specification of Competency Standards (SCS) of [Retail Banking](#) and [Corporate & Commercial Banking](#) which were developed by HKCAAVQ.*

Assessment

Examination duration:	3 hours
Examination format:	4 out of 5 essay type questions
Pass mark:	50%

Syllabus

Chapter 1: Development and Regulatory Landscape of Operational Risk Management	
1.1	Overview and definition of operational risk
1.1.1	- Introduction
1.1.2	- Important operational risk events
1.1.3	- Distinguished from other types of risk
1.1.4	- Distinguished from operation risk
1.1.5	- Boundaries of operational risk
1.1.6	- Drivers of operational risk management
1.1.7	- Related disciplines
1.2	Regulatory landscape of operational risk management
Chapter 2: Governance and Oversight of Operational Risk	
2.1	Governance framework of operational risk
2.2	Sound management of operational risk
2.3	Governance structure and model
2.4	Drivers of operational risk management
2.5	Conduct and culture
Chapter 3: Operational Risk Management Framework	
3.1	Introduction
3.2	Key operational risk management frameworks
3.2.1	- Corporate Structure
3.2.2	- Components in operational risk management framework

3.2.3	- Operational risk management process
3.3	Methodologies and tools
3.3.1.	- Building ORM process
3.3.2	- Risk Identification and Assessment
3.3.3	- Risk management taxonomy
3.3.4	- Risk connectivity and risk networks
3.4	Risk identification
3.4.1	- Introduction
3.4.2	- Risk and Control Self-Assessment
3.4.3	- Risk categorization
Chapter 4: Risk Measurement and Assessment	
4.1	Introduction
4.2	Impact and probability
4.2.1	- Categorization of frequency and severity
4.2.2	- Aggregated loss distribution from frequency and severity distributions
4.2.3	- Expected loss and unexpected loss
4.2.4	- Inference of operational risk capital using value at risk methodology
4.2.5	- Background for Basel operational risk capital calculation methodology
4.3	Risk assessment
4.4	Risk categorisation
4.4.1	- Business line mapping
4.4.2	- Categorization of incidents and loss events
4.4.3	- Implementation
4.4.4	- Practical issues in applications
Chapter 5: Risk Control, Mitigation and Reporting	
5.1	Risk control
5.2	Risk mitigation
5.3	Risk reporting
5.3.1	- Introduction
5.3.2	- Heat map or operational risk profile business process mapping
5.3.3	- Key risk indicators (Preventive / BAU data)

5.3.4	- Incidents and operational risk loss data reporting
5.3.5	- Escalation (e.g. report to management, regulators)
Chapter 6: Information Security, Disruption and Operational Risk	
6.1	Banks depend on information technology
6.2	IT disruption and Third-party Risk as Top Operational Risks in 2024
6.3	Risk identification for information security
6.4	Mitigation: Behavioral and technical measures
6.5	Monitoring and key risk indicators
6.6	IT and risk management
6.7	IT operational incident in Hong Kong
Chapter 7: Anti-Money Laundering and Fraud	
7.1	Introduction
7.2	Anti-Money Laundering and operational risk
7.3	Fraud risk management principles
7.4	Case discussion
7.5	Focus on Technology
7.6	Optimising Fraud and Financial Crime Detection and Reporting
Chapter 8: Challenges in Digital Transformation	
8.1	Introduction
8.2	Managing operational risk in the age of digital innovation
8.3	Navigating regulatory change for emerging technologies
8.4	Enabling digital transformation by managing culture risk
8.5	Future management's opportunities for digital transformation
Chapter 9: Operational Resilience	
9.1	Introduction and overview of operational resilience
9.2	Principles for operational Resilience
9.3	What bank should do
9.4	What questions should we ask about operation resilience
9.5	The next generation operational risk management
Chapter 10: Rising Operational Risks	
10.1	Rising operational risks

10.2	COVID-19 as emerging operational risks
10.3	Outsourcing and third-party risks
10.4	Resilience and reputation
10.5	Project management risk
10.6	Geopolitical risk
10.7	People risk

Recommended Readings

Essential Readings:

1. HKIB Supplementary Study Guide of CB Stage – ORM: Operational Risk Management. (2024).

Supplementary Readings

1. Abkowitz, Mark David. (2008). Operational Risk Management: A Case Study Approach to Effective Planning and Response. John Wiley & Sons.
2. Carol Alexander. (2003). Operational Risk: Regulation, Analysis and Management. Prentice Hall.
3. HKIB. (2013). Operational Risk Management (1st ed.). Wiley
4. HKMA. (2022). Supervisory Policy Manual OR-2.