

Contents

About the Authors	ix
Preface	xi
CHAPTER 1	
Introduction	1
PART ONE	
Background and Regulatory Context	5
CHAPTER 2	
Enterprise Risk Management	7
CHAPTER 3	
The Origins and Evolution of ORM	17
CHAPTER 4	
Regulatory Approaches and Expectations	33
PART TWO	
Operational Risk Management Tools and Frameworks	41
CHAPTER 5	
Operational Risk Management – Building Blocks	43
CHAPTER 6	
Risk Identification and Assessment – RCSA and Other Tools	61
CHAPTER 7	
Controls	85

PART THREE

Antifragility, Resilience and When Things Go Wrong 93

CHAPTER 8

Operational Resilience – The Outcome of Effective ORM 95

CHAPTER 9

Risk Incidents 121

CHAPTER 10

Third-Party Risk Management – The Elephant in the Room 131

PART FOUR

Monitoring, Reporting and Taking Action 149

CHAPTER 11

Monitoring Risks and Controls – The Holy Grail of ORM 151

CHAPTER 12

Mitigating and Managing Operational Risks 161

CHAPTER 13

Reporting Risks 169

PART FIVE

Hot Topics and the Future 181

CHAPTER 14

The Art of Regulatory Relations 183

CHAPTER 15

The Rise and Fall of AMA and the Modelling Controversy 199

CHAPTER 16

Selecting and Using a GRC 207

CHAPTER 17

GenAI – Uses and Risks 215

CHAPTER 18	
ESG	225
CHAPTER 19	
The Future Challenges and Opportunities	239
Notes	245
Index	255

Dr. Junil M. N. Nishikubo has over 25 years of experience in operational risk management and regulation. In almost a decade at the UK regulator – the UK FSA – Junil held several roles, including operational risk policy SME, Basel 2 Technical Specialist, acting manager of the Basel 2 Implementation team, and in four years as a supervisor, managed relationships with large Japanese and US G-SIFI banks and investment firms. Junil was then Director and then Executive Director at the largest Japanese mega-bank, MUFG, with roles including Head of EMEA Regulatory Policy and Head of Compliance Policy, Risk and Regulatory Affairs Department. Since 2016, he has been a consultant, supporting various clients including banks, investment firms and a large pension fund, regarding operational risk management, resilience, TPRM and regulatory affairs. Junil is a past director of the Institute of Operational Risk (IOR), and between May 2017 and March 2021 was Chairman of the IOR in England & Wales. Junil was made a Fellow of the IOR in 2016. Junil is also a member of the IOR and is on the CePro Non-Financial Risk Advisory Board.

Andrew Stodd has been actively involved in operational risk management since the late 1990s when the Basel Committee on Banking Supervision's (BCBS) focus on this topic saw it emerge as a distinct risk discipline. Having worked as the Head of Operational Risk at an international bank and also a UK investment bank, Andrew joined the UK Financial Services Authority (UK FSA) where he led the Operational Risk Policy team and then the Risk Frameworks team, charged with reviewing operational risk and governance frameworks in firms of all types and sizes. When the UK FSA split into two, Andrew moved into the Prudential Regulation Authority. During his time with the regulators, Andrew is proud