# EF5083: OPERATIONAL RISK MANAGEMENT FOR FINANCIAL INSTITUTIONS

**Effective Term**
Semester B 2024/25

## Part I Course Overview

**Course Title**
Operational Risk Management for Financial Institutions

**Subject Code**
EF - Economics and Finance

**Course Number**
5083

**Academic Unit**
Economics and Finance (EF)

**College/School**
College of Business (CB)

**Course Duration**
One Semester

**Credit Units**
3

**Level**
P5, P6 - Postgraduate Degree

**Medium of Instruction**
English

**Medium of Assessment**
English

**Prerequisites**
Nil

**Precursors**
EF5050 Derivatives and Risk Management, EF5052 Investments

**Equivalent Courses**
Nil

**Exclusive Courses**
Nil

## Part II Course Details

**Abstract**

This course aims at providing students with a detailed account on the latest and best practices on operational risk management for financial institutions.

Students will be encouraged to explore the existing regulatory requirements and market best practices for implementation of an operational risk management framework.

**Course Intended Learning Outcomes (CILOs)**

| | CILOs | Weighting (if app.) | DEC-A1 | DEC-A2 | DEC-A3 |
|---|---|---|---|---|---|
| 1 | Develop insights regarding the current development in internal risk control and corporate governance for financial institutions such as commercial banks, investment banks, securities houses and others. | | x | | |
| 2 | Analyze relevant global and local regulations on operational risk management, corporate governance, and internal controls for financial institutions. | | x | | |
| 3 | Apply quantitative and qualitative skills to perform operational risk analysis. | | x | x | |
| 4 | Evaluate the practices of different financial institutions on their operational risk management. | | x | x | x |

A1: Attitude
Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability
Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments
Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

**Learning and Teaching Activities (LTAs)**

| | LTAs | Brief Description | CILO No. | Hours/week (if applicable) |
|---|---|---|---|---|
| 1 | Lectures, video clippings from industry practitioners | Describe the latest and best practices on operational risk management for financial institutions with visual aids such as video clippings from industry practitioners, if appropriate. | 1, 2, 3, 4 | - |

| | | | | |
|---|---|---|---|---|
| 2 | Class case studies and discussion | Based on real life cases, students will discuss the operational risk management for financial institutions as well as relevant regulatory requirements. | 1, 2, 3, 4 | - |
| 3 | Group assignments, projects | In groups, students will explore the existing regulatory requirements and market best practices for implementation of an operational risk management framework. Analysis and findings will be reported and submitted in form of group projects / assignments. | 1, 2, 3, 4 | - |

**Assessment Tasks / Activities (ATs)**

| | ATs | CILO No. | Weighting (%) | Remarks (e.g. Parameter for GenAI use) |
|---|---|---|---|---|
| 1 | Coursework (class exercises, class case studies, homework, group assignments, project, presentation, etc.) | 1, 2, 3, 4 | 100 | - Testing students' knowledge on course contents<br>- Evaluating students' ability to apply the learnt material in real case analysis<br>- Assessing students' ability to present and defend the key points in the group project |

**Continuous Assessment (%)**

100

**Assessment Rubrics (AR)**

**Assessment Task**

Coursework (class exercises, class case studies, homework group assignments, project, presentation, etc.) (for students admitted before Semester A 2022/23 and in Semester A 2024/25 & thereafter)

**Criterion**

- Demonstrate the understanding of course materials through completion of class exercises and/or mini-cases.
- Demonstrate the understanding of operational management of financial institutions through completion of a selected real-life case.
- Demonstrate the capability of making a professional presentation about the group project and the ability to defend the key points from challenging questions in the class.

**Excellent**

(A+, A, A-) High

**Good**

(B+, B, B-) Significant

**Fair**

(C+, C, C-) Moderate

**Marginal**

(D) Basic

**Failure**

(F) Not even reaching marginal levels

---

**Assessment Task**

Coursework (class exercises, class case studies, homework group assignments, project, presentation, etc.) (for students admitted from Semester A 2022/23 to Summer Term 2024)

**Criterion**

- Demonstrate the understanding of course materials through completion of class exercises and/or mini-cases.
- Demonstrate the understanding of operational management of financial institutions through completion of a selected real-life case.
- Demonstrate the capability of making a professional presentation about the group project and the ability to defend the key points from challenging questions in the class.

**Excellent**

(A+, A, A-) High

**Good**

(B+, B) Significant

**Marginal**

(B-, C+, C) Basic

**Failure**

(F) Not even reaching marginal levels

---

# Part III Other Information

**Keyword Syllabus**

Operational Risk

Corporate internal controls

Corporate Governance

Internal Audit

Compliance

Basel II

Sarbone-Oxley Act

COSO

IFRS

IAS

**Reading List**

**Compulsory Readings**

| | Title |
|---|---|
| 1 | Carol Alexander, Operational Risk, Regulation, analysis and Management, Prentice Hall, current edition. |
| 2 | John Hull, Risk Management and Financial Institutions, Prentice Hall, current edition. |

**Additional Readings**

| | Title |
|---|---|
| 1 | Basel Committee on Banking Supervision, Principles for the Sound Management of Operational Risk June 2011. |
| 2 | Cases and Journal Articles |
| 3 | Case studies developed from public information |
| 4 | Online Resources |