Operational Risk Management
A Practical Approach to Intelligent Data Analysis

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Foreword

The recognition from the Basel Committee of Banking Supervisors of operational risks as a separate risk management discipline has promoted in the past years intense and fruitful discussions, both inside and outside the banking and financial sectors, on how operational risks can be managed, assessed and prevented, or at least mitigated.

However, for several reasons, including the fact that operational risks appear at the same time multifaceted and of a somewhat indefinite shape, inadequate attention has been given so far to what operational risks really are, and to how they can be correctly identified and captured.

Indeed, the first objective of a risk management programme is to identify clearly the playing field to where investments and resources should be directed. This is even more important for operational risk management, since its scope crosses all industry sectors and all types of firms and the fact that it essentially originates from those variables that constitute the heart of any organization: people, processes and systems.

This book attempts to give an appropriate level of attention to this significant topic by using an interdisciplinary, integrated and innovative approach.

The methodologies and techniques outlined here, reading ‘behind and beyond’ operational risks, aim to move forward in the interpretation of this type of risk and of the different ways it can reveal. The objective of capturing knowledge on operational risk, rather than just information, is crucial for the building of sound processes for its management, assessment and prevention or mitigation.

Another noteworthy feature of this work is the effort – pursued by providing practical examples of implementation of an operational risk framework (or part of it) in different industry sectors – to demonstrate how concepts, techniques and methodologies developed in a specific field, for the handling of operational risks, can be adopted in (or adapted to) other industrial domains. If considered all together, these aspects can significantly contribute to make this discipline evolve towards high, sustainable and convergent standards and, above all, to change its nature from (a bit less) ‘art’ to (a bit more) ‘science’, which, in the end, is the ultimate objective that all operational risk managers are trying to achieve.

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