# **Global Banking Education Standards Board**

## **Operational Risk and Resilience for Professional Bankers**

**OVERVIEW**

**Introduction**

The Global Banking Education Standards Board (GBEStB) was established in 2017. A voluntary, industry-led initiative established by 25 banking institutes, the GBEStB aims to develop clear, internationally agreed standards for the education of Professional Bankers[[1]](#footnote-1). The GBEStB’s standards will inform the development of national banking education programmes delivered by banking institutes, and others, providing the foundation for high-quality and consistent education of bankers. This should, ultimately, enhance and sustain global standards of ethics and professionalism in banking worldwide, contributing to financial stability, and facilitate the international mobility of Professional Bankers.

The GBEStB established the Education Standards Committee to develop and publish standards for banking education. The GBEStB’s first Standard, *Ethics Education and Training for Professional Bankers*, was published in April 2018. The second Standard, *Threshold Competence for Professional Bankers*, was published in June 2019, including comments received from Banking Associations. This was followed by the *Sustainable Finance for Professional Bankers* standard. Following a consultation exercise to establish priorities for standards development, it was agreed that the GBEStB’s next standard should describe the expected Operational Risk and Resilience competence of Professional Bankers worldwide.

**Definition and Scope**

Operational risk can be described as the risk of an error or control failure in the operations and activities of a business. Although many financial institutions have their own definition of operational risk, the generally accepted industry wide definition is “*the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk*.”[[2]](#footnote-2)

Operational resilience is defined as “*the ability of a bank to deliver critical operations through disruption. This ability enables a bank to identify and protect itself from threats and potential failures, respond and adapt to, as well as recover and learn from disruptive events in order to minimise their impact on the delivery of critical operations through disruption*."[[3]](#footnote-3) Operational failures, errors and disruptions can be caused by factors and threats which are both internal and external to a financial institution.

Effective management of operational risk and resilience reduces failures and errors, reduces financial losses and improves compliance with regulations and laws making financial institutions and their businesses more robust. This increases trust in individual institutions and the financial system as a whole. Financial institutions which understand and effectively manage their threats are generally those which survive and operate in the interest of their customers.

*Operational Risk and Resilience for Professional Bankers* sets out the GBEStB’s expectations of and guidance for member bodies, in terms of general recommendations and recommendations for the content, delivery and assessment of operational risk and resilience education programmes for Professional Bankers.

The Standard is primarily written for GBEStB member bodies, but may also be helpful to a wide range of stakeholders involved in the education and training of banking professionals, including:

• Banking and financial institutions

• Central banks and financial regulators

• Universities, colleges and business schools

• Training providers

• Government authorities

**Purpose**

*Operational Risk and Resilience Education and Training for Professional Bankers* is designed to help GBEStB member bodies and others develop and implement operational risk and resilience education programmes for Professional Bankers. Promoting a more consistent approach to the operational risk and resilience education of Professional Bankers worldwide should, in the GBEStB’s view, help develop a strong and consistent culture of customer and client-focused, ethical professionalism in banking, and contribute to operational and financial stability of financial institutions.

**Format**

*Operational Risk and Resilience for Professional Bankers* contains both recommendations (set out in **bold text**) which it expects all GBEStB member bodies to use their best endeavours to comply with, and guidance (set out in *italic text*) which it expects GBEStB member bodies to consider when implementing the Standard.

**Translation**

The GBEStB publishes *Operational Risk and Resilience for Professional Bankers* in English. GBEStB member bodies may, at their expense and with written permission from the GBEStB’s Education Standards Committee, translate this Standard into other languages. GBEStB member bodies will ensure that:

* Any translation is accurate and faithful to the original Standard;
* Copyright in original and translated forms remains with the GBEStB;
* No commercial use of the Standard or translation is permitted; and
* In the event of any dispute, the English version of the Standard shall prevail.
* The GBEStB logo should appear on all works

**Effective Date**

*Operational Risk and Resilience for Professional Bankers* is effective from […], and GBEStB member bodies are expected to take active steps from that date to work towards compliance with this Standard.

**Review Date**

*Operational Risk and Resilience for Professional Bankers* will be reviewed on or before […].

**RECOMMENDATIONS AND GUIDANCE**

**GENERAL RECOMMENDATIONS**

**1. GBEStB member bodies shall provide, or work with others to provide, appropriate operational risk education and training relevant to their role, function and organisation to support Professional Bankers at all stages of their career.**

 *GBEStB member bodies should consider how they, and others, can include elements of operational risk and resilience within relevant programmes of banking education, to support the initial and continuing professional development of Professional Bankers. This is likely to include formal qualifications, CPD and operational risk and resilience refresher training, and the provision of self-study operational risk and resilience materials such as use of case studies, webinars and podcasts. GBEStB member bodies are encouraged to consider introducing, where possible, annual operational risk and resilience training for Professional Bankers.*

*Such programmes should include, as a minimum, education and training in the areas set out in the “Key Operational Risk Principles” and the “Content of Operational Risk and Resilience Education and Training Programmes” sections of this Standard.*

 *GBEStB member bodies should regularly review the content, delivery and assessment of their education, training and CPD programmes for Professional Bankers, and those delivered by others, to ensure they remain relevant and up-to-date.*

**2. GBEStB member bodies shall ensure that operational risk and resilience education and training programmes include appropriate assessments to demonstrate that Professional Bankers understand and demonstrate professional values relevant to their level of expertise and experience.**

 *GBEStB member bodies should consider whether there should be an appropriate form of formal assessment for Professional Bankers at an early stage in their career.*

 *GBEStB member bodies should consider which forms of assessment might be most suitable for those Professional Bankers with greater expertise and experience.*

 *GBEStB member bodies may consider working with employers and others to assess the application of professional values throughout Professional Bankers’ careers.*

**KEY operational risk and resilience PRINCIPLES FOR PROFESSIONAL BANKERS**

**3. GBEStB member bodies shall ensure that operational risk and resilience education programmes for Professional Bankers include all relevant national and international policies, frameworks and regulation in this area (such as the Basel II: Revised international capital framework, Basel III: International regulatory framework for banks, Basel III: Finalising post-crisis reforms , the BCBS Principles for the Sound Management of Operational Risk, the BCBS Principles for Operational Resilience, as well as any relevant regional and domestic implementations of the global frameworks such as the EU CRD IV, the MAS ​Guidelines on Risk Management Practices – Operational Risk and the FCA Cp19/32 Building operational resilience policy statement amongst others.) It is also recommended that reference to specific operation risk categories/sub-types’ regulations and rules is made (such as referring to EU/UK-GDPR, US Sarbanes-Oxley, the Indian Information Technology Act, or the South African Financial Intelligence Centre Act (FICA) when discussing cyber-crime).**

**CONTENT OF operational risk and resilience EDUCATION AND TRAINING PROGRAMMES**

**4. GBEStB member bodies shall ensure that operational risk and resilience education and training programmes for Professional Bankers include the following key topics, are appropriate and relevant, and are periodically reviewed to ensure they remain up-to-date;**

1. **The definition, scope and terminology of operational risk and how it differs from other risks.** *This should include (inter-alia)*:
* *The definition and scope of operational - what is included in its definition?*
* *The importance of managing and understanding operational risk in ensuring the stability of a financial institution*
* *Terminology: boundary events, near misses, gain events, inherent, residual and secondary risks, operational risk appetite, types of losses, expected and unexpected loss and types of events.*
* *An overview of local and international operational risk regulations including Basel II, III & IV.*
1. **The typology of operational risk. This should review the different categories (sub-risks) which are commonly managed under the operational risk definition**. *In addition the overlap between operational risk and other financial institution activities such as compliance, governance and legal, should be discussed****.*** *The sub-risks covered will vary by region/country, for example training in North America and Asia Pacific regions should include weather risk. However, operational risk training should include a ‘core’ set of internal and external sub-risks:*
* *Process, people and conduct*
* *Technology including IT and systems, data and cyber-crime*
* *Financial crime including fraud and money-laundering*
* *Fire, flooding and other external risks beyond the direct control of the financial institution*
* *Regulatory, conduct and third-party*
* *Legal and reputational.*
1. **Principles of effective operational risk management.** *This should include (inter-alia):*
* *The stages/life cycle of operational risk management.*
* *The drivers of operational risk management*
* *Lines of defense*
* *Operational risk management framework, responsibilities, standards and policies*
* *Implementing operational risk management. This should include different approaches to effectively implementing a framework across the entire organizations. In more advanced training understanding training should also cover the effectiveness and benefits of an operational risk framework and how it helps an organization achieve its business objectives.*
* *Role of the board and senior management.*
* Enterprise Risk Management Frameworks - the relationship between Operational Risk Management and Enterprise Risk Management (ERM)
* *The importance of the risk culture and governance*
* *Operational risk management regulations*
1. **Risk Identification, Assessment and Measurement.** *This should include (inter-alia):*
* *Techniques for identifying and assessing risks including Risk & Control self-Assessments (RCSA), scenario analysis and current sound practices.*
* *The use of internal and external operational risk loss data to identify, assess and measure operational risks.*
* *The identification and assessment process. This should include the identification and assessment of operational risks within financial products as part of the product risks assessment process.*
* *Identification and assessment of operational risks when designing and implementing new products, businesses and projects.*
* *Operation risk measurement and capital calculation regulations.*
1. **Operational Risk mitigation techniques.** *In addition to discussing the approaches for mitigating and controlling the sub-types of operational risk this should also include:*
* *The objective of operational risk mitigation*
* *Operational risk mitigation strategies and the types of controls and mitigation techniques.*
* *The challenges of implementing strong controls*
* *The importance of building a strong control culture*
* *Ethics, compliance and professional behavior*
* *Managing operational risk events*
* *Collecting and managing operational risk loss data*
1. **The effective monitoring and reporting of operational risks.** *This should include (inter-alia):*
* *Monitoring operational risks, including thresholds & escalation*
* *Key Risk Indicators (KRI)*
* *The reporting process*
* *Types of reports*
* *Regulatory reporting requirements*
* *Sources of operational risk data and data quality issues.*
* *Event reporting*
1. **Operational resilience and how it is achieved.** *This should include (inter-alia):*
* *The definition of operational resilience why is it important*
* *Lessons learned during previous crisis periods*
* *Regulatory requirements*
* *The role of governance, culture and ethics*
* *How to achieve effective operational resilience - service mapping, threat & vulnerability management*
* *Business continuity, crisis management & disaster planning*
* *Recovery planning – what to do when the crisis is over.*
* *Managing stakeholders, vendors, partners and other third-parties*
* *Pandemics*
* *Testing and validating operational resilience*
* *Linking business objectives with operational resilience*

**5. GBEStB member bodies shall ensure that all Professional Bankers demonstrate AT LEAST an understanding of the key topics set out above**

*For Professional Bankers with experience in banking and financial services, GBEStB member bodies may consider seeking to ensure they demonstrate an ability to analyse and apply the key topics set out above.*

*For Professional Bankers at senior levels, GBEStB member bodies may consider seeking to ensure they demonstrate the ability to critically reflect on the key topics set out above.*

**DELIVERY OF operational risk and resilience EDUCATION AND TRAINING PROGRAMMES**

**6. GBEStB member bodies shall ensure that operational risk and resilience education and training programmes use appropriate delivery methodologies that will help Professional Bankers develop and demonstrate an understanding of the key topics set out above.**

*A range of approaches and activities may be appropriate, depending on context, but may include some or all of:*

* Formal study of one or more standalone operational risk and resilience modules as part of a wider programme of banking education;
* The integration of operational risk and resilience into technical banking modules (e.g. considering operational risk and resilience related aspects when developing new financial products);
* Compulsory Train the Trainers (TOT) programme;
* Classroom-based operational risk and resilience training;
* E-learning, virtual and/or blended learning;
* Supported or unsupported distance-learning; and
* Seminars, workshops and similar events organised by GBEStB member bodies, employers, training providers and others.

*In addition, the delivery of operational risk and resilience education and training to Professional Bankers may include:*

* Discussing case studies and similar materials, either in classroom/online or via employer-led study groups;
* Participating in role-plays or simulations where different operational risk and resilience decisions lead to different outcomes for organisations and individuals;
* Discussing real-life operational risk and resilience dilemmas and conflicts of interest with professional colleagues and others;
* Using operational risk and resilience decision-making models to analyze real-life dilemmas arising in the workplace;
* Studying and discussing operational risk events from other financial institutions and other industries;
* Coaching and mentoring; and
* Self-reflection on personal and professional experiences where operational risk dilemmas and conflicts of interest have occurred.

**7. GBEStB member bodies shall establish suitable quality assurance mechanisms to ensure that operational risk and resilience education and training programmes achieve the objective of helping Professional Bankers develop and demonstrate an understanding of the key topics set out above.**

*GBEStB member bodies should consider regularly obtaining and acting upon feedback from Professional Bankers undertaking operational risk and resilience education programmes, their employers and from other interested parties.*

*GBEStB member bodies may want to set criteria to ensure that operational risk and resilience education and training programmes are delivered by suitably qualified educators and training providers with relevant skills, expertise and experience.*

**ASSESSMENT OF OPERATIONAL RISK AND RESILIENCE EDUCATION AND TRAINING PROGRAMMES**

**8. GBEStB member bodies shall ensure that all Professional Bankers undergoing operational risk and resilience education and training programmes are assessed, at least at an early stage in their career, in order to demonstrate an understanding of the key topics set out above.**

*GBEStB member bodies should consider and apply appropriate forms of formative and summative assessment which may include some or all of:*

* *Objective testing (although this may not be suitable for assessing all aspects of ethics education);*
* *Traditional “long-answer” examinations;*
* *Reflective essays and journals;*
* *Work-based projects and assignments;*
* *Facilitated and assessed group discussions, and other groupwork;*
* *Case studies (either completed individually, or as a group).*

*GBEStB member bodies may consider regular assessment of operational risk and resilience education and training for Professional Bankers (e.g. annually) as part of CPD or other recommendations or regular training programmes*

**IMPACT MEASUREMENT**

**9. GBEStB member bodiesshall develop a set of indicators that enable the monitoring of the impact of this Standard across their operations. This measurement should validate the degree of adherence to the standard and assist the GBEStB to identify and address any gaps.**

*GBEStB member bodies should use customer or employee satisfaction surveys or other suitable mechanisms to gather feedback on whether and how this Standard is being implemented.*

**PUBLIC DECLARATION**

**10. GBEStB member bodies shall publicly endorse and, when implemented, declare their alignment with this Standard, identifying and explaining any areas where they have not been able to fully implement the Standard.**

*The GBEStB retains the right to withdraw or refute any form of endorsement or declaration by any member body who has failed to adhere to this Standard.*

1. “Professional Banker” is a term used by the GBEStB to define “*an individual who has successfully completed a relevant certification programme accredited or provided by a GBEStB member organization”.* [↑](#footnote-ref-1)
2. Basel II, “International Convergence of Capital Measurement and Capital Standards A Revised Framework Comprehensive Version”, June 2006, Basel Committee on Banking Supervision [↑](#footnote-ref-2)
3. “Principles for Operational Resilience”, March 2021, Basel Committee on Banking Supervision [↑](#footnote-ref-3)