Contents

roteword	1
CHAPTER 1 Introduction to risk management	3
What is risk management?	3
Types of risk	3
Strategic risk	4
Market risk	5
Credit risk	6
Operational risk	7
Risk management perspectives and terminology	13
CHAPTER 2 Introduction to operational risk	16
Identifying risk	16
Threats	21
Opportunities	25
Risk / opportunity matrix	26
Quantifying risks	28
Probability theory	29
Probability distributions	39
Monte Carlo analysis	47
Latin hypercube sampling	53
Net present value	53
Management information systems and monitoring	58
Risk modelling techniques	60
Event tree analysis	60
Dynamic event tree analysis method	61
Decision tree analysis	61
Fault tree analysis	63
Cause consequence analysis	66
Management oversight risk tree	67

Safety management organization review techniques	67
r andre mode and effects analysis	68
Failure mode and effects criticality analysis	69
Hazard and operability analysis (HAZOD)	70
Dynamic event logic analytical methodology	70 71
Bayesian belief networks	71
CHAPTER 3 An applied risk management	/1
approach	77
Optimising risk controls	77
Value at risk (VaR)	
Potential gain/loss	77 - 2
Expected gain/loss	79
Required profit	80
Maximum acceptable loss	82
Large/small company differences	84
Capital adequacy	85
Risk management strategies	87
	88
Level of protection Cost of protection	88
Cost of protection Cost of losses	91
	92
Optimum level of protection	94
Total expected gain/loss Risk profiles	98
Management strategy	99
Human resources	107
Physical resources	108
Technology resources	112
Financial resources	113
Human error	113
Managing retained risks	114
Business continuity planning	115
Contingency planning	115
Disaster recovery planning	121
provery planning	122

CHAPTER 4 Security	123
Traditional security	123
The risk management approach	123
Threats	123
Risk identification	124
Security management	128
Deterrence	129
Detection	129
Delay	130
Response	130
Verification	131
Physical protection	133
Procedures and human resources	142
Technology	146
Information security	148
CHAPTER 5 Fire	163
Background	163
Risk identification	163
Building codes	165
Fire management	166
Fire risk model	166
Managing fire risks	167
Prevention	167
Detection	170
Delay	173
Response	175
Contingency planning	185

CHAPTER 6 Occupational health and safety	186
Background	186
A structured approach	
Level of risk	186
Risk identification	187
Assessing the risks	189
Management	190
Policy	193
Procedures	193
Safety committees	196
Training	197 198
Hazard identification and reporting	200
Incident reporting	200
Risk management	201
First aid	202
Hazardous substance handling and storage	202
Noise control	203
Fire safety procedures	203
Security procedures	204
Machinery and equipment operation	205
Contractor management	205
Procedures specific to the environment or	
organization	206
CHAPTER 7 Equipment and system failures	207
Background	207
Mean time between failure (MTBF)	208
Application of analytical techniques	212
Maintenance	213
Contingency planning	
Information technology and telecommunications	215
o, and on the find the alloy is	217

CHAPTER 8 Nat	ural Disasters	222
General		222
Earthquake		224
Flood		225
Hail damage		226
Storms		226
Forest fires		227
Community disast	er planning	228
CHAPTER 9 Inde	ustrial relations	230
CHAPTER 10	Litigation	236
CHAPTER 11	Specific industry risks	243
General		243
Health Care		243
Agriculture		246
Mining and Oil		248
Manufacturing and	d Processing	248
Nuclear production	n	249
Banking		251
Correctional deter	ntion facilities	255
CHAPTER 12	Business activities	259
Background		259
Contract risk		259
Third party risks		268

Cost risks		269
Time risks		271
Legislative and Reg	gulatory Compliance	271
Organization and p		271
CHAPTER 13	Implementing risk management	272
CHAPTER 14	Financial risk management	286
Financial risk mana	gement tools (Derivatives)	286
Using derivatives to		290
	associated with derivatives	292
CHAPTER 15	Common standards and guide lines	296
Australia and New Z	ealand:	
AS/NZS 4360 New Zealand 1	:1999 - Australian and Risk Management Standard	297
Prudential State Adequacy of	tement C1 - Capital Banks Australian Prudential	
Draft Prudentia	nthority (APRA), September 1999 al Standard - Risk Management for	300
Authority (AP)	rs - Australian Prudential Regulation RA), September 2000	305
Canada		
Guideline for De	50-96, Risk Management: ecision Makers	307
United Kingdom		
Framework for Safety and Env. of Defence	the Management of Health, ironmental Risks - UK Ministry	
		309

United States	
---------------	--

Operational Risk Management (ORM) -	
US Military	310

International

iuoriai	
Operational Risk Management - Basle Committee on Banking Supervision 1998 - Basle, Bank for	
International Settlements	315
Risk Management for Electronic Banking and	
Electronic Money Activities - Basle Committee	
on Banking Supervision 1998 - Basle, Bank for	
International Settlements	316

Index