

New Dates

TerraBiz

Training | Conferences | Exhibitions

Back and Middle Office Operations

Successfully understand the Back & Middle office operations and management functions from the perspective of operations and operational risk management

1- 2 November 2010 | Karachi Marriott Hotel
9:00 am to 5:00 pm



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Back and Middle Office Operations

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Course Description

- Financial market developments during the 1990s and beyond have focused towards the automation and straight-through-processing of the activities related to trade book management, clearing, settlement and custodial services using electronic processing formats and platforms, developments in operational and operations risk measurement and management and regulatory and compliance initiatives. These developments have given rise to a change in the traditional structure of financial institutions, which usually consisted of both back and front offices.
- The modern structure resulting from these developments considers a front office, which focuses on trading and sales; a back office, which focuses on transactions processing, and new operations unit that is referred to as the middle office, which offers various support functions for the back and front offices.
- This program discusses and details some of the various approaches to modern means to defining the structural units of a financial organization that is mainly segregates organization into back, middle and front office functions. Note that the actual structure and roles of the back, middle and front office functions will depend on such factors as the size of the organization and the range of cash, derivatives and securities transactions that it undertakes.
- The program presents best practice and current developments for managing the back and middle office operations and their relationships with the front offices and other operations units. This includes the management of trading, clearing, settlement, custodial, asset serving, treasury operations and funding, funds and securities transfers, and risk management and control functions.
- First, operational and operations loss events, risk categories, and key risk factors related to trading, custodial, payments and settlement processes and back and middle-office operations are presented.
- Core and value-added services provided by the back and middle offices are detailed; problematic areas are highlighted and procedures outlined to minimize error and disruptions in order to smoothly and continuously facilitate the processing of transactions, management of corporate actions and asset servicing.
- Best Practices are presented for Netting Arrangements, Novations, Cash flow and Multi-Currency Management Systems, and Margining and Collateral Management Systems
- Best practice and problematic areas for reconciliations, exceptions handling, and failed trades are highlighted for trading, clearing, settlement, and payment systems.
- Additionally, the following operational risk management and control areas are examined:
 - Operational Events, Key Risk Factors, Indicators, Drivers and Escalation Triggers
 - Op-Risk Assessment through the Use of Operational Value-at-Risk (OpVaR) Forecasts
 - Fraud Detection and Prevention and Anti-Money Laundering (AML) Initiatives
 - Operational Risk from an Enterprise-wide Risk Management (ERM) Perspective
 - Crisis Management, Business Continuity Management and Contingency Planning
 - Operational Regulatory Risk Assessment from Basel II and Beyond
- Current development in the trading, payment and settlement functions are overviewed, including flash trades, high-frequency-trading, alternative trading platforms, and cross networks and dark liquidity pools.

Attending this program will benefit the delegates as follows:

- Learn best practice and current approaches in the fast moving areas of operational and operations risk management, with a special focus on the relationship of the back office management and operations with the middle and front offices
- Obtain an overview of the issues and effective solutions in managing back office staff, processing transaction, transactions volumes, new products and third party suppliers
- Learn ways the effective and efficient back office operations can improve the performance of the treasury systems, cash and securities management, and internal funds transfer pricing systems used in the asset/liability management function
- Learn about the roles of the back and middle offices in the trading, custody, clearing and settlement process, and how improvements in these functions increase the effectiveness and profitability of a financial institution.
- Distinguish, construct and maintain effective and efficient relationships between the back, middle and front offices, with a focus on the associated control, monitoring, compliance and risk management policies.
- Learn basics of operational regulatory risk requirements for Basel II and beyond.

Who Should Attend

In general:

- Individuals working in payments, trading, and settlements operations functions
- Trading, clearing and settlement personnel engaged in foreign exchange, money market, securities and derivatives functions

Specifically:

- Back and Middle-Office Personnel
- Chief Information Officers (CIOs)
- Chief Risk Officers (CROs)
- Clearinghouse Personnel
- Custodial Services Personnel
- Enterprise Risk Managers
- External and Internal Auditors
- IT, Systems Security and Enterprise Systems Resource Managers
- Operational Risk Managers and Consultants
- Operations and Business Line Managers
- Credit, Market and Operational Risk Managers
- Regulatory and Internal Compliance Officers

Program Outline

Day One

Op-Risk Categories; Key Risk Factors; Op-Risk Loss Events; OpVaR Forecasts; Organizational Structures for Back-, Middle-, and Front-Offices; Trading Book Management; Clearing and Settlement Processes; Custodial Services; Corporate Actions; and Asset Servicing

Module 1.1 – Op-Risk Categories, Loss Events, Key Risk Factors, and OpVaR

- Operational Risk Spectrum - Risk Exposures, Op-Loss Events, Risk Categories Key Risk Factors (KRIs), and Consequences arising from People, Processes and Systems
- Impact of Operational Risk Events on Credit and Market Risk Exposures
- Decomposing Operational Loss Distributions - Expected, Unexpected and Extreme Losses
- Defining Operational Risk Value-at-Risk (OpVaR) Forecasts for Various Frequency and Severity Distributions
- Setting Loss Capture Thresholds for Operational Loss Event Collection and Assessment

EXHIBIT – Large Losses Attributed to Rogue Traders and the Related Control Failures

EXCEL Example – Generating Random Occurring Operational Events and Impacts

Module 1.2 – Organizational Structures of Financial Institutions –Defining the Modern Back, Middle, and Front Offices

- Traditional and Modern Structures for Back, Middle, and Front-Offices
- Core Elements, Fundamental Tasks and Independent Reporting Requirements of Back, Middle, and Front-Offices
- Back and Middle-Office Responsibilities of Cash, Derivatives and Securities Operations
- Outsourcing Financial Services from the Back and Middle Office Perspectives

- ACI's Model Code for the Conduct and Practice in the Back Office

Module 1.3 – Trade-Life Cycle - Trading Book Management, Clearing and Settlement

- Trade Matching, Execution, Capture, Affirmations and Confirmations
- Trade Amendments, Novations, Assignments and Terminations
- Trade Comparisons, Reconciliations, Allocations and Recording
- Clearing Processes and Services Offered by Various Clearing Agents and Organizations
- Clearing Mechanisms for Cash, Securities and Derivatives Transactions
- Overview of Settlement Processes and Standard Settlement instructions (SSIs)
- Comparing Different Settlement Systems – Impacts, Benefits and Risks
- Sample Checklist for Clearing and Settling OTC Derivatives Transactions
- Clearing and Settlement Responsibilities for Back, Middle, and Front-Offices

Module 1.4 – Core and Value-Added Custodial Services, Corporate Actions and Asset Servicing

- Custody Services, Risks, Legal Agreements, Standing Instructions and Service Level Agreements (SLAs)
- Custodial Services, Safekeeping, Book Entries and Central Securities Depositories (CSDs)
- Global Custodial Services, International CSDs and Cross-Border Transactions
- Corporate Actions, Asset Servicing, and Reorganizations – An Overview and Examples
- Participants Involved in Custodial Services and their Role in Processing Corporate Actions

Day Two

Miscellaneous Operations and Management Activities Related to Trading, Clearing, Settlement and Custodial Services; Fraud Detection and Prevention; Anti-Money Laundering (AML) Initiatives; Op-Risk Control and Monitoring and Management; and Regulatory Risk Assessment

Module 2.1 – Miscellaneous Activities Related to Trading, Clearing, Settlement and Custodial Services

- Treasury Operations, Funds Transfer Pricing, and Treasury Centralization, Outsourcing and Share Services Centers – An Overview
- Fundamental Cash flow and Liquidity Management - Managing Payments and Collection Activities, Cash flow Operating Cycle Budgeting, and Managing Cash Shortfalls
- Foreign Exchange Settlement, Currency Netting and Continuous Linked Settlement Systems
- Cash and Securities Shortfall Management and Short-Term Funding Options - Stock Lending, REPOS, and FX Swaps
- Real-Time Trade Processes and Straight through Processing (STP) – Benefits and Costs
- Effects of Payment Systems and Settlement Mechanisms on Treasury Function

Module 2.2 - Best Practice for Fraud Detection, Identification, and Prevention

- Red Flags Fraud Indicators: Recognizing Fraud Types, Root Causes and Symptoms
- Fraud Triangle – Motivation, Opportunity, and Rationalization
- Best Practice for Fraud Detection, Monitoring, Control and Prevention – An Overview

Module 2.3 - Procedures for Detecting and Preventing Money Laundering

- Three Stages of Money Laundering – Placement, Layering and Integration
- Identifying Suspicious Transactions at Financial Institutions – Incident Reporting
- Anti-Money Laundering Initiatives: Detection and Prevention Procedures

Module 2.4 – Operations and Operational Risk Control and Monitoring Functions

- Back and Middle Office - Monitoring, Independent Risk Reporting, and Setting Limits
- Long and Short-Term Approaches for Controlling and Monitoring Operational Risks
- Transactions Netting, Various Netting Arrangements, and Operations Risk Reduction
- Collateral Management, Margining and the Position Risk Reduction

EXHIBIT - Calculating Margins at Futures and Options Exchanges using SPAN Margining Systems

Module 2.5 – Operational Risk Management and Regulatory Compliance

- Overview of Cash and Securities Reconciliations - Terminology, Types, and Methods
- Exceptions Handling and Failed Trades – Causes, Consequences, and Resolutions
- Critical Outsourcing Risks from the Back- and Middle- Office Perspective
- Basel II's Complementary Operational Risk Pillars and Internal Capital Adequacy Assessment Process (ICAAP)
- Crisis Management, Business Continuity Management and Contingency Planning – An Overview
- Enterprise-Wide Risk Management and Resource Planning from an Operations Perspective

EXHIBIT- OpVaR Forecast using Historical Simulation VaR Model
EXHIBIT-Basel II Op-Risk Regulatory Capital Measurement Approaches: Basic Indicator, Standardized and Advanced Measurement Approaches

EXCEL Example – Implementing Operational Risk Stress Tests and Backtests

Short Case Studies and Exhibits that will be considered during the program include:

- ABN-AMRO, Wire Transfers and Money Laundering
- Bankhaus Herstatt, German Bundesbank Actions, and Cross-Border Settlement Risk
- Bank of New York, Systems Failure, and the CHIPS Payment Clearing System
- Bank of New York and the Russian Money Laundering Scandal
- Barings Bank, lack of segregation and control of the back and front offices.
- BCCI, incomplete documentation, concealment, fraud and money laundering
- Flooding of the Chicago Financial District and CME and CBOT Service Disruptions
- Daiwa Bank, Toshihide Iguchi and Nearly 30,000 Unauthorized US Treasury Market Trades
- HSBC Customer Fraud and Financial Services Outsourcing Centers
- London Stock Exchange (LSE), Big Bang, and Cancellation of the TARUS Trading System
- Bernie Madoff and Allan Sanford's Ponzi Schemes and Operations Control Failures
- Mizuho Securities, Erroneous Trades and the "Fat Finger Syndrome"
- National Australia Bank (NAB) and unauthorized foreign currency trades
- Sumitomo Corporation, Yasuo Hamanaka, and Ten Years of Unauthorized Copper Trades
- Flash Crash of May 6, 2010, Nearly 1,000 Point Drop in DJIA, High Frequency Trading
- Confirmations Backlog, Novations, and Standardization Issues for Credit Derivatives during 2008 Credit Crisis

Back and Middle Office Operations

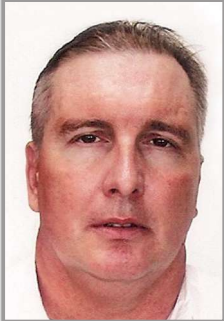
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Course Trainer

Dr. John Dalle Molle

Head of Quantitative Risk Measurement and Management at FRA Consulting, Singapore



Dr. John W. Dalle Molle is an independent consultant specializing in quantitative credit, market and operational risk management, analytics and modeling. Recently, he has been involved in model validation consulting projects with major Singaporean and Malaysian banks and has been focusing on back and middle office operations management, including corporate actions, custodial services, payment and settlement systems, and electronic trading systems, and risk management and derivatives for energy and commodity markets. He has presented executive educational and professional training programmes in Africa, the Americas, Asia-Pacific Region, South Asia, the Middle East, and various European countries.

His clients include several large financial institutions and central banks. In the past, he has also taught at a number of renowned universities in Asia, Europe, and the Americas. In addition to teaching executives, Dr. Dalle Molle has made numerous professional presentations in global conferences and exhibitions such as Futures & Options World (FOW) in Singapore, the New Zealand Econometrics Group Meeting, Quantitative Methods in Finance Conference in Sydney, EURORISK 2001 Conference in Paris, France and Annual Corporate Governance Conference in Dubai.

Other consulting training and other professional activities have included working for numerous firms and/or institutions including Bank Thai, Bangkok; Futures and Options World (FOW), London; IBCASIA, Singapore; Institute Bank-Bank Malaysia, Malaysia; HSBC, Hong Kong and Singapore; RISK Conferences, United Kingdom; Scientific Application International Corporation, USA; and The Financial Training Company-Singapore.. For a number of years, Dr. Dalle Molle has been a master trainer for FTC Kaplan's Risk Modeling, measurement and Management Series, where the focus was on implementing, assessing, and interpreting risk models for normal and extreme market conditions.

Dr. Dalle Molle's focus is risk measurement, assessment and model validations across the spectrum of financial and risk modeling. He has run numerous programs in the past including the Risk Management – Fundamentals and Current Practice; Back Office Operations Management, Operational Risk Assessment with a focus on Basel II; Modeling Key Risk Indicators (KRIs); Corporate Actions and Asset Servicing; Trading Systems, Custodial Services, International Payments and Settlement Systems, Credit Risk Rating and Scoring Techniques with a Basel II focus, Foreign Exchange Risk Management; Bond Portfolio Management; Market Risk Management - Concepts, Modeling & Simulation, Advanced Market Risk Management – Risk Mapping, VaR for Extreme Events, & Stress Testing; Exotic Options - Applications; and Systemic Risk Management for Financial Crises & Market Crashes, to name a few.

He is very much involved in publications and writing various working papers and contributions in various highly respected journals. He is a frequent manuscript reviewer for major international financial publishers including Addison Wesley Longman and John Wiley and Sons and is working on publishing several books on Risk Management. He has also worked on some consulting projects, which require software development, programming and coding. Recent projects include building a simulation framework for stochastic financial modeling and developing a ground-truth financial trading module for validating a neural-network based trading systems for Scientific Applications International Corporation (SAIC).

Dr. Dalle Molle has an interdisciplinary PhD in Management Science/Information Systems with a focus on financial econometrics, a Masters of Mathematics, and a Masters of Science in Petroleum Engineering, all from the University of Texas at Austin, USA and a Bachelor of Science in Chemical Engineering from University of Iowa.

Suggested Prerequisites

A basic understanding of both operations management practices and risk management and control issue are prerequisites. Proficiency with EXCEL is also suggested.

Training Approach and Aids

Throughout the program, delegates will be presented best practice and the current state for back and middle office operations from the perspective of trade, clearing, custodial, settlement, and payments processes. The program will be complemented with short case discussions related to well-known back and middle office failures and EXCEL-based operational risk models, which directly relate to program material. This approach offers delegates a more thorough understanding of current operations and operational risk best practice in the back and middle offices.

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Registration Note:

Participation will be confirmed subject to receipt of payment.

Substitutions are welcome. Please notify us in writing at least two working days prior to the event. All cancellations must be sent in writing, and will carry a 15% cancellation fee, once a registration request is received and acknowledge by Terrabiz.

Workshop fees must be paid in Full. No refunds will be given if a written cancellation occurs within 10 working days prior to the workshop. Same applies for delegates who don't attend the workshop without cancellation. Workshop materials will still be couriered to them. However, if you have paid your workshop fee in full and you wish to attend any other workshop from Terrabiz within 6 months of the initial registration, you will only be invoiced for 15% of that workshop fee. Please note that you can transfer only once. In the event of unforeseen circumstance, Terrabiz reserves the right to cancel or postpone the event.

For onsite customized programs by John Dalle Molle

Please contact Tanvir Hussain

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Workshop Investment:

Rs. 55,500/- Per Participant

*Early Bird Discount: (Before 15th Oct 2010)

Rs. 53,500/- Per Participant

*Every 4th Participant from the same organization will attend

FREE

Includes course ware, Terrabiz certificate, lunch, refreshments and business networking.

*Discounts are mutually exclusive

TerraBiz

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We are a business information firm, having managed and organized events of various calibers during the last 3 years of our operations. Among our more recent event are the Entrepreneurship 2010 – Changing the Mindset conference with MPF, 2nd Women in Business & Leadership Conference WIBCON 2010, in April 2010 which we managed for PSTD. ICAP in collaboration with Terrabiz organized a highly successful CFO Conference 'Rising CFO' in March 2010 which was attended by 600 delegates. MIT Entrepreneurship Forum Pakistan, Terrabiz and OPEN jointly organized a conference on Corporate Innovation and Entrepreneurship'09, Karachi in November 2009. We also managed the MAP Conference in November 2009, Lahore with high appreciation from all over the country.

Terrabiz Human Capital Management Conferences which were held in Karachi and Lahore in April'09 and July'09 respectively, and the Compensation & Benefits Day in June '09 also received a very good feedback from the HR professionals in the country.

We also organized the 11th Convention of the Management Association of Pakistan in December last year in Karachi. MAP convention has become the benchmark against which all business conferences are measured.

We also organized the first ever conference on Digital Marketing in Pakistan titled Marketing 2.0 which saw the confluence of the top three names in the world of digital marketing - Google, Yahoo and Microsoft, represented by their senior executives from abroad. Global Head of Mobile Marketing P&G was also one of the speakers. Terrabiz has also organized some events with Google Pakistan.

Terrabiz was responsible for producing a series of highly successful road shows on the promotion of investment in Pakistani capital markets in different cities for its client the Central Depository Company.

As part of our operations, we also regularly facilitate international trainers to conduct public workshops in Pakistan. A few of them were 'Six Thinking Hats' with Dr. Sunil Gupta, Life Time Master Trainer of Edward de Bono Tools, Nick Blasdale Introductory Management Skills, Advanced Presentation Skills and Media Relations by Simon Bucknall, HR Balanced Scorecard with Alan Fell; Employer Branding with Dr. Olga Kampaxi, and many others.

Our recent training workshop participants list includes SSGC, OGDCL, KESC, KAPCO, Pakistan Security Printing Corporation, State Bank, National Bank, MCB Bank, RBS, HSBC Bank, Allied Bank, NIB Bank, Mobilink, Ufone, Zong, Wateen Telecom, Telenor, Siemens, Haleeb Foods, National Foods, Cadbury, Getz Pharma, Sanofi Aventis, Novartis Pharma, GSK, PharmEvo, Macter Pharma, Sight Savers, Syngenta, Engro Corp, Coca Cola Beverages, CDC, HUBCO, and Aga Khan University et al.

Send your cheque in favor of "Terrabiz"
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For Registration

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