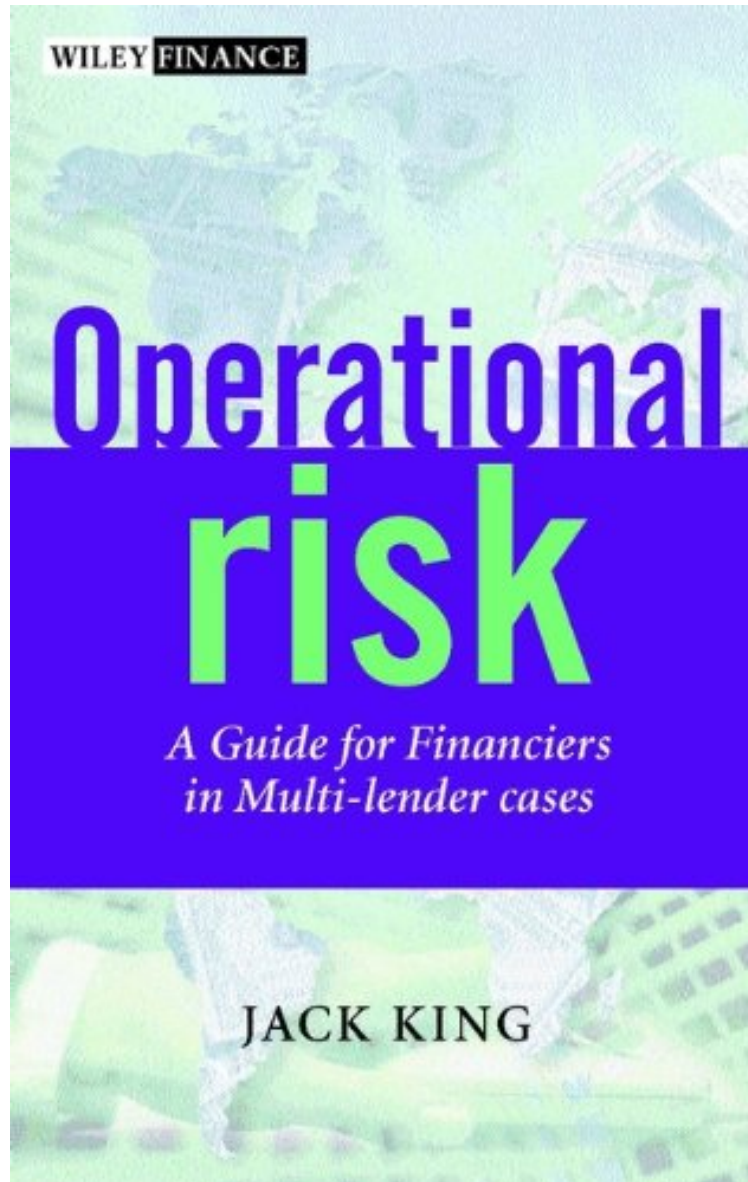


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## Operational Risk: Measurement and Modelling (The Wiley Finance Series)

*Jack L. King*

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**Jack L. King : Operational Risk: Measurement and Modelling (The Wiley Finance Series)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Operational Risk: Measurement and Modelling (The Wiley Finance Series):

4 of 5 people found the following review helpful. Disappointing: Repeating the same idea all along By A

Customer This book could be half of its actual size. The author states his ideas in the first part and then just repeats them all along in the second part. For example, there are two chapters on extreme value theory, one in the first part and the other on the second part both telling basically the same story (and both very simplistic by the way). Perhaps he thinks that by repeating the ideas the reader would catch his message. The part of the book that it is not pure repetition wastes space with the "most famous operational losses" with no further analysis but just stating them. There is also no indication on the author's bio whether he has any real-life experience in operational risk to write a book on the subject. Hence, his ideas to measure and model OR might just not work at all. The industry is still waiting for a good book in operational risk. 1 of 3 people found the following review helpful. A Must-Have Book for Operational Risk By A Customer I couldn't recommend a better, more well-written book on the subject of operational risk. It cuts right to the heart of exactly what is needed in the business world today - more responsible risk management that improves the bottom line as well. Tasked with the operational risk management responsibility in our organization, it seems clear to me that Dr. King's book is the definitive source for both practitioners like myself and academics (my former role). His ideas are thought-provoking, provide a sound knowledge base, and build on our lessons learned from credit and market risk management. In the early days, too much precious time and resources were wasted on risk management activities that scratched only the surface. On behalf of myself and other risk management professionals, thank you Dr. King for your contribution of a sound framework for risk management measurement and modelling. I can assure you that we greatly look forward to your next book. 7 of 9 people found the following review helpful. Disappointed By Orsetta Actually I was quite disappointed. I did not expect it to be very quantitative but I think he is repeating himself all along. I'd rather have an idea explained once and clearly than 3 times, because at the 3rd time I get bored and then I may miss something interesting. Maybe though he could not sell his book at such a price if it were shorter. Moreover, his approach to quant is more of a cooking recipe. I don't see the point of having a book with calculus without justification. Or you want it to be read by non-quant and you don't put cooking recipes but only few numbers, or you want it to be more quant and you don't put recipes but explanations. Anyway...it is a try on a non-easy subject.

Operational risk is emerging as the third leg of an institutional risk strategy for financial institutions. Now recognized as a potential source of financial waste, operational risk has become the subject of surveys, analysis, and the search for a comprehensive set of definitions and a shared framework. Written by a leading expert on operational risk measurement, this important work puts forth a cradle-to-grave hands-on approach that concentrates on measurement of risk in order to provide the needed feedback for managing and mitigating it. Using both theoretical and practical material, he lays out a foundation theory that can be applied and refined for application in the financial sector and beyond which includes a new technique called Delta-EVT (trademark). This technique is a combination of two existing methods which provides for the complete measurement of operational risk loss. The book contains comprehensive step-by-step descriptions based on real-world examples, formulas and procedures for calculating many common risk measures and building causal models using Bayesian networks, and background for understanding the history and motivation for addressing operational risk.

No. 8 bestseller in 'Risk' (erivativesreview.com, December 2001) From the Inside Flap Risk to firms is increasing and can't be avoided. Dealing with this increased risk is essential to financial institutions and the whole economy. "The rapid pace of technological advancement and financial innovation has introduced new, highly complex elements of risk." - William McDonough, Chairman, Bank for International Settlements, 20 September 2000 "The redistribution of risk induces more investment in real assets and hence engenders higher standards of living." - Alan Greenspan, Chairman US Federal Reserve, 14 October 1999 Recently a large focus of regulatory attention has been on what is known as operational risk. Operational risk is concerned with the risk to the firm's performance due to how the firm is operated as opposed to how the firm is financed. "Operational risk is a topic which...for the great majority of banks now concerns them as much as credit or market risk. It is a topic to which they will be devoting greater resources and attention over the next few years." - Tim Sweeney, Director General, British Bankers Association, 1998 The general consensus is that much can be done to avoid future disasters by taking a systematic approach to reducing the risk in current operations, but the challenge is finding a way to identify the causes of operational risk and measuring their potential impact on the earnings of the firm. This major work by a leading expert in operational risk measurement puts forth a cradle-to-grave hands-on approach that concentrates on measurement of risk in order to provide the needed feedback for its management and mitigation. Operational Risk: Measurement and Modelling represents a new approach to increasing the value of the firm by providing a way to measure operational risk and enabling firms to better control the variability or risk of earnings in their operations. It is an enlightening introduction to a new way of looking at the operations of a business, and the theoretical foundations ensure that the methodologies will be generally applicable and stable over time. From the Back Cover In this groundbreaking work, Jack L. King, Ph.D. provides the basis for an in-depth understanding of operational risk by focusing on its measurement and modelling. Using both theoretical and practical material, he lays out a foundation theory that can be applied and refined for application in the financial sector and beyond. Operational Risk: Measurement and Modelling is a comprehensive source for understanding the

effects of risk inherent in all operations. This book: \* Provides a set of assumptions, definitions, and methodology for quantifying operational risk \* Uses comprehensive step-by-step descriptions based on real-world examples to demonstrate the application and reinforce key ideas.. \* Introduces Delta-EVTTM(TM), a new technique that allows firms to deal with losses resulting from routine errors, control breakdowns, and rare events. \* Relies on causality as the key for identifying operational risk that can be controlled and provides a basis for management action. \* Explains clearly the relation between the risk assessment, process engineering, and statistical loss models. \* Includes and explains in detail the formulas and procedures for calculating many common risk measures and building causal models using Bayesian networks. "Dr King introduces practical solutions to a subject that is in danger of being drowned in theory." - Philip Martin, Managing Director, HSBC Operational Risk Consultancy "Jack King draws together a number of theoretical approaches to present, in a comprehensive yet straightforward manner, a systematic framework that supports the measurement and modelling of operational risk. As such, this book should prove thought provoking and act as an invaluable reference for both practioners and students of the subject alike. A welcome addition to the debate." - Tim Kent-Phillips, Executive Director, Operations, Lehman Brothers International Europe Ltd. "Dr King's work shows clearly his first-hand experience in the financial sector and should enable practitioners to do a superb job of building an operational risk measurement system. The in-depth understanding you need to set things up from scratch is contained in this book." - Dr Gabor Laszlo, vice President, Market Risk Management, J.P. Morgan Chase and Co "I believe this book makes a very valuable contribution to the ongoing discussion about how operational risk shuld be addressed. Practitioners, regulators and academics will discover useful elements to enhance their conceptual understanding of operational risk, from a perspective of measurement, control and management, as well as how it is linked to the calculation of economic capital requirements." - Dr Daniel Egloff, Arthur Andersen