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Financial Training Academy Courses

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CerIRM

Introduction to Risk Management

Course Presenter - Dennis Cox

Dennis Cox is CEO of Risk Reward Limited, a Strategy and Risk Consultancy for the financial services industry, as well as being a director of a number of other companies. Risk Reward Limited is a strategy and risk consultancy that specialises in providing practical solutions to its client needs. These include meeting the challenges of the Basel Accord in respect of credit risk and operational risk, as well as other business and regulatory requirements.

Entirely focussed on the financial services industry its consultants are all business professionals interested in transferring their knowledge to their clients. The structure of the firm enables Risk Reward Limited to specifically build teams that meet or exceed client expectations. Dennis was formerly Director, Risk Management at HSBC Operational Risk Consultancy and spent 10 years in various senior roles with HSBC Prior to that he was Global Risk Director at Prudential Portfolio Managers Limited, with responsibility for credit, legal and operational risk for the global business. Previously he spent 12 years in practice with Arthur Young and BDO Binder Hamlyn.

Among a range of external interests he is a senior Council member of the ICAEW, a member of the Professional Standards Board, Chairman of the Financial Planning Committee of the London Society and a member of the Money Laundering Committee; together with being the Chairman of the Risk Forum for the Securities and Investments Institute. He also represents the public interest in the regulation of the Institute of Actuaries for financial service matters.

A regular writer he was the joint author of the Mathematics of Banking & Finance published by Wiley in March 2006 and is the editor of Frontiers of Risk Management for Euromoney, prior to commencing with development of two further texts for Wiley.

An Introduction to Risk Management

This introductory course is a practical programme designed to enable delegates to learn and understand about Total Risk Management (TRM) and the techniques that are used to manage and control the various components of risk within a financial institution. We shall highlight how TRM adds value to an organisation; explain the key components of risk management and providing practical examples and tools. Key areas addressed are:

- Total Risk Management
- Market Risk
- Operational Risk
- Credit Risk
- Liquidity Risk

Why Attend?

This introductory course is developed to meet the needs of all new entrants to the risk management sector.

Who Should Attend?

- Risk Management employees
- Risk Analysts
- Credit Risk Staff
- Operational Risk Staff
- Market Risk Staff
- Middle Office Personnel
- Internal Auditors
- External Auditors
- Consultants and Suppliers

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LOCAL CONTACT



Training Methodology

Participants to the course will be enabled to appreciate the key issues and practical solutions within risk management. Addressing all major risk issues, participants will gain an appreciation of key risk topics and solutions. Classroom style lectures featuring intensive use of up-to-date and relevant case studies.

The learning format will be classroom style lectures featuring intensive use of up-to-date, and relevant case studies

Course Level

This is an introductory class. It is expected that participants will have some basic familiarity with financial services. Some basic appreciation of risk management would also be an advantage.

Course Outline

DAY 1 – Total Risk Management

Objective: To enable participants to understand the key elements of risk and the principles of Total Risk Management

- The key risks in a bank
- How Basel looks at risk management
- The key issue for the board of combining risk types
- Developing a risk register
- The role of capital and expected against unexpected losses
- Risk appetite and how to calculate it
- How to enable risk appetite to drive risk management throughout an organisation
- Key measures of risk
- The problems of data fitting
- Value-at-Risk
- Monte Carlo Simulation
- Probability Modelling
- The key risks of risk modelling
- The differences between regulatory and economic capital
- Building insurance into an effective risk management programme
- Strategic risk management
- Reputational risk management

Case Study Designing a series of metrics to calculate risk appetite for financial institutions and the application of this to business units.

Case Study Developing metrics to calculate risk appetite.

DAY 2 – Market Risk

Objective: To enable participants to understand the key principles of market risk

- Mark to Market
- Mark to Model
- Nature of Data Feeds
- Product risk analysis
- Bonds and fixed income
- Futures and forwards
- Options
- Interest rate and currency derivatives
- Key market risk measures
- Alpha and beta
- Volatility and correlation
- Black Scholes and its limitations
- Value-at-Risk

Case Study Calculation of key market risk indicators and consideration of what appears to work best in practice.

Case Study Review of public cases highlighting what goes wrong in practice and key lessons.

DAY 3 – Liquidity Risk

Objective: In this session, we shall build liquidity risk into the same framework as market and credit risk and also highlight the key issues that exist.

What is:

- Asset and Liability Management
- The structure of a bank
- Bank cash flows and cash flow modelling
- The role of the ALCO committee
- Reserve lines and the role of capital
- The key elements of uncertainty
- Reporting Liquidity Risk

Case Study What happens when an institution or market is under stress?





DAY 4 – Credit Risk

Objective: To provide delegates with a basic understanding of the key principles involved in credit risk:

- What is Credit Risk
- The role of the Credit Committee
- Personal Lending
- Management of Individual Credit
- Corporate Lending
- Use of Rating Agencies
- Corporate Collateral
- Corporate Credit Measures
- The Credit Proposal
- Reporting Credit Risk

Case Study Consideration of the use of ratings within a credit risk management structure.

DAY 5 – Operational Risk

Objective: This session provides a brief introduction to Operational Risk.

- The identification and boundaries of operational risk
- The use and creation of internal loss data
- The use of external loss data
- Control and risk self assessment
- Developing key risk indicators
- Implementing severe business continuity planning

Case Study The problems with Internal loss data.

Case Study Developing key risk indicators and thresholds.

