Early Warning Signs and Crisis Management

Overview

The purpose of this module is to refine the analytic skills needed to appropriately identify and assess credit deterioration and to help participants to determine a company's ability to improve performance or repair the existing capital structure.

Learning Outcome Statements

- Anticipate & quantify the vulnerability of institutions to liquidity & refinancing risk
- Differentiate qualitative, quantitative and market indicators of credit deterioration
- Identify the triggers or events, which would change the credit standing of a company in the future.
- Identify companies that are most susceptible to credit deterioration
- Review a company's funding structure in context of its sector and operating performance

Key Contents

- Symptoms of a deteriorating credit: financial, non-financial and market indicators
- Credit migration and its impact on pricing and market access during turbulent times
- Application of the four-step approach to credit: exposing credits susceptible to deterioration (purpose, payback, risks and structure)
- Risks to repayment: current market conditions and their impact on risk assessment
- Identify the purpose of borrowing and expected source of repayment in order to anticipate the key risks to repayment.
- Recourse actions
- Economic cyclicality
- Market factor volatility and its impact
- Balance sheet and ratios
- Leverage
- Refinancing risk
- Loan structure and choice of financial instruments
- Corporate governance
- Distress triggers and actions
- Covenant breaches