
Fundamentals of Risk Management

Overview

This module will introduce the fundamental concepts of risk management and also provide an understanding of how capital is regulated and how this impacts the day-to-day business and strategy of banks.

Learning Outcome Statements

- Understand the role and importance of risk management in a bank
- Identify the composition and relative importance of the different measures of capital from a regulatory perspective
- Appreciate the concepts of core capital, additional capital requirements for trading books, counterparty risk, liquidity management and leverage
- Appreciate the potential impact on bank's strategy and likely composition of a bank balance sheet resulting from these changes.

Key Contents

Introduction

- Importance of Risk management
- Defining and quantifying risk:
 - Credit risk
 - Market risk
 - Liquidity risk
 - Operational risk
 - others Risks
- Significance of risk groups for different banking businesses
- Economic capital
- Supervisory approach

Credit Risk

- Identifying types of credit risk
- Credit Risk key concepts
 - exposure at default
 - probability of default
 - loss given default

Market Risk

- Value at Risk (VaR) models
- Regulatory requirements; confidence intervals and holding periods, back-testing, stress testing

Operational Risk

- Definitions & sources of operational risk
- Importance of Operational Risk
- Categories Operational risk examples

Liquidity Risk

- Fundamental nature of liquidity risk
- Principles for liquidity management
 - stress testing
 - contingency planning
 - risk tolerance
 - liquidity pricing