HOUSE OF TRAINING

ATF LUXEMBOURG

CERTIFICATION PROGRAMME: RISK MANAGEMENT IN BANKING

ORGANISATION SHEET

Objectives	The certification programme: Risk Management in Banking provides participants with a solid foundation in risk management, which can serve as an entry for advanced level specialisation.
Methodology	Blended learning approach combining the efficiency of E-Learning with the effectiveness of instructor-led training (ILT): • Part 1: **E-learning course** "Fundamentals of risk management" (duration: 2 hours) with a final non-eliminatory test. Participants are required to take this course and pass the test with a minimum recommended score of 50% before the beginning of the second part. • Part 2: **Instructor-led training** (ILT) in Luxembourg. The theoretical aspects of the programme are based on the latest market standards, while examples, case studies and exercises are used to present and apply the material to realistic situations. The training is ending with a **final written exam**.
Target group	Professionals from banks (commercial and central), financial institutions or supervision authorities such as risk managers, auditors and department managers, **with at least 3 years of experience in the banking environment.**
Examination	The participants will have their newly acquired knowledge validated through a written exam, and will be granted a **certificate of success** issued by the Luxembourg Association for Risk Management (ALRiM) and the House of Training.
Lecturers	Experienced trainers, members of the House of Training Quality Circle in Risk Management[1]
Language	A very good command of English is required.
Participants	**Selected among candidates from the following partner countries:** Albania, Armenia, Azerbaijan, Bosnia & Herzegovina, Bulgaria, Cape Verde, China, Croatia, Czech Republic, Egypt, El Salvador, Estonia, Georgia, Hungary, Kazakhstan, Kosovo, Laos, Latvia, Lebanon, Lithuania, Republic of North Macedonia, Moldova, Mongolia, Montenegro, Myanmar, Poland, Romania, Russia, Rwanda, Serbia, Slovakia, Slovenia, Tunisia,

	Turkey, Ukraine, Vietnam and the West African Economic and Monetary Union
Dates	**E-learning**: available one month before the beginning of the ILT. **Instructor-led Training**: 9.5 working days, from Monday 2nd to Friday the 13th March 2020 (arrival on Sunday 1st March, departure on Friday 13th or Saturday 14th March 2020)

CERTIFICATION PROGRAMME:
RISK MANAGEMENT IN BANKING

CONTENT

E-LEARNING
Fundamentals of Risk Management

The main objective of this course is to provide participants with a theoretical and practical foundation in risk management for financial services.

1. Introduction and Definitions
   1.1 Risk
   1.2 Risk Management
   1.3 Risk Profile / Risk Appetite
2. Life Cycle
3. Types of Risk
   3.1 Typology
   3.2 Market Risk
      3.2.1 Equity Risk
      3.2.2 Interest Rate Risk
      3.2.3 FOREX Risk
      3.2.4 Commodities Risk
   3.3 Credit Risk
      3.3.1 Default Risk
      3.3.2 Spread Risk
      3.3.3 Counterparty Risk
      3.3.4 Settlement Risk
   3.4 Liquidity Risk
      3.4.1 Asset Liquidity Risk
      3.4.2 Funding Liquidity Risk
   3.5 Operational Risk
      3.5.1 Processes
      3.5.2 People
      3.5.3 Systems
      3.5.4 External Events
   3.6 Emerging Risks
      3.6.1 Climate change
      3.6.2 Cyber Risks
      3.6.3 New Technologies
4. Regulatory Environment
   4.1 Banks
   4.2 Investment Funds
5. Governance and Risk
6. Conclusion

Participants will have access to the E-learning course on a 27/01 basis through the Internet for a period of 6 months from the selection date onward. They will be able to log-on and log-off the course as many times as they would like.

The last chapter of the E-learning course is a final non-eliminatory test. Completing the E-learning course with a score of at least 50% is **a prerequisite for the ILT part** of the programme. (participants are allowed to retry the final test as often as they want).

The estimated duration of the E-learning course is approximately 2 hours. The last chapter of the E-learning course is a test, which participants are expected to pass to confirm the knowledge that they acquired before beginning the ILT course.

INSTRUCTOR-LED PART
Luxembourg, 2-13 March 2020

DAY 1: FRAMEWORK OF RISK MANAGEMENT

This course explores the impact of regulation on risk management with a particular focus on the work of the Basel Committee on Banking Supervision. Since its foundation in 1974, the Basel Committee has laid the foundation for ensuring the capital adequacy required for managing risk in banks.

The main objective of the course is to provide participants with a good understanding of the regulatory environment for Risk Management in the banking industry.

1. Institutions and Regulations
   1.1 The Basel Committee on Banking Supervision
   1.2 European Banking Autority
   1.3 Regulatory Capital
   1.4 Main Regulatory Texts
2. Systemic Risk
3. Market Risk
   3.1 Value at Risk
   3.2 Standardised
   3.3 Internal Model
4. Credit Risk
   4.1 Standardised
   4.2 Internal Ratings-Based Approach - Foundation
   4.3 Internal Ratings-Based Approach - Advanced
5. Operational Risk
   5.1 Basic Indicator Approach
   5.2 Standardised Approach
   5.3 Advanced Measurement Approach
6. Liquidity Risk
   6.1 Solvency Ratio
   6.2 Net Stable Funding Ratio
   6.3 Liquidity Funding Ratio
7. Stress Testing
8. Future Trends

DAY 2 : GOVERNANCE AND ORGANISATION

In its publication *Corporate Governance Principles for Banks* (2015), the Basel Committee on Banking Supervision underlined the importance of governance in risk management: "Effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole.

The objective of this course is to give participants a good understanding of corporate governance and organisation with regard to their impact on risk within banks. The course covers various aspects of governance and organisation, such as Basel's principles of risk and governance, risk appetite, the three lines of defence model and the importance of organisation charts.

1. Introduction
2. Governance
   1.1 Principles of Risk and Governance (BCBS)
      1.1.1 Risk Management Function
      1.1.2 Risk Identification, Monitoring and Control
      1.1.3 Risk Communication
2. Defining an optimal governance for banks
3. Players
4. Risk Appetite
   4.1 Definition
   4.2 Implementation
   4.3 Management
5. Organisation
6. Processes, Procedures and Policies
   6.1 Processes
   6.2 Procedures
   6.3 Policies
7. Three Lines of Defence
   7.1 Business Lines
   7.2 Risk Management
   7.3 Audit
8. Organisation Chart
   8.1 Interaction
   8.2 Reporting Lines
9. Impact of Governance and Organisation on Risk
10. Future Trends

DAY 3 & DAY 4 AM: MARKET RISK

The objective of this course is to provide participants with a good understanding of market risk and how to manage it.

1. Introduction
2. Fundamental Concepts of Market Risk
3. Equity Risk
   3.1 Systematic - Specific
   3.2 Beta
4. Interest Rate Risk
   4.1 Duration/Convexity

5. FX Risk
    5.1 Transaction Risk
    5.2 Translation Risk
    5.3 Economic Risk
6. Commodity Risk
7. Derivatives
    7.1 Black & Scholes
    7.2 Greeks
8. Portfolio
    8.1 CAPM
    8.2 APT
    8.3 Leverage
    8.4 Hedging Strategies
9. ALM
    9.1 Gap analysis
    9.2 Duration Gap analysis
    9.3 BPV & NPV
10. Value at Risk
    10.1 VaR Calculation Methods
    10.2 Backtesting
11. Stress Testing and Scenario Analysis
12. Market Risk Reporting
13. Future Trends

DAY 4 PM AND DAY 5: CREDIT RISK

Credit risk is the oldest form of risk in financial markets. Although credit risk has existed since antiquity, we still have not perfected the way in which we manage it, as witnessed by the high-profile losses that are often reported in the press. This course provides participants with a good understanding of credit risk and the methods for managing it effectively.

1. Credit Risk
2. Introduction and Definitions
    2.1 Typology
    2.2 Counterparty Risk
    2.3 Default Risk
    2.4 Spread Risk
    2.5 Settlement Risk
3. Lending Activities
    3.1 Retail Loans
    3.2 Wholesale Loans
    3.3 Credit Analysis
    3.4 Internal Credit Rating Systems
    3.5 External Credit Ratings
4. Debt Instruments
    4.1 Main Features of Debt Instruments
    4.2 Measuring Credit Risk for Bonds
5. Derivatives
    5.1 Credit Default Swaps
    5.2 Counterparty Credit Risk
6. Key Concepts of Credit Risk Measurement
    6.1 Key Variables

6.1.1 Probability of Default
6.1.2 Exposure at Default
6.1.3 Loss Given Default
6.2 Default and Transition Matrices
6.3 Expected Loss (EL) and Unexpected Loss (UL)
6.4 Credit VaR
6.5 Credit Portfolio Models
7. Future Trends

DAY 6: LIQUIDITY RISK

Since the Financial Crisis of 2008, which has often been described as a “liquidity crisis”, liquidity risk has become a major area of focus in risk management. Many of the changes in Basel III target liquidity risk and how banks can protect themselves against it. The purpose of this course is to provide participants with a good understanding of liquidity risk and how to manage it.

1. Introduction
2. Asset Liquidity Risk
   2.1 Collateral Management
   2.2 Tightness
   2.3 Depth
   2.4 Resilience
   2.5 Immediacy
3. Funding Liquidity Risk
   3.1 Diversification
   3.2 Cliff Effects
   3.3 Deposits
4. Intraday Liquidity Risk Management
5. Liquidity Risk Measurement
   5.1 LVaR
   5.2 Balance Sheet Analysis
   5.3 Ratio Approach
   5.4 Monitoring Tools
   5.5 Stress Tesing
   5.6 Liquidity Gaps
6. Contingency Funding Plan
7. Fund Transfer Pricing (FTP) Systems
8. Future Trends

DAY 7 & DAY 8 AM: OPERATIONAL RISK

Operational risk is the “risk of loss resulting from inadequate or failed internal processes, people and systems or from external events” (Basel Accord). Because operational risk impacts practically every area of the financial industry, it has become an important area of focus among financial service professionals. This course provides participants with a good understanding of operational risk and how to manage it.

1. Introduction
2. Analysing the Causes of Operational Risk
   2.1 Processes

   2.2 People
   2.3 Systems
   2.4 External Events
3. Operational Risk Management Cycle
   3.1 Loss data collection process
   3.2 Risk & control self-assessment (RCSA)
   3.3 Key risk indicators
   3.4 Other components
4. Business Continuity Management
   4.1 Disaster Recovery Plan
   4.2 Resolution Plan
   4.3 Business Continuity Plan
5. Scenario Analyses
6. New Product Approval Process

DAY 8 PM & DAY 9: WORKSHOP AND REVIEW

DAY 10:

Written exam based on all covered topics during the 2-week course in Luxembourg.

Remark: By delivery date, any training documentation shall be subject to regular reviews and updates amending the table of content as described herein.

[1] *One of the core values of the House of Training is pragmatism, the training it provides is therefore: practical, current, modular and targeted.*
Bank and finance professionals from all disciplines are facing one international challenge in particular, which is to work together to improve the quality of services while reducing costs, within a framework that is increasingly subject to strict regulations and the use of technology.

In order to face the challenge of delivering fully-adapted training programmes, the House of Training uses a quality management method that it calls "Quality Circles", that bring together professionals and practitioners from the financial sector with shared goals, philosophy and passion for learning. Our quality circles have an intimate knowledge of the real needs in the industry and collaborate actively with the House of Training to integrate this understanding into our programmes.