

Advanced Risk Management

❖ Course Objectives

As bankers gain experience, and progress in their careers, they are expected to hold positions carrying higher responsibility, wherein they are required to look at the broader canvas of their assignment and get in the habit of planning to meeting challenges that will unfold in the future. Central Banks are de-regulating the banking sector to permit the introduction of riskier products and services. Developing this quality is therefore becoming increasingly important because market mechanisms are becoming riskier, more volatile and more competitive.

This combination requires bankers to develop the skill of studying, interpreting historic trends in the following parameters, and projecting their future impact:

- Interest and exchange rates
- Commodity prices
- Changing profile of the market players
- Market practices and conventions
- Circumstances that cause unusual movements therein

Bankers need to develop realistic predictive abilities and strategies based thereon. In nutshell, it implies developing in advance the capacity for managing risks that are most likely to surface. These risks could be in several areas, including shortfall in:

- network, product and service range to face up to competition
- strengthening credit, operational and market risks management capability
- developing the capacity to survive the impact of changes in trade flows and country risk profile
- future needs of business-related skills in the human resource and information technology, and sustainability of the required level of skilled manpower

The objective of this course is to encourage bankers to develop the knowledgebase and skills to equip themselves for identify and prepare for meeting these risks in the timeframes they unfold. What the bankers are expected to develop is a futuristic approach to risk management planning to enhance the preparedness of their banks for facing up to unfolding risks and market challenges. This skill has critical importance in ensuring the stability of the banking sector over extended periods. Keeping this objective in view areas with critical bearing on a bank's stability have been included in this course.

❖ Syllabus

1. Network

- Overall profile of competition faced by the branch
- Deposit base, its mix and extent of support to the bank in asset funding and liquidity management
- Sale of the bank's range of products and services by the branch
- Risk asset base, its mix (legal entity types, facility and transaction types, skill support requirements, impact on bank's capital adequacy)
- Net contribution to bank's profitability

- Logistics problems (geographical access, connectivity, supervision and control)
- Competitive advantage/weakness
- Volatility (susceptibility of operations to disruption caused by external factors)

2. Product and Service Range

- Developing customers bases in the following market segments
- Designing the product or service package
- Infrastructure needs

3. Credit, Operational and Market Risks Management Capability

a) Credit Risk

- Trend Analyses
- Changes in borrower psyche resulting from
- Expected loss model
- Changes in the profile of support services
- In-house risk assessment capacity

b) Operational Risk

- Definitions of operational risk
- Operational risk management framework
- Operational controls
- Self-assessment versus risk assessment

c) Market Risk

- Volatility trends in
- Developing trends in BOP and PSBR
- Trade flows
- Geopolitical uncertainties and impact on trade flows
- Development of monopolies, powerful groups in the domestic markets
- Trends in contract performance ethics
- Building-in risk factor into lending operations

d) Liquidity risk

4. Futuristic Skills in The Bank's Human Resource

- Human resources
- Risk assessment skills
- Specialization in financing specific business sectors
- Financial and risk analysis
- Specifying risk monitoring requirements
- Service delivery skills

- Familiarity with service requirements
- Familiarity with functioning and capability of delivery systems
- System weaknesses and contingency measures
- Supervisory skills
- New demands created by the variety of services and products on sale
- Remedies for the gaps in data processing and reporting system
- Bank's compliance needs
- Creative skills

5. Information Technology

- Future demands
- Targets for eliminating manual operations:
- Risks and issues involved in centralized data processing
- Risk involved in software change

6. Sustainability of The Required Level of Skilled Workforce

- A rational and clear relationship between employee empowerment, performance support, and actual output to consolidate the credibility of the reward system
- Continuously monitor industry averages of compensation for various cadres
- Devise career development paths and demonstrate their unambiguous implementation by up-grading all deserving employees
- Visibly convey to the employees the bank's commitment to up-grade employee skills to improve their ability to contribute and thus move up the line