

# RISK MANAGEMENT FOR FINANCIAL INSTITUTIONS

Understanding banking, the associated risks and how to control them.

## DATES

### 5 Day Course

**15-19 JULY**

**LONDON**

**2-6 DECEMBER**

**LONDON**

### DIRECTOR

**DENNIS COX**

*Experienced Financial Internal Auditor and former Director of Risk Management at HSBC & Prudential Portfolio Managers.*

## WHY ATTEND THIS COURSE?

- Appreciate the key issues relating to control within the risk function and understand its role with the business
- Develop an audit programme for the audit of the governance of risk management
- Understand techniques and key approaches to this developing subject
- Learn key approaches and lessons to be applied within your own organisation
- Develop audit programmes for the audit of internal loss data, control and risk assessment and key risk indicators

## 3 WAYS TO REGISTER

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## COURSE FOCUS AND FEATURES

Risk departments of banks have become increasingly complex driven by the demands of regulation and the business. This level of increase in sophistication has accelerated in recent years as many banks have created risk functions with ever increasing responsibilities.

Since the internal audit function needs to address all areas of a financial institution, including risk management, this provides risk management with additional challenges. This 5 day course looks at the risk function and considers the approach that internal auditors should adopt when auditing this function. The course is modular by nature with the first day focussing on the general approach to be adopted when approaching the risk management function and the audit of key areas of common interest to all risk areas. The subsequent four days are separable and consider the audit of:

- Operational risk
- Credit risk
- Market risk
- Liquidity risk

The course refers to the Basel 3 and Basel 2 papers where appropriate which are being introduced globally. As such it also serves to ensure that the auditors have the technical background that they require to address these important areas.

## LEARNING OBJECTIVES

To enable attendees to appreciate the key issues relating to control within the risk function and to understand its role with the business.

To ensure that attendees understand what are the main techniques currently employed and key approaches to this developing subject.

Using a series of practical case studies, participants will be taken through the key approaches and will learn lessons to be applied within their own organisations.

## WHO SHOULD ATTEND

Audit Committee Members, Heads of Internal Audit, Internal Auditors and Non-executive directors.

## INCLUDED IN THE FEE:

- Expert training in your topic area
- CPE Points and Certificate
- Lunch during Training Days
- Training Materials



## COURSE DIRECTOR:

### DENNIS COX

Dennis William Cox, BSc FCSI FCA is a leading financial services risk management and internal audit specialist. He has held senior management positions within the banking and accountancy profession as Director, Risk Management at HSBC Insurance Brokers Limited and Director, Risk Management, Prudential Portfolio Managers. Formerly he held a number of roles within the audit profession at HSBC Holdings PLC. He has significant expertise in total risk management, risk-based internal audit, treasury, credit, liquidity, operational and market risk.

Dennis specialises his advisory services and lectures on the modernisation of internal audit. He also addresses internal audit as a driver for organisational change in banking. He is a specialist in audit for credit, treasury, operations and the Basel Accord.

## COURSE INFO

- ADVANCED PREPARATION: **NONE**
- TRAINING TYPE: **GROUP-LIVE**
- LEARNING LEVEL: **INTERMEDIATE**
- CPES: **40**

## PRICE: GBP £2,995+VAT\*

\*Delegates may be able to claim back VAT. For more information please contact [misti@misti.com](mailto:misti@misti.com)

### DAY ONE:

## Auditing Enterprise Risk Management and the Risk Department

### Session 1:

#### *Enterprise Risk Management*

The functions of risk management

- What is enterprise risk management?
- The ownership of risk management
- Policies and procedures
- The role with regard to:
  - Credit risk
  - Market risk
  - Operational risk
  - Liquidity risk
  - Strategic risk
  - Reputational risk
- Reporting lines for risk management departments

#### **Discussion session:**

The role of risk management within a major financial services organisation, by reviewing public information on current company structures.

### Session 2:

#### *Corporate Governance*

- Corporate governance and risk management
- What are the risks that risk management are trying to control?
- What are the controls that are normally applied?
- The Basel Accords and risk management
- What is a risk management framework?
- Reporting risk management
- The role of the various committees

#### **Case Study:**

Develop an audit programme for the audit of the governance of risk management

### Session 3:

#### *Key Risk Management Tools*

- Risk appetite and its calculation
- The role of risk appetite
- The risk register
- Risk ownership
- Evaluating risk
- Stress testing and scenario modelling
- The ICAAP

### DAY TWO:

## Auditing Operational Risk

### Session 4:

#### *What is Operational Risk?*

- The Basel 2 approaches to operational risk
- The key risks in operational risk
- The boundaries with credit and market risk
- The governance of operational risk
- The operational risk sound practices paper
- The role of operational risk in the area of transaction investigation
- The relationship of operational risk and internal audit
- The role of operational risk with regard to money laundering deterrence and financial fraud

### Session 5:

#### *The Building Blocks of Operational risk*

- The development of the internal loss database
- Specific requirements
- The importance of scaling and relevance
- Trying to make it work
- What causes bank failure?
- Using external loss data in practice
- Business process modelling
- Evaluating operational risk
- Control and risk self assessment and its limitations
- Control indicators, performance indicators and risk indicators
- Leading and lagging indicators
- Operational risk stress tests
- Reporting and monitoring operational risk

#### **Case Studies:**

Develop audit programmes for the audit of internal loss data, control and risk self assessment and key risk indicators.

### DAY THREE:

#### Auditing Credit Risk and Credit Models

##### Session 6:

###### *Credit Risk*

- The Basel 2 approaches to credit risk
- The key requirements of the advanced measurement approach
- The structure and reporting of credit risk
- The roles of the credit committees
- The relationship to ERM
- The credit policy manual
- Credit portfolio management

##### Session 7:

###### *Credit Modelling*

- The role of credit models
- Building a model
- Validating a model
- Approving a model
- Documenting a model
- The credit model risk rules
- Good predictive ability
- What is a pool?
- How to deal with the maths

##### Case Study:

Develop an audit programme for credit modelling

##### Session 8:

###### *Credit Risk Management*

- Retail credit risk
- Corporate credit risk
- Counterparty (financial institution) credit risk
- Exposure at default
- Loss given default
- Probability of default
- Stress testing and scenario modelling
- Arrears and arrears management
- Credit provisioning policy

##### Case Studies:

Develop audit programmes for EAD, PD, LGD, credit risk stress testing and arrears management

### DAY FOUR:

#### Auditing Liquidity Risk, the ILAA and Contingency Funding

##### Session 9:

###### *Liquidity Risk*

- What is liquidity risk?
- Who controls it?
- The relationship between treasury and risk
- The Basel liquidity risk sound practices paper
- Liquidity risk management
- The Basel principles
- What are liquid assets
- How liquidity changes under different conditions
- The liquidity of financial instruments
- Reporting liquidity risk
- Behavioural analysis
- Mitigating liquidity risk

##### Case Studies:

Develop an audit programme for liquidity risk management

##### Session 10:

###### *The ILAA*

- The role of the ILAA
- ILAA responsibilities
- ILAA contents
- Developing the ILAA
- Approving the ILAA
- The link to the ICAAP document

##### Case Study:

Develop an audit programme for the audit of the ILAA

##### Session 11:

###### *Contingency Funding*

- Stress testing liquidity risk
- The role of the contingency funding plan
- How to select where to obtain funding
- The role of the central bank
- Investments locally
- How assets change their liquidity
- Developing a plan
- Approving and reporting

##### Case Study:

Develop a plan to audit the contingency funding plan

##### Session 12:

###### *Basel 3 and Liquidity Risk*

- Gearing ratio and its impact on liquidity risk
- Short term funding requirement
- Long term funding requirement
- New types of assets and haircuts

## COURSE PROGRAMME

### DAY FIVE:

## Auditing Market Risk, the ICAAP and the Recovery and Resolution Plan

### Session 13:

#### Market Risk

- What is market risk?
- How is it controlled?
- Who does it report to?
- The Basel 2 approach to market risk
- What is VAR?
- How could it be supplemented?
- How is it calculated?
- What can be done to offset market risk?
- What are the consequences?

### Session 14:

#### Market Risk Models

- Risk management and market risk
- The use of market risk models
- Mark to market and mark to model
- Developing market risk models

- Good predictive ability
- What can go wrong
- Validating the model
- Banking book and trading book
- Hedging and instruments

#### Case Studies:

Develop audit programme for market risk models

### Session 15:

#### Market Risk Management Issues

- Reporting market risk
- Stress testing and scenario modelling
- Applying market risk stress events to other risks
- The impact of the changing economy
- How markets vary

#### Case study:

Develop an audit programme for stress testing

END

### GROUP BOOKING DISCOUNT – Available for delegates from one organisation attending the same course



2 delegates -  
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3 delegates -  
10% discount



4 delegates -  
12% discount



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