



# IFF

# ADVANCED RISK MANAGEMENT

Master the latest techniques to control and manage  
credit risk, market risk and operational risk

**Contact:**

[www.iff-training.com](http://www.iff-training.com)

+44 (0)20 7017 7190

[cs@iff-training.com](mailto:cs@iff-training.com)



Learning partner of

**RiskMinds**



There has never been a more important time to look at advanced risk management techniques. Basel III, FRTB (aka Basel IV), CECL and Brexit are just a few of the issues that the industry is facing. All this along with a market environment of uncertainty of interest rates, overvalued stock markets and rising political tensions over trade, nuclear arms and man-made climate change. An environment which also includes trillions of dollars of bonds with negative yields.

This course is designed to extend your practical knowledge and understanding over the breadth and depth of financial risk management as practised in institutions today and in the near future. Picking up where many other courses leave off, you'll explore the connected nature of risk across market, credit, operational, liquidity, reputational and other risks. In particular, you'll look at the techniques and methodologies employed in risk estimation and their strengths and weaknesses including their relationship to regulation and capital. Moreover, it also looks at how risk is really managed (or not!) currently.

You will benefit from a perfect balance of theory and practice with great emphasis on practicality and hands-on issues. It carefully examines techniques such as Value-at-Risk, Expected-Shortfall, credit modelling, current expect loss, stress testing and scenarios. You will also look at how Basel III and IV impact risk and risk management, as well as the different risk management challenges in fund management.

The three days are designed to be highly interactive with examples and workshops, plus plenty of opportunity for questions and discussion with the course leader and other delegates.

## KEY BENEFITS

- ★ Gain insight into cutting-edge market risk methodologies
- ★ Develop the tools and techniques needed to measure market risk effectively
- ★ Practical exercises with successful stress and scenario testing
- ★ Master effective liquidity risk management
- ★ Examine credit risk modelling and management
- ★ Gain knowledge of how credit derivatives can be used to manage credit risk
- ★ Clarity of the role of capital and the relationship to other risks
- ★ Fully understand the impact of Basel III and FRTB – also the latest developments in regulation and capital requirements in light of the credit crisis
- ★ Insights into the lessons learned from the credit crisis and attempted global recovery
- ★ Examine how Brexit might affect risk post article 50 with the run up to transition

## ABOUT IFF

IFF has been the chosen training provider of the world's best finance and energy professionals since 1991. We are part of Informa PLC and the learning partner of the RiskMinds series of events.

- We continually develop and improve our training to make it more effective for you
- You'll learn from practising, highly-experienced financial experts
- You'll experience interactive and practical training - implement what you learn straight away
- We limit class sizes so the trainer can adapt the content to suit you

## COURSE LEADER

### DR ANDREW STREET



Dr. Andrew Street was formerly Executive Director - Head of Arbitrage and prior to that Director - Head of Equity and Commodity Derivatives at Mitsubishi Finance International (now Bank of Tokyo-Mitsubishi). Before moving to Mitsubishi

he was Head of Equity Derivative Trading at Nomura International and Senior Equity Derivatives Trader at Paribas Capital Markets.

Andrew began his career in the City in the mid-1980s as a Fixed Income Quantitative Analyst and Structured Products Specialist at Barings. In addition to his extensive market practitioner experience, Andrew has been a senior financial regulator including being Head of Traded Risk at the Financial Services Authority (FSA) and Assistant Director - Head of Market Risk at the Securities and Futures Authority (SFA).

This has provided him with a unique insight into the control, regulation and modelling of financial risk across the whole spectrum of financial institutions globally. Andrew is very active in the consultancy and teaching spheres and is an external lecturer at Cambridge University's Judge Business School.

Hear from the trainer himself:  
<http://new.iff-training.com/VIDADR>

## DATES & PRICE

Please contact a member of our team for more details

## CONTACT US

Tel: +44 (0)20 7017 7190  
Email: [cs@iff-training.com](mailto:cs@iff-training.com)  
Web: [www.iff-training.com](http://www.iff-training.com)

## IN-COMPANY TRAINING

IFF's bespoke training solutions will help you address your specific key business challenges. The programme is designed for you, with content focusing on the issues you and your teams are facing. The course can then be delivered at your choice of location face-to-face, digitally or a combination of the two.

- ★ Tailored content - 100% targeted to cover your needs
- ★ No travel or time out of the office – we will come to you
- ★ Value for money – train teams of staff at the same time
- ★ Risk free – we've been doing this for over 30 years

We will meet you anywhere in the world. Please contact Leigh Kendall on +44 (0)20 7017 7190 or email: [Leigh.Kendall@informa.com](mailto:Leigh.Kendall@informa.com)

# COURSE AGENDA



## MARKET RISK MANAGEMENT

### Introduction

- What is risk management?
- Why do we need it?
- Risk management vs. risk measurement
- Risk management, regulation and capital
- What is advanced risk management?
- How does regulation view risks and risk management?
- The current risk environment: Brexit, ZIRP, anaemic growth, falling dollar rates, negative bond yields and the potential rise of inflation

### Market Risk – Methodology

- The origins of market risk
- Sensitivities and The Greeks, DV01, duration, convexity
- Why have limits?
- Value-at-Risk, Expected Shortfall – is it any use?
- What else can we do to control risk?



#### TECHNICAL WORKSHOP

Market risk measures

### Market Risk – Stress and Scenarios

- Why do we need stress and scenario testing in addition to VaR?
- How does Expected Short Fall give us a better risk measure?
- How should we do stress and scenario testing?
- Why do the regulators want to see it done?
- Stress and scenario testing and Basel Pillar 2, ILAAP

### The Division Between Market and Credit Risk

- The trading vs. banking vs. fund management business model
- The regulatory divide
- Impact of liquidity and funding
- Market type risk in traditional banking activities
- How it all went wrong – the credit crunch

### Funding and Liquidity Risk Management

- Asset liability mis-matches in the balance sheet
- Gap analysis
- Funding alternatives – e.g. securitisation, SIVs and conduits
- Funding, asset/liability liquidity and derivative pricing/hedging – how are they all linked?
- LCR / NSFR regulations

### Market Risk Management for Funds

- Why do Fund Managers need different tools?

- Alpha, Beta, Sharpe Ratio, Information Ratio – what is it for?
- The impact of leverage
- Thinking like a Fund Manager's Risk Manager

## CREDIT RISK

### Introduction

- What is credit risk and how does it fit/ overlap with the other risks?
- The key drivers of credit risk
- Market and credit risk together
- Measurement of credit risk
- Counterparty Credit Valuation Adjustment and the other "XVAs" such as DVA, FVA – what are they for?

### Portfolio Credit Risk

- Pricing and risk management of loan portfolios
- Estimating probabilities of default, exposure at default and loss given default
- Actuarial approaches, transition matrices
- Market-based approaches, bond spread and Merton (KMV) model
- Building a credit risk model
- Using the models to set limits and monitor risk



#### PRACTICAL WORKSHOP

Simple portfolio credit risk Modelling

### Managing Credit Risk

- Traditional techniques
- Securitisation and risk transfer
- Regulatory capital, Basel III and F-A-IRB
- Measuring performance and ROC

### Credit Derivatives

- How can credit derivatives be useful in managing credit risk?
- Credit default swaps, single and multiple name
- Tranche CDS
- Issues with CDS, basis, documentation
- Correlation issues
- N to default type structures
- Pricing and risk issues



#### EXERCISE

Basket credit products

## MANAGING CREDIT RISK COLLECTIVELY



#### EXERCISE

Based on Chief Credit Officer role

### The Role of Capital and the Relationship to Other Risks

- What is capital for?
- Risk and capital performance measures such as RAROC, economic and regulatory capital
- Allocating and managing capital
- Raising capital and novel capital instruments

### Basel III and Further Developments

- The evolution of Basel – how did we get here?
- The framework of market, credit and operational risk capital requirements – the three pillars
- Operational risk methods – how do we build a model for AMA?
- Overall requirements and best practice
- Fundamental review of the trading book – what changes will that bring?

### What Risks Have Been Missed?

- The role of pillars two and three in support of capital requirements
- Liquidity risk – the new focus since the credit crunch
- Liquidity stress testing – NSFR and LCR – how do they help manage risk?
- Intra-day and short-term risks
- Reputational and strategic risk
- Whole enterprise risk



#### CASE STUDIES

The demise of Lehman Brothers, MF Global, Amaranth – what went wrong?

### Risk Measures and Reporting in Major Banks

- What is done currently?
- What may have to be done?
- How do we "govern" risk management with a firm?
- What are the major risks going forward?



#### DISCUSSION SESSION

Q&A discussion session



This is an excellent course, especially well presented... Excellent presentations and real examples... Quite inspiring given my prior experience.

KENNEDY MUTUNGA, ASSISTANT MANAGER, DELOITTE

#### Contact:

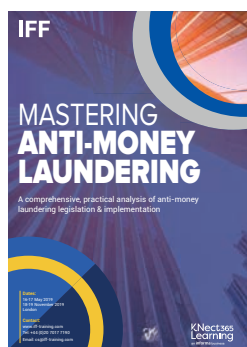
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#### CPD Certified:

IFF is recognised by the CPD Certification Service and have been approved to award CPD points towards professional development certifications. Attendance at this course will earn you 40 CPD points.

## COURSES IN THE IFF RISK MANAGEMENT PORTFOLIO



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See the website for full details [www.iff-training.com](http://www.iff-training.com)