

IFF



THE MECHANICS OF

RISK MANAGEMENT

POSTGRADUATE CERTIFICATE

DELIVERED BY DISTANCE LEARNING OVER 16 WEEKS

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In partnership with

**Middlesex
University
London**

Learning partner of

RiskMinds

COURSE INFORMATION

DELIVERED BY DISTANCE LEARNING OVER 16 WEEKS

WHAT YOU WILL LEARN

On completion of this distance learning course you will have a detailed overview of the types of risk that have a significant impact on our global financial markets today. It provides a practical framework that will help you quickly understand the key issues within the different types of risk.

In the current climate it is critical that everyone working in the financial markets has a robust understanding of risk. This course has been structured to help both risk and non-risk professionals get to grips with the major concepts, themes and issues that underpin modern risk management. The course focuses on three key areas that permeate through all types of risk: Identification, Measurement and Management.

This is a very practical course, despite the trainer not being in the classroom. Expert Clive Corcoran includes numerous materials, such as excel spreadsheets to help you to see the logic involved in the simulations he will guide you through. He coins the course "risk management in its entirety"

COURSE AT A GLANCE

Unit 1 – Introduction to Risk Management

Unit 2 – Interest Rate and Currency Risk

Unit 3 – Market Risk

Unit 4 – Liquidity Risk

Unit 5 – Operational Risk

Unit 6 – Credit and Counter-Party Risk

Unit 7 – Systemic and Sovereign Risk

Unit 8 – Regulation and Risk Management

COURSE LEADER

CLIVE CORCORAN



Clive is an FSA registered investment adviser, financial trainer and author. In his earlier career he was founder and CEO of a personal management company with offices in the USA, UK, Canada and Germany. Based in Los Angeles during the 1980s and 90s

his responsibilities included providing financial advice and business management to owners of intellectual property and high net worth individuals. After re-locating to the UK in 2000, he continued to be engaged in providing wealth management services to private clients and in addition has been an adviser to small pension funds.

As an author he has written several titles on finance and investment management. His current research focus is in the area of risk management, corporate governance and financial regulation with a view to publishing another book on this topic.

Clive's courses have a strong emphasis on linking theory with real-life practical insights from his 30+ years of experience – he has distilled his knowledge so you can learn from his own challenges and successes.

HOW YOU WILL LEARN

- A new module is released every two weeks
- You can study the units online, save them to your computer or print them out
- You set the pace for yourself
- No need to travel or take time off work – cost effective
- Apply the knowledge, skills and expertise to your work straight away

POSTGRADUATE CERTIFICATE

To make your studies more relevant and valuable, the course is validated by the Business School at Middlesex University at a Postgraduate Certificate level. For those wishing to receive a Postgraduate Certificate from Middlesex University, an additional marked assignment of 5000 words will need to be submitted, based on a continuing case study that runs throughout the duration of the course.

PRICE

Standard Price – £1999

With Postgraduate Certificate- £2359

* VAT may be payable depending on your location – see [online booking page](#) for details

HOW TO APPLY

Tel: +44 (0)20 7017 7190

Email: cs@iff-training.com

[APPLY ONLINE HERE](#)

CUSTOMISED TRAINING

IFF's bespoke digital 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 fully branded digital course will be hosted by us, and unlike other online courses, your employees will receive a specialist qualification at the end of the programme from a London University.

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

We will meet you anywhere in the world. If you would like one of our consultants to talk about your needs in more detail or if you would like more information on our customised training solutions, please contact us on: +44 (0)20 7017 7190 or email: cs@iff-training.com

COURSE SYLLABUS



UNIT 1 INTRODUCTION TO RISK MANAGEMENT

Unit Learning Aims and Objectives

- ★ Understand the difference between risk and uncertainty
- ★ Summarize the principal types of financial risk – market risk and capital adequacy, credit risk, liquidity risk, operational, legal and compliance risks, reputational risk
- ★ Examine the notion that risk management should become part of an organisation's culture
- ★ Explain the methodological principles of Value at Risk (VaR). Is it a reliable indicator of portfolio risk – e.g. are asset returns normally distributed?
- ★ Explain how, especially in the aftermath of a financial crisis, there is need for an integrated or holistic approach to risk management – increasing recognition that market risk, credit risk and liquidity risk are all interdependent

UNIT CONTENT

Terminology, Concepts and Scope of Risk Management

Risk management is primarily concerned with determining the likelihood that an undesirable event will occur and taking preventative actions and remedies to minimize the adverse consequences – key issues are:

- Estimation of the magnitude of loss from an unexpected event
- Estimating the probability that there will be an adverse outcome and loss to the business
- Determining the direct and indirect effects of an adverse outcome
- Identification of risks, contingencies and associated potential costs
- Analytical framework for detecting causes of risk resulting in financial loss
- Selection of risk control strategies appropriate to the objectives of the business and implementation of such strategies
- Monitoring and adapting to external and internal risk factors
- Effective risk management should reduce losses, improve financial performance and enhance employee morale

Fundamentals of Value at Risk

- Historical development of VaR – reasons for a single measure of enterprise risk
- Explanation of probabilistic methods based on a normal distribution
- How to calculate VaR – using spreadsheet tools

- Review of statistical tools for measuring risk
 - standard deviation
 - correlation and covariance
 - Kurtosis, skew
- Risk/reward concepts from Capital Asset Pricing Model (CAPM)
 - Sharpe ratio, Sortino ratio, Treynor ratio, Calmar ratio etc
- Evaluation of whether VaR is a reliable indicator of portfolio risk
- Limitations of normal distribution in assessing magnitude of tail risk

Overview of Some Fundamental Strands to Risk Management

- Modelling risk scenarios – stress testing, tools of statistical analysis, Monte Carlo simulations, back testing
- Hedging strategies – use of swaps and other derivatives to manage risk
- Examination of specific risk based derivatives
 - credit default swaps
- Settlement risk – contrast between OTC products and CCPs -central clearing houses
- Systemic risk – outline of key features of the global liquidity crisis of H2 2008
- Advanced hedging topics – delta hedging, gamma risk, options strategies etc
 - implied volatility derived from options, CBOE Volatility Index (VIX)
 - clustering of volatility episodes in market behaviour
- Corporate governance issues – conflicts of interest, internal risk control processes, strength of internal audit team, audit committee, NEDs, external auditors etc
- Major regulatory initiatives – Sarbanes-Oxley, Dodd-Frank Act, BIS and Basel II and III, revamped UK regulatory structure,
- Special measures for Global Systemically Important Banks (G-SIBs)
- TLAC requirements of the Basel based Financial Stability Board (FSB)

UNIT 2 INTEREST RATE AND CURRENCY RISK

Unit Learning Aims and Objectives

- ★ Examine the key drivers affecting portfolio risk from variations in interest rates and foreign exchange – domestic monetary/fiscal policy, actions of central banks, macro-economic conditions and outlook, sovereign debt/GDP ratios, risk appetite/aversion
- ★ Examine the basic mathematics underlying risk of fixed income instruments – duration of interest bearing assets and liabilities, sensitivity to changes in rates

- ★ Explain the concepts behind foreign exchange forward rates, covered interest parity, how to hedge risk of assets/liabilities denominated in foreign currencies
- ★ Explain the key concepts behind managing interest rate risks with swaps – fixed, floating, more exotic types, the term structure of interest rates i.e. the yield curve
- ★ Explain the key concepts of duration, convexity, interest rate hedging and portfolio immunisation

UNIT CONTENT

Interest rate and currency risk management needs to be undertaken with respect to the entire balance sheet and financial condition of enterprises. It should cover the management of the entire debt profile of a business, the maturity of the debt, the liquidity of the assets, the currency of the debt, the fixed-floating mixture of the debt and expectations of future interest rates:

- Identification and measurement of interest rate risk
- VaR based approaches to risk measurement
- Scenario simulation analysis involving stress tests and worst case scenarios
- Stochastic interest rate modeling
- Pricing and valuation of interest rate derivatives
- Application of interest rate derivatives in interest rate and currency risk management
- Interest rate derivatives and Asset/Liability Management (ALM)

Basic Mathematics of Fixed Income Instruments

- Discounted cash flow analysis and time value of money
- Weighting of cash flows
- Fixed term Annuities, variable cash flow periods, perpetual securities
- Macaulay Duration and Modified Duration
- Present Value of a Basis Point (PVBP)
- Convexity adjustments
- Calculating yield to maturity
- Deriving the zero-coupon yield curve

Asset/Liability Management and Interest Rate and Currency Risk

- Distinguish between risk of capital loss for bonds and reinvestment risk
- Risks associated with changes to the term structure of interest rates
- Mismatching of income producing assets and liabilities
- Challenges facing long term asset managers
 - pension funds, sovereign wealth funds
- Stress testing asset/liability mix by Monte Carlo simulations

Unit 2 continued...

COURSE SYLLABUS

Unit 2 continued...

Managing Interest Rate Risk With Derivatives

- Spreadsheet modeling of option pricing based on volatility conditions, changes in interest rates, price gaps/crashes
- Explanation of delta and gamma for options strategies
- Using the Black-Scholes formula to determine the price of options
- Construct payoff diagrams for call and put options and combination strategies
- Understand the mechanics of buying, selling and exercising option contracts
- Understand the directional effects of relevant variables on the value of options
- Explain how debt and equity can be understood as options on the firm
- Swaps as a hedging mechanism and as a tool to reduce cost of borrowings
- Relative risks of exchange traded (centrally cleared) vs. OTC products

Using Derivatives for FX Risk Management

- Examination of forex derivatives/products
- FX Forwards Contracts
- Currency Swaps – various kinds including cross currency basis swaps
- Understanding currency options terminology
- Options vs. futures and forwards contract
- Spreadsheet modeling of using different instruments to hedge FX risk
- Examine the manner in which certain currencies can be aligned with risk on/risk off market characteristics
- Structured FX products – e.g. Target redemption forwards

UNIT 3 MARKET RISK

Unit Learning Aims and Objectives

- ★ Explain the symbiotic relationship between financial risk and investment returns and account for its position as the cornerstone of finance theory
- ★ Differentiate between systematic risk (applies to all assets) and idiosyncratic risk (specific risk associated with individual securities)
- ★ Outline the view of risk management which emanates from the Capital Asset Pricing Model (CAPM) and Modern Portfolio Theory (MPT) and consider the strengths and weakness of such theories especially in the wake of the 2007/9 financial crisis
- ★ Explain the key characteristics of risk adjusted returns – cross sectional correlations of returns amongst different asset classes, Sharpe ratio, Treynor ratio, Sortino ratio, Calmar ratio, beta, alpha, etc

UNIT CONTENT

Distinguish Risks Associated with Different Asset Classes and The Separate Stages of Conducting Transactions for Securities in Financial Markets

- Equity risk – capital loss, bankruptcy, reorganizations, dividend suspension
- Interest rate risk – risks associated with changes in short term/long term rates, yield curve
- Foreign exchange risk – risks of adverse currency movements in assets denominated in currencies other than the domestic or base currency
- Commodity risk – risks of price changes, shortages, limit down moves etc
- Derivatives risk – non linear price adjustments for most derivatives
- Trading risk – gaps where not trading takes place, flash crashes, merits and demerits of stop losses
- Execution risk – difficult market conditions, failure to implement legs of arbitrage
- Liquidity risk – illiquid and volatile markets, margin calls, counter-party risk
- Adapt the VaR metric to capture the specific risks associated with each asset class

Examination of the Contributions and Limitations of The CAPM and MPT as a Theoretical Framework Enabling Proper Understanding and Implementation of Risk Management Techniques

- Risk/return trade off – explanation of the cornerstones of CAPM, securities market line, beta, alpha, risk free rate etc
- The concept of the efficient frontier – matching risk profiles to return expectations
- Systematic risk – the risk of having exposure to the overall financial market
- Idiosyncratic or specific risk – risks of individual companies and securities
- MPT and diversification – the Markowitz model and covariance matrix analysis
- Risk-Adjusted Return on Capital (RAROC)
- Using RAROC to standardize assessment of profitability vs. risk
- Using risk adjusted return as basis for allocation of capital to business units across the enterprise
- Difference between CAPM and Arbitrage Pricing Theory (APT)

Lessons from the 2007/9 Global Financial Crisis and the Changed Landscape of Capital Markets

- Nature of correlation in contemporary markets
- Historically elevated levels of correlation in the returns of many asset classes
- Cross sectional correlation framework
- Elevated and unstable correlations poses

fundamental problem for CAPM inspired model of portfolio diversification

- Correlations are unstable and tendency to approach unity at times of crisis
- Evidence that asset returns are not normally distributed – skew, kurtosis, fat left tails
- Left tail dependencies across assets
- Probability of joint default/liquidity crisis – problems with modeling joint default risk – focus on the limitations of the Gaussian copula approach to calculating risk for combining assets in structured products

Back-Testing Methods, Benefits and Limitations

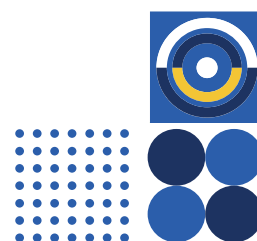
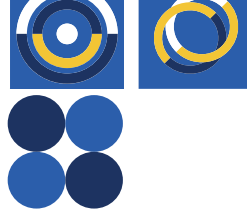
- Tests how well VaR estimates would have performed in the past
- Principal components analysis for VaR
- Sizes of historical samples – are they sufficiently large to include wide variety of possible conditions
- Danger of optimizing risk management parameters – over-fitting to the historical data
- Benefits of more loosely coupled systems as less fragile

UNIT 4 LIQUIDITY RISK

Unit Learning Aims and Objectives

- ★ Contrast notion of liquidity used by accountants in assessing balance sheet liquidity and the very different notion relating to depth and quality of transaction facilitation in financial markets
- ★ Market liquidity is less easy to quantify – bid/ask spreads, critical loss of confidence in counter-parties, inability to engage in short term funding, financial contagion
- ★ Contrast between normal market liquidity conditions enabling transactions to be conducted with minimal transaction costs, temporary bouts of illiquidity which impair ability to transact and critical episodes of illiquidity in which markets “seize up”
- ★ Explain the linkage between maturity transformation and financial intermediation and the necessary presence of reasonably liquid markets

Unit 4 continued...



COURSE SYLLABUS



Unit 4 continued...

UNIT CONTENT

Identifying the Special Risks Associated with Lack of Market Liquidity

- Distinguish assets which may be illiquid even in normal market conditions and crisis induced illiquidity of capital markets as a whole
- Market illiquidity – leads to increased transaction costs, large bid-ask spreads
- Systemic illiquidity – markets seize up and central banks have to become the counterparty of last resort
- Examine the feedback loop where adverse price movements leads to margin calls, diminished value of collateral, leading to "fire sale" of assets causing more margin calls
- Repos and short term interval funding as in maturity transformation presumes liquid markets
- Marking to market for liquid instruments vs. mark to model for rarely traded instruments.

How to Capture the Separate Dimension of Liquidity Risk into an Integrated Value At Risk (VaR) Metric for Market Risk

- Adjusting VaR for liquidity risk – normalizing bid-ask spread and application of a multiplier
- Greater anxiety to sell less likely to obtain "normal" market price
- How to monitor liquidity conditions – money market spreads, LIBOR/OIS
- Contrast between money market rates which involve counter-party risk and swap rates which often do not have risk of loss of notional value
- Tipping points in liquidity break downs – deterioration in money markets is not linear
- Far out of the money options tend to be overlooked or not properly accounted for in risk management – volatility smiles
- Stress testing – examining the impact of adverse developments across all interval funding

Cash and Liquidity Management

- Forecasting cash requirements from cash flow analysis under stress conditions
- Working capital management – conventional accounting ratios with adversity adjustments
- Efficient cash management structures
- Risks of using money market instruments for short term funding of liabilities

Special Liquidity Issues Which Arise When Capital Markets are Facing Stress

- Liquidity hoarding – fears of counter-party risk lead to unwillingness to engage in normal money market operations, break

- down in commercial paper market
- Financial contagion and the need for Contingency Funding Plans (CFPs)
- Greater need to be vigilant regarding counterparty exposure and daily cash management
- Stress testing of balance sheets – test for liquidity/solvency under different time frames regarding the extent and severity of market disruptions
- Need for dynamic liquidity analysis that models likelihood of greater haircuts, downgrade triggers, potential exposure and disruptions to repo markets
- Greater emphasis on multi-lateral netting of derivatives contracts

UNIT 5 OPERATIONAL RISK

Unit Learning Aims and Objectives

- ★ Illustrate how enterprises have **substantial risks – resulting in financial loss, reputational damage and legal risks – from inadequate safeguards to avoid execution failures and misconduct**
- ★ Illustrate with actual examples how **operational failures from financial institutions – including rogue trading, market abuse, and mis-selling – can expose firms to legal risk, sanctions from regulators and reputation damage**
- ★ Examine the loss scenarios of **operational failures on both financial and non-financial enterprises and what internal control procedures – front office/middle office/back office – and corporate governance provisions should be in place to minimize the damage from such failures**

UNIT CONTENT

Creating the Most Effective Internal Risk Management Environment to Minimize The Likelihood of Operational Errors and to Contain the Damages/Losses when Such Execution Failures Arise

- Enterprise Risk Management (ERM) – strategic management philosophy and cultivating an ethos of prudence and robust risk control
- Risk assessment process – how does the business identify and respond to potential and actual risks?
- Avoid silos – when risk information is kept isolated in separate divisions supervision and vigilance at the senior level becomes impossible
- ERM needs to be fully integrated into all accounting, surveillance, IT systems and data storage back up systems
- Monitoring of controls – constant checking on the quality and integrity of the procedures

- Fully resourced compliance officers check on whether regulations are being followed
- External auditors will pay particular attention to the presence of, and reliability of, internal controls
- Internal auditors have to make decisions on the extent of their reliance on controls to manage risks and thus how much further probing has to be done
- Loss modeling methods – contingency funding plans, Monte Carlo simulations

Adverse Consequences Including Risk of Insolvency and Regulatory Sanctions from Operational Failures

- Reputational risk – the trustworthiness of business
- Damage to a firm's reputation can result in capital loss and destruction of shareholder value, even if the company is not found guilty of a crime
- Extreme reputational damage may lead to bankruptcy – e.g. Arthur Andersen
- Case studies and detailed examples of reputational damage – e.g. Goldman Sachs, BP, Barclays, HSBC, UBS, Volkswagen
- Legal risk – uncertainty about enforceability of contracts with counterparties
- Litigation risk – mis-selling of derivatives – regulatory fines and class action law suits
- Rogue trading – Soc Gen, UBS, ineffective back office controls – should separate traders and risk takers entirely from back office surveillance systems

Improving Risk Control Systems in The Light of Recent Market Abuses and Execution Failures

- Conditional deferred payments for traders – claw-backs, bonus payments in subordinated debt and restricted equity etc
- Concealment of losses – informational asymmetry between risk takers and risk supervisors
- Traders move to new company and know limitations of modelling in prior company
- Practitioners with models will have superior knowledge to their managers
- Contingency planning related to stress testing
- Risk estimates should be fully factored into the assessment of viability/profitability from different kinds of operational activities
- Assess risks of loss of key personnel
- Not all risks are quantifiable e.g. what losses would be sustained from disruptive technology which makes current practices obsolete etc
- Dangerous to slide from an inability to quantify a certain operational risk to neglecting it



COURSE SYLLABUS



UNIT 6

CREDIT AND COUNTER-PARTY RISK

Unit Learning Aims and Objectives

- ★ Examine facets of credit risk which hinge on losses sustained from failure of a counterparty to honour contractual obligations
- ★ Distinguish the separate components of credit risk
- ★ Understand the mechanics of credit default swaps – the cash flow structure, the ISDA master agreement, determination of a credit default event, liquidity of market for CDS, scrutiny from regulators
- ★ Understand the concepts of credit rating and scoring, the role of the major Credit Ratings Agencies (CRAs), methods used to determine credit ratings, implications of ratings downgrades, how useful are ratings for determining actual risk of default?

UNIT CONTENT

Credit Metrics, Credit Scoring and Credit Rating Systems

- Quantitative modeling of credit risk using stochastic processes
- Techniques for modeling default risk of CDOs and other structured vehicles
- Lessons from SPVs and other off balance sheet financing on credit risk management
- Assessing credit risk of corporate bonds, swaps, forwards and examination of Credit Metrics™
- Adapting VaR measures to include a metric for default value at risk
- Basel Committee approach to credit risk – risk weighting of assets

Techniques for Implementing Credit Risk Management

- Examine robust techniques to model the distribution of credit losses
- Netting off payments between counter parties – cross collateralisation
- Periodic settlement of obligations
- Margin and collateral requirements – position limits
- Guarantees from third parties – banks
- Using credit derivatives as part of credit risk management strategy
- Advanced topics in assessing default probabilities including copula methods

Strengths and Limitations of The Basel Accords With Respect to Credit Risk Management

- Basel IIs sound practices for the management and supervision of operational risk – Basic Indicator Approach (BIA), Advanced Measurement Approaches (AMA)
- Basel III – key capital ratios

- The rationale of risk weighted assets – do they adequately reflect correlation risk?
- Standardized models and Internal Ratings Based (IRB) models

Bypassing the Credit Risk from OTC Transactions Through Central Party Clearing

- Novation replaces original trades and establishes clearing house as guarantor of performance – removes the risk of non-performance from originators of trades
- Settlement risk is obviated by delivery vs. payment as implemented by clearing systems e.g. LCH.Clearnet, SwapClear
- CMEs open source SPAN algorithms – “can be used to evaluate risk for the broadest possible range of derivative and physical instruments”
- Netting of offsetting transactions – less notional risk exposure
- Constant monitoring of margin requirement for continuous mark to market and margin maintenance
- Well capitalized CCP guarantee framework and centralized collateral management – but could create a “black swan” as there is over reliance on a single point of failure

UNIT 7

SYSTEMIC AND SOVEREIGN RISK

Unit Learning Aims and Objectives

- ★ Examine the dilemma that linkages between financial intermediaries may, up to a point, contribute to systemic stability; however the same interconnections might also act as a shock-amplifier and thus increase systemic fragility
- ★ Outline the observations that kurtosis and skew of financial asset returns leads to left tail dependencies with heightened probability of joint defaults in a liquidity crisis which can be systemically threatening
- ★ Illustrate how systemic risk might can emerge from a common shock leading to a simultaneous default of several financial institutions
- ★ Informational contagion where adverse news about one financial institution's solvency will spread to fears regarding many other institutions – herding behaviour

UNIT CONTENT

Which Financial Metrics Can Be Monitored to Determine The Imminence of Changes in Market Liquidity?

- Credit Default Swap (CDS) rates on key financial intermediaries and sovereigns

- Money market spreads – LIBOR-OIS, TED spread
- Cross currency basis swap rates – especially EUR/USD rate
- Which are leading and which are coincident indicators?
- IMF has developed a systemic liquidity risk index
- Macro stress-tests can assess the resilience of the financial system – but are the extent of stress scenarios severe enough?

The Impetus Behind Macro Prudential Regulation Which Seeks to Impose Additional Requirements on Institutions Which Are Systemically Important With a View To Reducing Joint Default Probability

- Problem of many institutions holding similar assets with high correlation between portfolios and high leverage faced with amplifying feedback loops during liquidations – “fire sales”
- Explore regulatory focus on new capital surcharges, contingent capital, bail-in debt, living wills, resolution mechanisms
- Understand motivation for establishment of counter-cyclical capital buffers
- Initiatives to strengthen the regulation and supervision of hedge funds, OTC derivatives and rating agencies

Factors Considered By Credit Ratings Agencies (CRAs) in Sovereign Risk Ratings and Which Can Be Used in Making an Independent Assessment of Sovereign Creditworthiness

- Debt/GDP – since GDP is synonymous with national income, the quantitative ratio of debt/income is paramount – but it is not the only issue as qualitative issues are important
- Proportion of domestically-held debt – may be a crucial consideration because it might affect incentives to pay – problematic if too much reliance on selling public debt to foreigners
- Term structure of debt – longer term maturity structure helps lower the likelihood that a liquidity crisis becomes a solvency crisis.
- Demographic profile – dependency ratio and growth/composition of population
- Debt/revenue – ratio of public debt to the taxation revenues
- Access to capital markets and default history or having assistance from IMF etc
- Reserve currency status – safe havens, capital flight
- Interest rate on debt – especially in relation to real growth rate of GDP after inflation
- Credit bubble risk – economies with history of rapid growth in private debt are more prone to enter asset price bubbles

COURSE SYLLABUS



UNIT 8 REGULATION AND RISK MANAGEMENT

Unit Learning Aims and Objectives

- ★ Examine how statutory regulation is a primary method by which safeguarding the public interest in risk management is implemented in modern economies
- ★ Explain the motivations for regulations pertaining to risk control at the national and transnational levels
- ★ Examine the dichotomy that regulation by nation states must contend with national risks but the fact that many financial risks are transnational
- ★ Examine the role of major global regulators, supervisory and (quasi) regulatory bodies
- ★ Outline the key characteristics of major statutes underpinning regulations of financial and non-financial enterprises and review proposed measures and accords
- ★ Examine the practice of regulatory arbitrage – including the manner in which organizations may circumvent regulatory oversight in more onerous jurisdictions

UNIT CONTENT

Explain Why Debate Regarding Financial Regulation is a Key Contemporary Public Policy Issue Focusing on The Need for Risk Containment and Desire to Avoid Repeat of The Global Banking Crisis

- Demands on governments to regulate risks are increasing
- The impact of the 2007/9 financial crisis
- Increasing inter-connectedness of financial system – network fragility
- Complexity of financial instruments and high degree of leverage
- Concerns about the shadow banking system and offshore and off balance sheet structures
- Contrast macro-prudential policy initiatives with traditional micro-prudential
- Pro-cyclical and counter-cyclical risk management
- Special role of European Union agencies – ESM, EBA, SSM etc
- Dodd Frank Act and Financial Stability Oversight Council (FSOC), Volcker rule
- Ongoing investigations by SEC, CFTC into market abuse – Libor rigging, money laundering etc

Overview of the principal global regulators of financial markets and financial services companies:

- USA – the Federal Reserve, Treasury, SEC, CFTC, FDIC
- UK – Bank of England, Financial Policy

Committee (FPC), Prudential Regulation Authority (PRA), Consumer Protection and Market Authority (CPMA), Financial Conduct Authority (FCA)

- European Union – ECB, the European Stability Mechanism (ESM), ESMA
- Trans national – Bank for International Settlements (BIS), Global Financial Stability Board etc
- Role of the Basel based Financial Stability Board

Issues Related to Regulatory Arbitrage and The Growing Push for Trans-National Cooperation on Effect Regulations to Enhance Enforcement of Risk Management Protocols

- Contingency action clauses – jurisdictional arbitrage re bond covenants
- Gaming the Basel accords – targeting capital adequacy ratios to effect the letter of the accords rather than the “spirit”
- Organization structures designed to circumvent taxation and burdensome regulatory oversight
- Increasing public scrutiny of “offshore” structures which appear to be designed to avoid effective risk management protocols
- “Race to the bottom” – competition amongst different jurisdictions to operate the most “business friendly” policies and “light touch” regulation frameworks

The Characteristics of Major Statutes Which Regulate Most Enterprises and Some Proposed Measures and Accords Which are the Subject of Ongoing Public Debate

- Sarbanes-Oxley – risk disclosure requirements, stringent accounting requirements, impact on IT policies etc
- Dodd-Frank Act and Volcker Rule – restrictions on activities/structure of banks
- Basel III – capital adequacy, transparency
- European banking supervision – ECB supervision of major EU banks
- Vickers Commission – ring fencing investment and retail banking



OPTION OF A POSTGRADUATE CERTIFICATE WITH MIDDLESEX UNIVERSITY



You have the unique opportunity to choose a validated option for this course and receive a postgraduate certificate on completion. This programme was developed and is delivered and assessed by IFF, awarded by and quality assured by Middlesex University. However, if university validation isn't important to you there is still the opportunity to take the standard non-validated course.

WHAT DOES THE CERTIFICATE ENTAIL?

In addition to studying all the units and passing the short self assessment tests after each unit, you will need to submit a 5000 word assignment at the end of the course which will be assessed. The assignment will be a cumulative project that you will work through and build upon during each stage of the course.

If you wish to book on the certification course there will be an assessment fee of £360.

ENTRY REQUIREMENTS

Participants wishing to undertake the Postgraduate Certificate are required to have a degree or equivalent qualification (or relevant work experience).

Participants wishing to undertake the course but not receive the Postgraduate Certificate are not required to have any formal qualifications.

ABOUT OUR PARTNER MIDDLESEX UNIVERSITY

History

Middlesex University is a large London based university with a history in higher education dating from 1878. In 1992 it was granted the Royal Charter making it a university. The university offers a broad range of courses through four academic schools of Arts and Education; Business; Engineering and Information Sciences; Health and Social Sciences and their Institute for Work Based Learning.

Middlesex University has over 34,000 students studying on its courses worldwide, both at its own campuses and also with partner institutions, making it one of the largest providers of British university education to international students. Middlesex University has a long history of successful collaborations with the corporate sector. It was the first academic institution to develop industry specific MBA programmes (Shipping & Logistics and Oil & Gas) delivered 100% by distance learning.

INTERNATIONAL REACH

Middlesex University is committed to meeting the needs and ambitions of a culturally and internationally diverse range of students by providing challenging academic programmes. It has a major international business school based in London with overseas campuses in Dubai and Mauritius and a global portfolio of partnerships delivering high quality validated programmes in business and management.

Staff and students come from a wide spectrum of cultures and backgrounds with a common interest in executive education that is world class, modern and applicable. Middlesex University Business School is proud of its dedicated teachers and its rich range of learning resources including distance learning and virtual learning environments.

BENEFITS OF STUDYING FOR A POSTGRADUATE CERTIFICATE WITH US

A MIDDLESEX POSTGRADUATE CERTIFICATE:

- Is project based and practical
- Offers networking opportunities during and after the course
- Provides exceptional teaching staff
- Delivers applied learning experiences
- Combines academic rigour with individual support

HOW IS THE COURSE VALIDATED?

This programme is quality assured by Middlesex University and after successfully completing your studies you will receive a Postgraduate Certificate from Middlesex University. Middlesex Certificates are recognised worldwide.

QUALITY

The Quality Assurance Agency (QAA) visited Middlesex in 2015 and noted in its report that its auditors had confidence in the University's current and likely future management of its academic standards and of the learning opportunities available to students.

THE UNIVERSITY IS A MAJOR PROVIDER OF BUSINESS AND MANAGEMENT EDUCATION, WITH AN IMPRESSIVE TRACK RECORD OF WORKING IN PARTNERSHIP WITH THE PUBLIC AND THE PRIVATE SECTOR, AS WELL AS INTERNATIONAL ORGANISATIONS



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