Risk Management (Bank 405)

Part 1. Overview of Banking System

* Introduction
* Commercial Banking: What Banks Do?
	+ Accept Deposit/Lending Credit
	+ Provide Safety
	+ Act as Payment Agent
* Economic Concepts in Banking
	+ Settle payment
	+ Credit intermediation
	+ Maturity transformation
	+ Money creation
* How Banks make money?
	+ Source of funds
	+ Use of funds

Part 2. Introduction of Risk Management

* Introduction
* Financial risk management
* What type of risk is being considered?
* Banks are in the risk business
* Risk forms
* Why do banks manage these risks?

Part 3. Banking Business Lines

* Business poles in the banking industry
* The banking and the trading books
	+ The banking book
	+ The trading portfolio
	+ Off-balance sheet transactions
* Bank’s financial statement
	+ Balance sheet
	+ Income statement and valuation
	+ Performance measures

Part 4. Banking Risks

* Introduction
* Credit risk
* Interest rate risk
* Liquidity risk
* Foreign exchange rate risk
* Market or trading risk
* Country and sovereign risk
* Operational risk
* Off-balance sheet risk
* Other risks
* Capital risk and solvency

Part 5. Banking Risks Management

* Introduction
* General risk management
* Credit risk management
* Managing the lending function
	+ Retail lending
	+ Credit checking and credit scoring
	+ Managing the loan portfolio
* Managing interest rate risk
	+ Gap analysis
	+ Duration analysis
	+ Simulation approaches
* Managing liquidity
	+ Liquidity gap analysis and financing gap
* Managing market risk
	+ RAROC
	+ Value-at-Risk (VaR)
* Managing operational risk
* International risk assessment

Part 6. Banking Regulations

* Regulatory issues
	+ The need for regulation
	+ The dilemmas of the regulator
* Capital Adequacy
	+ Risk-based capital regulations
	+ Implications of capital requirements
* The “Current Accord” Capital Regulations
	+ The Cooke ratio and credit risk
	+ Market risk
	+ Derivatives and Credit risk
	+ Interest rate risk (Banking Portfolio)
* The New Basel Accord
	+ Pillar I: Overall Minimum Capital Requirements
	+ Pillar II: Supervisory Review Process
	+ Pillar III: Market Discipline