CERTIFICATE IN RISK MANAGEMENT IN BANKING

DEVELOP YOUR KNOWLEDGE RELATING TO

RISK MANAGEMENT IN BANKING

Module Specification Edition 1

Level: ***Designed as SCQF Level 10/EQF Level 6***

Credits: ***Designed as 20***

Qualifications to which module contributes:

- *Certificate in Risk Management in Banking*
- *Chartered Banker Diploma*

Prerequisite module:

- *Leadership, Strategy and Risk*



Chartered Banker

Module Version 1

AUDIENCE:

Current or aspiring bank leaders who want to deepen their knowledge, skills and awareness of banking risk management – and have that knowledge and understanding recognised through the award of a professional banking qualification.

AIM:

To deepen the learner's knowledge, understanding and skills relating to risk management in banking, considering the types of risk that arise from the nature of banking, the trends that are shaping emerging risks, and the implications of these for the future of risk management in banking. The learner will develop their ability to view risk holistically across the bank, identify and manage risk within the context of their own role, and think ahead and prepare for the future. They will also enhance their understanding of what it takes to build an effective risk culture that supports the bank's strategy and values and where decisions are made in line with the bank's risk appetite.

LEARNING OUTCOMES:

On completion of this module, the learner will be able to:

1. Evaluate the impact of current trends and influences on the types of risk to which banks are exposed due to the nature of their activities, and the implications of emerging risks for effective risk management
2. Assess the extent to which the regulatory responses to bank failures and financial crises have been effective in improving risk management in banking
3. Critically reflect on the extent to which adoption of a holistic approach to risk management is effective in measuring, monitoring and mitigating risks to which a bank is exposed
4. Assess the ways in which banks manage a range of key risks
5. Critically assess the ways in which best practice in risk management could be applied to build and embed an effective risk culture
6. Formulate a view on what the bank of the future may look like and the implications for bank risk management.

SKILLS:

The module will support the learner in the development of a number of key skills:

- Adaptability
- Analytical thinking
- Change management
- Commercial awareness
- Communication
- Creative thinking
- Critical thinking
- Decision making
- Digital literacy
- Leadership and influencing
- Problem solving
- Professionalism
- Risk management
- Self-directed learning
- Strategic thinking
- Teamwork

DELIVERY METHODOLOGY:

Risk Management in Banking has six units. The learning approach includes:

- reading and self-study
- self-assessment and reflective activities
- case studies
- online knowledge checks at the end of each unit
- applying learning at work

LEARNING RESOURCES:

Learning resources include:

- an interactive study guide in PDF format
- textbook and online resources for core reading
- recommended further reading and resources.

ASSESSMENT:

The Certificate in Risk Management in Banking is assessed by a single exam sat within a 24-hour time period. The exam will enable the learner to demonstrate their achievement of the module learning outcomes.

Formative assessment is provided in the form of online objective testing at the end of each unit.

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Unit 1. Bank Business and Risks

Learning outcomes	Assessment criteria	Indicative content
The learner will be able to:	**The learner can:**	
LO1: Evaluate the impact of current trends and influences on the types of risk to which banks are exposed due to the nature of their activities, and the implications of emerging risks for effective risk management.	**1.1** Explain key principles of banking, finance and financial products. **1.2** Differentiate between the types of risk to which a bank is exposed and how they are interrelated. **1.3** Identify the key drivers of risk and emerging risks in the current risk landscape for banks. **1.4** Explain why the financial services sector is regulated more tightly than other sectors. **1.5** Evaluate the impact of current trends and influences on the types of risk to which banks are exposed and the implications of emerging risks for effective risk management.	Overview of key principles of banking, finance and financial products: • bank business and bank capital • bank assets and liabilities • the money markets • bank products and activities • bank structures and business models • financial statement components • financial ratios • credit analysis • derivative instruments and hedging • yields and the yield curve • securitisation Types of bank risk Risk drivers, influences and trends

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Unit 2. Bank Failures, Financial Crises and Regulation

Learning outcomes	Assessment criteria	Indicative content
The learner will be able to:	**The learner can:**	
LO2: Assess the extent to which the regulatory responses to bank failures and financial crises have been effective in improving bank risk management.	**2.1** Identify the key determinants of bank failure and the causes of banking and financial crises. **2.2** Differentiate between types of early warning systems designed to monitor bank risk and vulnerabilities in the financial system. **2.3** Assess the extent to which the regulatory responses to bank failures and financial crises have been effective in improving bank risk management. **2.4** Explain what is meant by conduct risk and the purpose of conduct of business regulation. **2.5** Explain the purpose and evolution of bank capital regulation.	Bank failure Early warning signals for bank soundness Bank restructuring Banking crises Bank regulation and supervision Conduct of business regulation Regulatory capital and the capital adequacy assessment process

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Unit 3. Banks and Risk Management

Learning outcomes	Assessment criteria	Indicative content
The learner will be able to:	**The learner can:**	
LO3: Critically reflect on the extent to which adoption of a holistic approach to risk management is effective in measuring, monitoring and mitigating risks to which a bank is exposed.	**3.1** Explain the role of a bank's centralised risk management function and the ways in which a bank establishes risk policies that fit its markets and capabilities. **3.2** Assess the benefits and challenges of implementing the three lines of defence model in an operational risk management framework. **3.3** Identify the components of an enterprise wide risk management framework and assess the extent to which adoption of a holistic approach to risk management is effective in measuring, monitoring and mitigating risks to which a bank is exposed. **3.4** Examine the impact of current trends on managing risk across the bank. **3.5** Examine a range of key bank risk concepts and the implications of these for effective bank risk management.	Governance and the centralised risk function Operational risk framework The three lines of defence model A holistic approach to risk management and enterprise-wide risk management frameworks Risk management overview and principles: • risk policies • aggregation of risk • diversification • concentration • correlation • risk appetite • volatility • value-at-risk

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Unit 4. Managing Bank Risks

Learning outcomes	Assessment criteria	Indicative content
The learner will be able to:	**The learner can:**	
LO4: Assess the ways in which banks manage a range of key risks.	**4.1** Assess the implications of credit risk and the ways in which banks manage this risk. **4.2** Explain what is meant by interest and market risk and assess the ways in which banks manage these risks. **4.3** Assess the implications of liquidity risk and the ways in which banks manage this risk. **4.4** Assess the scope of operational risk and the ways in which banks manage the risks arising from its operations. **4.5** Assess the impact of technology on bank risk management and the implications for the future of bank risk management.	Managing credit risk Managing interest and market risk Managing liquidity risk Managing operational risk Impact of technology on bank risk management and the implications for the future

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Unit 5. Risk Culture

Learning outcomes	Assessment criteria	Indicative content
The learner will be able to:	**The learner can:**	
LO5: Critically assess the ways in which best practice in risk management could be applied to build and embed an effective risk culture.	**5.1** Explain what is meant by risk culture. **5.2** Identify the indicators of a sound risk culture. **5.3** Assess the components of a risk culture framework. **5.4** Assess the ways in which risk management best practice could be applied to build and embed an effective risk culture across the bank. **5.5** Establish a link between effective risk governance, incentive programmes and risk culture.	Risk culture defined Elements and indicators of a sound risk culture Risk culture frameworks Risk culture best practices and cultivation Risk culture, risk governance and incentive programmes

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Unit 6. The Future of Risk Management in Banking

Learning outcomes	Assessment criteria	Indicative content
The learner will be able to:	**The learner can:**	
LO6: Formulate a view on what the bank of the future may look like and the implications for bank risk management.	**6.1** Formulate a view on what the bank of the future may look like and the implications for bank risk management. **6.2** Identify key structural trends that are likely to fundamentally reshape the ways in which banks manage risk. **6.3** Assess what banks should be doing now to prepare for and deal with structural trends. **6.4** Assess the challenges that banks will be required to navigate to enable them to thrive in the future. **6.5** Assess the ways in which banks might transform their risk management functions to adapt to a future banking environment.	The bank of the future Structural trends Navigating challenges Transforming the risk function

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