

CHARTERED BANKER 2012 MODULE SPECIFICATION

Title:	Risk Management in Banking
Credit Value:	SCQF Level 10/EQF Level 6 SCQF Credit Points 25
Aim:	To provide an extensive, detailed and critical knowledge and understanding of risk management in the banking industry and develop the practitioner's skills and ability to synthesise complex issues, evaluate information, apply principles and techniques, and make professional judgements and informed decisions in relevant work situations.
Access Statement:	It is recommended that students should have previously studied at SCQF Level 8/9/EQF Level 5/6 or above, or has relevant practical experience in banking or financial services.
Programmes of study to which unit contributes:	<ul style="list-style-type: none">• Chartered Banker• Associate Chartered Banker Diploma
Learning Outcomes:	Knowledge, Understanding and Skills On completion of this module, students should be able to: <ol style="list-style-type: none">1. critically analyse key risk management concepts in banking2. distinguish between different types of risk and how these can be identified, monitored and mitigated3. evaluate the central credit risk function of a bank and its role within the risk management framework4. assess credit risk and apply credit risk practices5. assess and manage operational risks6. critically review the International and UK regulatory risk environment7. examine the impact of the global banking crisis of 2007/08 and subsequent events in banking that have affected the industry.
Method of Delivery:	Distance learning with blended learning support.
Assessment:	<i>An online, extended response examination worth 70% of the overall result and one summative assignment worth 30%. Continuous formative assessment will be provided in the form of feedback on a draft assignment.</i>

Learning Outcomes, Assessment Criteria and Content

Learning Outcomes	Assessment Criteria	Content
Risk Management Concepts		
Critically analyse key risk management concepts in banking.	<p>Identify and explain the key risk management concepts in banking.</p> <p>Identify the key sources of risk in banking and establish the interconnections between global financial markets.</p> <p>Explain how the concept of economic capital relates to the management of risk in banking.</p> <p>Critically analyse the key risk management concepts.</p>	<p>The importance of risk taking</p> <p>Key sources of risk in banking</p> <p>The interconnections between global financial markets</p> <p>Key financial and statistical techniques</p> <p>Financial and non financial quantification</p> <p>Concept of economic capital</p> <p>Application of financial risk in other companies</p>
Types of Risk		
Distinguish between different types of risk and how these can be identified, monitored and mitigated.	<p>Examine a range of tools and techniques to identify risk and explain how these can be implemented in the workplace.</p> <p>Create a plan that details a methodical approach to risk assessment.</p> <p>Differentiate between a range of risk mitigation techniques.</p> <p>Assess the relative merits of different approaches to risk mitigation.</p> <p>Identify and explain tactical control measures that could be used to</p>	<p>RISK IDENTIFICATION</p> <p>What is risk identification?</p> <p>Tools and techniques</p> <p>Other techniques</p> <p>Benefits of risk identification</p>

	<p>manage risk.</p> <p>Examine the role of risk monitoring and reporting in the risk management process.</p> <p>Critically review a range of tools and techniques used to monitor and report risk.</p>	<p>RISK ASSESSMENT</p> <p>The purpose of risk assessment</p> <p>Cause and effect</p> <p>Probability</p> <p>Probability and relative frequency</p> <p>Combined probability</p> <p>A methodical risk assessment approach - steps and techniques</p> <p>Other assessment techniques</p> <p>The benefits of risk assessment</p> <p>A caution</p> <p>RISK MITIGATION</p> <p>Risk mitigation options</p> <p>Risk avoidance</p> <p>Risk sharing</p> <p>Risk transfer</p> <p>Risk acceptance</p>
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		<p>Risk reduction</p> <p>Risk retention</p> <p>Control measures</p> <p>Control system</p> <p>Control activities</p> <p>Control process</p> <p>Corporate governance</p> <p>Benefits of risk mitigation</p> <p>Insurable risk</p> <p>MONITORING AND REPORTING</p> <p>Benefits of monitoring and reporting</p> <p>Regulatory requirements</p> <p>What should be monitored?</p> <p>How should you monitor?</p> <p>Loss data analysis</p> <p>Who should you report to and why?</p>
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Group Credit Risk Practices		
Evaluate the credit risk function of a bank's head office and its role within the risk management framework.	<p>Evaluate the risk management framework within banks.</p> <p>Analyse how risk is managed and overviewed within banks.</p> <p>Analyse the importance of credit risk and explain what is meant by counterparty risk.</p> <p>Explain the asset liability management mechanisms employed by banks.</p> <p>Explain the various concepts of risk and the tools and techniques employed used to manage those risks.</p>	<p>The risk management framework</p> <p>How risk is managed and overviewed</p> <p>Credit risk</p> <p>Asset and liability risk (including liquidity risk)</p> <p>Market risk</p> <p>Insurance and investment risk</p> <p>Operational risk</p> <p>Legal and regulatory risk or external risks</p> <p>Strategy risk</p> <p>Audit Committee</p> <p>Basel II and Basel III</p>

Applying Credit Risk Practices		
Assess credit risk and apply credit risk practices.	<p>Critically review the role of credit scoring as a credit risk practice and assess the implications of recent developments in this field.</p> <p>Explain how you would use the 5 Ps of lending to analyse a credit risk.</p>	<p>Credit scoring</p> <p>Higher value lending</p> <p>Analyzing the credit risk</p> <p>Market or industry risk assessment</p> <p>Business risk assessment</p> <p>Financial risk assessment</p> <p>Pricing Risk</p>
Operational Risk		
Assess and manage operational risks.	<p>Critically analyse the ways in which a bank assesses and manages operational risks.</p> <p>Analyse the key components of an operational risk framework and evaluate the benefits of effective operational risk management.</p> <p>Examine who in a bank is responsible for managing operational risk and what their respective responsibilities are.</p> <p>Explain the concept of business continuity management and appraise its significance within the context of operational risk.</p>	<p>DEFINING OPERATIONAL RISK</p> <p>Key elements of operational risk</p> <p>Organisation and delivery</p> <p>Establishing responsibility and accountability</p> <p>Responsibilities and delivery across the organisation</p>

	Critically review recent developments in operational risk management.	<p>Operational risk management lifecycle</p> <p>The benefits of operational risk management</p> <p>Key industry developments</p> <p>RESPONSIBILITY FOR THE MANAGEMENT OF OPERATIONAL RISK</p> <p>Procedural and rule-based controls</p> <p>A risk-based management approach to controls</p> <p>Good risk management and internal control</p> <p>The individual</p> <p>The business</p> <p>The risk function</p> <p>Senior management</p> <p>Internal audit</p> <p>External audit (and other external influences)</p>
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		BUSINESS CONTINUITY MANAGEMENT What is business continuity management? Business continuity policy Crisis management Industry and regulatory context Business continuity management programme Responsibility for business continuity management Business continuity management regulatory issues
Regulatory Risk		
Critically review the International and UK regulatory risk environment	Critically review the corporate governance requirements in the UK Banking Industry. Explain the key points of UK regulatory reform for banks. Critically review the international regulatory requirements.	Self regulation Statutory regulation Governmental policy Corporate governance The FSA's objectives

		PRA, FCA EBA Risk-based capital Basel 2 Pillar 1: Capital requirements Pillar 2: Supervisory review Pillar 3: Market discipline Basel 3 Quantifying operational risk Financial Groups Directive (FGD) Stress Testing
The Impact of the Global Banking Crisis of 2007/08		
Examine the impact of the global banking crisis of 2007/08.	Analyse the causes and origins of the global banking crisis of 2007/2008. Assess the potential solutions that have been utilised to avoid a repetition. Reflect upon the global impacts of the crisis and the response of the	Systemic Risk Impact of the global banking crisis The future of European Monetary Union

	<p>regulators.</p> <p>Analyse the future direction of the European Monetary Union.</p>	
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