INTERMEDIATE MARKET RISK MANAGEMENT

Overview

A thorough overview of the nature of market risk and its sources; and how it is measured and controlled from both an internal and a regulatory perspective. The course is designed to provide participants with a firm grasp of the fundamentals of Market risk and how it should be managed. It is predicated on the instructor's passionate belief that mastery of the essentials of market risk does **not** require specialist mathematical ability. The course seeks to demystify the subject, to explain commonly employed "jargon" in everyday language and, by means of simple exercises, to give participants the confidence to understand and challenge the various risk metrics that they may see in the course of their careers.

Target Participants

The course is suitable both for generalist bankers who wish to understand a subject that is all too often left to "experts", as well as for specialists from fields such as Treasury, Risk, Audit and Finance who wish to understand better the overall context in which they operate. No prior knowledge or skills are required other than a basic level of numeracy and some appreciation of the fundamental workings of a bank; the course is, therefore, equally suitable for experienced bankers and recent entrants to a bank.

If you are asking yourself any of the following questions, then this course is for you:

- What are the different types of market risk?
- Is market risk something all banks need to worry about, or only larger international banks?
- What are the hidden risks in the products my bank provides to its customers?
- How might my business plan be threatened by a possible change in exchange rates or interest rates?
- What exactly do the various "risk numbers" produced by my bank mean? Should I challenge them?
- What risks is the treasury function running? Are those risk being controlled effectively?
- What would my regulator consider to be an appropriate control framework for market risk?
- How can we implement effective risk management without incurring huge costs?
- Why are global regulators now looking afresh at the capital necessary to support market risk?

Course Objectives

Participants will come away from this course with:

- An understanding of what market risk is and how this is important for a bank of any size or complexity.
- An appreciation of how market risk manifests itself in both a banking and a trading operation.
- An understanding of how the commonly used risk measurement techniques actually work in practice.
- An overview of the strengths and limitations of different risk measurement approaches
- The confidence and knowledge to question and challenge subject matter experts.
- An appreciation that proper governance is as important as mathematical quantification in protecting a bank from unwanted market risks.
- An insight into current regulatory proposals and an understanding of the debate this has generated.

COURSE CONTENTS

OVERVIEW OF MARKET RISK

- Definition of Market Risk
- How Market Risk sits alongside other risks such as Credit, Liquidity, Operational and Conduct
- Principal types of Market Risk –Interest Rate, Foreign Exchange, Equity and Commodity
- Why and how all banks acquire Market Risk

BASIC ACCOUTING AND FINANCIAL BACKGROUND

- The structure of a bank's balance sheet
- The nature and purpose of capital
- Basics of discounted cash flow

- Mark to market v. accrual accounting
- Derivative financial instruments
- The concept of “option” contracts
- The idea of “hedging”
- Concept of a separate “trading book”

MARKET RISK IN A “TRADING” BOOK

- The nature of “trading” activity
- Accounting and regulatory requirements
- Principal risk measures –positional, sensitivity and Value at Risk
- An appropriate limit and control framework
- Famous disasters –Barings, AIB, NAB etc

MARKET RISK IN A “BANKING” BOOK

- The nature of “banking” activity
- Concept of “hold to maturity”
- Accounting and regulatory requirements
- Principal risk measures –gaps, income sensitivity and value sensitivity
- Risk to “value” or to “margin”?
- The role of the Treasury function
- Principal hedging tools available
- The importance of behavioural assumptions
- Market risks stemming from impaired assets

MARKET RISK ACROSS THE BANK

- Hedging of Capital and Reserves
- Macro hedging –uses and abuses
- Structural foreign exchange risk
- Credit spread risk and the blurred boundary between market and credit risk

GOVERNANCE OF MARKET RISK

- The importance of Board risk appetite
- An appropriate policy framework
- An appropriate committee structure
- Encouraging the right behaviours
- The importance of good risk reporting
- Stress and scenario testing
- Model validation and data reconciliation
- Segregation of duties –3 lines of defence
- Current regulatory developments –meeting the requirements of Basel 2

End of Course & Closure.

COURSE DURATION	DELIVERY MODE	DELEGATE CLASS SIZE	COURSE FEE/PARTICIPANT
3 DAYS	In-Plant	8 (Guaranteed Minimum)	For quote, please click http://demvros.com/contact/
Discount is available for class size above the minimum. Please visit www.demvros.com or call 08056154199 or e-mail for enquiries.			