

# MONECO FINANCIAL TRAINING

## FINANCIAL RISK MANAGEMENT METHODS, TOOLS, PRINCIPLES AND REGULATION

**September 3-5, 2018**  
**Lecturer: Jean-Bernard Caen**

**Registration Deadline: August 20, 2018**

Upcoming Seminar

## Everything you need to know about Risk Management in Banks

### Key points / questions answered:

- What are the objectives of risk management in banks?
- How to identify and classify risks?
- What can we learn from passed crises and defaults?
- Can all risks be measured? What if they can't?
- What is expected from the risk managers?
- How to measure and aggregate risks?
- Will the regulatory and the economic approaches converge?
- When is risk-taking profitable?
- What are the current issues in risk management?

The purpose of this seminar is to introduce the principles and mechanisms of risk management in banks. During these three days, we address all the main issues relevant to this matter. These are illustrated by a number of business cases and exercises that facilitate the assimilation of the concepts and techniques presented.

During the first day, we identify and uncover the nature of the risks banks are facing.

We start by digging out the roots of risk management. From the Chevalier de Méré and his taste for games to the build-up of modern risk frameworks and quantitative measurement techniques. This path is littered with trial and errors that have led to crises and catastrophes, some of which are reviewed and analyzed.

We then classify the risks and discover how to hunt for new, emerging ones.

From there, we review the theoretical foundations of risk measurement and how they are translated into the regulatory and the economic frameworks. As both frameworks coexist in banks, we spend some times understanding their differences and how they articulate.

During the second day of the seminar, you will learn the techniques used for measuring risks. They rest on a limited number of simple and powerful principles. These principles are then translated into techniques adapted to each risk type: credit, market and balance sheet risks. Diverse techniques are used to assess multiple risk measures that are complementary and need to be articulated. The issue of how to aggregate risks is addressed at this point. A number of exercises and games will facilitate assimilating these principles and techniques.

When we reach the third day, you know how to measure and aggregate risks. Then comes the question of their management; in other words, you learn how their evolutions can be controlled and how risks can be mitigated. A number of key issues of risk management in banks are addressed: Which risks are profitable and should then be taken, which are not? What are risk budgeting and risk appetite? How to relate risk measurement with the pricing of financial transactions? What is expected from Risk Management professionals in banks and how do they relate to other functions in the institution?

During the afternoon, we give some perspective to what we have learned so far by reviewing the most pressing issues banks are currently facing in terms of risk management: How do banks deal with the increasing regulatory pressure? How do they plan to fulfill the new resolution constraints? What impact will IFRS 9 have on credit risk assessment? Will Fintech transform the way banks handle their risks?

We finish the seminar with a series of exercises/games aimed at rehearsing all the major elements learned during these three days: Risk identification, measurement and aggregation; risk control, mitigation and management; and finally risk-return issues and current concerns.

### MONDAY, SEPTEMBER 3

09<sup>00</sup>–09<sup>15</sup>

#### Welcome and Introduction

09<sup>15</sup>–12<sup>15</sup>

#### Introduction to Financial Risk Management

##### A Brief History of Risk Management

- The Birth of Mathematical Tools
  - Probabilities, Gaussian and non-Gaussian statistics
- Always Larger Markets
  - Bartering, town markets, stock markets, financial markets
- Finance and Regulation, the Mouse and the Cat
  - Quants, bubbles and systemic risks
  - Crisis and catastrophes

##### Risk Identification and Classification

- Applying the Risk Framework of Nuclear Events to Financial Risks
  - Risks that can be identified and risks that cannot
  - Risks that can be quantified and risks that cannot
- Risk Classification
  - Is the credit, market, operational risk segmentation good enough?
  - What business models generate what risks?
  - Adapting the classification of risks to the activities of the bank

12<sup>15</sup>–13<sup>15</sup>

#### Lunch

13<sup>15</sup>–16<sup>30</sup>

#### Quantitative Techniques for Risk Measurement

##### Theoretical Basis of Risk Assessment

- Non-Statistical Approaches
  - What-if and scenario analysis
- Statistical Approaches
  - VaR, CVar, Expected Shortfall
  - Handling correlations, GARCH, OUCH, copulas
  - The limits of the statistical approaches

##### Regulatory Vs. Economic Approaches

- The Regulatory Approach
  - Basel 1, 2 and 3
  - The standardized, foundation and advanced approaches
- The Economic Approach
  - Economic capital concepts and guidelines
  - IFRS 9
- Articulating the Two Approaches
- Case Study: Dexia

### TUESDAY, SEPTEMBER 4

09<sup>00</sup>–09<sup>15</sup>

#### Recap

09<sup>15</sup>–12<sup>00</sup>

#### Risk Measurement

##### Credit risk

- Credit Risk Parameters
  - EAD, PD, LGD
  - Concentration, diversification and correlations
- Credit Risk Models

- Models for Corporate activities: Empirical and structural types
- Models for Retail: From scorecards to Markov chains
- Models for Sovereigns
- Case Study: The Sovereign Debt Crisis

##### Market Risks

- Market Factors and Their Impacts on The Value of Assets
  - The greeks: Alpha, beta, gamma
  - Volatility measures
- Market Risks Models
  - VaR models and their limitations
  - Assessing tail risks
  - Risk dynamics and portfolio management
- Case Study: Lehman Brothers

12<sup>15</sup>–13<sup>15</sup>

#### Lunch

13<sup>15</sup>–16<sup>30</sup>

#### Risk Measurement (cont.)

##### Balance Sheet Risks

- Measuring the Interest Rate Risk of the Banking Book
  - Building up the interest rate gaps
  - Behavior models for non-maturing assets and liabilities
  - Sensitivity and duration
  - Embedded options, prepayments
- Measuring Liquidity and Funding Risks
  - Liquidity gap
  - Liquidity ratios, LCR and NSFR
- Measuring Spread and Funding Risks
  - The articulation between liquidity, spread and funding risks
  - Accounting considerations

- Spread VaR
- Funding risk, a special risk
- Case study: Credit National

## Other Risks and How to Aggregate All Risks

- Assessing Operating Risks
  - Operational risks
  - Business risk, residual risk
- Aggregating Risks
  - Risks do not add up
  - Consolidating risk measures

WEDNESDAY, SEPTEMBER 5

09<sup>00</sup>–09<sup>15</sup>

### Recap

09<sup>15</sup>–12<sup>00</sup>

### Managing the risks of the bank

#### Risk Management in Banks

- Organization of the Risk Management Function
- Expected Internal and External Disclosures
  - Regulatory disclosures
  - Accounting disclosures

- Internal management reporting
- Funds Transfer Pricing
  - Locating risk management in the right expertise center
  - Financial and commercial risks and margins
- IT and Data Concerns
  - Categories of IT tools used to manage risks
  - Emerging technologies, machine learning, report teaching

### Controlling Risks, Hedging and Mitigation

- Tools for Risk Control and Mitigation
  - Limits, securitization and hedging
- Hedging: Value and Cash Flow Hedges
  - Interest rate and credit derivatives
  - Value and cash flow hedges
  - Micro and micro hedges
- Case Study: LTCM

12<sup>15</sup>–13<sup>15</sup>

### Lunch

13<sup>15</sup>–16<sup>30</sup>

### Perspectives on Risk

#### Risk and Finance and the Management of the Bank

- The management mechanisms of the bank
  - Top to bottom: Capital allocation and global limits
  - Bottom-up: Committees and Reporting
- The Convergence of Risk and Finance Operating Models
  - Different objectives, different cultures, different silos
  - IFRS 9 breaks the silos
- Processes Supporting Risk-Return Type Decisions
  - RAROC or how to price risk
  - Financial planning

### Current Issues

- Regulatory Pressure and Banks Profitability
- Sovereign and Systemic Risks
- IFRS 9, A Game Changer
- Fintechs and Blockchain

### Seminar Wrap up and Final Game

## Lecturer:

### Jean-Bernard Caen

As a Policy Advisor within the consulting firm PRNS 'parnass' since 2014, Jean-Bernard has been working on assignments for Financial Institutions in the areas of risk-finance interactions, ALM, capital allocation, risk appetite and the economic assessment of risks.

Before that, as Head of Economic Capital and Strategy for Dexia group for 12 years, he was in charge of Basel2 Pillar2 and Risk-Finance cooperation. He was instrumental in working out and implementing Economic Capital as the internal measure of risk. It was subsequently used in all risk vs. return processes across the group, such as Risk Appetite, Risk Budgeting, RAROC and Capital Planning.

In 1990, Jean-Bernard founded the Management Consulting firm Finance & Technology Management (FTM), which he ran for 12 years as the CEO. As such, he directed numerous assignments for European Financial Institutions in the areas of Shareholder Value, Risk Management, Capital Allocation and ALM.

He is a member of PRMIA France Executive Committee, of AFGAP Management Board, and he teaches at the French National School of Economics and Statistics; he is also a senior lecturer and he published numerous articles.

He is a French Civil Engineer and he graduated from MIT.



Knowledge Leads the Way...

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# Terms and Conditions of the MONECO Financial Training

## MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

## Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

## Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

## Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

## Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

## Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

## Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

## Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

## REGISTRATION FORM

**Registration Deadline:  
August 20, 2018**

• Financial Risk Management – Methods, Tools, Principles and Regulation	<input type="checkbox"/>	September 3 – 5, 2018	€ 1,560	<input type="checkbox"/>
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### COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.:  VAT Identification No.:

### PARTICIPANTS

1. Title:  Name:  Phone:   
Mr/Mrs/Ms  
E-mail:  Position:

2. Title:  Name:  Phone:   
Mr/Mrs/Ms  
E-mail:  Position:

3. Title:  Name:  Phone:   
Mr/Mrs/Ms  
E-mail:  Position:

Date:  Signature: