

“ *When the capital development of a country becomes the by-product of the activities of a casino, the job is likely to be ill-done.* ”

John Maynard Keynes

Market Risk Management

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

OVERVIEW

GBRW's Market Risk Management training programme 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 programme, therefore, will seek 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.

WHO SHOULD ATTEND?

The programme 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 programme 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 programme 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 actually 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?*

sharing knowledge, developing skills

OUTLINE

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

WORKSHOP DELIVERY

- This is a three day course totaling **21 hours of delivery time**.
- It comprises **six** tutorial modules of approximately three and half hours each.
- Each module comprises a mixture of traditional lecturing, practice examples and case studies as well as group discussion among participants on how the issues relate to **their** particular bank and local market.
- For the examples and case studies, participants will need a laptop PC – ideally one PC per two participants.
- At the end of each module, participants will receive detailed printed notes on the subject matter covered.
- All hand-outs and instruction will be in English.
- No prior knowledge or experience of market risk is required, but if a group already has some knowledge there is flexibility to devote relatively more time to the later more advanced modules.
- The high level of participative group work on case studies and interactivity during tutorials strictly limits numbers to **no more than 20 participants**.

TRAINING NEEDS ANALYSIS & POST-TRAINING EVALUATION:

To ensure that participants gain maximum benefit from the course, it is our practice to send a detailed questionnaire to all course participants to ensure we fully understand their specific training needs and objectives. The completed questionnaires are analysed by the course instructor who will tailor the course content and style of delivery to the requirements of the participants. Following completion of the course, participants are asked to measure and assess the effectiveness of the training. The results are collated and reviewed, and the analysis shared directly with the relevant client stakeholders.

OUTLINE

MODULE 1: 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

MODULE 2: BASIC ACCOUNTING 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"

MODULE 3: 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

MODULE 4: 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

MODULE 5: 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

MODULE 6: 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

DETAILS

FREE TOOLS, MODELS & TEMPLATES

This course is supplemented with a range of practical exercises and examples designed to draw out participants' understanding of key concepts.

Course participants will receive:

- Full written notes on each of the six modules
- Soft copies of all course exercises and answers
- Soft copies of the various spreadsheet models used in the exercises

TERMS & CONDITIONS

Total fee cost for the delivery of the 3 day course at the client's site is US\$ 11,500 (eleven thousand five hundred United States Dollars). This is EXCLUSIVE of:

- Flights (discounted business class);
- Accommodation (min. 4★) for every night required on site;
- Local travel costs and subsistence; and
- Venue and equipment hire (if required) and materials production.

These items will be for the account of the client or, alternatively, we can provide an all-inclusive quote encompassing all expenses if that is more convenient.

GBRW Learning can also host the course at or near our London headquarters for an all-inclusive fee of US\$ 11,500 including VAT. This includes venue and equipment hire but does NOT include the travel, accommodation and subsistence expenses of participants.

A 60% deposit is payable one month prior to the scheduled course date, with the balance payable immediately following completion of the course.

Note: Discounts are available for multiple course bookings of the stand-alone course or other courses within the GBRW Learning programme.

For more information or to arrange a booking, please contact Jeremy Denton-Clark at:

jeremy.denton-clark@gbrw.com

Note: Terms and Conditions valid until 31st December 2015

INSTRUCTOR



Paul Newson
Instructor,
GBRW Learning

Paul Newson has worked in banking for over 30 years in a career that has spanned Finance, IT and Risk Management. Most recently he was Head of Non-Traded Market Risk Oversight at Lloyds Banking Group. From 1999 to 2005 he led the Traded Risk team at the UK Financial Services Authority (the UK's banking regulator), and, prior to that, was Head of Trading Risk Systems for NatWest Markets.

Upon graduating from Oxford University, Paul initially trained as a teacher. During his subsequent banking career, he has always maintained a keen interest in delivering training. He lectured for five years at the City of London Polytechnic preparing students for the UK Chartered Institute of Bankers' module in accountancy, has delivered many internal courses and, currently, runs the "Interest Rate Risk in the Banking Book" course for the UK Asset and Liability Managers Association.

Firmly believing that, in risk management, there is no such thing as a "stupid" question, Paul's preferred style is to encourage the active participation of students and thus lead them to draw their own conclusions based on shared experience and open questioning.

ABOUT GBRW LEARNING

GBRW Learning is the training and knowledge-sharing arm of GBRW Limited. Founded in London in 1995 by a group of senior bankers GBRW's mission is to provide first-class consulting and training to banks and bankers in Emerging Markets, to the same standard as would be expected in developed markets. From our London headquarters and subsidiary offices in Washington DC and Singapore we have served clients in more than 50 countries in Europe, the Middle East, Africa, Asia and the Caribbean. Our clients include banks and other financial institutions, governments, and economic development agencies and institutions.

Through our training programmes we share the experience and knowledge of our experts with bankers in Emerging Markets, supported by high quality materials and taking advantage of the latest technologies. Our courses are all highly interactive, and make use of carefully designed case studies and simulations.

We offer a range of training topics for banks and financial institutions including:

- Strategy & Management – Formulating, Implementing & Monitoring Strategy
- Risk Management – Credit, Market & Operational Risk
- Human Resources Management
- SME Banking – Customer Relationship Management; Credit Risk Management
- Retail Banking – Customer Relationship Management, Distribution Strategy, Product Management, Credit Risk
- Corporate Banking – Customer Relationship Management, Credit Risk Management
- Trade Finance
- Governance, Regulation & Compliance
- Financial Markets

For more information, visit our website at:

<http://www.gbrw.com/training>

To discuss your specific requirements email us at:

mail@gbrw.com