Risk Management in Financial Institutions (RMFI)
Full Marks: 100

Module A: Introduction

- Risk Management, Scope and concept of Risk Management and Enterprise Risk Management (ERM), Risk Culture, Risk Strategy, Risk Appetite and Tolerance, Risk Assessment and Treatment, Risk Governance and Organization, Inherent Risk, Control, Residual Risk.

Module B: Risk Identification and Assessment

- Culture of Risk Identification, Process of Risk identification, Categorization of Risk, Financial Risks, Non-Financial Risks, Risk Assessment Techniques, Likelihood, Potential Impact, Selection of significant risks for the enterprise, Key Risk Indicators (KRI), Risk Register, Risk Rating.

Module C: Risk Management Responsibilities and Checklist

- Elements of sound risk management system, Criteria for ensuring sound risk management. Role of Bank Supervisor and Regulator Board Oversight- Role of Board of Directors, Role of Board Risk Management Committee (BRMC). Senior Management Oversight- Role of Executive Risk Management Committee (ERMC) & its functions, Chief Risk Officer(CRO) - Appointment, Responsibilities & Functions, Risk Management Division (RMD) - Roles & Functions. Role of other stakeholders for managing risks: Internal Stakeholders (like different risk committees, different units/cells), External Stakeholders (like regulatory authorities, statutory auditors, credit rating agencies, different development partners & lenders).
- **Risk Management Checklist:** Risk Architecture, Risk Strategy, Risk Protocol.

Module D: Operational risk Management

- Operational Risk Management, its components & factors (People, Process, System etc), Three (3) Lines of Defense (3LoDs), approach for managing operational risks, elements and parties of 3LoD, identification procedures, measurement, contingency planning etc.

Module E: Steps of ERM Implementation
- Planning and Designing, Implementing and Benchmarking, Measuring and Monitoring, Learning and Reporting. Conducting stress testing - communicate its impact to Board & Senior management.

Module F: Policy initiatives for development of risk management in FIs

- Core risk management initiated by Bangladesh Bank: Credit Risk Management (CRM), Asset-Liability Risk management (ALM), Foreign Exchange Risk Management (FX), Anti-Money Laundering Risk Management (AML), Internal Control & Compliance Risk Management (ICC), Information Communication & Technology Risk Management (ICT); Environmental & Social Risk Management (E&S risk Management).

Module G: Implementation of Basel Capital Framework/Accord

- Basel Capital Framework issued by Bangladesh Bank: Components of capital (CET1, Tier 1, Tier 2), its importance for FIs, Limits-Maxima & Minima of capital ratios, Board and Senior Management oversight for managing sustainability of Capital, Capital Planning and dividend policy, relation between risk management and capital. Measurement of Risk Weighted Assets (RWA) under Pillar 1 for Credit risk, Market risk and Operational risk, Strategies for managing RWA of each segment. Measurement & Managing capital requirement for Pillar 2 – Supervisory Review Process, Preparation of ICAAP Documents for determination of capital requirement against different risks under Pillar 2.Pillar 3-Market Discipline: its importance for different stakeholders. Liquidity Ratios under Basel Capital Framework- Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Leverage Ratio-calculation procedures and importance for banks and NBFIs.

References:

1. Credit Risk Management for Indian Banks by K Vaidyanathan, published by SAGE Publications Pvt. Ltd
2. Risk Management in Banking by Joël Bessis, published by Wiley
3. Economic Foundations Of Risk Management, TheTheory, Practice, And Applications by Robert A Jarrow, published by World Scientific
4. John C. Hull, Risk Management and Financial Institutions
5. Anthony Sounders , Marcia Millon Cornet, Financial Institutions Management
6. John C. Hull, Risk Management and Financial Institutions
7. Marcia Millon Cornet , Anthony Sounders, Financial Institutions Management