



Risk Management in Financial Services



Leading the risk profession

The effects of the global financial crisis are still apparent to us all as they work their way through the world economy in the form of widespread public debt and economic slowdown. The events of that period certainly came as a wake-up call for risk management, some even placing the sole blame for the crisis on poor risk management in financial institutions or questioning the fundamental usefulness of risk management as a business discipline.

Employers are now recognising the need to invest in enterprise-wide risk education, instead of relying on piecemeal approaches to market, credit, regulatory and operational risks. A fully enterprise-wide approach will ensure good risk management is effectively incorporated into decision-making processes across the organisation at every level. This qualification addresses these needs.

What makes IRM stand out

The Institute of Risk Management (IRM) is the world's leading enterprise-wide risk education Institute. We are independent, well-respected advocates of the risk profession, owned by practising risk professionals. IRM passionately believes in the importance of risk management and that investment in education and continuing professional development leads to more effective risk management. We provide qualifications, short courses and events at a range of levels from introductory to expert. IRM supports risk professionals by providing the skills and tools needed to put theory into practice to deal with the demands of a constantly changing, sophisticated and challenging business environment. We operate internationally, with members and students in over 50 countries, drawn from a variety of risk-related disciplines and a wide range of industries.

Indeed, IRM's pan-sector approach sets us apart from traditional providers in the sector and ensures that lessons learned in other industries are effectively applied to financial services.

As a not-for-profit organisation, IRM reinvests any surplus from its activities in the development of international qualifications, membership, short courses and events.

'The individual skills of those responsible for leading the risk activities within an organization provide insight into the competencies needed to drive a sustainable risk program... the enterprise risk manager will need to pay special attention to developing leadership skills, strategic thinking, ethical judgment, innovative decision-making and communication, to name a few.'

Risk and Insurance Management Society
Executive Report on the 2008 Financial Crisis





The qualification that sets you apart

The global financial crisis starkly demonstrated what can happen when an enterprise-wide approach to risk is not taken.

This qualification provides you with a broad practical knowledge of enterprise-wide risk management techniques relevant to a successful risk management career in financial services.

It is ideal for risk management generalists who need to quickly adapt to a financial services environment. It is also a logical progression for aspiring chief risk officers in the financial services sector.

Learn from top risk practitioners

This practical qualification addresses the real issues facing organisations in the financial services sector, in particular banking and insurance. The course has been developed by a team of international industry practitioners who, together with leading university and business school experts have imparted their extensive front-line experience.

Course aims

The qualification provides a thorough introduction to sources of risk and describes the tools, techniques, systems, processes and strategies necessary for managing risk in banks and insurance companies. The course also focuses on the critical importance of personal skills in implementing effective risk management and the need for commitment from all levels within an organisation.

The course outlines how regulatory environments have driven approaches to managing risk and explores whether the global financial crisis has shown previous approaches to be inadequate.

The purpose of the course is to develop the essential skills for the application of enterprise-wide risk to the specific requirements of the financial services sector. It also provides an understanding of technical terms to enable communication with specialists such as credit risk modellers and actuaries.

Learning outcomes at a glance

After completing the course, you will be able to:

- understand the main sources of risk in the banking and insurance sectors
- understand the approaches used by the banking and insurance sectors to manage risk
- understand a typical enterprise-wide risk model in a financial services organisation
- identify the regulatory imperatives that help drive risk management in banking and insurance and understand what regulators are seeking to achieve
- understand the role of the chief risk officer and the risk management function in a financial services organisation
- examine whether the global crisis of 2007/8 showed weaknesses in the approaches to risk management and regulation in the banking and insurance sectors that were in place at the time
- understand the differences between banks and insurers with regard to risk management matters
- identify the importance of personal and interpersonal skills, incentives, communication and ethics in the financial services sector

Course structure and content

The syllabus is logically structured into nine units.

Unit

1

Background to the financial services sector

- What is meant by financial services and why the sector is important to the global economy
- The importance of risk-taking within the sector
- The interconnected nature of global financial markets

Unit

4

Sources and approaches to risks in banks

- Key sources of risk within the retail and wholesale banking industry
- Common approaches to the identification, assessment and control of key risks, such as credit risk, market risk, operational risk and liquidity risk

Unit

2

Key concepts in financial services risk management

- The key financial and statistical techniques that underpin risk management in financial services (e.g. VaR and Monte Carlo simulations.)
- The importance of financial and non-financial quantification
- The concept of economic capital and other methodologies such as scenario analysis and stress testing
- The application of financial risk techniques in asset management and hedge fund businesses as well as other, non financial organisations (e.g. trading desks in energy firms)

Unit

5

Development of the regulatory framework for banks

- The role of regulation in banking, including consumer protection and improving confidence in financial markets
- Why regulation seeks to impose minimum risk management standards
- The background and limitations of the Basel Capital Accord
- The development of banking regulation through the development of Basel II and introduces the concept of Basel III
- The structure of and key requirements of, the Basel Accord and the Three Pillars
- The purpose of the Sarbanes-Oxley Act and the approach taken by major financial institutions

Unit

3

Operational risk in financial services

- Key sources of operational risk in financial services – people, processes, systems and external events
- Common approaches used to identify, monitor and control key operational risks



Unit

6

Sources and approaches to risk in insurance

- Key sources of risk within the life and non-life insurance industries
- Common approaches to the identification, assessment and control of insurance risk, credit risk, market risk, operational risk and liquidity risk

Unit

8

Lessons from failure

- The recent history of losses in the financial services sector including Barings Bank, Lloyd's of London (and the formation of Equitas), Equitable Life, Independent, AIG, Lehman Brothers and more
- Why the losses occurred and the developments in risk management that have evolved in response to these losses
- Responses to the global financial crisis by regulators and the industry (e.g. Walker review in the UK and the possibility of new global super regulators)
- Was the global financial crisis caused by the failure of risk management or human practices?
- Why group risk, contagion, brand and consumer confidence are so important to the financial services sector
- The importance of the behavioural and people elements of risk management

Unit

7

Development of the regulatory framework for insurers

- The development of insurance regulation starting with Solvency I and why Solvency II was developed
- The background, purpose, structure and implementation of Solvency II and initiatives such as PSB (UK) and MaRisk (Germany)
- The international context of insurance regulation including the work of the International Association of Insurance Supervisors countries seeking equivalence to Solvency II (e.g. Bermuda, Switzerland and Mexico)
- The development of insurance regulation in the USA (e.g. NAIC)
- The impact of regulation on the role of the risk manager and the actuary as well as other risk governance implications

Unit

9

ERM in financial services context

- ERM in financial services organisations, given the context of the regulatory developments and the lessons learnt from failures

'The most remarkable finding is that most risk professionals – on the whole a highly analytical, data rational group – believe the banking crisis was caused not so much by technical failures as by failure in organisational culture and ethics.'

The RiskMinds 2009 Risk Managers' Survey designed and conducted by Moore, Carter & Associates and Cranfield School of Management

'The failure of the financial system is often explained in terms of sub-prime mortgages, CDOs and a resulting liquidity crisis. But these are just the symptoms that happened to be around because of a much more fundamental malaise. That malaise can be best described as a fundamental breakdown of two critical balancing acts in the boardroom. Firstly, the balance between risk taking and risk avoidance. The second balance is that between the performance culture and corporate ethics.'

Richard Anderson of Wipro Consulting,
Risk: not just for banks, CIR October 2009

Who should take the qualification?

The course has been designed to provide you with a broad practical knowledge of enterprise-wide risk management techniques relevant to financial services and therefore will be of benefit to those working in:

- banks - retail and wholesale
- insurance - life, general, international and brokers
- regulators and credit rating agencies
- hedge funds and asset management
- actuarial, legal and accounting practices

What support do students get?

As a student, you will receive a detailed course handbook covering course aims, learning outcomes, syllabus, directed reading and self assessment questions. Reading materials include a mix of physical textbooks and a variety of websites, reports, surveys, papers and other references.

Support is also provided through the Institute's online student support area, which includes access to:

- online discussion forums
- course tutors
- practice examination papers

In addition, students may attend a practical revision workshop which is designed to help you prepare for the examination at the end of the course. Attendance also provides you with the opportunity to meet and network with other students and tutors.

What are the entry requirements?

The course is open to all and does not have any formal prior learning requirements.

Are there any exemptions?

The course is an integrated programme, so no exemptions are granted.

How is the course assessed?

The course is assessed through a 3 hour written examination.

Where can I take the course?

Distance learning enables students to study anywhere in the world. The Institute has existing examination centres in over 30 countries worldwide and can assist in setting up special centres if there is currently no centre in your country.

When are the examinations?

There are two intakes each year. Enrolment is open from October to December and March to May. Examinations take place in June and November/December respectively.

What is included in the course fee?

Fees are reviewed annually. Current rates can be found on IRM's website.

The course fee includes:

- detailed course handbook
- essential learning materials

- online discussion forum
- practice examination papers
- attendance at a practical revision workshop
- examination fees
- complimentary membership of the Institute
- access to IRM's online resource centre
- access to special interest groups including ERM, Solvency II and Financial Services
- subscription to Risk Management Professional magazine

For non-UK students, there is a discounted fee available, which excludes the cost of the revision workshop.

What happens after I have completed the course?

Successful completion enables you to apply for Specialist membership of the Institute of Risk Management, which entitles you to use the designatory letters SIRM.

Membership ensures continuity in receiving IRM benefits, and ongoing learning through continuing professional development (CPD) or further qualifications such as IRM's International Diploma in Risk Management. Completion of this course also entitles the holder to an exemption from one of the specialist modules of the International Diploma programme.



A selection of organisations who have supported staff to study with IRM

Allianz
Amlin
Aon
Aviva
AXA Corporate Solutions
Bank of England
Bank of Latvia
Bank of New York
Barclaycard
Barclays
FSA
Lloyds Banking Group
Lloyd's of London
Marsh
Nationwide
Prudential
Royal Bank of Scotland
Santander
Willis
XL Group
Zurich

How to apply?

Application forms can be downloaded from IRM's website www.theirm.org or requested from IRM's office. All forms and fees should be returned by the closing date of enrolment to either:

studentqueries@theirm.org

or

The Institute of Risk Management

6 Lloyd's Avenue
London, EC3N 3AX
United Kingdom

Complimentary membership

Everyone studying for the qualification will be given complimentary membership of IRM for the duration of their studies. This provides a wealth of benefits such as access to our online resource centre, networking at the members' groups, free or discounted entry to IRM events and copies of the Institute's magazine: *Risk Management Professional*.

The Institute of Risk Management
6 Lloyd's Avenue
London
EC3N 3AX

T +44 (0)20 7709 9808
E enquiries@theirms.org
W www.theirm.org

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