LIVE IN PERSON – BACK IN SA

Banking and Risk Management

09:00 - 17:00 (GMT+2) 12 - 13 September 2022	Protea Balalaika Hotel, Sandton, Johannesburg	R13 995.00 (Ex. VAT) (ZAR) or $970.00 (USD) (all Inclusive)

COURSE OUTLINE

The course will examine key practical insights in banking from a prudential risk perspective. The chief focus will be relationships between risks on the balance sheet, profitability, and a new plethora of regulatory requirements. We will also demonstrate new approaches to market risk, credit risk, liquidity risk and operational risk as dictated by the Basel Committee on Banking Supervision. Case studies will be explored to assess what constitutes strong (and weak) governance and control frameworks.

BENEFITS OF ATTENDING

- Understand the principles governing the identification and classification of risk
- Be able to apply the principles of risk measurement (credit, liquidity, operational, market) to measure specific risks and understand how these risks interact
- Build a deeper comprehension of the regulations governing the measurement and management of the various risks that banks face
- Learn how new standardised approaches in both credit and market risk are replacing advanced approaches – and why
- Learn how Basel I led to Basel II and why Basel II remains largely in force – even now (2022)
- Learn how Basel III and IV came about, what they entail and why they are important.

TOP 5 HIGHEST RATED SPEAKER

PRESENTED BY
Dr Gary van Vuuren
International Basel
& Risk Expert

COURSE BACKGROUND

Sound background knowledge of a bank's risk management principles and processes is essential in the current environment. By assessing high-level principles embedded in an Enterprise Risk Management which spans credit risk, counterparty risk, market risk, liquidity risk and operational risk, we will explore how these risks are identified, reported and managed.

With huge increases recently in both capital and liquidity, we will examine what lines of businesses will be profitable (and which unprofitable) on a risk-adjusted basis. We will examine new market risk rules including FRTB and IRRBB assessing the methodology and the impact on the business model. Finally, we will scrutinise the new capital and liquidity buffers with a special focus on stress testing. Case studies will be used throughout as well as extensive use of Excel-based models and spreadsheets to explain key concepts and demonstrate the interaction between risk components.

WHO SHOULD ATTEND?

This is a beginner to an intermediate level workshop which will train all bankers who require a deeper understanding of risk identification, measurement and management from a regulatory perspective, such as:

- Risk managers
- Product controllers
- Compliance officers
- Treasury
- Traders
- Credit officers

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WORKSHOP OUTLINE

DAY ONE

- A potted history of the Basel accords and why this is important
- Regulatory view of **credit risk** measurement
- Evolution of Basel's approach to credit risk
  - Basel I – the concept of risk weights
  - Basel II – the introduction of the internal ratings-based approaches
- Why is it important to understand the IRB approach?
  - Expected losses, unexpected losses
  - Single-factor model (ASRF)
  - Importance of asset correlation
- **Exercise:** Construction of a simple credit loss model using the ASRF model

The Basel equations

- Why do Basel's equations (for the IRB approach) look the way they do?
  - Maturity adjustment
  - UL – EL and the 99.9th percentile loss
  - Correlation – asset or default?
- The Vasicek distribution
  - Importance of correlation parameter
  - Loss estimation using the distribution
- **Exercises:** Construction of the Basel II IRB advanced approach equations in Excel
  Extracting default correlations from asset correlations – understanding the differences
- **Exercise**: Fitting a Vasicek distribution to credit loss data and understanding how useful this is to a credit risk manager from an economic capital perspective

Basel III

- The credit crunch
  - What did we miss?
  - The need for Basel III
- Basel III
  - 5 major changes to the Basel II accord
  - Timelines involved with the implementation of Basel III
  - Changes/relaxations introduced since the 1st draft of Basel III
  - Future developments
  - Liquidity, CVA & procyclicality rules
- **Exercise:** Assessing liquidity constraints introduced by Basel III
  Determining the procyclical metric relevant to any jurisdiction
  CVA calculations and regulatory capital rules

DAY TWO

- The regulatory capital calculation for **market** risk
- What does the regulator say about VaR?
  - The 1994 amendment to Basel I
- Overview of the old rules governing market risk in the trading book (as introduced in 1996)
  - Why is VaR so widely used
  - The methods for calculating VaR
  - The regulatory rules governing market risk capital (the traffic light system)
  - How does Basel II and II.V differ from Basel I and what new features were introduced into the later accords?
  - What is IDR (incremental default risk) and why is it in the trading book?
  - Stressed VaR
- **Exercises:** Full example of regulatory market risk capital including stressed VaR, IDR, etc.

The regulatory capital calculation for market risk – Basel IV

- Why it's still important to know the above, even though the new changes embrace expected shortfall, not VaR
- What are the new rules governing market risk in the trading book (the FRTB)
- The proposals – why were they necessary?
- Summary of Basel IV
- Revised standardised approach
  - General features
  - Calibration
- **Exercise:** Simple methodology to measure expected shortfall

The regulatory capital calculation for market risk (continued)

- Revised models-based approach
  - What are the other ways to measure expected shortfall?
  - Gaussian/normal distribution assumptions
  - Empirical (historical) methods
- **Exercise:** Construction of some more advanced ways to measure expected shortfall

Changing correlation assumptions

- Why is diversification being frowned upon?
- How will changes to standardised correlation matrices affect VaR and ES?
- What do they hope to achieve?
- Regulatory capital
- **Exercise:** Construction of a regulatory capital set of calculations, incorporating all the changes introduced by Basel IV

Strengthening the boundary between trading and banking book

- Why is this necessary?
- How will this be achieved?
- Disclosure requirements
- Impact assessment, QIS, calibration.

EVENT OUTLINE

Your Speaker
GARY VAN VUUREN

Career began in physics: studied at the University of Natal (South Africa): Honours in mathematics and physics, Masters in astrophysics, PhD in nuclear physics. Worked at the Atomic Energy Corporation as a physicist, then Goldman Sachs (London) for two years as a quantitative analyst. This precipitated a migration from physics to finance and risk management in 1997.

Returned to South Africa and worked for ABSA (Johannesburg) as a market risk manager, then Old Mutual Asset Managers (Cape Town) as a risk analyst until September 2002. Transferred to the UK on the Highly Skilled Migrant Program. Obtained a Masters in market risk management, PhD in credit risk management and the GARP Financial Risk Manager qualification. Worked in market risk for Standard Bank (London), as a quantitative analyst at Ernst & Young and then Merrill Lynch in product control. Transferred to Fitch Ratings as a quantitative analyst in January 2006 till 2015, then Aviva Investors (model validation) for two years.

For the past two years, worked as an independent consultant on projects for the European Central Bank's TRIM (targeted review of internal models).

Focus has been on quantitative credit risk assessment and management in financial institutions (principally the Basel regulatory accords).

Roles: credit risk modelling (PDs, credit loss distributions - ELs, ULs, asset and default correlations), understanding the mechanics of the Basel accords and explaining these to new graduates (and existing team members), model validation, quantitative modelling, PD and LGD modelling (using logit and other statistical models), joint probability analysis, extreme value applications, CVA analysis, Basel's procyclicality rules, expected shortfall (VaR changes), etc.

Testimonials
GARY VAN VUUREN

"Very valuable insight and ability to simplify complex topics"	**Absa Bank** Head of Risk and Capital	
"Very Good at explaining - course made sense and is very useful"	**Rand Merchant Bank** Head of Balance Sheet Management	
"Gary is amazing, and I really enjoy his presentation style"	**Nedbank** Senior Quantitative Analyst	
"Great Presenter! Always a pleasure attending a Masterclass Event presented by Gary"	**South African Reserve Bank** Macroprudential Specialist	
"Holds audience's attention really well, engages well with audience, great energy!"	**Deloitte** Partner	
"The training was insightful and enlightening"	**Financial Sector Conduct Authority** Analyst	

REGISTRATION FORM

BANKING AND RISK MANAGEMENT

09:00 - 17:00 (GMT+2) on 12 - 13 September 2022 at Protea Balalaika Hotel, Sandton, JHB

EVENT PRICE	GROUP DISCOUNTS
R13 995.00 (Ex. VAT) (ZAR) or $970.00 (USD) (all Inclusive)	3+ delegates: 10% group discount 6+ delegates: 15% group discount 12+ delegates: 20% group discount

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