

## Module Outline

<b>Module Title:</b>	Risk Management
<b>QF Level:</b>	Reference is being taken to HKQF Level 4
<b>Programme Credit:</b>	10 Credits for the Advanced Diploma of Certified Banker (9 training hours and 1.5 examination hours)
<b>Teaching/Training &amp; Learning Activities:</b>	Training Class
<b>Pre-requisite:</b>	N/A

### Module Objective:

This module aims to provide the learners with a solid and practical knowledge on risk management. They are expected able to identify and analyze different types of risks related to general banking and finance area especially for the ones threatening the banking industry today. They will also understand and apply the basic risk management principles at bank level.

### Module Intended Learning Outcome (MILO) and Unit of Competency (UoC)

Upon completion of the module, learners should be able to:

MILO1:	Apply and follow the principles of sound governance, and environmental and social responsibilities that apply to risk management at work;	
MILO2:	Analyse the risk issues faced by the banking industry nowadays;	
MILO3:	Apply risk management techniques to alleviate different types of risks encountered at work; and	
MILO4:	Execute and monitor measures according to legal, regulatory and compliance requirements in a business context relating to risk.	

### Assessment Activity

Type of Assessment Activity	MILOs	Weighting (%)
Examination	MILO 1-4	100

### Examination Format and Duration

Time allowed: 1.5 hours

The examination consists of 50 multiple choice questions

Passing mark for this subject is 70%

## Syllabus

<b>Chapter 1: Introduction &amp; Process of Risk Management</b>	
<b>1</b>	<b>Introduction to Risk Management</b>
1.1	- Definition of risk
1.2	- Type of risk
1.3	- Principles of risk management
1.4	- Concepts of risk financing, risk control, hedging and insurance
1.5	- The need for risk management
<b>2</b>	<b>Process of Risk Management</b>
2.1	- Introduction
2.2	- Identifying risk <ul style="list-style-type: none"> <li>▪ Inherent risks in banking activities</li> <li>▪ Identification of risk drivers</li> </ul>
2.3	- Measuring risk <ul style="list-style-type: none"> <li>▪ Risk measurement methodologies</li> <li>▪ Risk measurement in practice</li> </ul>
2.4	- Managing risk <ul style="list-style-type: none"> <li>▪ Principles for developing risk policies and procedures</li> <li>▪ Limits setting</li> <li>▪ Use of tools and methods</li> </ul>
2.5	- Monitoring risk <ul style="list-style-type: none"> <li>▪ Risk management information systems</li> <li>▪ Key risk indicators</li> <li>▪ Risk mitigation</li> </ul>
<b>Chapter 2: Regulatory Requirements in Risk Management</b>	
<b>1</b>	<b>Regulations of Financial Institutions</b>
1.1	- The HKM supervisory policy manual <ul style="list-style-type: none"> <li>▪ Risk management environment</li> <li>▪ Oversight of risk management by the board and senior management</li> <li>▪ Policies, procedures and limits of a sound risk management system</li> <li>▪ Risk assessment prior to launching new products and services</li> <li>▪ Risk measurement, monitoring and reporting</li> <li>▪ Enterprise risk management framework (3 lines of defence)</li> <li>▪ Risk measurements and the Risk Management function</li> </ul>
1.2	- CAMEL rating systems for banks
1.3	- Bank culture reform

<b>2</b>	Basel
2.1	- Basel Committee on Banking Supervision
2.2	- Development of Basel <ul style="list-style-type: none"> <li>▪ Basel I</li> <li>▪ Basel II</li> <li>▪ Basel III</li> </ul>
2.3	- Applications of Basel in different business models
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<b>3</b>	Case Sharing on the Consequences of Violating Regulatory Requirements in Risk Management
<b>Chapter 3: Structuring Risk Management Functions</b>	
<b>1</b>	<b>Organisation of Risk Management Functions in a Bank</b>
1.1	- General Risk Management Committees <ul style="list-style-type: none"> <li>▪ Risk Executive Committee</li> <li>▪ Group Reputational Risk Committee</li> <li>▪ Finance and Audit</li> </ul>
1.2	- Roles & responsibilities of major parties <ul style="list-style-type: none"> <li>▪ Management Board</li> <li>▪ Supervisory Board</li> <li>▪ Chief Risk Officer</li> </ul>
1.3	- Framework for internal control
<b>2</b>	<b>Risk Management Tools and Measures</b>
2.1	- Use of economic capital for risk management <ul style="list-style-type: none"> <li>▪ VaR</li> <li>▪ RWA</li> <li>▪ Capital adequacy (Common Equity Tier 1)</li> <li>▪ Risk-adjusted return on capital</li> </ul>

**Essential Reading:**

- HKIB Study Guide – Risk Management (2018)
- HKMA Background Brief No. 2 – Banking Supervision in Hong Kong (second edition) issued by the HKMA
- HKMA Supervisory Policy Manual IC-1: General Risk Management Controls
- HKMA Supervisory Policy Manual SA-1: Risk-based Supervisory Approach
- HKMA Supervisory Policy Manual OR-1: Operational Risk Management

**Supplementary Readings:**

- HKMA's Guidelines and Circulars to all authorized institutions in Hong Kong: Implementation of Basel III in Hong Kong (dated 26 January 2011)
- HKIB E-learning Course No. 41 – Market Risk – Basic
- HKIB E-learning Course No. 47 – Risk Analysis

**Further Readings:**

- Basel III: A global regulatory framework for more resilient banks and banking systems – revised version June 2011 (issued by Basel Committee on Banking Supervision)
- John Hull. (2015). Risk Management and Financial Institutions (4th ed.). Wiley.
- HKMA Supervisory Policy Manual CA-G-1: Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions
- HKMA (2016). Guide to Authorization: Chapter 3 - The Legal and Supervisory Framework.
- HKIB E-learning Course No.17 – Counter Party Credit Risk
- HKIB E-learning Course No. 35 – Governance, Risk and Compliance
- HKIB E-learning Course No. 42 – Market Risk – Intermediate
- HKIB E-learning Course No. 46 – Operational Risk Management
- Saptarshi Ganguly, Holger Harreis, Ben Margolis, Kayvaun Rowshankish (2017). Digital risk: Transforming risk management for the 2020s. Available at <https://www.mckinsey.com/businessfunctions/risk/our-insights/digital-risk-transforming-risk-management-for-the-2020s>

**For more details, please refer to further reading session at end of each chapter**