

RISK AND RISK MANAGEMENT IN FINANCIAL INSTITUTIONS

24-hour course

Eric Hermann

Eric Hermann is currently Advisor to the Management Committee of Belfius Bank. From 2012 to 2018, he was Chief Risk Officer and member of the Board of Directors at Belfius Bank and from 2007 to 2011, Chief Risk Officer and member of Boards of Directors in Deniz Bank, Turkey. He held previously various positions in Dexia and Paribas Belgium groups in Risk Management, Asset Liabilities Management and Portfolio Management since 1987. He earned a master degree from Hautes Etudes Commerciales (HEC) in Liège, Belgium and a Master in Science of Management from Boston University Brussels.

Course Outline

Financial activities cannot live without a sound Risk Management approach to prevent undesired negative impacts of the numerous factors threatening its activities. The objective of this 24-hour course is to initiate the students to risk management process and the different types of risks, so as to be able to manage risks in its future environment.

The course will enable Participants to understand the concepts and the jargon of risks, and how risk managers can plan their actions and handle risky situations. This course provides a practitioner's insight into how financial institutions manage risks. How to define the framework, how to detect and measure risks, how to monitor and mitigate evolving risks.

Starting from the crucial definition of the risk appetite each institution must build upon, the course will develop the necessary framework to manage risks: risk organisation, external regulations and internal guidelines, processes, methods and tools.

We will then examine each risk type to discover how they appear and evolve in a practical context, how to measure and monitor them, and finally how to mitigate the risks. This involves a review of the appropriate methods to quantify risks and risk sensitivities. Value at Risk (VaR) and derived measures will be especially scrutinized. For credit risk, ratings techniques and default-migration estimators will be explained. Appropriate approaches for non-financial risks will be reviewed (score cards, self-assessments, ...).

The important topic of risk modelling will be discussed to assess the added value of these techniques to the management of underlying risks. The natural development of these techniques will be clearer when simulations and stress-testing technics will be reviewed. A risk manager cannot nowadays estimate future impacts of stressed risk factors without using appropriate risk modelling techniques.

The course will also deepen the understanding of techniques used to mitigate the risks as hedging and risk transfers. Crises are unfortunately part of the risk manager's life. How to foresee crises and how to react when conditions worsen is not only a matter of experience. A chapter of the course will be devoted to this topic.

At the end of the course, Participants will be able to:

- Identify risks and globally understand risk management techniques
- Appreciate practically if risks taken are in line with company objectives
- Understand how sound risk management can prevent risks impacts, but also how risk managers should act in crisis time
- Understand how a risk manager thinks, and maybe even more important how to interact with your risk manager
- Connect practice to theory in this particular field

Course Structure

- I. Introduction & course organization
- II. What is Risk?
- III. Risk Management as a process
- IV. Risk Governance
- V. Tools of the Risk Manager
- VI. Types of risk
- VII. Measuring, simulating
- VIII. Modelling
- IX. Crises management
- X. Practical conclusions