

**The London Institute
of Banking & Finance**

Risk Management in Banking



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MODULE SPECIFICATION

1. Title	Risk Management in Banking	
2. Start date	2016	
3. Level of module	Level 6 FHEQ	
4. Number of credits	30 Credits	ECTS Value
		15
5. Status	An optional module within: <ul style="list-style-type: none"> BSc in Banking Practice and Management (full- and part-time) 	
6. Recommended prior modules	<ul style="list-style-type: none"> N / A 	
7. Programmes of study to which module contributes	<ul style="list-style-type: none"> BSc (Hons) in Banking Practice and Management (full- and part-time) 	
8. Campus / Partner	N / A	
9. Syllabus overview	<p>Risk Management in Banking is aimed at students who wish to build upon their previous knowledge of risk by critically evaluating the risk management process within a contemporary banking context. Given that those studying the module could be future leaders in the banking industry, the content of this module takes a very practical approach; ensuring students develop a good underpinning and an inquisitive approach to risk management. A wide range of data and real life case studies are used to help demonstrate practical issues and considerations for a modern banking industry.</p> <p>Past financial crises have demonstrated the significant impact poor bank management can have on the wider economy and various stakeholders. Parties such as governments, global regulators and the general public now demand much greater effective risk management to be put in place to protect their interests. Examples of this include the Introduction of the Banking Standards board, the senior manager’s regime and proposals around ring fencing.</p> <p>Where good risk management is not evident, there are multiple examples of fines, value destruction and economic recessions. This demonstrates the need for banks to encourage an appropriate culture, risk tolerance, risk management and strategy formulation.</p> <p>Banks face numerous interrelated risks and so the need to practice a holistic approach to risk management is clear. Many observers agree that banks are often at the cutting edge of risk management and are continually developing new, and often very complex, risk measurement and management techniques. This module aims to critically evaluate such approaches to offer a balanced view on their use and to promote best practice. This module aims to draw all of the above themes together to identify, measure, manage and report the myriad of interrelated risks which banks face in the current economic environment.</p> <p>The module starts by asking students to look at past banking crises and risk events to identify key causes and their impact. This helps contextualise the module and demonstrate the importance of best practice risk management in the banking industry. It then moves on to look at the role stakeholder management, corporate governance and regulation have upon setting risk appetite and risk management strategy. The module then utilises a risk management framework to analyse and manage risks to help develop</p>	

a sustainable risk / reward strategy for the banking industry using the principles of enterprise wide risk management.

The module will not only broaden students' knowledge and understanding of the financial services industry, but also further develop their intellectual and practical skills through analysis of the risk management process.

10. Intended subject specific learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module, students will be able to demonstrate the following:

- a) Critical understanding of the significant risk events which have occurred in the banking industry.
- b) Ability to evaluate the importance of corporate governance, codes and rules of conduct, ethics and the influence of stakeholders in the management of risk within the banking sector.
- c) Ability to identify and analyse current issues and risks in banking.
- d) Ability to interpret and critically evaluate the measures of risk used by banks.
- e) Ability to identify, evaluate and apply contemporary risk management tools utilised by banks to optimise risk and return.
- f) Critical understanding of risk communication, control, monitoring and enhancement within the global banking industry.
- g) Ability to critically evaluate and justify a sustainable risk reward profile for the banking industry.

These intended module learning outcomes contribute to the following programme learning outcomes: A1, A2, A3 and A4.

11. Intended generic learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module, students will be able to demonstrate achievement of the following generic learning outcomes:

1. Ability to apply cognitive skills of analysis, synthesis and evaluation to the management of organisations and their external environment (B1 & C2).
2. Ability to apply both qualitative and quantitative skills in order to analyse problems, identify appropriate solutions and make decisions (B2 & B3).
3. Ability to develop and defend arguments / concepts through multiple perspectives (B4).
4. Ability to work with material across a range of subject areas and to recognise the links and interrelationships between them (B5).
5. Ability to conduct research into relevant issues (C1).
6. Ability to abstract meaning from information and communicate effectively in a manner appropriate to the context and audience using a range of media (D1 & D4).
7. Ability to plan and study independently and utilise resources effectively (D2 & D3).

These intended generic learning outcomes contribute to the generic programme learning outcomes set out in sections B–D of the programme specification.

12. Learning and teaching

A. Learning hours

For a module of study worth 30 credits, the total expected study hours are 300 (ie ten hours per credit). The contact hours will depend upon the student's mode of study.

B. Tuition support

Distance learning

Distance learning allows students to study independently within a clear framework, but at a pace that suits their personal circumstances and study needs. Over their course of study (24 weeks), students will be provided with comprehensive learning materials, study guides and will be assigned to a subject specialist academic tutor to support their studies. Distance learners will have regular contact with their Academic Tutor and further practical support is available from The London Institute of Banking & Finance Student Services.

Flexible learning

Flexible learning allows distance learners to opt for three face-to-face workshops of approximately six hours each, evenly spread at appointed dates in each session (24 weeks).

Dispersed campuses

Dispersed campus students will have regular face-to-face sessions over each session of study. The timing will depend upon local timetabling arrangements (eg via evening classes)

Full-time students

Full-time students will study on a semester basis supported by their module lecturer. The weekly timetable will be advised at the start of the programme.

C. Learning materials and learning outcomes

The learning and teaching strategy is designed to ensure that the students achieve the learning outcomes by the end of the module. The learning and teaching methods include formal lecture and tutorial (full-time), online learning support from an appointed lecturer (distance / flexible learning), private study of text and other supporting materials, a formal assignment, informal exercises, (both individual and group-based), and pooling of experience and knowledge through class / forum and individual discussion. The assessment strategy is designed to achieve a balance between testing the student's skills of knowledge recall and understanding, and those of research and application.

D. Reading

Students will be provided with a core text, as detailed below, but will also be expected to read and research the recommended reading on the course website. Lecturers may also recommend additional reading throughout the module.

Essential reading

- Crouhy, M., Galai, D. and Mark, R. (2013) The Essentials of Risk Management. McGraw Hill. 2nd edition.

Further reading

- Saunders, A. and Cornett, M. M. (2011) Financial Institutions Management: A Risk Management Approach. McGraw Hill. 7th edition.
- Woods, M. (2011) Risk Management in Organizations: An Integrated Case Study Approach. Routledge. 1st edition.

- Hull, J. (2012) Risk Management and Financial Institutions. Wiley. 3rd edition.
- Choudhry, M. (2011) An Introduction to Banking: Liquidity Risk and Asset-Liability Management. Wiley-Blackwell. 1st edition.

Journals

- Financial World.
- Journal of risk and uncertainty.
- Risk Management.
- Journal of risk.
- Journal of risk and insurance.
- Risk Management and Insurance Review.
- Geneva papers on risk and insurance.
- Journal of banking and finance.

Each student will have access to the Virtual Learning Environment (VLE) and to *KnowledgeBank* learning resources (an electronic library service). A list of further readings relating to the syllabus and summative assignment can be found on the VLE.

It should be noted that due to the rapidly changing environment that encapsulates the financial services sector, the reading list above is indicative only. It is subject to review and update at the discretion of the module team. An up-to-date reading list is published in the Student Study Guide issued at the commencement of the module.

13. Assessment

Component	Duration / length	Weighting
Component 1 Summative assignment	4,000 words including quotations and in-text citations	30%
Component 2 Examination	3 hours (plus 15 minutes' preparation time)	70%

Component 1: Summative assignment

This component will contribute 30% of the overall assessment and will be based upon the submission of one assignment mid-way through the course of study prior to the examination. The focus of the assignment will be on learning outcomes a – d, exploring the relationships between issues and topics within the module syllabus (maximum 4,000 words including quotations and in-text citations). The pass mark for this component is 40%.

Component 2: Examination

This component will contribute 70% of the overall assessment. A variety of question styles and approaches may be included in the examination. Questions might require responses that involve both discursive and quantitative elements. Students will typically be required to explore and compare specific aspects of an issue or to apply their technical abilities and understanding to, for example, solve a problem or provide a recommendation. Questions will be drawn mainly from textbook based material, although questions can also be set in the context of real contemporary examples.

The question paper will be structured as follows:

- **Section A** consists of one compulsory question worth 40 marks.
- **Section B** consists of four 30-mark questions, any two of which must be answered.

The pass mark for this component is 40%.

Time allowed: 3 hours (plus 15 minutes' preparation time).

A scientific calculator may be used but it must not be programmable, nor have a wireless-communications capability, nor be capable of storing textual information. It must also not require a mains electricity supply. Calculators with any further functions are not allowed in the examination room.

At regular intervals during the course of study, students will be expected to submit short formative assignments. These assignments will take the form of developmental learning activities towards the assessed assignment and unseen examination components and will be integrated within the study plan. They will provide students both with opportunities to reinforce their learning as they progress through the course of study and the opportunity to prepare for both the summative assignment and unseen examination.

Whilst these formative assignments will not contribute to the overall assessment, students are strongly advised to take the opportunity to complete them, as feedback will be provided from their lecturer on their progress through the course of study.

Students should be aware of the regulations governing the award of credit and the arrangements for compensation, condonement and the capping of marks. Students should also be aware of the regulations relating to the resitting of assessment components and / or the retaking of modules. This information is contained within The London Institute of Banking & Finance's General and Academic Regulations for Students sections 7, 8 and 9.

Module grading

A student's module performance grade is determined by their overall weighted average percentage score in accordance with the following:

3 rd	40%	-	49%
2.2	50%	-	59%
2.1	60%	-	69%
1 st	70%	-	100%

14. Syllabus

1. Contextual overview of risk management in banking

This section of the syllabus introduces a historical view on past risk management decisions and practices. It looks from a historical perspective on the need for, and evolution of, risk management solutions in banking set against an increasingly complex global environment. It will draw upon a range of recent examples to demonstrate the impact which poor risk management practices have upon individual banks and the wider economy.

2. Corporate governance and stakeholders

Given the changing nature of the banking industry, this section looks at the different stakeholders and their attitudes towards the management of risk at a strategic level within a bank. This involves looking at risk appetite, the power-influence matrix and the role of corporate governance in influencing risk culture. The module will explore key corporate governance and regulatory developments such as the Introduction of the Banking Standards board and the senior management regime.

3. Risk identification

This section explores the main types of risks that banks currently face including credit, market, liquidity, operational, reputation, interest rate, sovereign and regulatory risk. A range of contemporary examples and issues are highlighted to demonstrate these risks and the importance of continued risk awareness and scanning in banking.

4. Risk measurement and evaluation

This section of the syllabus considers the measures of risk utilised to establish the probability and impact of risks that banks face. Students will then critically evaluate the various risk methodologies used to measure and interpret the results in the context of the organisation's risk appetite.

5. The risk response

This section aims to synthesise a wide range of views on the appropriateness of various risk management responses, for example risk avoidance, retention, transfer and the use of financial instruments. Students will then evaluate the application of these techniques in constructing an enterprise wide risk management strategy.

6. Communication and review

This section of the syllabus examines the importance of banks developing effective communication strategies through which they keep stakeholders informed of the risks they are exposed and how they are being managed in line with contemporary regulatory frameworks, eg pillar 3 of the Basel regulations. Students will then explore the significance of controlling and monitoring for the purpose of adapting and enhancing risk management processes in a constantly changing commercial environment.

7. Risk management and sustainability

Using a range of real case studies, students will revisit the risk and return trade off in the context of the organisations risk appetite and commercial objectives. In doing so, students will also need to demonstrate an ability to critically evaluate and justify a sustainable risk reward profile for the banking industry's role in the wider economy.