The London Institute of Banking & Finance

LIBF Level 6 Financial Risk Management in Banks (FRMB)

Qualification specification

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Purpose of the qualification

Why study Level 6 Financial Risk Management in Banks (FRMB)

This qualification will provide a critical evaluation of how financial market, credit, and liquidity risks are managed by banks within the current economic and regulatory environment. All of these risks are currently at the very top of a Risk Manager's agenda within a bank, and given recent volatility, it is critical that there is robust risk management in place.

The Asset and Liability Management (ALM) team's role is to ensure the effective management of a bank's assets and liabilities along with ensuring its financial stability. A crucial element of this is managing interest rate and funding gaps, which, given likely future interest rate movements, is a critical task.

The qualification is aimed at managers or those moving into more senior roles and takes a very practical approach; ensuring you develop a good underpinning 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.

You will study how to identify, measure and manage a wide variety of risks, as well as understanding how banks interact with financial markets.

Objectives

To provide banking professionals with the knowledge and skills to critically evaluate risk management approaches and understand their application in the workplace and to promote best practice.

Key content areas

- Asset and liability management
- Yield curve and interest rate risks
- Liquidity risk
- Sources of credit risk
- Credit risk management
- Foreign exchange, interest rate, equity, fixed income and commodity risk
- Use of fixing and option based derivatives to manage financial market risk
- Internal techniques to manage financial market risk
- Risk management policy
- Applied risk measurement
- Liquidity risk management and regulations

Qualification learning outcomes

On completing this qualification, in the context of the financial services sector you will:

LO	Detail
LO1	Analyse the different sources and types of credit risk
LO2	Evaluate how credit risk management can be optimised to meet the risk appetite and profitability requirements of a bank and its stakeholders
LO3	Identify, quantify and evaluate a range of financial market risks faced by banks
LO4	Evaluate the role and importance of asset liability management
LO5	Apply and critique a range of techniques used to manage financial market risk
LO6	Analyse the importance and methods of effectively managing the liquidity position of a bank

Key skills developed

The qualification will encourage you to:

- Develop your critical thinking and analytical skills.
- Develop your ability to apply both qualitative and quantitative skills in order to analyse problems, identify appropriate solutions and make decisions.
- Increase your ability to develop and defend arguments and / or concepts.
- Develop your ability to conduct research and assess the outcomes of that research.
- Develop your ability to refine and adapt information to create and support an argument.

Entry requirements

There are no specific entry requirements for this qualification.

However, you should be confident in your ability to study the mathematical elements of the course. We would strongly recommend that you have previously successfully studied at a similar level. Our Level 4 Risk and Regulation in Banking qualification provides a good introduction to financial risk management. You also need to be satisfied of your ability to study in English.

Recognition of prior learning (RPL)

In line with The London Institute of Banking & Finance's RPL policy, as a single unit qualification, this qualification is not eligible for recognition of prior learning.

Progression and preparation for further study

This qualification provides a platform for continued study within the financial services sector and a wide range of other business-related disciplines. The qualification can be studied as a standalone award or as part of our Professional Qualifications Framework with credits counting towards achievement of Chartered status with The London Institute of Banking & Finance.

Apprenticeships

FRMB is not currently available through an apprenticeship standard.

Preparation for employment / professional development

This qualification develops knowledge and understanding of financial risk management in banking and enhances skills that are valued within that sector and others. This qualification takes a very practical approach, ensuring students develop a good underpinning and an inquisitive approach to financial 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.

Structure

Level 6 Financial Risk Management in Banks (FRMB) is made up of one mandatory unit which must be successfully completed to achieve the qualification:

Unit 1: Financial Risk Management in Banks (FRMB) → Level 6 Financial Risk Management in Banks (FRMB)

The detailed unit syllabus is available as an Appendix to this document and latest versions are always available through our course website.

Total Qualification Time (TQT)

Total Qualification Time (TQT) is a prediction of the <u>total</u> time a student with no prior knowledge might need to complete the course.

TQT consists of two elements, Guided Learning (GL) and all other hours:

- GL is time spent studying under the immediate guidance of supervision of a teacher.

- All other hours include hours spent unsupervised in research, learning, e-learning, e-assessment, completing coursework, completing homework, exam preparation, and formal assessments.

FRMB is primarily considered a distance-learning, session-based qualification.

Guided Learning Hours	10 hours
Other hours	110 hours
Total Qualification Time	120 hours

Learning resources

Study for the FRMB unit is undertaken part-time on a distance learning basis, supported by comprehensive learning materials, on-line forums and the input of tutors.

Students are provided with the following learning resources:

- online access to the core text through MyLIBF - www.myLIBF.com
- study guide
- access to KnowledgeBank (e-library) through MyLIBF
- unit syllabus
- study plan
- student handbook
- specimen paper
- videos and podcasts
- tutor support
- student forum

What to do before the assessment

On registration, you will be automatically allocated to a specific examination session. Your exam date will also be provided and you will be able to select where to sit the exam from a range of locations.

To prepare for all assessment elements, you should make use of all learning resources.

Assessment

The unit will be assessed through one 2 hour exam.

The pass mark for the examination is 50%.

The structure of the assessment ensures that all learning outcomes are subject to external assessment.

Qualification grading

The qualification will be graded Pass / Distinction. To pass you must achieve a minimum mark of 50%. A Distinction is awarded for marks of 70% or higher.

The qualification grade boundaries are as follows:

Grade	Percentage mark
Pass	50 - 69%
Distinction	70 - 100%

Grade classifications are pre-determined and align to the published grade descriptors available to learners.

However, the grade classifications may be subject to change under the jurisdiction of the assessment board where this is necessary to maintain standards of validity.

Study period

FRMB has a 6 month study period.

Resit attempts

If you fail your exam you are able to pay to re-register. There are no restrictions on the number of times you can re-register.

Appendices

Appendix 1 – Regulation detail

This document describes the regulation detail that is applicable to the qualification.

Qualification title	Level 6 Financial Risk Management in Banks
Ofqual qualification number	603/3160/4
Qualification level	6
European Qualifications Framework (EQF) level	6
Qualification Type	Other General
Guided learning hours	10
Total qualification time	120
Total credits	12
Sector Subject Area	15. Business, Administration, Finance and Law
Sub SSA	15.1 Accounting and Finance
Overall grading type	Pass /Distinction
Assessment methods	Exam
Available in	England
Qualification for ages	19+
Operational start date	01/05/18
Qualification description	Level 6 Financial Risk Management in Banks consists of one mandatory unit. A total credit value of 12 must be obtained for achievement of the qualification.

Appendix 2 – Financial Risk Management in Banks (FRMB)

A description of FRMB that provides detail on syllabus content, learning outcomes and assessment criteria.

Unit Profile

This unit will provide a critical evaluation of how financial market, credit and liquidity risks are managed by banks and the ALM team within the current economic and regulatory environment.

Unit title	Financial Risk Management in Banks (FRMB)
Ofqual unit reference number	K/617/1919
Unit level	6
Unit credit value	12
Typical study hours	120

Assessment method

The unit will be assessed through one 2 hour typed exam.

The pass mark for the examination is 50%.

Unit learning outcomes / assessment criteria

LO	Learning outcome (LO) **The learner will:**	Assessment criteria (AC) **The learner can:**
LO1	Analyse the different sources and types of credit risk	1.1 Describe the different types of credit risks that banks face 1.2 Evaluate the credit risk banks face when lending to retail customers 1.3 Evaluate the credit risk banks face when lending to corporate customers
LO2	Evaluate how credit risk management can be optimised to meet the risk appetite and profitability requirements of a bank and its stakeholders	2.1 Evaluate and apply internal techniques used by banks to manage credit risk 2.2 Evaluate and apply external techniques used by banks to manage credit risk 2.3 Evaluate and apply techniques to quantify credit risk
LO3	Identify, quantify and evaluate a range of financial market risks faced by banks	3.1 Understand the key financial markets that banks interact with 3.2 Describe the key market risks that banks face 3.3 Understand and apply techniques used to quantify market risk
LO4	Evaluate the role and importance of asset liability management	4.1 Identify the role and importance of the ALM team 4.2 Analyse the impact of the yield curve upon bank profitability including the quantification of interest rate and liquidity gaps 4.3 Evaluate ALM risk responses to interest rate and liquidity risk
LO5	Apply and critique a range of techniques used to manage financial market risk	5.1 Evaluate and apply internal techniques used by banks to manage financial market risk 5.2 Evaluate and apply external techniques used by banks to manage financial market risk
LO6	Analyse the importance and methods of effectively managing the liquidity position of a bank	6.1 Understand the key liquidity risks that banks face 6.2 Understand key liquidity regulations that banks must adhere to 6.3 Evaluate the methods used by banks to manage liquidity risk

Unit syllabus (indicative content)

Indicative content	
LO1	**Analyse the different sources and types of credit risk**
AC 1.1	Describe the different types of credit risks that banks face. • Sources of credit risk • Credit risk management framework • Approaches to lending
AC 1.2	Evaluate the credit risk banks face when lending to retail customers • Nature of credit risk in retail lending • Retail credit assessment • Monitoring credit risk generated from retail lending
AC 1.3	Evaluate the credit risk banks face when lending to corporate customers • Key types and characteristics of credit risk from corporate lending • Commercial lending decisions and credit assessment • Monitoring credit risk generated from corporate lending
LO2	**Evaluate how credit risk management can be optimised to meet the risk appetite and profitability requirements of a bank and its stakeholders**
AC 2.1	Evaluate and apply internal techniques used by banks to manage credit risk • Credit assessment • Credit risk policy and diversification • Credit risk management framework
AC 2.2	Evaluate and apply external techniques used by banks to manage credit risk • Credit default swaps • Credit linked notes • Total return swaps
AC 2.3	Evaluate and apply techniques to quantify credit risk • Credit metrics • Credit ratings • Expected default frequency and expected loss • Altman Z score

LO3	**Identify, quantify and evaluate a range of financial market risks faced by banks**
AC 3.1	Understand the key financial markets that banks interact with • Equity markets • Fixed income and funding markets • Property markets • Commodity markets • Foreign exchange and interest rate markets
AC 3.2	Describe the key market risks that banks face. • Overview of market risk • Correlations • Transaction, translation and economic foreign exchange risks • Yield curve risk
AC 3.3	Understand and apply techniques used to quantify market risk • Correlation analysis • Sensitivity analysis • Value at risk • Monte Carlo analysis
LO4	**Evaluate the role and importance of asset liability management**
AC 4.1	Identify the role and importance of the ALM team • Overview of ALM • The role of the ALM team • Best practice ALM
AC 4.2	Analyse the impact of the yield curve upon bank profitability including the quantification of interest rate and liquidity gaps • Yield curve shapes, outlook and implication • Gap analysis • Duration and duration gap analysis
AC 4.3	Evaluate ALM risk responses to interest rate and liquidity risk • ALM risk responses, stress testing and behavioralisation • Derivatives • Liquidity and funding gap management • Consequences of poor capital and liquidity management

LO5	**Apply and critique a range of techniques used to manage financial market risk**
AC 5.1	Evaluate and apply internal techniques used by banks to manage financial market risk • Risk management policies • Permitted instruments • Risk limits • Internal control, governance and culture
AC 5.2	Evaluate and apply external techniques used by banks to manage financial market risk • Use of money markets • Fixing instruments such as swaps • Options • Other derivatives
LO6	**Analyse the importance and methods of effectively managing the liquidity position of a bank**
AC 6.1	Understand the key liquidity risks that banks face • Linkages between bank capital and liquidity • Liquidity risk and its implications
AC 6.2	Understand key liquidity regulations that banks must adhere to • Liquidity regulation principles • Liquidity coverage ratio • Net stable funding ratio • Other regulation and best practice
AC 6.3	Evaluate the methods used by banks to manage liquidity risk • Management of asset and liability maturities • Sourcing funding • Managing contingent commitments • Collateral, Repos and money market funds • Internal funds transfer pricing