

BANK SUPERVISION SCHOOL

RISK BASED EXAMINATION

BACKGROUND

This course Legal and Regulatory utilizes a case study to demonstrate the risk-focused approach to assessing and examining a financial institution's credit, market, liquidity, and operational activities. In addition, the course highlights the core elements of the examination process, such as planning, implementation, and follow-up. The course covers the main RBS components and steps for its implementation through a mix of both lectures and practical applications. The fundamentals and goals of Risk-Based Supervision (RBS), challenges and key success factors are briefly reviewed.

OBJECTIVES

As a result of this course, participants would be able to:

1. Describe the main components of RBS and their importance for effective supervision.
2. Identify various banking risks and evaluate their impact on the bank's risk profile.
3. Apply RBS tools and concepts to develop supervisory plans and perform supervisory activities

COURSE CONTENT

MODULE 1 - Overview of RBS

1. Review of Definitions, Principles, Goals, Challenges and success factors
2. Risk Based Supervision – Lessons From the Financial Crisis
3. The RBS Process
4. Nigerian Case Study: Journey so Far
5. Some Practical Considerations

MODULE 2 - Understanding the Institution

1. Objectives
2. Elements of Institutional Knowledge
3. Identifying Significant Activities
4. Documenting the Institutional Overview (Sample Template)
5. Case Study Review

MODULE 3 - Assessing the Institution's Risk Profile

1. Concept of Inherent Risk
2. Risk Categories in RBS
3. Determining the Risk Matrix
4. Risk Assessment Narrative
5. Inherent Risk Ratings

MODULE 4 - Assessing Credit Risk

1. Definitions of Credit and Credit Risk
2. Factors That Affect The Level of Inherent Credit Risk In An Activity
3. Examples of Rating of Inherent Risks
4. Credit Risk Measurement
5. Credit Risk Mitigation Processes and Techniques
6. Case Study

MODULE 5 - Assessing Liquidity Risk

1. Definitions of Liquidity and Liquidity Risk
2. Purpose of Liquidity
3. Examples of Liquidity
4. Volatility
5. Factors To Consider In Determining Volatility
6. Asset/Liability Management
7. Earnings vs. Liquidity
8. Liquidity Policies & Practices
9. Effect of Bank Holding Companies
10. Evaluating Liquidity Management
11. Exercises

MODULE 6 - Assessing Market Risk

1. Sensitivity to Market Risk (SMR)
2. Interest Rate Risk Components
3. Measurement - GAP Analysis Model
4. Review of Joint Policy Statement
5. Case Study

MODULE 7 - Assessing Operational Risk

1. Operational Risk Management
2. Operational Risk Management and the Basel Committee Initiatives
3. Framework for Managing and Reporting Operational Risk
4. Identification of Business Line Functions and Activities
5. Process Flows: Documenting the Manner in Which Functions Are Performed
6. Risk Assessment: Contribution of People, Processes, Systems, and External Events
7. Control Assessment
8. Case Study

MODULE 8 - Assessing Strategic Risk, Insurance and Legal and Regulatory Risk

1. Definitions
2. Assessment Techniques
3. Case Study

MODULE 9 - Assessing Capital and Earnings

1. The Characteristics and Functions of Capital
2. Capital Adequacy Standards and the Basel Accords
3. Constituents of Capital and Minimum Capital Requirements
4. Risk-Based Regulatory Capital Allocation
5. major types of contingent liabilities
6. **Capital Ratios**
7. Management of Capital Adequacy
8. Analysis of a Bank's Capital Adequacy

MODULE 10 - Assessing Quality of Risk Management

1. Board of Directors
2. Senior Management
3. Compliance
4. Internal Audit
5. Risk Management
6. Financial Analysis

MODULE 11 - Planning and Executing On-Site Examination

1. Developing Supervisory Plans
2. Defining Examination Activities

MODULE 12 - Conducting Off-Site Supervision

1. Objectives and Uses
2. Methodology

TARGET AUDIENCE: Executive and Senior staff of the Corporation, Banks, Regulatory and Supervisory Agencies

DURATION: 10 days

DATE: **TBA**

VENUE: NDIC Academy, 32 Anthony Enahoro Street, Utako District, Abuja.