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FIDE ELECTIVE PROGRAM



RISK MANAGEMENT COMMITTEE – BANKING SECTOR

Faculty
Anthony Lim



13 – 14 May 2024
9:00am – 5:00pm



RM 5,000
before SST

Program Overview

This program is designed to equip directors with a clearer understanding of their role and responsibilities as members of bank board risk management committees. It provides a broad overview of the different banking risk exposures as well as Bank Negara Malaysia's (BNM) regulatory requirements and supervisory expectations with respect to the oversight and governance of such risks.

It will also explore the regulatory financial and non-financial disclosure requirements whilst comparing and contrasting issues related to risk management strategies covering capital, credit, operational risk management including IT and cybersecurity risks in the banking industry. The program will highlight and emphasise the critical role of risk management oversight that is expected of bank directors.

Learning Outcomes

At the end of the program, participants will be able to:

- Articulate the key elements and principles of the regulatory risk management framework;
- Gain understanding on the common pitfalls that lead to risk management failures;
- Learn the key risk indicators and ratios, and how to provide oversight in managing them;
- Understand the key elements in risk reports and learn how to ask the right questions of management in the bank.

Who Should Attend?

- Members of Bank Board Risk Management Committees
- Board of Directors
- Anyone else who may find the program helpful.

Program Outline

Day 1

Session 1: Risk Management Oversight

This introductory session aims to provide an overview of the risk management principles and regulatory framework within the banking sector. It will discuss key risk determinants in the measurement of bank capital adequacy regulations as prescribed under the Basel III regulatory accord and under the latest Bank Negara Malaysia Capital Adequacy Framework.

Session 2: Lessons Learnt from Bank Failures

Using case studies, this session will examine past financial debacles to unravel key failing in the management of latent risks embedded in bank balance sheets that are untended to or improperly managed. Reference will be made to the corresponding regulatory enactments to deliberate baseline regulations and to debate the adequacy of these regulations under differing financial market conditions.

Session 3: Risk Weighted Capital Adequacy Framework

The session will examine and discuss the different bank equity instruments and the corresponding methodology in its subordination in the unlikely event of a default. This will be followed by examining the measurement standards for the capital charge on credit risks subjected on different asset components in arriving with the final measure of Risk Weighted Capital Adequacy Ratio (RWCR).

Session 4: From Rule-based to Risk-based Supervisory Framework

This session will explore the shift from a Rule-based to a Risk-based Supervisory Framework. It will examine the Internal Capital Adequacy Assessment Process (ICAAP) as a robust framework while considering the challenges and trade-off between optimisation of capital solvency versus profitability in the bank. The key takeaway will be the distinct shift of responsibility, and hence accountability on the director in instituting the risk management culture into the entire enterprise.

Day 2

Session 1: Integrated Risk Management Framework – A Directors’ Toolkit

This session will introduce an Integrated Risk Management Framework and the know-how for implementing an effective Dashboard as a useful toolkit to enhance effective control and governance. It will also discuss the potential pitfalls of over-relying on toolkits; and introduce techniques to provide check and balance in mitigating errors in risk reports.

Session 2: Risk Weighted Assets – Credit Risk

Credit risk is the largest contributor to total risk of weighted assets found in the balance sheets of most commercial banks. This risk is further segmented into different tranches based on the empirical risk of potential defaults and hence, risk weights as stipulated by regulation. This session will provide an understanding of effective management of such risks and its behaviour under differing economic cycles. The session will conclude with deliberation on the different risk mitigation techniques in the management of credit risk.

Session 3: Risk Weighted Assets – Operational Risk

This session will discuss a less researched yet perennial body of risk that is often inadvertently untended to but manifests itself as a disruptive business event. The session will focus on operational risk management including regulatory guidelines and supervisory expectations of the day-to-day business operations such as IT and cybersecurity risk management.

Session 4: Risk Management Toolkit

In the final session, we conclude by pulling-in together the discussions over the previous two days and the use of risk management toolkit. Whilst the toolkit is useful in providing an aerial view of the entire banking operation, we will discuss the oft-recurring mistakes in misinterpretation or under-estimation of key ratios and the need to regularly probe management in ensuring the accuracy and currency of details behind these ratios.

Faculty



Anthony Lim has over 35 years' experience in the banking and finance industry, serving in key management positions covering treasury, business banking, investment banking and risk management. Up until 2020, he was Deputy CEO of Sumitomo Mitsui Banking Corporation Berhad and prior to that, an independent director and chairman of the Risk Management Committee for the same bank. He was with Maybank Berhad for almost 20 years, serving in several senior management positions. Prior to that, he worked in ANZ Bank Limited and St. George Bank in Sydney, Australia.

Anthony is a Chartered Banker with the Asian Institute of Chartered Bankers and a Fellow of the Australian Institute of Banking and Finance. He attended both the Senior Management and the Advanced Management Programs in Wharton School of Business at the University of Pennsylvania, USA.

Anthony graduated with a Master Degree in Applied Finance from the Macquarie University, Australia and was a registered securities dealer under the Australian Financial Markets Association.



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