



European  
University  
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ROBERT  
SCHUMAN  
CENTRE FOR  
ADVANCED  
STUDIES

SCHOOL OF  
TRANSNATIONAL  
GOVERNANCE



## TRAINING COURSE

# **CREDIT AND MARKET RISK MANAGEMENT: A VALUE-BASED APPROACH**

**Organised by:** The Florence School of Banking and Finance

**In collaboration with:** the School of Transnational Governance

**Course Instructor:** Jean Dermine | INSEAD

Sala del Capitolo

Badia Fiesolana, Via dei Roccettini, 9 - San Domenico di Fiesole

**28-29 JUNE 2018**

## ■ INTRODUCTION

As the banking world is shifting from an overriding concern for growth to a preoccupation with long-term value creation and risk control, the adequacy of management and governance of credit and market risks become a necessity for all bankers accountable for the results of a profit center, working in risk management, bank strategy, ALM or financial control, for bank auditors and for bank supervisors in charge of assessing the adequacy of risk management systems.

Instead of focusing solely on statistical modeling, the discussion of credit and market risk is anchored in a value-based management framework. The holistic view on risk control and governance provides a transparent integrated approach to discuss risk avoidance or risk-taking, economic capital allocation for credit and market risk, measurement of performance, credit risk pricing, expected loss provisioning, credit risk diversification, securitization and marketplace funding, and evaluation of market risk with VAR or expected shortfall metrics. This integrated approach facilitates an assessment of the adequacy of credit and market risk governance in banking.

The discussion allows to appreciate the evolution of the Basel regulations with Final Basel 3 (*Basel 4*) and the 2016 fundamental review of the trading book.

## ■ DRAFT PROGRAMME

### 28 JUNE

- 09.00 - 09.15 Welcome and presentation of the Florence School of Banking and Finance
- 09.15 - 11.00 **Session 1: Value-based management in banking. Profit centers with key-performance indicators and advanced fund transfer pricing for liquidity and credit risk.**
- 11.00 - 11.30 *Coffee break*
- 11.30 - 13.00 **Session 2: Economic capital allocation and loan pricing**
- Practical session
  - Estimation of PD and LGD
- 13:00 - 14.00 *Lunch*
- 14.00 - 15.30 **Session 3: Credit risk diversification**
- 15.30 - 16.00 *Coffee break*
- 16.30 -17.30 **Session 4: Provisioning on non-Performing Loans**
- Current Expected Credit Loss Provisioning (CECL)
  - Practical session

### 29 JUNE

- 09.30 - 11.00 **Session 5: Securitization, P2P and Marketplace Funding**
- 11.00 - 11.30 *Coffee break*
- 11.30 - 13.00 **Session 6: The Control of Market Risk. Value-at-Risk and Expected Shortfall**
- 13.00 - 14.00 *Lunch*
- 14.00 -15.30 **Session 7: Practical session**
- 15.30 - 16.00 *Coffee break*
- 16.00 - 17:15 **Session 8: Risk Portfolio Diversification, Measurement. Pros and Cons.**
- Liquidity and Market Risks
- 17.15 - 17.30 Closing remarks