



ePRM Coach Exam III: Risk Management Practices - Online

ePRM Coach is a comprehensive online tutorial, designed in accordance with the structure of the Professional Risk Manager (PRM) program, offered by the Professional Risk Managers' International Association (PRMIA).

The Professional Risk Managers (PRM) Certification Program is a competitive exam that tests a professional's competence in the field of risk management. ePRM Coach is designed in accordance with Professional Risk Managers International Association (PRMIA) exam structure and the prescribed study guide.

The tutorial is equipped with the concepts and practices, knowledge and tools to aid application of concepts. This is an asynchronous eLearning course that can be accessed 24/7 from any internet enabled computer.

Available Session(s):

Available Today

Online

USD \$150

Online

Instructor(s):[]

Targeted Audience

Those wishing to sit for the PRM exam.

Advance Preparation

No advance preparation required.

Follow-Up Courses

ePRM Coach - Exam I: Finance Theory, Financial Instruments and Markets - Online

ePRM Coach Exam II: Mathematical Foundations - Online

ePRM Coach Exam IV: Case Studies, PRMIA Standards of Best Practice - Online

Level: Intermediate

Detailed Outline

Value-at-Risk (VaR)

Regulatory Credit Capital: Basel II

- Approaches to market risk measurement
- Introduction to Value at Risk (VaR)
- VaR parameters viz., confidence level, horizon and volatility
- Steps in computing VaR
- Shortcomings in VaR

Monte Carlo and Historical Calculation of VaR

- Composition and requirements of VaR models
- Approaches to VaR computation viz., linear valuation and full valuation
- Computing VaR using variance-covariance, historical simulation, and Monte Carlo simulation.

Advanced Value at Risk Models

- Understand the concept of volatility and volatility clustering
- Acquire an introductory knowledge of conditional volatility models viz., Exponential Moving Average approach and Generalized Autoregressive Conditional Heteroskedastic (GARCH)
- Analyze the importance of time errors and impact of crashes on correlation and its effect on VAR calculation

Stress Testing

- Concept of stress testing and need for it
- Analyze the creation of hypothetical and historical scenarios
- Application of stress test scenarios into market risk modeling
- Importance of stress testing to risk managers

RAROC & Economic Capital Allocation

- The concept of risk adjusted performance measurement
- Capital allocation, economic capital and risk capital
- The concept of RORAC and RAROC
- Risk-adjusted performance measures, viz., Shape s Measure, Treynor s Measure

- The objectives of the International convergence of capital measurement and capital standards. (Also known as Basel-II)
- Risk components and risk weights for corporate, bank, equity and sovereign exposures
- Approaches used to estimate the risk components
- Various categories of exposures under the IRB approach
- Risk components and risk weights for each category of exposure
- Approaches used to estimate the risk components

Securitization Framework : Basel II

- Credit Risk - Securitization Framework
- Standardized Approach for Securitization Exposures
- Internal Ratings Based (IRB) Approach for Securitization Exposures

Operational Risk

- The importance of operational risk management in the financial industry.
- The various approaches to operational risk.
- Calculating operational risk capital (OPVaR).
- Approaches suggested by Basle II capital accord.

Basel II: Operational risk

- Operational risk measurement methodologies:
 - Basic Indicator Approach (BIA)
 - Standardized Approach
 - Advanced Measurement Approaches (AMA)
 - Calculation of Operational risk capital charges using BIA and Standardized approach
 - Qualifying criteria for use of the standardized approach and AMA
- Powered by Kesdee*

and Jensen's Measure.

Overview of Credit Risk

- Credit risk and its sources
- Credit Exposure
- What is Sovereign and Corporate risk
- Basel Accord (1998 and 2001)
- Risk weightages
- Cooke ratio

Credit Exposure

- Credit exposures
- Replacement cost
- Mark to market value
- Reducing credit risk
- Value at risk due to credit (Credit-VaR)

Settlement Risk and Netting Systems

- Pre-settlement and settlement risk
- Netting and effects of netting
- Collaterals
- Guarantees

Rating Agencies and their Grades

- Credit rating
- Investment grade
- Migration matrix
- Key ratios
- Financial assessment
- Country risk reports

Marginal, Cumulative Default Risk

- Historical Default Rates
- Marginal Default Rates
- Cumulative Default Rates
- Survival Rates

Transition Matrix, Joint Transition Matrix and Correlated Migrations

- Transition Matrix
- Correlation Between Credit Events

Recovery Rate Distributions

- Understand the difficulties involved in estimating recovery rates.
- Two studies on recovery of bonds and

bank facilities.

- Wide uncertainty of recovery rates and the use of the beta distribution.

Portfolio Models and Credit Loss

- Portfolio-based approach
- Credit VaR
- Z-score
- Credit VaR in credit matrices

Merton and KMV Models

- Introduction to credit risk models
- KMV Credit Monitor
- Calculating Distance-to-default
- Expected Default Frequency
- Advantages and weaknesses
- Merton Model

Credit Risk- RAROC & Economic Capital Allocation

- Integration of credit and market risk
- Economic capital allocation
- RAROC
- Mismatches
- Haircut

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