



## Certificate Examination in Risk in Financial Services (in Remote Proctored mode) Rules & Syllabus 2023

### INTRODUCTION:

The Certificate examination in Risk in Financial Services is offered in collaboration with Chartered Institute for Securities & Investment (CISI), London.

### REMOTE PROCTORED MODE

Remote proctoring allows candidates to take an examination at a location of his/her choice while ensuring the integrity of the examination. These systems require students to confirm their identity, and, during the examination, the system monitors students through video, mic, etc. looking for behaviour that could indicate unfair practices (cheating). Examinations are conducted over internet using a Desktop/Laptop. Taking examination using any other device is not permitted e.g. mobile, tabs, etc.

### OBJECTIVE:

The objective of the course is to enable bankers to gain expertise in the area of Risk Management in Financial Services.

### STRUCTURE:

'Risk in Financial Services' is open to Members and Non-members. The examination has two parts-one covering Indian scenario and the other dealing with the international scenario. This certificate examination is offered in collaboration with Chartered Institute for Securities & Investment (CISI), London. First part of examination is conducted by IIBF and the second part is conducted by CISI. Candidates who complete both the parts are awarded a joint certificate.

Course has two levels:

#### Level - I:

- Two-hour examination with 40 to 60 hours of study, covering Indian scenario on Risk Management (Indian Perspective)
- On completion of the above examination, candidates have to undergo Training for 3 days at pre-announced centres.

#### Level - II:

Candidates who have passed the Level-I can apply for Level-II examination of CISI. i.e. Risk in Financial Services Two-hour examination for 100 study hours. Dealing with the International scenario.

Institute will issue a certificate after completing Level - I of the course, which would include the online examination and training. In addition to this, candidates who complete Level - II will be awarded a joint certificate by the Institute and CISI. Candidates who are interested in enrolling for CISI examination (Level-II examination) will be required to first register with IIBF by paying requisite onetime fees of Rs.1000/- plus applicable taxes. Details of such candidates will be forwarded by IIBF to CISI. Thereafter, such candidates shall complete all the required formalities of CISI.

### EXAMINATIONS:

Level - I examination will be held in remote proctored mode at quarterly intervals.

Level - II examinations will be held in online mode only at 8 centres throughout the year (excluding Saturdays/ Sundays). Candidates will have to make it convenient to appear the Level - II examination at any one of the 8 centres.

## TARGET GROUP:

Employees of banks and financial institutions

## ELIGIBILITY:

1. Members and Non-Members of the Institute
2. Candidates must have passed the 12<sup>th</sup> standard examination in any discipline or its equivalent.

## EXEMPTION FROM LEVEL-I EXAMINATION:

Members of IIBF who have passed 1) DTIRM examination or 2) CAIIB with elective subject 'Risk Management' or 3) CAIIB holders who have passed Certificate in Risk Management as separate Elective are eligible to undertake Level-I training and thereafter take Level-II examination without passing Level-I examination. However, they are required to register for the Level-I examination by paying the requisite fees plus applicable taxes to be eligible to apply for exemption.

Candidates who are eligible for exemption as per the above criteria are required to 1) Apply for the examination by paying the requisite fee plus applicable taxes and 2) Send immediately a separate written request for granting exemption along with a) Copy of the acknowledgement received while applying for examination and b) copy of the Result Advice/ Final certificate of the above examination/s passed to Examination Corporate Office of the Institute so as to reach the same before the last date for applying for examination. Requests received for exemption after the last date for applying for the examination will not be considered for granting exemption.

## SUBJECT OF EXAMINATION (LEVEL - I):

Risk Management

## PASSING CRITERIA:

Minimum marks for pass in the subject is 50 out of 100.

## EXAMINATION/ TRAINING FEES:

Sr. No.	Particulars	Examination Fee	Training Fee**	Total Examination + Training Fee
1.	Virtual training mode	Rs. 6,000/- plus GST	Nil	Rs. 6,000/- plus GST
2.	Physical classroom training mode at Mumbai, Delhi, Chennai and Kolkata centres	Rs. 6,000/- plus GST	Rs. 5,000/- plus GST	Rs. 11,000/- plus GST
3.	Physical classroom training mode at other centres	Rs. 6,000/- plus GST	Rs. 9,000/- plus GST	Rs. 15,000/- plus GST

**Please Note: Candidates are required to Register for every attempt separately.**

While registering online for the examination candidates will have to choose examination date / time slot of his/her choice, the exam date/time will be allotted on first-cum-first-serve basis.

**Candidates are required to take utmost care and precaution in selecting Exam Date and Time slot, as there is no provision to change the Exam date and Time slot in the system. Hence no request for change of Exam date and time slot will be entertained for any reason.**

- Training fees are to be paid after the candidate clears the online examination conducted by the Institute.
- Candidates, who do not pass the online examination in their first attempt, need to enroll for the second attempt by paying a nominal fee of Rs.200.
- Candidates who do not pass the online examination in their second attempt, need to enroll again by paying a fee of Rs. 6,000/-.
- If a candidate fails in the virtual classroom training, he/she can enrol for the second attempt by paying a fee of Rs. 1,000/- plus GST.

## MEDIUM OF EXAMINATION:

Examination will be conducted in English only

### **PATTERN OF EXAMINATION:**

- (i) Question Paper will contain approximately 100 objective type multiple choice questions for a total of 100 marks including questions based on case studies/ case-lets. The Institute may however modify the number of questions to be asked for a subject.
- (ii) The examination will be held in Online Mode only
- (iii) There will NOT be negative marking for wrong answers.

### **DURATION OF EXAMINATION:**

The duration of the examination will be of 2 hours.

### **PERIODICITY:**

Examination will be conducted on pre-announced dates published on IIBF website. Institute conducts examination on 2<sup>nd</sup> & 4<sup>th</sup> Saturday and on all Sunday's, however periodicity of the examination may be changed depending upon the requirement of banking industry.

### **PROCEDURE FOR APPLYING FOR EXAMINATION**

Application for examination should be registered online from the Institute's website [www.iibf.org.in](http://www.iibf.org.in). The schedule of examination and dates for registration will be published on IIBF website.

### **PROCESS**

#### **Registration**

- 1) Application for examination should be registered online from the Institute's website [www.iibf.org.in](http://www.iibf.org.in). The schedule of examination and dates for registration will be published on IIBF website.
- 2) At the time of registration, the candidate will select date/time of the examination.
- 3) At the time of registration, the candidate can register for e-learning/e-book, if required, by paying the requisite additional fees.
- 4) The study material can be in the form of e-book and/or e-learning.
- 5) Based on the option selected (e-book/e-learning) the candidate will be provided login ID password to access the study material.
- 6) On successful registration admit letter will be generated. Candidates can download it.

#### **Examination**

- 1) Candidates will take examination under remote proctored mode on predetermined date/time from a secured environment. (refer Do's and Don'ts section for more information)
- 2) Candidates should login to the system half an hour before the exam start time.
- 3) The examination proctor will verify the candidate's face with the registered photo image of the candidate.
- 4) Candidate will also be asked to display any valid original photo id-card (Aadhaar card/e-Aadhaar/Employer's card/ PAN Card/ Driving License/ Election voter's card/ Passport etc.) for verification purpose. After successful verification the proctor will allow the candidate to start the examination.
- 5) Candidate may be required to show 360° view of the exam area using the webcam. So that the proctor can identify the object/check the suitability of the exam area/environment. A clear desk/table has to be ensured for appearing for the examination. No reference materials, books, notes, periodicals, mathematical tables, slides rules, stencils, post-its, chits, mobile phones, headsets (wired/ wireless), any other electronic gadgets are allowed to be kept on the table or the desk.
- 6) Both sides of the rough sheet (if it is going to be used) should be shown to proctor before and after the examination.
- 7) Once the examination begins live remote proctoring of the candidate's activities will take place throughout the examination period.
- 8) Under remote proctoring candidate's activities will be monitored using webcam, mic etc. Computer screen, browser, mouse, keyboard etc. will be monitored.
- 9) Proctor, if required, can convey information/ instructions to the candidate using chat box.
- 10) If a candidate indulges in unfair practices/suspicious acts, the proctor will intervene and warn the candidate through chat box or can cancel/stop the examination immediately as the case may be.

- 11) After completion of the examination/submission, provisional scorecard will be displayed on the screen.

## 12) RESULT ADVICE/ CONSOLIDATED MARKSHEET/ FINAL CERTIFICATE

- a. Result Advice of candidates will be hosted on Institute's website on declaration of result, which can be downloaded by the candidates.
- b. Consolidated mark sheet for candidates completing examination having more than one subject, will be available on the Institute's website after the declaration of results. Candidates can download the same after entering login credentials using their membership number and edit profile password.
- c. For passed candidates, digitally signed certificate will be sent through e-mail registered with the Institute within 3 weeks after the declaration of result. The Paper Certificate issued by the Institute is discontinued.

### Minimum System Requirement:

- I) Desktop/Laptop:
  - Browser: Google Chrome version 75 & above, with cookies & popups enabled
  - Video/Audio: Webcam and a good quality Mic is required
  - Operating system: Windows 8 or 10
  - RAM & Processor: 4 GB+ RAM, i3 5th Generation 2.2 Ghz or equivalent/higher
  - Pop-up blocker: Disabled
- II) Internet Connection:  
Stable internet connection with at-least 2 mbps+ upload speed

### Examination not allowed on mobiles or tablets

### Do's and Don'ts

1. The candidate will take the examination from a secured environment.
    - i. Place having desk and chair preferably with plain backdrop (area behind the candidate) with adequate lighting so that the candidate is visible to the proctor. The place should be noise free with no public movement in the surroundings. All the items should be removed from the desk except computer/external webcam (if internal webcam is not available) /keyboard/mouse, other permitted items, if any.
    - ii. Examination will not be conducted if the examination area is a Public place, a noisy environment, having inadequate lighting, having public movement in examination area/around the candidate, having other computer or similar device in the examination area.
    - iii. The examination cannot be taken sitting on a couch, bed or on the floor.
  2. Candidate's will take examination on a registered date/time from a secured environment.  
Candidate who tries to appear after the scheduled examination date/time will not be allowed to appear for the examination.
  3. Candidate's should login to the system half an hour before the examination start time.
  4. No other persons are allowed in the examination area during the examination.
  5. Candidate must keep ready his/her original photo identity card that has name and photo on the same side, admit letter, rough sheet, pen/pencil and calculator.
  6. Candidates must dress decently as though they are in a public place and will be video recorded
  7. Candidates must not talk to anyone during the examination period or talk/read to oneself loudly.
  8. In case of emergency he/she can talk to helpdesk in case of any technical issue with permission from proctor.
  9. Candidates must not use headphones, ear buds, or any other type of listening equipment.
  10. Candidates must not communicate with any other person by any means.
  11. Candidates must not use any phone for any reason.
  12. Candidates must not leave the room/examination area during the examination for any reason without the permission of the proctor. Leaving the room/examination area or moving to another room/area during the examination for any reason will be treated as a violation of examination rules.
- 4**
13. Candidates must not setup the computer at the time of examination. All the settings need to be done much before the examination time and tested properly. For any failure

of the computer system during the examination period, Institute will not be responsible and candidate will lose his/her attempt.

14. Candidates must not switch off the webcam or mic or cover the webcam during the examination.
15. Candidates must not navigate away from examination window.
16. Candidate's face must be positioned in the middle of the camera view and candidate's face must be visible throughout the Examination.
17. Don't Position camera too low, too high or hooked onto a different monitor. Weird camera angles can be very distracting and unflattering during examination. The candidate should make sure that the camera is at eye level and on the monitor which is used for the examination.
18. Candidate must not look away from laptop/desktop screen, must face computer screen.
19. Candidate must not seek any assistance or refer study material/mobile/ for answering the questions.
20. Candidate must ensure that he/she has attempted every question and reviewed the accuracy of his/her answers before submitting the paper. Once submitted (even by mistake), re-examination will not be permitted.
21. On the exam day candidate is advised to ensure that the Laptop is fully charged and in case of Desktop it is connected to an uninterrupted power source for smooth conduct of examination.
22. Candidates are not permitted to logout/switch-off the computer for the sake of going to washroom and if they log out/switch-off, re-login will not be permitted.
23. Candidates will be allowed to use battery operated portable calculator during the examination. The calculator can be of any type up to 8 functions i.e. (Addition, Subtraction, Multiplication, Division, Percentage, Sq. root, Tax+ and Tax-), having 12 digits. Attempt to use any other type of calculator not complying with the specifications indicated above or having more features than mentioned above shall tantamount to use of unfair means. Scientific/Financial calculator is NOT allowed.

#### **Debarment/Cancellation of examination:**

- 1) If a candidate indulges in unfair practices/suspicious acts, the proctor will intervene and warn or cancel the test.
- 2) For any case of misconduct, the proctor can warn/cancel the test immediately as the case may be.
- 3) For any unfair act (cheating) during the examination, the result of such examination may be cancelled and he/she will be liable for punishment. Institute will also inform the employer of the candidate by giving the details of unfair practice and punishment levied on the candidate.
- 4) If the unfair act is determined after the examination, the result of such examination will be cancelled and he/she will be liable for punishment.
- 5) If any candidate attempts copying Onscreen question, takes photoshops or violates any of the examination rules, it will be considered to be an act of misconduct and he/she will be liable for punishment.
- 6) PLEASE REFER INSTITUTE'S WEBSITE UNDER THE MENU "EXAM RELATED" FOR DETAILS OF DEBARMENT PERIOD FOR UNFAIR PRACTICES ADOPTED BY CANDIDATES DURING CONDUCT OF INSTITUTE'S EXAMINATIONS.

#### **Privacy**

During the remote proctored examination, Images/Videos/Sounds of the candidates and their computer systems will be captured and stored for examination proctoring purposes. It is envisaged that candidates who register for the remote proctored examinations agree for the same.

#### **Training:**

Candidates who have successfully passed the online examination have to undergo training. For this purpose, the candidate, on passing the examination should log on to IIBF website - [www.iibf.org.in](http://www.iibf.org.in) and select his/her convenient slot for classroom/virtual classroom training (3 days) from the pre-determined dates and venue (in case of classroom training) at select centres announced by the Institute. During the classroom/virtual classroom training, candidates will be assessed (Internal assessment) for training performance for a total of 50 marks. Marks for training will be awarded to candidates by faculty for their training participation, analytical skills, case discussions, dealing ability, presentation skills etc.

SR. NO	PARTICULARS	WEIGHTAGE	TOTAL MARKS (MAXIMUM)	MINIMUM MARKS TO BE OBTAINED	REMARKS
1	Attendance	50%	50	25 (50%)	Total 10 total sessions (spread in 3 days). Attending minimum 5 sessions will be compulsory. This will correspond to 25 marks out of 50 (50%). On 1 <sup>st</sup> day and 2 <sup>nd</sup> day 4 sessions each and on 3 <sup>rd</sup> day 2 sessions. (4+4+2)
2	MCQs	50%	50	25 (50%)	Each session will have 5 MCQs. The MCQ Test will be at the end of the Course. There will thus be a total of 50 MCQs (1 mark each). Total 50 marks. A candidate has to obtain a minimum of 25 marks out of 50 (50%).
<b>Total</b>			<b>100</b>	<b>50 (50%)</b>	
The overall aggregate (attendance + marks in MCQs) to be obtained by a candidate will therefore be 50 (50%). However, if a candidate gets overall 50% with 30 marks in attendance (60%) and 40% (i.e. 20 marks) in MCQs, s/he will also be considered as passed. But, vice versa is not permitted. In other words, a candidate should get minimum 20 marks in the MCQs.					

### TIME LIMIT FOR TRAINING:

Training is required to be completed within 15 months from the date of declaration of the online examination results of Level-I in which the candidate passes.

In case a candidate fails to complete the training either on account of not able to successfully complete the training or by not attending the training within the stipulated period of 15 months, the candidate would be required to RE-ENROLL himself for the Online examination foregoing credit for the subject/s passed in the Online examination earlier in case he wants to complete the course.

### STUDY MATERIAL/ COURSEWARE

The Institute has developed a courseware to cover the syllabus. The courseware (book) for the subject/s will be available at outlets of publisher/s. Please visit IIBF website [www.iibf.org.in](http://www.iibf.org.in) under the menu "Exam Related" for details of book/s and address of publisher/s outlets. Candidates are advised to make full use of the courseware. However, as banking and finance fields are dynamic, rules and regulations witness rapid changes. Therefore, the courseware should not be considered as the only source of information while preparing for the examinations. Candidates are advised to go through the updates put on the IIBF website from time to time and go through Master Circulars/ Master Directions issued by RBI and publications of IIBF like IIBF Vision, Bank Quest, etc. All these sources are important from the examination point of view. Candidates are also to visit the websites of organizations like RBI, SEBI, BIS, IRDAI, FEDAI etc. besides going through other books & publications covering the subject/ exam concerned etc. Questions based on current developments relating to the subject/ exam may also be asked.

### E-LEARNING:

Institute facilitates e-learning to enhance the understanding of the concepts. Candidates can access the e-learning (From Desktops and Laptops only) through our website [www.iibf.org.in](http://www.iibf.org.in) at their convenience and from their place of choice.

- At the time of registration, the candidate can register for e-learning/e-book, if required, by paying the requisite additional fees.
- The study material can be in the form of e-book and/or e-learning.
- Based on the option selected (e-book/e-learning) the candidate will be provided login ID password to access the study material.

### DISCLAIMER:

- The above said facility of e-learning offered to the candidates is solely at the discretion of the Institute and subject to such terms/ conditions as may be deemed fit by the institute from time to time. Hence no candidate has any right/ claim whatsoever against the institute by reason of any technical glitches or any shortcomings as the case may be and the decision of the institute in the event of any dispute there-under will be final and conclusive.

## EXAMINATIONS

The Institute has a practice of asking questions in each exam about the recent developments/ guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the developments/ guidelines from the date the question papers are prepared and the dates of the actual examinations.

In order to address these issues effectively, it has been decided that:

- (i) In respect of the examinations to be conducted by the Institute for the period March to August of a calendar year, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December will only be considered for the purpose of inclusion in the question papers".
- (ii) In respect of the examinations to be conducted by the Institute for the period September to February of a calendar year, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June will only be considered for the purpose of inclusion in the question papers.

The table given below further clarifies the situation.

Particulars Developments for Examination/s	Cut-off Date of Guidelines/ Important Developments for Examination/s
For the examinations to be conducted by the Institute for the period March to August	31st December
For the examinations to be conducted by the Institute for the period September to February	30th June

## TUTORIAL/ CONTACT PROGRAMMES

Tutorial/ Contact programmes may be organized by the Institute at various centres. For details in this regard candidates may visit Institute's website [www.iibf.org.in](http://www.iibf.org.in).

## SYLLABUS

The details of the prescribed syllabus which is indicative are furnished in the booklet. However, keeping in view the professional nature of examinations, all matters falling within the realm of the subject concerned will have to be studied by the candidate as questions can be asked on all relevant matters under the subject.

Candidates appearing for the examination should particularly prepare themselves for answering questions that may be asked on the latest developments taking place under the various subject/s of the said examination although those topics may not have been specifically included in the syllabus. The Institute also reserves to itself the right to vary the syllabus/ rules/ fee structure from time to time. Any alterations made will be notified from time to time. Further, questions based on current developments in banking and finance may be asked.

Candidates are advised to refer to financial newspapers/ periodicals more particularly "IIBF VISION" and "BANK QUEST" published by the Institute.

### PAPER 1 - RISK MANAGEMENT

#### MODULE A: RISK AND RISK MANAGEMENT FRAMEWORK

##### Why Banks are Special

- Functions Banks Perform, Bank's Role in the Economy, Other Uniqueness of Banks

##### Risks and Risk Management in Banks

- What is Risk?, Definition of Risk, Risk in Banks, Business Risk vs Control Risk, Financial Risk vs Non-Financial Risk, Interconnectedness Among Banking Risks, Recent Developments Connected with Risk Management, Banking Reforms in India, New Trends in Indian Banking System, Risk Management Going Ahead, Various Types of Risks Faced by a Bank, Non-Financial Risks

- Lessons from Crisis, Benefits of Risk Management, Risk Management Concept, Risk Management Approach, Risk Culture, Risk Management Architecture, Elements of Risk Management Framework, Organisational Structure, Risk Management Policy, Risk Appetite, Risk Limits, Risk Identification Process, Risk Measurement, Risk Mitigation, Risk Monitoring and Risk Control, Management Information System, Enterprise Risk Management, Events-Risk and Opportunity, Enterprise Risk Management Defined, Achievement of Objectives, Components of Enterprise Risk Management, Relationship of Objectives and Components, Effectiveness, Encompasses Internal Control  
**Asset Liability Management and Interest Rate Risk in Banking Book**
- What is ALM?, Objectives of ALM, ALM Process, Interest Rate Risk, Duration GAP Analysis, Measurement System Reports, Stress Testing, Back Testing, Interest Rate Risk Mitigation  
**Liquidity Risk Management**
- What is liquidity?, Liquidity and solvency, Forms of liquidity risk, Liquidity Management, Factors contributing to liquidity risk, Liquidity risk and Balance Sheet, Risk Management framework for Liquidity Risk, Identification and measurement of liquidity risk

## **MODULE B: CREDIT RISK**

### **Credit Risk Management Framework**

- What is Credit Risk?, Obligor (or) Borrower Level Risk vs Portfolio Risk, Systematic vs Unsystematic Risk, Need for Credit Risk Management Framework, Credit Risk Culture, Building Blocks of Credit Risk Management, Strategy, Financial Goals, Risk Appetite, Portfolio Risk and Reward, Loan Policy, Due Diligence Process, Loan Approval Process, Limits on Aggregate Loans and Commitments., Underwriting Criteria, Exceptions to Credit Policy, Organization Structure  
**Obligor/Borrower Risk**
- Business Risk (or) Operating Risk, Financial Risk, Interaction between Business Risk and Financial Risk, Different Risk Levels, Sources of External Risk, Industry Risk Analysis, Entity Level Risk, Financial Risk  
**Credit Rating System**
- What is Credit Rating?, Usefulness of Rating System for Banks, Features of Internal Credit Rating System, Rating Exercise and Rating Assignment, Rating by External Rating Agencies  
**Portfolio Credit Risk**
- Systematic Risk, Unsystematic/Idiosyncratic/Diversifiable Risk, Concentration Risk, Correlation Risks  
**Credit Risk Models**
- Uses of Credit Models, Types of Models  
**Measurement of Credit Risk**
- Probability of Default (PD), Methods for Estimating PD, Exposure at Default, Loss Given Default (LGD), Portfolio Assessment of Credit Risk, Risk Adjusted Return on Capital (RAROC), Application of the Concept of Economic Capital in RAROC Model, Uses of RAROC, Risk Based Pricing, Methods of Risk-Based Pricing  
**Credit Derivatives**
- What is a Credit Derivative?, Protection Buyer, Protection Seller, Advantages to the Protection Buyer, Advantages to the Protection Seller, Credit Events, Payout, Credit Default Swap, Total Return Swap (TRS), Credit Options, Credit-Linked Notes

## **MODULE C: MARKET RISK**

### **Market Risk**

- What is Market Risk?, Trading Portfolio in a Bank, Interest Rate Risk, Equity Price Risk, Foreign Exchange Risk, Commodity Price Risk, Liquidity Risk, Credit and Counterparty Risks, Model Risk, Market Risk Management Framework, Organizational Structure to Manage Market Risk, Organizational Structure for Trading Activity, Risk Management Strategy, Policies and Procedures  
**Fixed Income Securities**
- What is a Bond?, Government of India in the Bond Market, Bond Market in India, Bond Valuation



- Measurement of Interest Rate risk, Sensitivity approach, Price value of a Basis point method, Computation of portfolio PVBP, Hedging using basis point value, Other uses of PVBP, Duration, Definition of duration, Properties of duration, Portfolio duration, Modified Duration and Price elasticity of interest rate, Price volatility characteristics of Bonds, Convexity, Bond portfolio management  
**Value at Risk**
- Historical background, Definitions of VaR, Assumptions for calculation of VaR, Building blocks of VaR, VaR methodology, Comparison of different methodologies to compute VaR, Comparative advantages and disadvantages of various methods to compute VaR, Limitations of VaR, Extreme Value Theory, Stress Test, Back testing of VaR models

#### **MODULE D: OPERATIONAL RISK**

##### **Operational Risk and Operational Risk Management Framework**

- Developments Giving Rise to Increasing Operational Risk, Peculiarity of Operational Risk, Definition of Operational Risk, Operational Risk Culture, Operational Risk Organizational Framework, Policy Guidelines and Strategic Approach, Operational Risk Identification Process, Assessment of Operational Risk

##### **Collection of Internal Loss Data and External Loss Data**

- Collection of Loss Data, Minimum Loss Data Standard, Specific Criteria on Loss Data Identification, Collection and Treatment, Near-Misses and Opportunity Costs, External Loss Data, Root-Cause Analysis

##### **Risk and Control Self-Assessment (RCSA) & Key Risk Indicator (KRI)**

- RCSA Process, Defining Inherent Risk, Study of Effectiveness of Control, Computation of Risk Zone, Color-Coded Risk Levels, Key Risk Indicators, Various Forms of KRI, Selecting KRIs, Risk Appetite, Scenario Analysis, Uses of KRIs

##### **Technology Risk**

- Basic Principles of Information Security, Information Security Governance, Organizational Structure, Roles and Responsibilities, Critical Components of Information Security, Security Measures Against Malware, Patch Management, Change Management, Audit Trails, Information Security Reporting and Metrics, Information Security and Critical Service Providers/Vendors, Network Security, Remote Access, Distributed Denial of Service Attacks (DDoS/DoS), Implementation of ISO 27001 Information Security Management System, Wireless Security, Business Continuity Considerations, Information Security Assurance, General Information Regarding Delivery Channels, Emerging Technologies and Information Security, Implementation of Recommendations of the Working Group on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds

##### **Corporate Governance**

- Corporate Governance Definition, Corporate Governance – Banking Industry Perspective, Basel Committee and Corporate Governance, Importance of Risk Management in Corporate Governance, Benchmarking Risk Governance

##### **Climate Risk and Sustainable Finance**

- Climate Situation in India, Basel Committee and Climate Risk, Climate Risk, Unique Characteristics of Climate Change and Implication, Financial Risks Emerging from Climate Related Risk, Climate Risk Management Framework, Green Finance for Sustainable Development

#### **MODULE E: BASEL AND RBI GUIDELINES ON RISK MANAGEMENT**

##### **Why Do Banks Need Regulation?**

- Need for Regulation of Banks, Banking Regulation and Supervision, Banking Regulation and Supervision in India, Global Banking Regulation, Basel Committee on Banking Supervision, The Concordat, Basel-I Accord, Basel Committee Amendment 1996, Basel II Accord

##### **Global Financial Crisis and Basel III**

- Regulatory Shortcomings and Regulatory Reform, Response of Basel Committee to Global Financial Crisis

- Bank Capital: An Accounting Residual, Why Bank Needs Capital, Should Regulator Prescribe Minimum Capital for Banks?, Basel III Capital Regulation, Standardized Approach - Capital Charge for Credit Risk, Off-Balance Sheet Items, Total Counterparty Risk, External Credit Assessments, Applicability of 'Issue Rating' to Issuer/Other Claims, Credit Risk Mitigation, Internal Rating Based Approach  
**Capital Allocation Against Market Risk**
- Scope and Coverage of Capital Charge for Market Risks, Measurement of Capital Charge for Interest Rate Risk  
**Capital Charge for Operational Risk**
- Definition of Operational Risk, The Measurement Methodologies, The Basic Indicator Approach, The Standardized Approach, Advanced Measurement Approach, Shortcomings of Present Approaches for Calculating Capital Requirement for Operational Risk, New Standardized Approach, Business Indicators, Risk Weighted Assets, Technical Guidance Note on Minimum Capital Requirements for Operational Risk  
**Supervisory Review Process and Internal Capital Adequacy Assessment Process (ICAAP)**
- Objective of Pillar 2 Supervisory Process, ICAAP Principles, Definitions, Coverage by ICAAP, The Structural Aspects of the ICAAP, Risk Appetite, Actual and Target Risk Structure, Identifying, Measuring, Monitoring and Reporting of Risk, Internal Control, Submission of the Outcome of the ICAAP to the Board and the RBI, ICAAP to be an Integral part of the Management and Decision-Making Culture, The Principle of Proportionality, Regular Independent Review and Validation, ICAAP to be a Forward-Looking Process, ICAAP to Include Stress Tests and Scenario Analyses, Identifying and Measuring Material Risks in ICAAP, Capital Planning, Capital Allocation  
**Stress Testing**
- Stress Testing Part of ICAAP, Objective, Stress Testing Process, Sensitivity Analyses, Scenario Analyses, Reverse Stress Testing, Stress Testing Framework, Single Factor Stress Tests, Classification of Banks for the Purpose of Stress Testing, Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks, Criteria for PCA  
**Market Discipline**
- General, Definition, Achieving Appropriate Disclosure, Interaction with Accounting Disclosures, Validation, Materiality, Proprietary and Confidential Information, General Disclosure Principle, Regulatory Disclosure Section  
**Basel III Buffers, Liquidity Ratios, Leverage Ratio**
- Objectives of Capital Buffers, Capital Conservation Buffer Framework, Counter - Cyclical Capital Buffer, Domestic Systemically Important Banks, Leverage Ratio, Liquidity Standards, Net Stable Funding Ratio  
**Risk Based Supervision**
- Background, Reserve Bank of India Initiatives, Bank Supervision Process in India, Supervisory Approach, Features of an Effective bank Supervisory Framework, Benefits of Risk Based Supervision, Supervisory Methods/Tools  
**Risk Based Internal Audit**
- What is Risk Based Auditing, Objective of Risk Based Internal Audit, Board and Management Oversight, Audit Policy, Functional Independence, Identification of Auditable Units, Conduct Risk Assessment, Risk Profile, Communication

## **MODULE F: DERIVATIVES AND RISK MANAGEMENT**

### **Derivatives and Risk Management**

- What is Derivative?, Features of Derivatives, Over the Counter vs Exchange Traded Derivative, Uses of Derivatives, Misuse of Derivative, Major Types of Derivatives, Long and Short Position, Derivative Markets in India  
**Forward Contract**
- Definition and Characteristics, Advantage of Entering Forward Contract, Problems Associated with Forward Contract, Pay-off on a Forward Contract, Pricing the Underlying, Benefits and Costs of Holding Assets, The Concept of Price and Value of a Forward Contract, Forward Rate Agreement  
**Futures**
- What is a Futures Contract?, Futures Contract vs Forward Contract, Performance of contract, The Clearing House, Margin A/c, Relationship between Spot Price and Future Price, Delivery, Cash Settlement, Pricing of Future Contracts, Contango vs Normal Backwardation, Interest Rate Future

- Definition, Option Terminology, Call Option, Put Option, Pricing of Option, Interest Rate Options  
**SWAP**
- Definition, Characteristics of SWAP, SWAP Terminology, Types of SWAP, Interest Rate Swap, Calculating Interest Rate Swap Cash Flows, Uses of Interest Rate Swap, Swaptions

## **APPENDIX: STATISTICAL CONCEPTS**

### **Statistical Measures**

- Frequency Distribution, Measures of Central Tendency, Measures of Dispersion, Measures of Skewness, Measures of Kurtosis, Measures of Correlation, Measures of Regression, Expected Return, Average of Ratios, Risk, Average Growth Rate, Portfolio Diversification, Beta, Performance Evaluation

### **Probability Theory**

- Probability, Conditional Probability, Random Variable, Distribution Function, Expectation and Standard Deviation, Binomial Distribution, Poisson Distribution, Normal Distribution, Credit Risk, Value at Risk (VaR), Option Valuation

## **Rules/ Syllabus for Level - II Examination (CISI, London)**

As regards Paper 2 (Level - II) Examination the rules/ syllabus, courseware, venue and other details will be provided directly by CISI, London to all the enrolled candidates for the Paper 2 examination, after passing the Level - I as stipulated earlier. The general information regarding rules/ syllabus as provided by CISI is reproduced here which is subject to changes as per their rules/ syllabus of CISI.

## **SUBJECT OF EXAMINATION (LEVEL - II):**

### **Paper 2 - Risk in Financial Services**

Candidates who have passed the Level-I can apply for Level-II examination of CISI. i.e. Risk in Financial Services Two-hour examination for 100 study hours dealing with the International scenario. Candidates who are interested in enrolling for CISI examination (Level-II examination) will be required to first register with IIBF by paying requisite onetime fees Rs.1000/- plus applicable taxes. Details of such candidates will be forwarded by IIBF to CISI. Thereafter, such candidates shall complete all the required formalities of CISI.

### **Registration/ Examination Fees (April-2023 to Mar-2024)**

(For Members of IIBF under the collaboration arrangement)

1 <sup>st</sup> attempt	£130 (Including Registration fee, workbook, e-learning)
2 <sup>nd</sup> attempt	£80 (During continuation of the same syllabus)

Subsequent attempt/s as per the rules of CISI.

Candidates who have registered for Level-II CISI examination and wish to reschedule the examination are allowed 1 free reschedule, provided they inform CISI, 14 days prior to the exam date. Any further rescheduling will be charged as per CISI rules.

### **PATTERN OF QUESTION PAPER FOR LEVEL - II:**

Paper-2 Question Paper will contain 100 multiple-choice objective type questions for 100 marks.

### **MODE AND CENTRES FOR EXAMINATION:**

Examination will be conducted in online mode only at Prometric test centres currently in 8 cities viz., Mumbai, Chennai, Bengaluru, Kolkata, Hyderabad, Gurugram, Ahmedabad and Thiruvananthapuram.

### **DURATION OF EXAMINATION:**

Paper 2 - Examination will be of 2-hour duration.

### **PERIODICITY OF EXAMINATION:**

The Examination is conducted throughout the year except Saturday and Sunday.

### **PASSING CRITERIA:**

Passing marks for paper- 2 subject is 70%

### **DELIVERY:**

The program is delivered through soft copy of study material in PDF format.

## Paper 2 - Risk in Financial Services

1. Principles of Risk Management
2. International Risk Regulation
3. Operational Risk
4. Credit Risk
5. Market Risk
6. Investment Risk
7. Liquidity Risk
8. Corporate Governance and Risk Oversight
9. Model Risk
10. Enterprise Risk Management (ERM) -

(Supported by specially designed courseware which is supplied by e-copy to all enrolled candidates as part of the fee by CISI directly)

### PROCEDURE FOR APPLYING FOR EXAMINATION (LEVEL - II):

IIBF will provide a list of candidates, who have passed the Level - I examination/ granted exemption based on prior qualification and eligible to apply for Level - II examination to CISI periodically. CISI will inform those candidates directly the procedure/ guidance for the registration for Level - II examination. Candidates can also contact CISI for guidance on the contact no. and e-mail provided on the trailing pages under course structure and delivery, if needed.

For further information or registration, contact CISI

Chartered Institute for Securities & Investment

Third Floor, Chromium, Jogeshwari - Vikhroli Link Rd, Andheri East, Mumbai,

Maharashtra 400076. Contact No: M: 9920185493

Email ID: Sharmila.ghoghe@cisi.org & southasia.office@cisi.org.

### About CISI, London

The Chartered Institute for Securities & Investment (CISI) is the largest and most widely respected professional body for those who work in the securities and investment industry in UK and in a growing number of financial centers globally.

Evolved from the London Stock Exchange they now have more than 40,000 members in 89 countries. In the past year, they have offered examination to 39,000 candidates in 68 countries, covering a range of vocational qualifications. **website:** www.cisi.org

### MULTIPLE CHOICE QUESTIONS (MCQS) AND ANSWERS

"The Institute conducts its examinations through Multiple Choice Questions (MCQs). These MCQs are part of the Question Bank of the Institute and its Intellectual Property. As a matter of policy, these MCQs and their answers will not be shared by the Institute with the candidates or others and no correspondence in this regard will be entertained."

### CONTACT DETAILS:

Register your queries through website [www.iibf.org.in](http://www.iibf.org.in) > Members/ Candidates Support Services (Help) or email all your queries to [care@iibf.org.in](mailto:care@iibf.org.in)

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Leadership Centre

Indian Institute of Banking & Finance

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