

# Credit Risk Management

## *Comments from past participants*

*"I enjoyed the two-day training session with Jeff. Jeff is unique in his ability to explain difficult concepts with ease."*

– Mr. Mohammad Ahsan Awan, United Bank Limited, Pakistan.  
[Class of August 2007]

*"I have been working in Basel II and Operational Risk area for the last two years. I found the seminar very informative. Dr. Jeff Lim appeared to have a very strong command over the new Basel II accord. The course material designed by him was very useful which highlighted the core areas of statistical (PD, LGD and EAD) modeling under Basel II."*

– Mr. Syed Nazish Abbas Rizvi, United Bank Limited, Pakistan.  
[Class of August 2007]

*"The Credit Risk Management seminar was very informative!"*

– Mr. S. M. Arshad, MCB Bank Limited, Pakistan.  
[Class of September 2007]

*"This seminar has been informative and an 'eye-opener' in credit risk management. After many years of managing credit risk in local and APAC context, this seminar made me realize that there is a lot more to learn and do to manage risk."*

*"This seminar is a must for any credit professional who wants to excel in this field and I will strongly recommend it to my peers and credit team. This is not a basic course that rumbles about financial ratios and legal recovery process. If one could conceptualize the theories and apply it as part of their risk management tools, it will bring their profession to a completely different level."*

– Mr. Sammy Sang, ECICS Limited, Singapore.  
[Class of October 2007]

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**SEMINAR CODE: PRM04**

*"The Seminar was fun and engaging! Look forward to joining more seminars conducted by Jeff."*

– Ms. Rebecca Teo Chay Teng, Saxo Capital Markets Pte. Ltd., Singapore.  
[Class of October 2007]

*"It is a very interesting seminar where we get to see credit risk management in a new light that would be beneficial to both the banking and non-banking industries."*

*"A good seminar with dedicated instructor and will recommend it to other credit risk managers!"*

– Mr. Edward Wan, CIMB Bank Berhad, Singapore.  
[Class of June 2008]

*"This seminar is definitely an asset to anyone who takes in this knowledge - the methodology used to express the various risks of the product creates an interesting thought process."*

– Mr. Robin Watson, The Benefit Company, Bahrain.  
[Class of May 2009]

*"This is a very fantastic seminar! Jeff explained complicated ideas in simple ways and made it easy to understand."*

– Ms. Fitri Kurniawati, Bank Indonesia, Indonesia.  
[Class of September 2009]

*"The facilitator is knowledgeable and his ideas are innovative. The concepts he delivered to us will broaden my horizon and open my mind on controlling credit risks in the future."*

– Ms. Wang Yi Jun, Bank of Communications Co., Ltd  
[Class of April 2011]

*"Excellent seminar and really appreciated Dr Jeff's time and input. He went the extra miles to teach us practical applications of the content."*

– Mr. Mr. Mark Fyffe, Eden Murray Pte Ltd, Singapore  
[Class of October 2011]

*"Very interesting topic and a very good facilitator. Knowledgeable as well."*

– Mr. Damian Chia, Eden Murray Pte Ltd, Shanghai  
[Class of October 2011]

*"Jeff tailored exactly to our needs. Good Job!"*

– Mr. Colin Mcdonald, Eden Murray FZE, United Arab Emirates, Dubai  
[Class of October 2011]

## *Highlights*

- Risk Management is everyone's business, not just the CEO's, CFO's or CRO's
- The biggest Risk in Risk Management is NOT seeing the Risk!
- Have an Overview of Enterprise Risk Management and understand how Credit Risk Management is an integral part of Enterprise Risk Management
- Have a clear understanding that Credit Risk Management cannot exist in a silo, and that to manage Credit Risks effectively, one must also have a good understanding of Market Risk and Operational Risk Management
- Have an Understanding of the Link Between A CounterParty's Enterprise Risk Exposures and The Bank's Credit Risk Exposure To The CounterParty and A CounterParty's Default.
- Have an Understanding of The Role of Credit Officers and Credit Risk Managers as Gate-Keepers of a Bank's Assets
- "Dirty your Hands" going through a Monte Carlo event simulation process
- Be introduced to the notion of Probability of Defaults, Exposure Given Default and Recovery Rates, and how one can use these components to compute the Expectation of Credit Losses
- Be introduced to the quantitative side of risk measurement – Value-at-Risk (**VaR**) and Conditional Value-at-Risk (**C-VaR**)
- Be introduced to The Basel Capital Accord

Seminar Facilitator  
**Dr. Jeffrey C. K. Lim, Ph.D., C.Sci., C.Math., FIMA, FRM, PRM, B.Fel.**

Seminar Duration  
**2 Days, 9:00am to 5:00pm**

## Seminar Background

Risk Management should be everybody's business, not just the CEO's the CFO's or the CRO's! Practicing Credit Risk Management is an art-form and the science that forms the platform to support one practicing their art-form is still an evolving science. This seminar introduces participants to the true purpose of risk management, and ensures that anyone wishing to practice good risk management first embraces the true meaning and purpose of risk management in the first instance before embarking on their quest to practicing good risk management in order to be successful. This seminar also introduces participants to the quantitative side of credit risk management, allowing participants to have a good appreciation of Probability of Defaults, Exposure Given Defaults and Recovery Rates, and to understand how these components are used in the computation of Expected Credit Losses. Participants will also be given the opportunity to perform Monte Carlo simulations and appreciate how these can be used in Credit Risk Management.

## Seminar Content

- **Introduction**
  - Types of Enterprise-wide Risk Exposures
  - Market Risks
    - Definition
    - Examples
  - Credit Risks
    - Definition
    - Examples
  - Operational Risks
    - Definition
    - Examples
  
- **Impact of Enterprise-wide Risk Exposures**
  - Market Risks
  - Credit Risks
  - Operational Risks
  
- **Link Between CounterParty's Enterprise and Bank's Credit Risk Exposure**
  
- **Role of Credit Officers**
  
- **Role of Credit Risk Managers**
  
- **Concept of Value-at-Risk**
  - Introduction
  - VaR Confidence Levels and Horizons
    - VaR Confidence Levels
    - VaR Horizons
  - Back Testing
  - Stress Testing To Complement VaR
  - Conditional Value-at-Risk (C-VaR)

## ➤ Credit Risk

- Definition of Credit Events
  - Bankruptcy
  - Failure to pay
  - Obligation/Cross Default
  - Obligation/Cross Acceleration
  - Repudiation/Moratorium
  - Restructuring
  - Downgrade
- Settlements Risk
  - The Failure of Bankhaus Herstatt (1974)
- Core Principles for Systemically Important Payment Systems
  - Handling Settlements Risk
- Pre-Settlement Risks
  - Elements of Credit Risk
    - Probability of Default
    - Definition of a Credit Default
    - Loss Given Default
    - Objectives
    - Components
    - Strategy
      - Exposure Given Default
    - Recovery Rates
- Credit Risk Rating
  - Inputs
  - Analysis
- Merton's Model For Estimating The Probability of Default
  - Derivation of the Model
  - Model Application
- Principles For The Management of Credit Risk
  - Establishing An Appropriate Credit Risk Environment
  - Operating Under A Sound Credit Granting Process
  - Maintaining An Appropriate Credit Administration, Measurement and Monitoring Process
  - Ensuring Adequate Controls Over Credit Risk

## ➤ Basel Capital Accord

- Standardized Approach (a modified version of the existing approach)
- Foundation Internal Rating Based Approach
- Advanced Internal Rating Based Approach

## Benefits of Attendance

Participants will acquire a good basic foundational grounding in the areas of credit risk exposures that exists within their organizations and the techniques available to manage such risks. This seminar will allow participants to take credit risk management to a truly effective level within their organizations.

## Who should attend?

Senior Management, Credit Managers and Personnel, Risk Management Personnel, Finance Personnel, Internal and External Auditors.

## Seminar Facilitator

**Dr. Jeffrey C. K. Lim**, certified Financial Risk Manager (FRM<sup>1</sup>) and certified Professional Risk Manager (PRM<sup>2</sup>), is currently the Managing Director of PI ETA Consulting Company, a Treasury & Financial Risk Management Consulting Company.

A Chartered Scientist (C.Sci.<sup>3</sup>), a Chartered Mathematician (C.Math.<sup>4</sup>) and an elected Fellow of the Institute of Mathematics and Its Applications (IMA), U.K. (FIMA), Jeff earned his Ph.D. in Stochastic Financial Modeling from the University of Cambridge in England. Jeff's research interest at Cambridge was in the area of Arbitrage Opportunities occurring in the Mispricing of Financial Options, and his original research culminated in the publication of his doctoral dissertation entitled: "Multi-period Mean-Variance Option Portfolio Strategies".

Jeff was an authorized Securities & Financial Derivatives Representative in London, having been certified by The Securities and Futures Authority (SFA) in England, where he started his career as a Derivatives Analyst with Nomura International in London, England. He subsequently joined NatWest Markets from London, England to become its Head of Currency Structured Products for South and South-East Asia. Jeff then moved to American Express Bank to become its Director of Structured Products, prior to assuming his current position.

Jeff has also contributed to the development and enhancement of talent and infrastructure for Singapore's financial center as a guest Professor at the National University of Singapore's Center for Financial Engineering, where he was responsible for the curriculum of its Master of Science degree program's core modules in Financial Derivatives and Treasury Management. In addition, Jeff has also been invited by the Nanyang Technological University and the Singapore Management University to share his expertise in a similar capacity. In recognition of Jeff's expertise and experience in the field of Treasury and Financial Risk Management, the University of New South Wales Asia appointed Jeff to be its first Adjunct Professor with the university's Division of Business and Humanities.

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<sup>1</sup> The *Financial Risk Manager* (FRM) designation is awarded by The Global Association of Risk Professionals (GARP), U.S.A.

<sup>2</sup> The *Professional Risk Manager* (PRM) designation is awarded by The Professional Risk Managers International Association (PRMIA), U.S.A.

<sup>3</sup> The *Chartered Scientist* (C.Sci.) designation is awarded by The Science Council, U.K.

<sup>4</sup> The *Chartered Mathematician* (C.Math.) designation is awarded by The Institute of Mathematics and Its Applications (IMA), U.K.

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At PI ETA Consulting Company, Jeff was Principal Inventor in two of the Patents that the company currently holds – one in Treasury & Financial Risk Management Systems, and the other in Knowledge Management Systems.

Professionally, Jeff is a Fellow of both The Global Association of Risk Professionals (GARP), U.S.A. and The Professional Risk Managers International Association (PRMIA), U.S.A. He is also a Fellow of the Cambridge Philosophical Society, U.K. and a Life-time Member of The Cambridge Society, U.K. Jeff is also honoured to be a Fellow of The Cambridge Commonwealth Society, U.K., having been previously awarded the Cambridge Commonwealth Trust and the Shell Group of Companies Doctoral Research Scholarship.

As a special recognition of Jeff's professional achievements, on 9 April 1999, Barons Who's Who conferred Jeff with the Barons Fellowship status, making him a Barons Fellow (B.Fel.). This award by their Charter, is limited to only the top 10% of those selected for publication in Barons Who's Who International.

**For more information, please contact PI ETA Engagement Resource (PEER) Group at**  
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