



AIF
ASIAN INSTITUTE OF FINANCE

Strategic Risk Management

Sasana Kijang,
Bank Negara Malaysia

Programme Facilitator: Dr. David Bobker



Strategic Risk Management

Introduction

Since the financial crisis, risk management has received even more focus and attention from the media. Great international regulatory developments are taking place in the banking sector in an attempt to ensure such a disaster does not happen again. But it is not just in the world of finance that mismanagement of risk can lead to catastrophic consequences –recent examples being BP’s catastrophic oil spill in the Gulf of Mexico, and Toyota’s recall of millions of its vehicles. The immediate press attention has gone, but in cases like that the legal fallout is likely to continue for years, or even decades.

But if we set all this against the fact that “corporate governance” and “risk management” have been widely promoted since the first code was produced in the UK in 1992 (the Cadbury Code), and there have been a long succession of revised codes, standards and frameworks, valid questions to ask are “what good has all the corporate governance and enterprise risk management been” And, “are we learning from the mistakes?”.

Who Should Attend

CEO’s, their direct reports and other C-Suite managers including Chief Financial Officers, Corporate Treasurers, Chief Operating Officers, Chief Risk/Safety Officers, Chief Internal Auditors, Chief Compliance Officers, Chief Strategic Planning Officers, Chief Communications and Technology Officers.

Programme Objectives

At the end of the programme, participants will be able to

- Understand how to critically review strategic planning assumptions
- Understand the basics of scenario analysis
- Understand the quantified risk framework, the risk curve and inverse risk logic
- Ensure their organisation receives a comprehensive and effective critical vulnerability review
- Understand the real meaning of “catastrophe”, “risk appetite” and “risk tolerance” and their relationship to the critical vulnerability review

- Focus the work of the risk control functions (risk management, internal audit, health and safety, compliance) better to serve the needs of the executive and the board
- Improve the quality of debate about risk at the highest levels in the organisation
- Ensure an effective risk monitoring system is effected in the company
- Be able to introduce effective standards for risk analysis of the strategic plan and strategic decision making

Programme Format and Methodology

This cross cutting two day programme examines the basic elements of risk management from the strategic point of view of the board of directors and top management. It takes an independent approach starting from the principles of strategic planning and scenario analysis, citing the flaws in the governance codes and risk management standards and putting forward an effective framework (“inverse risk logic”) for strategic risk management. The method is illustrated in detail for specific risk areas including: strategic uncertainties; M&A and new business projects; financial risk; and operational risk.

The approach is highly interactive and participative using a mixture of presentations of the key principles, studies of real cases and classroom exercises to illustrate the points being made.

Cases to be discussed will include the following:

The BP Oil Spill; Northern Rock and Bradford and Bingley; Sime Darby Bakun Dam project; HSBC investment in the US; Malaysia Airlines jet fuel hedging, Metallgesellschaft, Barings Bank and Ashanti Gold.

Guest Speaker

AIF normally invites a prominent leader from the business and finance world to share some of his/her own experience with participants within the theme of the programme, and then lead a discussion on a key topic. This allows participants to benefit from leaders who are able to relate first hand some of the interesting and complex issues of the human side of strategy and management as well as the theoretical side.

Course Leader



Dr. David Bobker MA, DPhil, ACA, FRM

David Bobker is Deputy Director of the Risk Management Centre at the Asian Institute of Finance where he has worked since April 2010 delivering risk management training to senior managers. During 2009 and 2010 he led the Risk Management Module of Bank Negara’s FIDE Programme.

David has over twenty five years experience in the financial sector mainly in the fields of risk management, internal audit, compliance and corporate governance. His experience covers:

- external audit (at KPMG and Deloitte)
- internal audit: he was head of internal audit for a UK bank (Alliance & Leicester Girobank) and a UK insurer (Norwich Union – now Aviva)
- compliance: at Alliance and Leicester he was also Group Compliance Officer
- regulatory supervision: he was a supervisor at the Building Societies Commission (now part of the UK’s FSA)
- risk management consultancy and training

David holds a DPhil in Mathematics from Oxford University and he is a qualified UK Chartered Accountant and a GARP Financial Risk Manager.

Detailed Programme

Day One

- **Introduction to the Programme**
- **Strategic Planning and Strategic Risk**
 - The business model
 - Strategic goals – the strategic plan
 - Competitive differentiation
 - Scenario analysis
 - Questioning the assumptions
 - Anticipating changed conditions
 - Testing the plan to destruction

CASES: Northern Rock; Bradford and Bingley
- **The meaning of risk**
 - Probability and impact doesn't work
 - The risk curve
 - Expected losses, unexpected losses and catastrophe
 - Types of risks
 - The basics of quantifying risks
 - The need to be specific about risk
 - Consideration of some specific risks

CASE STUDY: KL Widgets (a fictitious company to illustrate the key points)
- **Inverse risk logic, viability and risk appetite**
 - The principle of inverse risk logic
 - The critical vulnerability review as a basis for a strategic risk management framework
 - Understanding risk drivers
 - Some specific risk drivers
 - The role of modelling in assisting the assessments
 - Where modelling fails
 - The “economic capital” fallacy

CLASS EXERCISES to illustrate the key points
- **Strategic Risk Governance**
 - Board and management structures
 - Ensuring the right focus
 - The role of the control functions:
 - Risk reporting – getting it focused on the right things
 - Setting the framework and the standards for risk management
 - Upgrading internal audit to its strategic role

FACILITATED DISCUSSION to elucidate the key points

Day Two

- **Strategic Risks in New Ventures and M&A**
 - Risks arising from new activities
 - Setting standards of risk analysis
 - Mergers and acquisitions
 - Overseas acquisitions and expansion
 - Political and regulatory risks
 - Risks in large scale projects

CASES: BP in Russia; Bakun Dam project; HSBC US write off
- **Strategic Financial Risks**
 - Types of financial risk
 - The analysis of financial risks
 - Derivatives – OTC and traded
 - Margined transactions and collateralisation
- **Strategic Operational Risks**
 - Financial risk drivers
 - Financial risk quantification
 - Liquidity risk undermining macro hedging strategies

CASES: Malaysia Airlines; Ashanti Gold; Metallgesellschaft

 - What is operational risk?
 - Critical operational vulnerabilities and the CVR
 - Operational control systems
 - Strategic oversight
 - Multiple level control
 - What can be learned from disasters

CASES: BP Gulf of Mexico; Barings Bank

Strategic Risk Management

Participant 1 Mr. Ms. Mrs. _____

Name (To Appear on Tag) _____

Job Title _____ Email _____

Participant 2 Mr. Ms. Mrs. _____

Name (To Appear on Tag) _____

Job Title _____ Email _____

Participant 3 Mr. Ms. Mrs. _____

Name (To Appear on Tag) _____

Job Title _____ Email _____

Company _____

Address _____

State _____ Postcode _____ Country _____

Telephone _____ Fax _____

Payment must be made before commencement of programme.

Programme fee:

- * RM3,100 per pax
- * **RM2,799 per pax** (First 10 to register)
- * **RM2,499 per pax** (Group registration of 3 or more)
- * **RM2,600** (For Government and Public Sector)

Payment:

Booking should be made on the booking form above. Following receipt of the booking form, an invoice will be issued and the booking will be confirmed on receipt of full payment of the fee. Payment should be made by bankdrafts made payable to "Asian Institute of Finance Berhad". Telegraphic Transfer can also be arranged upon request.

A 50% cancellation fee is payable for cancellation more than 2 weeks before the programme commences. The total fee is retained in the event of cancellation less than 2 weeks before the commencement date.

Kindly forward or fax the Booking Form to:

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