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Learning Sessions

CAIIB ELECTIVE · PAPER 4

Risk Management

CE P4

Module-wise chapters, weightage & key topics

6	35	100	5
MODULES	CHAPTERS	MARKS	UPDATED TOPICS

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Exam snapshot

Paper pattern

- ✓ **100 questions** · 1 mark each · **100 marks**
- ✓ Duration **2 hours**, conducted **online**
- ✓ **No negative marking**
- ✓ Pass: **50%** aggregate (with module minimums)
- ✓ Mix of conceptual, applied & numerical questions

How to read this deck

- ✓ Each module shows its **indicative weightage**
- ✓ Every chapter lists **key topics** + chapter weightage
- ✓ UPDATED = topic with a recent regulatory change — revise latest figures
- ✓ Weightage is **indicative** (content volume + past-paper trend), not officially published by IIBF

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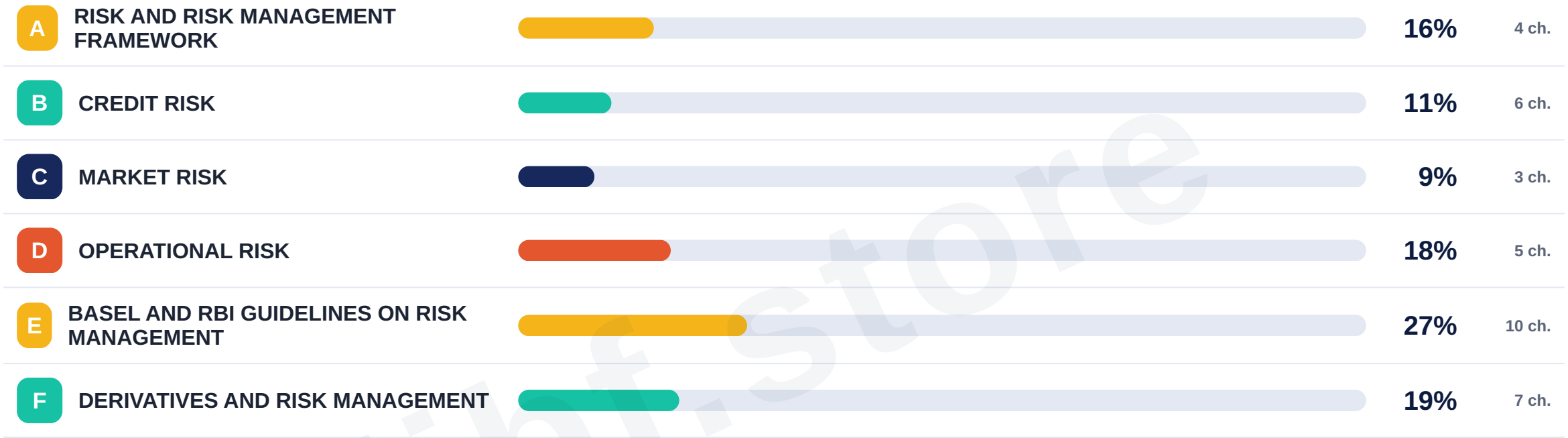
Module-wise weightage

WHERE THE MARKS SIT



Indicative distribution of 100 marks across the modules. Prioritise **Module E — BASEL AND RBI GUIDELINES ON RISK MANAGEMENT**, the single largest scorer.

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Chapters & key topics

A Module A — RISK AND RISK MANAGEMENT FRAMEWORK

16%
MODULE WEIGHT

1 Risks and Risk Management in Banks — 4 MARKS

What is Risk?, Definition of Risk, Risk in Banks, Business Risk vs Control Risk, Financial Risk vs Non-Fi- nancial, 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

2 Risk Management Framework — 7 MARKS

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 Pro- cess, 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

3 Asset Liability Management and Interest Rate Risk in Banking Book — 3 MARKS

What is ALM?, Objectives of ALM, ALM Process, Interest Rate Risk, Duration GAP Analysis, Measure- ment, System Reports, Stress Testing, Back Testing, Interest Rate Risk Mitigation

4 Liquidity Risk Management — 2 MARKS

What is liquidity?, Liquidity and solvency, Forms of liquidity risk, Liquidity Management, Factors contrib, uting to liquidity risk, Liquidity risk and Balance Sheet, Risk Management framework for Liquidity Risk, Identification and measurement of liquidity risk

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Chapters & key topics

B Module B — CREDIT RISK · 1/2

11%
MODULE WEIGHT

5	**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	2 MARKS
6	**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	1 MARKS
7	**Portfolio Credit Risk** Systematic Risk, Unsystematic/Ideosyncratic/Diversifiable Risk, Concentration Risk, Correlation Risks	1 MARKS
8	**Credit Risk Models** Uses of Credit Models, Types of Models	1 MARKS
9	**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	3 MARKS

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Chapters & key topics

B Module B — CREDIT RISK · 2/2

11%
MODULE WEIGHT

10 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

3
MARKS

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Chapters & key topics

C Module C — MARKET RISK

9%
MODULE WEIGHT

11	**Fixed Income Securities** What is a Bond?, Government of India in the Bond Market, Bond Market in India, Bond Valuation	1 MARKS
12	**Measurement of Interest Rate Risk** 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	4 MARKS
13	**Value at Risk** Historical background, Definitions of VaR, Assumptions for calculation of VaR, Building blocks of Va R, 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	4 MARKS

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Chapters & key topics

D Module D — OPERATIONAL RISK

18%
MODULE WEIGHT

14 Collection of Internal Loss Data and External Loss Data — 2 MARKS

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

15 Risk and Control Self-Assessment (RCSA) & Key Risk Indicator (KRI) — 4 MARKS

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

16 Technology Risk UPDATED — 8 MARKS

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, In, formation 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, Implementa, tion of Recommendations of the Working Group on Information Security, Electronic Banking, Technology, Risk Management and Cyber Frauds

17 Corporate Governance — 2 MARKS

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

18 Climate Risk and Sustainable Finance UPDATED — 2 MARKS

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, Management Framework, Green Finance for Sustainable Development

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Chapters & key topics

E Module E — BASEL AND RBI GUIDELINES ON RISK MANAGEMENT · 1/2

27% MODULE WEIGHT

19	**Global Financial Crisis and Basel III** UPDATED Regulatory Shortcomings and Regulatory Reform, Response of Basel Committee to Global Financial Crisis	1 MARKS
20	**Regulatory Capital and Capital Adequacy** UPDATED 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	4 MARKS
21	**Capital Allocation Against Market Risk** Scope and Coverage of Capital Charge for Market Risks, Measurement of Capital Charge for Interest Rate, Risk	1 MARKS
22	**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	3 MARKS
23	**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	6 MARKS

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Chapters & key topics

E Module E — BASEL AND RBI GUIDELINES ON RISK MANAGEMENT · 2/2

27%
MODULE WEIGHT

24	**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	3 MARKS
25	**Market Discipline** General, Definition, Achieving Appropriate Disclosure, Interaction with Accounting Disclosures, Vali, dation, Materiality, Proprietary and Confidential Information, General Disclosure Principle, Regulatory, Disclosure Section	3 MARKS
26	**Basel III Buffers, Liquidity Ratios, Leverage Ratio** UPDATED 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	2 MARKS
27	**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	2 MARKS
28	**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	3 MARKS

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Chapters & key topics

F Module F — DERIVATIVES AND RISK MANAGEMENT · 1/2

19% MODULE WEIGHT

29	**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	3 MARKS
30	**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	4 MARKS
31	**Options** Definition, Option Terminology, Call Option, Put Option, Pricing of Option, Interest Rate Options	2 MARKS
32	**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	2 MARKS
33	**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	4 MARKS

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Chapters & key topics

F Module F — DERIVATIVES AND RISK MANAGEMENT · 2/2

19%
MODULE WEIGHT

34 Probability Theory

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

3
MARKS

35 CENTRAL BANKING MODULE A: RATIONALE AND FUNCTIONS OF CENTRAL BANK Theory and Practice of Central Banking: Evolution

Global Evolution of Central Banks, Reasons for Proliferation of Central Banks, Conflicting Role and, Responsibilities of Central Banks, Development of Central Banks in Developed and Developing Countries

1
MARKS

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