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Learning Sessions

RISK IN FINANCIAL SERVICES

# RISK MANAGEMENT

RFS

Module-wise chapters, weightage & key topics

6

MODULES

39

CHAPTERS

100

MARKS

5

UPDATED TOPICS

Crash course • PDFs • One-liners • Video classes • Online tests

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## 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

### Live + Recorded

Video classes

### Exam PDFs

e-notes & one-liners

### Mock tests

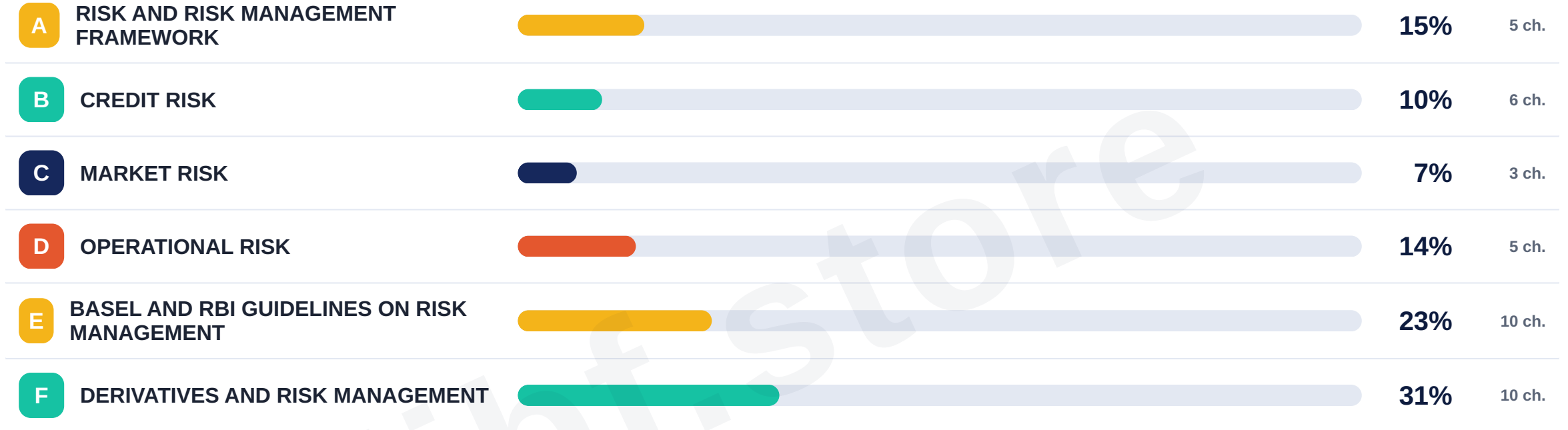
Latest IIBF pattern

### Crash course

Fast-track revision

## Module-wise weightage

WHERE THE MARKS SIT



Indicative distribution of 100 marks across the modules. Prioritise **Module F — DERIVATIVES AND RISK MANAGEMENT**, the single largest scorer.

**A**

### Module A — RISK AND RISK MANAGEMENT FRAMEWORK

**15%**  
MODULE WEIGHT

1	• Functions Banks Perform, Bank's Role in the Economy, Other Uniqueness of Banks, Risks and Risk Management in Banks	<b>1</b> MARKS
2	• 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, Risk Management Framework	<b>4</b> MARKS
3	• 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	<b>6</b> MARKS
4	• 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	<b>2</b> MARKS
5	• 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	<b>2</b> MARKS

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**B** Module B — CREDIT RISK  
· 1/2

**10%**  
MODULE WEIGHT

<b>6</b>	<b>Obligor/Borrower Risk</b> 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	<b>2</b> MARKS
<b>7</b>	<b>Credit Rating System</b> 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	<b>1</b> MARKS
<b>8</b>	<b>Portfolio Credit Risk</b> Systematic Risk, Unsystematic/Idiosyncratic/Diversifiable Risk, Concentration Risk, Correlation Risks	<b>1</b> MARKS
<b>9</b>	<b>Credit Risk Models</b> Uses of Credit Models, Types of Models	<b>1</b> MARKS
<b>10</b>	<b>Measurement of Credit Risk</b> 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	<b>3</b> MARKS

## Chapters & key topics

RISK MANAGEMENT (RFS)

### **B** Module B — CREDIT RISK · 2/2

**10%**  
MODULE WEIGHT

#### **11** Credit Derivatives

What is a Credit Derivative?, Protection Buyer, Protection Seller, Advantages to the, 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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**C** Module C — MARKET RISK

**7%**  
MODULE WEIGHT

**12** **Fixed Income Securities**  
What is a Bond?, Government of India in the Bond Market, Bond Market in India, Bond, Valuation

**1**  
MARKS

**13** **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

**3**  
MARKS

**14** **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

**3**  
MARKS



### **D** Module D — OPERATIONAL RISK

**14%**  
MODULE WEIGHT

- |           |   |                   |
|-----------|---|-------------------|
| <b>15</b> | <b>Collection of Internal Loss Data and External Loss Data</b><br>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  | <b>2</b><br>MARKS |
| <b>16</b> | <b>Risk and Control Self-Assessment (RCSA) &amp; Key Risk Indicator (KRI)</b><br>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   | <b>2</b><br>MARKS |
| <b>17</b> | <b>Technology Risk</b> <span>UPDATED</span><br>Basic, Principles, of, 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, 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 | <b>7</b><br>MARKS |
| <b>18</b> | <b>Corporate Governance</b><br>Corporate Governance Definition, Corporate Governance – Banking Industry, Perspective, Basel Committee and Corporate Governance, Importance of Risk, Management in Corporate Governance, Benchmarking Risk Governance  | <b>1</b><br>MARKS |
| <b>19</b> | <b>Climate Risk and Sustainable Finance</b> <span>UPDATED</span><br>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   | <b>2</b><br>MARKS |



E

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

23%

MODULE WEIGHT

20

#### Global Financial Crisis and Basel III UPDATED

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

1

MARKS

21

#### 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

3

MARKS

22

#### Capital Allocation Against Market Risk

Scope and Coverage of Capital Charge for Market Risks, Measurement of Capital, Charge for Interest Rate Risk

1

MARKS

23

#### 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

24

#### 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

5

MARKS

E

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

23%

MODULE WEIGHT

25

#### 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

26

#### Market Discipline

General, Definition, Achieving Appropriate Disclosure, Interaction with Accounting, Disclosures, Validation, Materiality, Proprietary and Confidential Information, Disclosure Principle, Regulatory Disclosure Section

2

MARKS

27

#### 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

2

MARKS

28

#### 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

2

MARKS

29

#### 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

2

MARKS





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

**31%**  
MODULE WEIGHT

<b>30</b>	<b>Forward Contract</b> 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	<b>2</b> MARKS
<b>31</b>	<b>Futures</b> 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	<b>3</b> MARKS
<b>32</b>	<b>Options</b> Definition, Option Terminology, Call Option, Put Option, Pricing of Option, Interest Rate, Options	<b>1</b> MARKS
<b>33</b>	<b>SWAP</b> Definition, Characteristics of SWAP, SWAP Terminology, Types of SWAP, Interest, Rate Swap, Calculating Interest Rate Swap Cash Flows, Uses of Interest Rate Swap, Swaptions	<b>2</b> MARKS
<b>34</b>	<b>APPENDIX: STATISTICAL CONCEPTS Statistical Measures</b> 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	<b>3</b> MARKS

### F

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

# 31%

MODULE WEIGHT

### 35 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

**3**  
MARKS

### 36 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, 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, (For Members of IIBF under the collaboration arrangement), 1st attempt, £130 (Including Registration fee, workbook, e-learning), 2nd 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, Paper-2 Question Paper will contain 100 multiple-choice objective type questions for 100, marks

**6**  
MARKS

### 37 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, Paper 2 - Examination will be of 2-hour duration, The Examination is conducted throughout the year except Saturday and Sunday, Passing marks for paper- 2 subject is 70%

**3**  
MARKS

### 38 DELIVERY

The program is delivered through soft copy of study material in PDF format, Principles of Risk Management, International Risk Regulation, Operational Risk, Credit Risk, Market Risk, Investment Risk, Liquidity Risk, Corporate Governance and Risk Oversight, 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), 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 and southasia.office@cisi.org

**6**  
MARKS

### 39 About CISI, London

39



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