TM134:
Developing Effective KRI’s
Training Description:
Useful risk indicators flag a significant rise in the probability of an event happening early enough for it to be prevented. A necessary condition to select appropriate risk indicators is to know its drivers, and to know the factors that will raise the probability of an event happening. For some risks, drivers are well documented. Safety of assets, IT security, and retail fraud and credit risk has been long scrutinized to the point that managers know where the red flags are and when to intervene. Operational risk however is not as well understood yet in financial services. Finding relevant indicators constitutes a challenge for many banks. Through a combination of presentations and practical exercises, this seminar offers a full review of the role and attributes of KRIs in financial services, clarifies some confusing ideas about the topic and positions a risk indicators programme in a risk management framework. It suggests a list of the best performing KRIs in some banking and financial markets activities and proposes a step by step method to select and design proactive KRIs.

Training Objective:
By the end of the training, participants will be able to:

✓ Design an efficient indicator program in a risk management framework
✓ Specify relevant indicators for various risks
✓ Focus on predictive risk indicators for their own activity
✓ Use indicators as an effective management tool
✓ Collect the right information to report on
✓ Define threshold levels for KRI that translate corporate risk appetite
✓ Comprehend the methods and strategies to use KRIs efficiently
✓ Improve returns as a result of monitoring KRIs

Training Designed for:
This course is intended for all Business Officers, Credit Risk Managers, Operational Risk Managers, Internal Auditors, Consultants and Regulators

Training Program:

DAY ONE:
PRE-TEST
KRIs in a Risk Management Framework
❖ Session 1 – Risk in Financial Services: Concept and Context
   • The concept of risk: What do we want to manage?
   • Concepts of risk, performance and controls
   • Scope of Risk: Financial and non-financial risks
   • Risk and Uncertainty: Upside risk, downside risk
   • Risk Perception, risk aversion: What do you call risky?
   • Notions of risk: Stakes, volatility, loss avoidance
   • Emerging threats of operational risks in Financial Services:
      ○ Eurozone instability
      ○ IT systems complexity
Internet, social media and operational risk
Compliance fines and other regulatory pressures
Examples of recent large losses
Class discussion and exercise: Identify the main risks in your activity

Session 2 – Indicators in a Risk Management Framework and Governance
Operational Risk Frameworks in banks
Key implementation stages
Three lines of defence
Making risk management effective: The ORM pyramid
Indicators: Trickle down risk appetite
Risk Tolerance: Risk appetite, risk capacity and limits to risk taking
Class discussion and benchmarking: Participants will share their experience and practices in risk management and framework design
They will be asked to position their practices in reference to the pyramid of risk management

DAY TWO:
Session 3 – Indicators overview
KRI, KPI, KCI:
Definitions and uses
Key risks, performance and control indicators: concepts and examples per activity
Seven rules for efficient indicators
KRI’s: Start with your top risks
Four candidates for effective KRIs
Indicators features: be SMART
Purpose and effectiveness: The more specific, the more effective
What can we realistically achieve
Case studies: examples of KRIs and risk drivers per activity: credit, trading, BCM, Internal Audit, etc.

Session 4 – Risk and control identification through process mapping: introducing KCIs
Process mapping: designing a credit or operational activity using a flowchart
Risk assessment through process mapping: identifying risk points and consequent controls at each step of the process
Matching activities, risks and controls
KCIs: assessing controls: their existence, their effectiveness
Group work: Delegates will work on process mapping of relevant activities and share the results with the class. The session introduces a first assessment of risks and controls, further analysed and turned into indicators as the workshop progresses

DAY THREE:
Designing and selecting effective KRIs
Session 1: Selecting predictive KRIs step by step: methodology and exercise
Methodology: Selecting predictive KRIs using a methodology developed by the trainer, inspired from six sigma, and sector experience
Identify root causes and event drivers for each of your key risks
• Select: Find relevant metrics for each root cause of event
• Design each KRI for Frequency
• Trigger levels
• Escalation criteria
• Ownership
• Data accuracy
• Reassess your current indicators and select appropriately
• Group work: Delegates are asked to work in groups to select and design the KRI reporting of a segment of their own activity, using a detailed methodology and guided by the trainer. Each group will then present and discuss its results in front of the class.

❖ Session 2: Risk and predictability
• Risk data analysis: Get a feel of the past.
  o Identify patterns
  o Beware of averages
  o Trends and seasonality
  o Separate EL and UL analysis
  o Design a succinct MI
• Forecasting: Predictibility of losses? Examples from credit risk, market risk and operational risk data
• Priority zones: Map your losses and your risks. Identify the high risks / high losses zones in your business
• Testing KRIs: Assess the validity of your indicators: run some back testing
• Group work / class discussion: Designing a back testing plan for KRIs

DAY FOUR:
❖ Session 3: Monitoring of risk indicators: thresholds and discipline
• Define thresholds in line with the institution’s risk appetite
• Quantify indicators thresholds and design a test plan
• Responses following breaches: Preventive action and risk response
• Governance around risk indicators: Differentiated definitions, but harmonised enforcement
• Class discussion and benchmarking: KRI governance in different institutions

DAY FIVE:
❖ Session 4: Risk Culture and Indicators
• Global sourcing
• Key Performance Indicators and the shaping of behavior
• Other influencers than KPIs
• Implementing a risk culture:
  The MESAR model:
  o Motivate
  o Enable
  o Support
  o Assess and Reinforce
• Class discussion / benchmarking: the influence of indicators risk culture
  ❖ Course Conclusion
  ❖ POST-TEST and EVALUATION

Training Requirement:

“Hand’s on practical sessions, equipment and software will be applied during the course if required and as per the client’s request”.

Training Methodology:

This interactive training course includes the following training methodologies as a percentage of the total tuition hours:-

- 30% Lectures, Concepts, Role Play
- 30% Workshops & Work Presentations, Techniques
- 20% Based on Case Studies & Practical Exercises
- 20% Videos, Software & General Discussions
- Pre and Post Test

Training Certificate(s):

Internationally recognized certificate(s) will be issued to each participant who completed the course.

Training Fees:

As per the course location - This rate includes participant’s manual, hand-outs, buffet lunch, coffee/tea on arrival, morning & afternoon of each day.

Note: The 5% VAT (Value Added Tax), will be effective starting 01st of January 2018 as per the new regulation from the UAE Government. The VAT applies for all quotation both for local and abroad.

Training Timings:

Daily Timings:
07:45 - 08:00  Morning Coffee / Tea
08:00 - 10:00  First Session
10:00 - 10:20  Recess (Coffee/Tea/Snacks)
10:20 - 12:20  Second Session
12:20 - 13:30  Recess (Prayer Break & Lunch)
13:30 - 15:00  Last Session

For training registrations or in-house enquiries, please contact:
Aisha Relativo: aisha@cmc-me.com
Tel.: +971 2 665 3945 or +971 2 643 6653 | Mob.: +971 52 2954615
Training & Career Development Department