



Session Descriptions – Wharton/RMA Advanced Risk Management Program - 2019

Week 1: May 5 – 11

Bankers Trust & the Evolution of Modern Risk Management – Dick Herring

We will use this case as a springboard for discussion about the evolution of quantitative risk analysis. We'll highlight the perceived needs that the new tools were intended to address and note some of the ways in which these early insights continue to inform risk management and how current practice has departed from this early, optimistic vision of the scope for application of these tools.

Foundations of Market Risk – Bob Stine

A quick glance at the latest news reveals the risks surrounds us. Whether in the form of traffic accidents or market losses, surprises threaten the unprepared. We all know that we should be prepared for the unforeseen, but how much preparation is necessary? How much auto insurance? How much should we save for a rainy day rather than invest? These lectures introduce ways of thinking about market risk. Several key quantitative statistics that are surprisingly intuitive capture the essence of risk that we can measure from data, providing the foundations for modern perspectives on risk.

Wholesale Credit Risk – Gene Guill

Practically every financial crisis involves the wholesale credit market in one way or another—the wholesale credit market is fundamental to the health of financial markets and the macro economy. Driven by competitive pressures, new product introductions, new techniques, and new regulatory requirements, the practice of managing wholesale credit risk has undergone significant changes in recent years. These sessions will provide an overview of current practices for managing wholesale credit risk and highlight topics that present the biggest challenges to practitioners. Participants will be encouraged to share current practices within their institutions and the challenges they face.

Wholesale Credit Risk – Paul Cunha

Financial institutions are in the business of taking risk to maintain profitability and credit risk plays a key role in managing growth against a backdrop of uncertainty. Since the last financial crisis, credit risk has experienced a major disruption heavily influenced by enhanced Basel regulations and advancements in financial analytics. During this module we will dive into the complexities of articulating Credit Risk Appetite, we will also explore the changing landscape and the challenges on the horizon as economic tides continue to shift.

Anyone Can Run a Bank?! – Dennis Winkel

During this session participants will be grouped into teams. Each team representing a bank. The simulation game will commence after an introduction to risk in banks. The banks will be competing over 4 rounds under a time constraint. During the rounds the teams have to manage their bank against financial and non-financial risk scenarios. There can and will be only 1 winning team. As time passes by emotions can run higher, also amplified by the beautiful prices that are made available for the winners (prices are courtesy of instructor).

Operational Risk – Spyro Karestsos

This session will focus on defining Operational Risk as a unique discipline. This will be addressed by providing historical perspective, reviewing industry frameworks, and sharing emerging trends. Operational Risk will be discussed in the context of risk management, risk measurement, and risk appetite. Operational Risk will be differentiated from Enterprise Risk and Non-Financial Risk. Opportunities to utilize strong Operational Risk techniques as a competitive advantage will be shared as well.

Human Resources Risks – Peter Cappelli

Talent management is the task of anticipating and meeting an organization's human capital needs. In this session, we consider the financial challenges that underpin talent management questions and some of the risks that come with that, including loss of talent and the concerns that come with outsourcing. We examine practical alternatives, including cost-effective ways to develop and retain talent.

Cyber Risk – Jenny Menna

It seems that every day, the news brings another story of a major breach, cyber-attack or critical system vulnerability. Cybersecurity has moved from an issue for the technical people to handle, to a key risk area for the C-suite and the board. In an environment changing with dizzying speed, this session will provide an overview of the threat and vulnerability landscape. We will discuss strategies to assess and mitigate cyber risk for your company - and your family - so please bring your questions, stories and lessons learned.

Compliance, Audit, and Third Party Risk Management – Randall Long

Reliance on third parties is essential to enable efficient and effective operations. This session will focus on sharing management experiences, challenges, best practices, and evolving trends. As presented by a Third Party Risk Management Executive, real-life situations will be discussed, as well as successes, failures, and lessons learned. A one size fits all program does not exist, and Third Party Risk Management Program topics will be presented for interactive dialogue. Lastly, the importance of the program's alignment and integration with the organization's Risk and Control Functions will be explored.

Asset-Liability Management: Banking Book – Tom Haczynski

This session will provide a high level overview of Interest Rate Risk Management from the viewpoints of both the Practitioner (i.e., Line of Defense 1) as well as the Oversight team (i.e., Line of Defense 2). We'll review the key elements that have to be in place to ensure that risk taking is prudent (via risk/ return metrics), aligns with the firm's risk appetite (via limit structures) and has been designed to meet the expectations of all stakeholders. We will conclude with a review of Funds Transfer Pricing noting how it can be used to create shareholder value.

Liquidity Risk – Jon Chambers

This session will provide an overview of the Liquidity Risk Management discipline that can be applied by both practitioners and oversight professionals. Key elements of the session will include an introduction to a conceptual framework that will analyze components of liquidity risk, applying the framework to various case studies of failed banks and then conclude with an overview of leading practices for liquidity risk functions and current challenges facing the industry.

Asset-Liability Management: Trading Book – Mark Kilduff **Trading Market Risk**

This session will survey Market Risk management considerations for trading businesses. The course will provide an introduction to current trading activity in the U.S. banking sector, addressing the different kinds of instruments held within the trading account. Key areas of focus include governance considerations, risk measurement, capital requirements, and various regulatory requirements, including Swap Dealer and Volcker Rule Compliance. The materials and discussion are calibrated for generalists.

Enterprise Data Governance – Denise Letcher

Historically, data was primarily used to mitigate risks and address regulatory and compliance issues. Over the last decade, a major shift has occurred and now data is an asset to corporations. During this session, you will learn how organizations manage data through the various disciplines of enterprise data management, including data governance, modeling, analytics and business data architecture. You will learn about the Data Ecosystem, an infrastructure used to capture and analyze an organization's Big Data. Then, explore the role of Chief Data Officer and how they drive and enable business strategy and innovation. Overall, you will gain an understanding of how an enterprise data strategy helps to build a value-driven, data culture.

Dinner Address: Strategic Risk Management – General William Rapp

The two cases of managing the Missouri River in the 2009 flood season and the challenges of supporting the Afghanistan War in 2011-12 provide numerous analogies to the managing of strategic risk faced in the financial and business sectors. We will explore the identification, management, and mitigation of risk in volatile, high stakes environments in order to gain "out-of-the-box" insights for leaders and managers to think about and employ in other sectors.

Fraud Risk in Consumer Banking – Becky Griffin

This session will focus on fraud risk management in the consumer businesses (deposits, card, auto and home lending). We will discuss the pros and cons of various organizational structures to support fraud prevention, detection and recovery. We will then explore the latest in trends across transactional fraud types as well as identity and acquisition fraud. As we go through each fraud type and emerging risks within, we will contemplate best in class solutions to these fraud attacks that are unrelenting against banks to ensure the financial institutions and importantly our end customers can remain protected.

Fintech: Challenges to Traditional Consumer Lending Practices – Neeraj Singh

FinTechs are making inroads by disaggregating the key components of traditional financial services with a promise of customized, swift and simplified solutions. We have new players emerging at every junction of finance and technology - lending, savings, payments, investments, insurance etc. This session will provide an overview of the FinTechs landscape, explore the factors driving their growth and outline the challenges posed to the incumbents with a focus on consumer lending. We will drive a discussion on how risk management will evolve with the emergence of FinTechs and what will be the watch areas for traditional players and FinTechs as we enter the next downturn.

Risks in Real Estate Lending – Todd Sinai

The real estate sector is characterized by periods of booms and busts, with the busts leading to widespread defaults. Hence, real estate lenders and investors in both the commercial and residential sectors need to understand the price dynamics of real estate markets and the interplay with capital structure. We will discuss the causes and aftermath of real estate downturns, try to discern early-warning signs of impending collapse, and consider how debt strategies can adapt to environments of higher and lower risk. In addition, some real estate markets have experienced substantial price appreciation both recently and in the long-run. We will discuss the economic forces at play and the implications for what factors might cause prices to fall and how much.

Roundtable Discussion: UBS Case Study – Dick Herring

UBS Post Mortem: Pitfalls in Designing and Implementing Effective Risk Management

Like many other large banks, UBS experienced serious losses during the Great Financial Crisis. It took more than \$38 billion in write-offs over less than a year. UBS also fired its chairman, chief executive officer, chief financial officer and head of investment banking. In contrast to most of its beleaguered peers, however, UBS wrote a report to its shareholders describing what went wrong. This report to shareholders (along with a brief segment of the UBS annual report) implicitly provide a remarkable description of how not to design and implement a risk management system. We will discuss weaknesses in the overall governance of risk at UBS and breakdowns in the first and second lines of defense. And, we will consider the broader implications of the problems at UBS for the pressures risk managers may face in times of stress.

Global Risk – Mauro Guillen

The global economy is changing fast, driven by demographic, geopolitical, and technological transformations. This session will provide an analysis of how population trends, changes in consumption patterns, and the rise of emerging markets create both opportunities and risks for both companies and financial institutions.