bgerf2111

2023

Credit Risk Management

6.00 credits	30.0 h	Q2

This learning unit is not open to incoming exchange students!

Teacher(s)	Nguyen Anh ;
Language :	French
Place of the course	Bruxelles Saint-Louis
Learning outcomes	**At the end of this learning unit, the student is able to :** To enable students to understand best practices, challenges and trends in credit portfolio and balance-sheet management in various types of financial institutions within the European regulatory environment
Evaluation methods	Written examination (3h) in French, Dutch or English, on the main concepts and practices presented during the courses; sessions in June and in September.
Teaching methods	Physical and on-line teaching, multiple practical examples
Content	Part 1 / Theories of Credit Portfolio Risk Management o Introduction : - Megatrends and perspectives on risk and resilience in 2023 - Basics of risk, capital and economic value creation - From shareholders economic value to to stakeholders sustainable value creation - A comprehensive risk appetite on financial and sustainability objectives (economic, human, social and natural capital) - Resilience to extreme risks: Grey Rhinos and Black Swans in 2023 o Loan portfolio management - Transaction vs portfolio risk – the loss distribution - Cost of risk vs cost of uncertainty or capital – RAROC - Managing concentrations: event vs systemic risks, tolerances in CaR, EaR, LaR - Balance-sheet (TTC) vs market (PIT) risk and value benchmarks - Optimization of portfolio value: steps, benchmarks - Instruments for risk transfer (CDS, credit insurance, cash and synthetic securitizations) o ESG portfolio strategies - Difference between sustainability and resilience - ESG strategies and risk appetites - Components of ESG scores and taxonomies - Event vs transition risk and opportunities: the example of climate risk - Scenario-based management of sustainability and resilience o Counterparty risk in treasury and trading (derivatives, treasury and investment products) - Credit risk in lending vs counterparty risk in capital markets: contractual differences - Exposure measurement and mitigants (close-out netting, CSA, break clauses, Central Clearing Counterparties) - Active exposure management and mitigation, real time management systems o CPM mandate and governance - Typical mandates up to integrated balance sheet management - Organization alternatives - Internal transfer prices and Chinese walls Part 2 / Case study - The financial crisis of 2007-2008, comparison with COVID-19 o Analysis of root causes and consequences of each stage of the crisis o Critical analysis of prudential remedies and cures effectiveness o Implications for economic growth and role of banks and institutional investors o Similitudes and differences between the GFC and the COVID-19 Great Lockdown/Great Transformation o Drivers of short, medium and long-term scenarios after 2022 Part 3 / Regulations applicable to credit portfolios in banking, insurance and asset management o Global and EU architectures for prudential regulations (Financial Stability and Capital Markets) o Comparison of prudential regulations

	- Basel 3 / CRD 4 (Banks): the three pillars principles, conditions for solvency and liquidity adequacy, illustrations on loan portfolios - Solvency II (Insurers): principles and differences with Basel 3 for banks - Funds (Mifid II) and investment firms o The European Green Deal, European Capital markets Union and Sustainable Finance regulatory framework (CSRD, Taxonomy, SFDR) o Trends in climate and ESG risk prudential regulations in the EU o Impact on business model of financial institutions
Bibliography	Pas de bibliographie recommandée
Faculty or entity in charge	ESPB

Programmes containing this learning unit (UE)

Program title	Acronym	Credits	Prerequisite	Learning outcomes
Advanced Master in Financial Risk Management (shift schedule)	GRFB2MC	6		