

MODULE SPECIFICATIONS

Bank Risk Practices (BKR)

Level of Study: Specialist (Level 2) – Specialised Module

Effective date: 1 September 2023

Version: 2.1

Inclusion of qualification time limit in Section F and module time limit in Section G

A. Module Aim

The Bank Risk Practices (BKR) module enhances the candidate's knowledge, understanding and skills relating to risk management in banking. The module focuses on the principles of risk, risk processes and models, and regulation influences in a day-to-day job function of a risk practitioner. Key themes include credit risk management, market risk management and the management of operational risk. The module also covers emerging areas of risk, with a specific focus on digital and cyber risk.

B. Learning Outcomes (LO)

Upon completion of this module, candidates will be able to:

- LO1 – Explain the scope of risk management in banking
- LO2 – Analyse the influence of regulation on banking and risk management
- LO3 – Explain the risk management process in banking
- LO4 – Examine the use of models in risk management
- LO5 – Examine the use of models in risk management to estimate the probability of default, recovery rates and credit risk exposure for different types of transactions in credit risk management
- LO6 – Analyse the sources of operational risk and how it is managed
- LO7 – Discuss current IT/ cyber and digital risks and describe new emerging risk issues and challenges
- LO8 – Understand the sources of market risk and principles used to manage it
- LO9 – Understand the principles of Asset and Liability Management (ALM)
- LO10 – Explain stress testing and reverse stress testing as part of capital management.

C. Learning Method

A combination of methods can be adopted that includes but not limited to:

- Workshops
- Discussions
- Seminars
- Self-study

D. Assessment

Examination (Pearson-Vue Online)	MCQ	Written	Assignment
Duration	3 hours		
Format	80 questions <ul style="list-style-type: none"> • 60 independent MCQs, and • 20 scenario-based MCQs 		
Passing mark	60%		

E. Syllabus Outline

#	Learning topics	Learning outcomes (LO)	Assessment criteria
1	An overview of risk management in banking 1.1 Risk management principles 1.2 Risk management framework 1.3 Enterprise risk management (ERM) 1.4 Strategic risk management	LO1 – Explain the scope of risk management in banking.	1. Demonstrate the objectives of risk management in the banking context. 2. Demonstrate how the components of a sound risk management framework are applied in practice,
2	Regulation and treatment of risk 2.1 Importance and objectives of regulations for banks 2.2 The purpose of banking supervision and other significant central banks 2.3 Types and sources of Malaysian banking regulations 2.4 Introduction to risk-based capital (RBC) framework 2.5 Basel I: The 1988 Basel Capital Accord 2.6 Basel II: The three pillars 2.7 Basel III: The requirements and Basel III extended 2.8 Accounting rules for banks	LO2 – Analyse the influence of regulation on banking and risk management.	1. Understand how regulations impact the bank. 2. Explain the objectives and features of Basel I, II, III (extended).

#	Learning topics	Learning outcomes (LO)	Assessment criteria
3	Key components of risk management in banking 3.1 Overview of the risk management process 3.2 Types of risks 3.3 Communication and consultation 3.4 Establishing context 3.5 Risk assessment 3.6 Risk treatment 3.7 Risk monitoring, metrics, and reporting	LO3 – Explain the risk management process in banking.	<ol style="list-style-type: none"> 1. Examine the components of the risk management process. 2. Outline how risks are classified. 3. Explain how risk treatment options are used to manage risk.
4	Risk models 4.1 Mathematical and statistical concepts in risk measurement 4.2 Models	LO4 – Examine the use of models in risk management.	<ol style="list-style-type: none"> 1. Understand the purpose of the mathematical and statistical concepts used in risk models. 2. Identify the purpose of risk models in the risk management process and their potential shortcomings.
5	Credit risk management 5.1 Sources of credit loss 5.2 Typology of standalone credit risk 5.3 Overview of portfolio credit risk 5.4 Fundamental analysis of credit risk 5.5 Probability of default models 5.6 Loss Given Default models 5.7 Exposure at default 5.8 Expected credit loss (ECL) – MFRS9 5.9 Portfolio credit risk models 5.10 Credit risk mitigation techniques	LO5 – Examine the use of models in risk management to estimate the probability of default, recovery rates and credit risk exposure for different types of transactions in credit risk management.	<ol style="list-style-type: none"> 1. Outline the managing of credit risk exposure profile by applying the different credit risk mitigation techniques. 2. Understand credit risk measurement in the portfolio context. 3. Explain how default models are used.
6	Operational risk 6.1 Prelude to operational risk 6.2 Principles of the sound management of operational risk 6.3 Operational risk measurement	LO6 – Analyse the sources of operational risk and how it is managed.	<ol style="list-style-type: none"> 1. Describe the different types of operational risk events. 2. Explain the tools used to measure operational risks.

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	6.4 Internal operational risk loss data 6.5 External operational risk loss data 6.6 Business resilience and continuity (holistic focus) and disaster recovery plan (DRP) 6.7 Boundary risk (market and credit) 6.8 Conduct risk 6.9 New products and business activities and outsourcing activities 6.10 Risk control and self-assessment (RSCA) 6.11 Risk and performance indicators 6.12 Other tools in operational risk assessment 6.13 Shariah compliance risk		3. Analyse how operational risk can be managed. 4. Understand the Business Continuity Management process, including any reputational risk arising from it.
7	Technology, cyber risk, and emerging risk 7.1 Definition of IT / cyber / digital risk 7.2 Current IT / cyber / digital threats 7.3 Data security and privacy risk 7.4 The regulations as prescribed under Risk Management in Technology (RMiT) by Bank Negara Malaysia (BNM) 7.5 Cryptocurrency / Blockchain 7.6 Fintech and risk arising and management 7.7 Artificial intelligence / machine learning / robotics process automation (RPA) 7.8 API banking 7.9 Climate risk	LO7 – Discuss current IT / cyber and digital risks and describe new emerging risk issues and challenges.	1. Define IT / cyber and digital risks. 2. Understand the regulations affecting the IT / cyber and digital risk as prescribed under RMiT guidelines by BNM. 3. Understand external technology driven market developments and their impact on financial institutions. 4. Describe emerging regulatory responses BNM, other regulators.

#	Learning topics	Learning outcomes (LO)	Assessment criteria
8	Traded / market risk 8.1 Definition of market risk 8.2 Types of market risk 8.3 Market risk measurement 8.4 Bank trading: Roles and strategies 8.5 Pre-Value-At-Risk (VAR) 8.6 Value-At-Risk (VAR) 8.7 VAR calculation 8.8 Expected shortfall 8.9 Credit value adjustment (CVA) 8.10 Settlement and pre-settlement risk 8.11 Netting close out and international swaps and derivatives association (ISDA) / Credit support annex (CSA)	LO8 – Understand the sources of market risk and principles used to manage it.	<ol style="list-style-type: none"> 1. Explain the market risk management process. 2. Identify the types of market risk exposures. 3. Explain the parameters and limitations of common market risk measurement and monitoring tools.
9	Non-traded market risk / liquidity risk 9.1 Definition of non-traded market risk / liquidity risk 9.2 Overview of asset and liability management (ALM) 9.3 Interest rate risk management 9.4 Elements of sound interest rate risk management practices 9.5 Interest rate risk measurement tools 9.6 Liquidity risk monitoring tools 9.7 Liquidity stress testing/ the internal liquidity adequacy assessment process (ILAAP) 9.8 Scenario analysis 9.9 Contingency funding 9.10 Using derivatives to manage ALM 9.11 LIBOR challenges	LO9 – Understand the principles of ALM.	<ol style="list-style-type: none"> 1. Explain non-traded risk / liquidity risk. 2. Explain the common tools used to measure and manage interest rate risk in the banking book. 3. Describe the four basic elements of sound interest rate risk management practices according to the Basel Committee on Banking Supervision (BCBS). 4. Describe how the different ALM models are used to measure and manage interest rate risk and liquidity risk.

#	Learning topics	Learning outcomes (LO)	Assessment criteria
10	Capital management 10.1 Internal capital adequacy assessment process (ICAAP) 10.2 Role of capital 10.3 Types of capital 10.4 Sound of capital assessment 10.5 Stress testing 10.6 Risk adjusted return on capital (RAROC) and capital allocation	LO10 – Explain stress testing and reverse stress testing as part of capital management.	1. Explain the role of capital in minimising the risk of bank insolvencies. 2. Understand the regulatory capital framework under Basel III (kept to minimum). 3. Explain the concept of economic capital. 4. Explain the importance of stress testing in the overall risk management.

F. Qualification Time Limit

The qualification time limit refers to the time allocated to candidates to complete all the required modules for a certificated programme at the respective level of study. Candidates must complete the programme within the stipulated qualification time limit upon enrolment, failing which they will lose all the passes accumulated and must re-apply to the programme.

The qualification time limit for Level 2 Specialised Certificated Programmes is **24 months**.

G. Module Time Limit

The module time limit refers to the time allocated to candidates to complete and pass the module after successful registration.

The module time limit starts once candidates have successfully registered to a module. The module time limit for this module is **12 months**. Please make sure you complete your module before the module time limit expires. Candidates who did not complete within the module time limit are required to re-register the module with full payment.

For more information on the qualification and module time limit, please refer to the [AICB Membership and Qualification Regulations](#).