

RISK MANAGEMENT FOR MUTUAL ADI DIRECTORS

A two day course held on a Friday and Saturday

1. Melbourne — 28th & 29th March 2008
2. Broadbeach 13th to 14th June 2008
3. Sydney — 22nd & 23rd August 2008

- Specifically tailored to the risk management needs of Credit Unions & Building Societies
- Includes the latest Regulations, Practices and Developments in Risk Management
- Provides you with a comprehensive understanding and working knowledge of the current best practice in this complex subject



What you will get out of this course:

1. A detailed appreciation of the risks facing a credit union/building society in the current environment
2. An understanding of current risk management practices which represent “good practice in risk management”.
3. Sufficient knowledge and understanding to be able to carry out your duties as a director in relation to the risk management practices of the credit union/building society.
4. A detailed appreciation of the approaches and practices in relation to the management of interest rate risk, credit risk and liquidity risk in a credit union / building society.
5. An appreciation of the scope and challenges in Operational Risk following implementation of Basel II from 1st January 2008

Course Overview

This course is designed to provide you with a comprehensive understanding of the risks facing a credit union or building society in the current economic and regulatory climate. Current good practice approaches to managing these risks will then be covered. These approaches are drawn from a wide range of industry and regulatory guidance and practice including the AUS/NZ 4360 Risk Management Standard, the APRA prudential standards, Basel II, the ASX Corporate Governance requirements and the practices that are being accepted as the best way to manage risk in a financial institution. The course covers all prudential regulatory requirements, specifically assessing the impact of the new Basel II regulatory framework on Credit Unions and Building Societies.

The aim of the course is to equip Credit Union / Building Society directors with an appropriate level of knowledge and skill to be able to understand the risk management aspects of their ADI and be able to discharge their responsibilities as a director. The course takes a practical, yet in-depth approach to this complex subject.

Group discussions are included to analyse implementation requirements and perceived implementation issues.

Course Go Ahead & Special Mutual ADI Discount Incentive

The course will only proceed if there are a minimum of 10 registrations received by the Protecht Advisory office a minimum of eleven working days prior to course commencement so please ensure you make your bookings nice and early.

AMI Institute & Protecht Advisory are offering a special incentive to all credit unions & building societies to encourage directors and managers to register for one of these courses. Once a mutual ADI has registered two persons for one of these courses they become entitled to a *Special Mutual ADI Discount of \$330* per person for all subsequent registrations from that credit union or building society

Course Profile

Positioning within the AMInstitute training program

Directors' responsibilities in risk management have been evolving through the prudential standards since the release of APS 310 in September 2001. The expectations for directors' level of expertise in risk management has been significantly elevated through the release of prudential standards APS 510—Governance and APS 520—Fit and Proper, implemented from the 1st October 2006. Basel II have added further complexity since its implementation from 1st January 2008. AMInstitute has positioned this course as an extension to the AMInstitute Diploma Course to assist Credit Union & Building Society directors in meeting these new responsibilities and providing them with a practical understanding of risk management concepts in a Credit Union/Building Society.

About Protecht

Protecht Advisory is Australian based and provides a wide range of accounting and risk related services to the finance industry. Protecht provides the highest quality training which is both comprehensive and practical, so as to achieve the maximum benefit to the participant.

Protecht currently services a range of credit unions and building societies with risk management and accounting services and, as a result is fully abreast of all relevant industry matters. This knowledge is factored into the course to make it fully tailored and relevant for the industry.



David Tattam - Course Director

David is a principal of Protecht Advisory. He is a specialist in all facets of financial risk management and in particular, operational risk. He is recognized internationally as an authority on operational risk management. Prior to setting up Protecht, he spent 4 years at

WestLB Bank in Australia as Head of Operations and Risk Management. He was responsible for the setting up and running of a number of departments including Middle Office, Settlements, Accounting and IT. He has also developed and presented many courses on risk management including, Treasury Risk Management, Asset and Liability Management and Liquidity Risk Management. David also spent 4 years as Head of Risk Management at IBJ Australia Bank and seven years with PricewaterhouseCoopers. David is an Associate of the Institute of Chartered Accountants in England and Wales, an Associate of the Institute of Chartered Accountants in Australia, and an Associate of the Securities Institute of Australia.

1. Introduction to Risk Management

- What is risk?
- The Risk Management Process (AS/NZ 4360)
 - Establishing the Context
 - Risk Identification
 - Risk Analysis and Measurement
 - Evaluating the Risks
 - Treating the Risks
 - Monitoring and Reviewing
 - Communicating and Consulting
- Framework for managing financial risk
 - Inherent Risks
 - Management and Control System
 - Control Risks
 - Internal and External Audit

2. Inherent Risks in a Credit Union/Building Society

- Market Risk
- Liquidity Risk
- Credit Risk
- Operational Risk

3. The Regulatory considerations

- The three regulatory sources
 - Prudential
 - Self
 - Statutory
- Prudential Regulation (APRA)
 - The 3 pillars of regulation
 - Capital Adequacy
 - Supervisory Review Process
 - Disclosure
 - The Australian Prudential Standards (APS)
- The impact of Basel II

4. Risk Management Policy and Organisation

- Required organisation structure
- Risk management policies
- Role of the Board, Senior Management, Internal Audit, External Audit and the Regulator
- Credit Union Governance/Building Society Governance

5. Capital Management

- Regulatory Capital
- Economic Capital
- Accounting Capital
- Regulatory Tier 1 and Tier 2 capital
- Capital Adequacy

6. Managing Market Risk

- The Regulatory requirements "Interest Rate Risk in the Banking Book"
- Interest Rate Risk Identification & Understanding
 - Nature of Interest Rate Risk
 - Impact of Interest Rate risk
 - Interest Margin (Accrual)
 - Economic Value (Net Present Value)

Course Profile Contd

6. Managing Market Risk (Contd)

- Interest Rate Risk Measurement
 - Components of Risk Measurement (Likelihood & Consequence)
 - Methods of Risk Measurement
 - Picture types measures (GAP Analysis)
 - Sensitivity Measures (PVBP, Accrual Simulation)
 - Value at Risk Measures
 - The impact on capital of Basel II
- Interest Rate Risk Limits
 - Types of limits
 - Setting the level of limits
- Controlling and managing interest rate risk
 - Understanding risk reports
 - Making decisions based on the level of risk
 - Strategic changes (on – balance sheet)
 - Tactical changes (Off balance sheet derivatives)
- What are derivatives
 - Forward concept
 - Interest Rate Swap
 - Impact of using swaps on risk and P&L
 - Practical consideration of using Derivatives Contracts (ISDA), Credit Lines, Accounting, Regulatory reporting
- Developing a Market Risk Policy

7. Managing Liquidity Risk

- Funds Risk
- Transactions Risk
- Techniques to manage liquidity risk
 - HQLA
 - Cash Flow Forecasting
- Developing a Liquidity Risk Policy

8. Managing Credit Risk

- The Regulatory Requirements. Capital Adequacy and the effect of Basel II
- Components of Credit Risk
 - Consequence of Default
 - Likelihood of Default
- Analysis of the types of credit (Mortgage, Personal Loans, Commercial Loans etc)
- Consequence of Default
 - On Balance Sheet transactions (Loans, Investments etc)
 - Off Balance Sheet Transactions (Derivatives etc)
 - Debt Servicing ability vs reliance on security
- Likelihood of Default
 - Carrying out a credit assessment
- Calculating the capital requirement for credit risk under Basel II
- The impact on capital of credit risk and Basel II
- Managing Credit Risk
 - Setting Credit Limits and Credit Polices
 - Documentation Risk
 - Enforceability
 - Covenants (Triggers)
 - Credit Mitigation Techniques

9. Managing Operational Risk

- The Requirements of the Regulator
 - Basel II and APRA Requirements
 - Application and impact on Mutual ADIs
- Operational Risk disasters
- Framework For Managing Risk
 - The Risk Management Framework
 - The Risk Management Process
- Risk Identification and Recording
- Risk Measurement
- Limiting and Monitoring
- Treating and Reporting
- The Organisation Structure
- The Basel qualitative standards
- The Basel Sound Practices Paper
- Definition and scope of operational risk
- Determining a risk classification framework
- Analysing the Impact of Operational Risk
 - Direct / Financial loss
 - Indirect / Non financial loss
- Operational Risk Management Techniques
- Self Assessment and Control Compliance
- Key Risk Indicators
- Loss Event Database
- Compliance
 - Building a compliance framework
 - Procedures to ensure compliance with external and internal policies and procedures
 - Building compliance into the overall risk management framework
- Risk Limiting and Monitoring
 - Limits or trigger levels?
 - Escalation procedures
- Risk Treatment
 - Treatment Methods
 - An analysis of internal controls in Mutual ADIs
 - Following up action plans (Treatment Tracking)
- Fraud and Fraud Risk Management
- Reporting Operational Risk,
 - Setting a reporting framework
 - Report types
 - Report content
- Risk Measurement for Capital Adequacy
 - The Regulatory approaches to measurement
 - What will most likely apply to Mutual ADIs
- Developing an Operational Risk Policy

Course Times

Registration / Tea & Coffee from 8.30am. Course times are from 9.00am to 5.00pm on Friday and from 8.30am to 4.00pm on Saturday.

Enrolment Form (Retain a copy for your records)

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✓ which course registration applies to

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Personal Details

ENROLMENT

How to Register: Complete the personal details below and fax to (02) 9299 4841. You will be sent an email confirmation and mailed a tax invoice. If you do not receive the email within 5 days please contact us.

Mr/Mrs/Ms		Email address *	
Last Name		Telephone (Day / Night)	
First Name		Facsimile	
Credit Union / Building Society		Credit Union / Building Society Address	
Position		City / State / Postcode	
Special dietary requirements		AMI Institute Member	Yes <input type="checkbox"/> No <input type="checkbox"/>
Signature		Date	

Cost (including GST): The cost of the program is \$1,760.00 (AMI Institute Members), \$1,936.00 (non AMI Institute Members). This fee includes all materials, lunch, morning and afternoon refreshments but excludes your travel, accommodation, breakfast and evening meals. Once a mutual ADI has registered two persons for one of these courses they become entitled to a Special Mutual ADI Discount of \$330 per person for all subsequent registrations from that credit union or building society.

Terms and Conditions:

AMI Institute and Protecht reserves the right to cancel or postpone this program due to circumstances outside of their control. Where this occurs a full refund will be given. For participant cancellations, a \$150 administration fee will be deducted from the refund for any cancellation received no later than 2 weeks prior to course commencement. For cancellations received after this time, no refund will be given. A replacement delegate is acceptable, however please notify us of the change as soon as possible.