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of Actuaries

Pre-Fellowship Study Pathway in Banking

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Banking

- Central banks
- Investment banks
- Commercial banks - Corporate and retail
- Retail banks - Personal and small business
- New entrant banks - including fintechs
- Consultants



Banking is not so different from insurance

Insurance

Model validation

Capital adequacy, ORSA

Asset-liability management

Reserves for claims

Product pricing

Hedging e.g. derivatives

Risk management e.g. credit

Banking

Model validation

Capital adequacy, ICAAP

Asset-liability management

Reserves for credit losses

Product pricing

Hedging e.g. derivatives

Risk management e.g. credit



But working in banking may be different

- Working in multi-disciplinary teams
- Speed v. accuracy: quick estimate, subsequent confirmation
- Clear but short communications



Skills that actuaries can use in banking

- Problem-solving - economic cycles, new challenges
- Understanding and judgement v. tick-box compliance
- Constructive challenge, when appropriate
- Clear and concise communication, spoken and written
- Enterprise-wide risk management



Getting into banking

- ‘What can you do for us?’ v. ‘What examinations have you passed?’



Awareness of current issues in banking

- Large databases - Open Banking, APIs
- Innovative online products and services
- Credit losses from Covid-19
- Climate change stress testing
- Non-financial risk e.g. IT, cyber, conduct





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Banking in the Current Curriculum

Banking examples in pre-Associate modules

CS2 Banking setting, exposure to risk, machine learning

CM1 Banking products, bank loan pricing

CM2 Provisions for expected credit losses - IFRS9

CB1 Banking capital, banking company accounts

CB2 Barriers to entry, price discrimination, asset bubbles, banking crises

CP1 Risk identification and classification, risk measurement and reporting, capital management and monitoring, banking glossary





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Pre-Fellowship Study Pathway in Banking

Future of Pre-Fellowship Study Pathways

- A broader portfolio of pre-Fellowship study pathways responding to the professional interests and career aspirations of members
- Support members seeking to move into new areas
- Drawing on best content available
 - bespoke, in partnership, or via accreditation
- Accessible online to our global membership



Pre-Fellowship Study Pathway in Banking

- Is the first of these new pathways to be offered
- Its development has been supported by the IFoA Banking Member Interest Group (MIG)
- Delivered by the Actuarial Society of South Africa (ASSA)
- SP and SA level online modules
- Modules will be formally accredited by the IFoA



How will this work?

- Candidates will register directly with ASSA for study and assessment related to the modules
- They will sit assessments during ASSA's May and October examination sessions, commencing May 2022
- Fees will be similar to those set for the IFoA's own pre-Fellowship examinations
- ASSA will provide a full results service to candidates
- Successful candidates will receive exemptions from the IFoA's pre-Fellowship Banking pathway



Learning Resources

- Syllabi, learning materials, tuition services and examination counselling will be provided by ASSA
- Syllabi for these SP and SA modules were published on the IFoA website in April 2021

<https://www.actuaries.org.uk/learn-and-develop/lifelong-learning/banking-lifelong-learning>

- Learning materials including specimen examination papers due to be published end-October 2021





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Module Content

Banking: Balance sheet

Liabilities

Deposits
Other liabilities
Equity capital

Assets

Liquid assets
Loans
Other assets

Main risks

Credit risk

Operational risk

Market risk

Capital and liquidity

- Banks hold equity capital against possible losses on assets
- Banks hold liquid assets for possible withdrawals



Module Content

Principles (SP)

1. Overview of banking
2. Banking regulations
3. Banking risk management
4. Product pricing
5. Credit risk measurement
6. Market risk measurement
7. Operational risk measurement
8. Capital measurement
9. Liquidity measurement

Applications (SA)

1. Credit risk management
2. Market risk management
3. Operational risk management
4. Treasury management
5. Liquidity management
6. Capital management
7. Governance
8. Strategy
9. Complex problem solving



Examples of detailed content in SP module

- **Overview of Banking**

- Balance sheet, capital and liquidity
- Banking risks e.g. credit, market, operational
- Glossary of banking terms

- **Product Pricing**

- Loan pricing - DCF methodology
- Deposit pricing - price elasticity
- Pricing of derivative products - not repeating SP6



Examples of detailed content in SA module

- **Capital Management**

- Capital requirements: minimum, additional
- Capital buffers: stress testing
- Capital adequacy, ICAAP submission

- **Strategy**

- Strategic planning process, opportunities/threats
- Mergers and acquisitions
- Current strategic issues





Questions



Comments
