



SA - Banking Advanced

Aim

The aim of the Banking Advanced subject is to instil in successful candidates the ability to apply knowledge and understanding so that they can make judgements about banking risks and can contribute to the management of risks in a bank, to the bank's assessments of its capital and liquidity adequacy allowing for its risks, and to the development of its strategy.

Competences

On successful completion of this subject, a student will be able to:

- 1 contribute to the management of a bank's credit risk, market risk and/or operational risk
- 2 contribute to the management of a bank's Treasury activities
- 3 contribute to a bank's assessment of its liquidity adequacy and/or of its capital adequacy
- 4 contribute to the development of a bank's strategy
- 5 show awareness of current issues within a banking environment
- 6 operate within the governance framework of a banking operation
- 7 solve complex problems within a banking environment

Links to other subjects

SP5 Investment and Finance Principles
SP6 Financial Derivatives Principles
SP9 Enterprise Risk Management Specialist Principles
SA7 Investment and Finance Advanced

The content of SP Banking Principles is a pre-requisite for SA Banking Advanced. Everything in the Principles syllabus is examinable at the Advanced level.

Syllabus topics

Topic	Weighting
1 Credit risk management	12.5%
2 Market and interest rate risk management	12.5%

3	Operational risk management	12.5%
4	Management of Treasury activities	12.5%
5	Liquidity management, assessment of liquidity adequacy	12.5%
6	Capital management, assessment of capital adequacy	12.5%
7	Governance	12.5%
8	Strategy, including awareness of current issues	12.5%
9	Problem solving	

These weightings are indicative of the approximate balance of the assessment of this subject between the main syllabus topics, averaged over a number of examination sessions.

The weightings also have a correspondence with the amount of learning material underlying each syllabus topic. However, this will also reflect aspects such as:

- the relative complexity of each topic, and hence the amount of explanation and support required for it.
- the need to provide thorough foundation understanding on which to build the other objectives.
- the extent of prior knowledge which is expected.
- the degree to which each topic area is more knowledge or application based.

Skill levels

The use of a specific command verb within a syllabus objective does not indicate that this is the only form of question which can be asked on the topic covered by that objective. The Examiners may ask a question on any syllabus topic using any of the agreed command verbs, as are defined in the document "Command verbs used in the Associate and Fellowship written examinations".

Questions may be set at any skill level: Knowledge (demonstration of a detailed knowledge and understanding of the topic), Application (demonstration of an ability to apply the principles underlying the topic within a given context) and Higher Order (demonstration of an ability to perform deeper analysis and assessment of situations, including forming judgements, taking into account different points of view, comparing and contrasting situations, suggesting possible solutions and actions and making recommendations).

In SA Banking Advanced, the approximate split of assessment across these three skill types is expected to be consistent with the IFoA norm of 20% Knowledge, 50% Application and 30% Higher Order skills.

Detailed syllabus objectives

1 Credit risk management (12.5%)

Demonstrate knowledge and understanding of credit risk management in a banking operation

- 1.1 Demonstrate knowledge and understanding of setting a credit risk strategy to reflect a bank's tolerance for risk and expected profitability from various credit risk products
- 1.2 Demonstrate knowledge and understanding of limits that are consistent with a risk appetite statement designed for managing credit risk in a banking operation
- 1.3 Demonstrate knowledge and understanding of the validation of models used to quantify credit risk
- 1.4 Demonstrate knowledge and understanding of the credit risk assessment process in a banking operation
- 1.5 Demonstrate knowledge and understanding of an asset writing strategy that is consistent with a risk appetite statement to manage credit risk in a banking operation
- 1.6 Demonstrate knowledge and an understanding of the credit authorisation process, including designing and implementing a credit policy
- 1.7 Demonstrate knowledge and understanding of the collateral management process
- 1.8 Demonstrate knowledge and understanding of credit portfolio monitoring and control
- 1.9 Demonstrate knowledge and understanding of mitigating credit risk
- 1.10 Demonstrate knowledge and understanding of the workout processes for recovery of losses
- 1.11 Demonstrate knowledge and understanding of credit risk in some specific sectors
- 1.12 Demonstrate knowledge and understanding of credit risk management under different economic conditions
- 1.13 Demonstrate knowledge and understanding of hedging credit risk

2 Market and interest rate risk management (12.5%)

Demonstrate knowledge and understanding of the management of interest rate risk and market risk in a banking operation

- 2.1 Demonstrate knowledge and understanding of trading activities within a bank
- 2.2 Describe the use of derivatives to manage market and interest rate risk
- 2.3 Describe accounting and regulatory considerations for interest rate risk management
- 2.4 Describe the means of managing interest rate risk in the banking book of a banking operation
- 2.5 Describe the management of foreign exchange risk

- 2.6 Demonstrate knowledge and understanding on the use of securitisation within a bank
- 2.7 Demonstrate knowledge and understanding of the management of market risk exposures within staff pension funds
- 2.8 Demonstrate understanding of how interest rates and markets can react during times of crisis

3 Operational risk management (12.5%)

Demonstrate knowledge and understanding of operational risk management in a banking operation a banking operation

- 3.1 Demonstrate knowledge and understanding of the assessment of capital that a banking operation should hold for operational risk, including conduct risk
- 3.2 Demonstrate knowledge and understanding of the benefits and limitations in using internal model to measure operational risk
- 3.3 Describe business continuity and disaster recovery plans in a bank
- 3.4 Describe actions that a bank can take to mitigate conduct risk (including mis-selling)
- 3.5 Describe actions that a bank can take to mitigate information security risk including the risk of data theft or misuse
- 3.6 Describe information technology risks and current approaches to combating cyber crime
- 3.7 Describe the risks associated with outsourcing arrangements, and how they can be mitigated
- 3.8 Outline the risks associated with the application of machine learning by a banking operation
- 3.9 Outline the current approaches to fraud analytics

4 Treasury management (12.5%)

Demonstrate knowledge and understanding of Treasury activities in a banking operation:

- 4.1 Demonstrate knowledge and understanding of how banks profit by 'borrowing short and lending long'
- 4.2 Demonstrate knowledge and understanding of asset-liability management, the role of the asset-liability committee (ALCO) and Treasury function in a banking operation
- 4.3 Demonstrate knowledge and understanding of the concept of funds transfer pricing (FTP)
- 4.4 Demonstrate knowledge and understanding of the concept of term liquidity premium (TLP)
- 4.5 Demonstrate knowledge and understanding of a template funds transfer pricing regime

- 4.6 Demonstrate knowledge and understanding of dynamic funds transfer pricing.
- 4.7 Discuss a case study example.

5 Liquidity management (12.5%)

Demonstrate knowledge and understanding of liquidity management and liquidity adequacy and of a bank's ILAAP

- 5.1 Outline and describe key elements of liquidity risk management
- 5.2 Demonstrate knowledge and understanding of a bank's internal liquidity adequacy assessment process (ILAAP), including:
- Liquidity risk
 - Funding risk
 - Risk management
 - Stress testing framework
 - Liquidity contingency plan
- 5.3 Demonstrate knowledge and understanding of scenario analysis and stress testing in liquidity risk management
- 5.4 Demonstrate knowledge and understanding of regulatory requirements for an ILAAP submission

6 Capital management (12.5%)

Demonstrate knowledge and understanding of capital management and capital adequacy and of a bank's ICAAP

- 6.1 Demonstrate knowledge and understanding of the management of capital by a banking operation
- 6.2 Demonstrate knowledge and understanding of capital adequacy assessment and stress testing, including:
- Internal capital adequacy assessment process (ICAAP)
 - Risk register
 - Risk appetite statement
 - Base case outlook
 - Base case assessment
 - Stress test assessments
 - Possible management actions
 - Capital adequacy under stress scenarios, before and after management actions
 - Quantification of bank-specific capital buffer
 - ICAAP process guidelines
 - Principal ICAAP requirements
 - Documentation requirements
- 6.3 Demonstrate knowledge and understanding of the dividend policy
- 6.4 Demonstrate knowledge and understanding of stress testing regulations in European

Union, United Kingdom, United States of America and South Africa

- 6.5 Describe and discuss various methods of stress testing
- 6.6 Discuss the ICAAP process using a worked example of a presentation
- 6.7 Discuss an internal capital assessment by referring to a case study

7 Governance (12.5%)

Demonstrate knowledge and understanding of corporate governance issues relating to a banking operation:

- 7.1 Demonstrate knowledge and understanding of principles of sound corporate governance in a banking operation
- 7.2 Demonstrate knowledge and understanding of factors influencing the shape of corporate governance structures in a banking operation
- 7.3 Discuss the three lines of defence model, as widely used in banking operations
- 7.4 Describe a typical corporate governance structure in a banking operation
- 7.5 Discuss engagement with and reporting to key external stakeholders in a banking operation
- 7.6 Demonstrate knowledge and understanding of model risk governance in a banking operation
- 7.7 Discuss the provision of management information and its escalation to the executive committee and the board
- 7.8 Discuss the governance arrangements for setting provisions for expected credit losses under IFRS 9
- 7.9 Discuss the role of corporate governance in past banking failures, including in the banking crisis of 2007-08
- 7.10 Demonstrate knowledge and understanding of issues that may arise for actuaries in banking

8 Strategy (12.5%)

Demonstrate knowledge and understanding of the strategy setting and implementation process of a banking operation

- 8.1 Describe and discuss the strategic planning process
- 8.2 Demonstrate knowledge and understanding of the business model and strategic plan of a banking operation
- 8.3 Demonstrate knowledge and understanding of the assessment of possible acquisitions and disposals by a banking operation
- 8.4 Demonstrate knowledge and understanding of current strategic issues in banking

9 Problem solving

Solve problems associated with the following issues:

- 9.1 Demonstrate knowledge and understanding of banking problems and how they can be addressed
- 9.2 Through analysis, integration and critically evaluating results, draw conclusions and make recommendations particularly with regard to the bank's optimal strategy
- 9.3 Analyse various case studies and solve complex problems associated with the cases