Course:
Risk Management Essentials in the Financial Services - Part II

Course Description

This seminar is an advanced and practical seminar designed to deepen participants' understanding of modern risk measurement techniques and the management of key financial risks faced by businesses, financial institutions, and investors. Building on foundational risk management concepts, the seminar explores how organizations quantify, monitor, and respond to financial uncertainty using both qualitative and quantitative methods.

The seminar begins with a detailed examination of risk measurement and foundational quantitative concepts. Participants are introduced to important tools such as risk matrices, probability analysis, expected value calculations, variance, standard deviation, and Value at Risk (VaR). The presentation explains how these tools help organizations transform uncertainty into measurable information that supports strategic decision-making, capital allocation, and risk-adjusted performance analysis. Advanced concepts such as stress testing, scenario analysis, sensitivity analysis, drawdown analysis, and Key Risk Indicators (KRIs) are also referred, highlighting both the strengths and limitations of financial risk models. The seminar emphasizes that while risk models are useful, overreliance on them can create false confidence and underestimate extreme "tail risk" events.

The second section focuses on practical responses to risk and introduces the "Four Ts" of risk response: Tolerate, Treat, Transfer, and Terminate. The seminar also refers to hedging strategies, insurance mechanisms, and the concept of residual risk, emphasizing that risk can rarely be eliminated entirely and must instead be managed within acceptable limits.

A major portion of the seminar is dedicated to a deep analysis of credit risk. The presentation explains how credit risk affects individuals, businesses, banks, and global financial markets. Key concepts such as Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), and Expected Credit Loss (ECL) are also referred. Participants are introduced to the role of credit ratings, sovereign and corporate credit risk, credit spreads, and the function of major credit rating agencies. Real-world examples and lessons from the 2008 financial crisis demonstrate how poor credit risk management can lead to systemic instability.

The seminar also provides an analysis of liquidity risk and interest rate risk. It explains the difference between market liquidity and funding liquidity, the mechanics of bank runs, and the increasing importance of digital banking risks. Concepts such as liquidity stress testing, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), and the role of central banks as lenders of last resort are discussed extensively. The collapse of Silicon Valley Bank (SVB) is used as a modern case study illustrating how interest rate risk, concentration risk, and liquidity risk can combine into a systemic crisis. In addition, the seminar explores how interest rates influence bonds, equities, real estate, banking profitability, and the broader economy. Topics such as duration, convexity, yield curves, reinvestment risk, and interest rate hedging techniques are presented with practical examples and illustrations.

The final section examines currency and commodity risk in global markets. Participants learn how exchange rates fluctuate, how foreign exchange (FX) risk affects businesses and investors, and how hedging instruments such as forwards, options, and swaps are used to manage exposure. The seminar also analyzes commodity market volatility, including oil, agricultural products, and precious metals, while discussing the impact of geopolitics, inflation, supply disruptions, and global economic conditions on commodity prices. Overall, the seminar provides a highly practical and analytical overview of modern financial risk management, equipping participants with both theoretical understanding and real-world examples necessary for identifying, measuring, and responding to complex financial risks in today's dynamic global environment

Topics covered

The course is split into the following sections:

Section 1: Measuring Risk Foundational Concepts

- Why Measure Risk?
- Quantitative vs. Qualitative Risk Assessment
- The Risk Matrix — Likelihood vs. Impact
- How to Build a Simple Risk Matrix
- Probability in Risk — What the Numbers Mean
- Impact Scales — How Bad Can It Get?
- Expected Value — A Basic Concept
  - Simple Example
- Standard Deviation as a Risk Measure
- Normal Distribution Put Simply
- Variance vs. Standard Deviation
- What Is Value at Risk (VaR)?
  - VaR Explained With a Simple Example
  - The Three VaR Methods (Historical, Variance-Covariance, Monte Carlo)
  - Strengths and Weaknesses of VaR
- What Is Stress Testing?
- Scenario Analysis — Imagining the Worst
- Sensitivity Analysis — What Changes What?
- Drawdown — Measuring Portfolio Losses
- The Sharpe Ratio — Risk-Adjusted Returns
- Key Risk Indicators (KRIs) — What to Watch
- Common Mistakes in Risk Measurement

Section 2: Responding to Risk

- The Four T's of Risk Response
  - Tolerate, Treat, Transfer, Terminate — With Examples
- What Is Hedging? Simple Financial Examples
- Insurance as a Risk Transfer Mechanism
- Residual Risk — What's Left After Treatment?

Section 3: Credit Risk – Deep Dive

- How Credit Risk Affects Individuals
- How Credit Risk Affects Businesses
- How Credit Risk Affects Financial Institutions
- Credit Ratings — What They Are and Who Assigns Them
- Understanding Credit Rating Scales (AAA to D)
- The Big Three Rating Agencies
  - The main agencies and their ratings
- What Happens When Credit Ratings Change?
- Credit Risk Revisited — A Deeper Look
- Probability of Default (PD) Explained
- Loss Given Default (LGD) Explained
- Exposure at Default (EAD) Explained
- Expected Credit Loss (ECL) — Putting It Together

- Credit Spreads — Reading the Market's Risk Signal
- Higher Spreads = Higher Perceived Risk
- Sovereign Credit Risk — When Countries Default
- Corporate Credit Risk — Bonds and Default
- Case studies

Section 4: Liquidity Risk – Deep Dive

- What Is Liquidity Risk? (Revisited)
- Market Liquidity vs. Funding Liquidity
- The Bid-Ask Spread as a Liquidity Indicator
- Liquidity Risk in Investment Portfolios
- Liquidity Risk in Banking
- Bank Runs — What They Are and Why They Happen
  - Digital Bank Runs — A Modern Phenomenon
- Case studies
- The Role of Central Banks in Liquidity Crises
- The Lender of Last Resort Concept
- Liquidity Ratios — LCR and NSFR Explained Simply
- Managing Liquidity Risk — Key Strategies
- Cash Flow Forecasting as a Risk Tool
- Stress Testing for Liquidity

Section 5: Interest Rate Risk in Depth

- Why Interest Rates Are So Important
- How Central Banks Set Interest Rates
- The Interest Rate Cycle — Rising and Falling Rates
- How Interest Rate Changes Affect Investments
- How Interest Rate Changes Affect Borrowers
- How Interest Rate Changes Affect the Economy
- What Is Duration? (Simple Explanation)
  - Duration — The Key Concept in Bond Risk
  - Macaulay Duration vs. Modified Duration
  - Convexity — Why Duration Has Limits
- Bond Convexity Illustrated
- Yield Curves — What They Tell Us
- Normal, Inverted, and Flat Yield Curves
- The Yield Curve as a Recession Indicator
- Historical Yield Curve Inversions and What Followed
- Reinvestment Risk
  - Example
  - Managing Reinvestment Risk
  - Interest Rate Risk for Banks (Net Interest Margin)
  - Hedging Interest Rate Risk — Tools and Techniques
- Case studies
- How Interest Rate Risk Created Problems
- The Liquidity Crisis and Bank Run
- Collapse and Government Intervention
- Lessons Learned From the SVB Crisis

Section 6: Currency & Commodity Risk

- Why Exchange Rates Fluctuate
- Factors That Drive Currency Movements
- Transaction Risk, Translation Risk, Economic Risk
- FX Risk for Individuals and Businesses
- Hedging FX Risk — Forwards, Options, Swaps
- A Simple FX Hedging Example (Step by Step)
- Case studies
- Commodity Risk — Why Prices Are So Volatile
- Supply and Demand Drivers in Commodity Markets
- Oil Price Risk — A Global Case Study
- Agricultural Commodity Risk
- Precious Metals as a Risk Hedge
- Managing Commodity Risk — Practical Approaches

Course Duration

This course may take up to 5 hours to be completed. However, actual study time differs as each learner uses their own training pace.

The course is addressed to:

This course is addressed to all individuals who are involved in Investment Firms (forex, brokers, etc), Funds' industry, Funds Management industry, risk analysts and risk officers, banking and financial services employees, Electronic Money Institutions and Payment Service Providers employees, consultants, professionals in finance industry and in general to all professionals who are interested to learn and enhance their knowledge about risk management.

Training Method

The course is offered fully online using a self-paced approach. The learning units consist of power point presentations. Learners may start, stop and resume their training at any time.

At the end of the course, participants take a Quiz to complete the course and earn a Certificate of Completion once the quiz has been passed successfully.

Registration and Access

To register to this course, click on the *Take this course* button to pay online and receive your access instantly. If you are purchasing this course on behalf of others, please be advised that you will need to create or use their personal profile before finalizing your payment.

Access to the course is valid for 90 days.

If you wish to receive an invoice instead of paying online, please Contact us by email. Talk to us for our special Corporate Group rates.

Instructor

With more than 10 years of experience, Nektarios is an expert in the financial services industry, having worked in key roles at investment funds, CIFs and other service providers. His exposure to the industry allowed him to gain knowledge in a variety of vital investment functions.

Complementing his practical knowledge of the industry, Nektarios also holds a number of professional and academic qualifications, including CySEC's Advance Certification. He is currently employed by an Investment Fund.