Credit & Operational Risks Management

It would be a mistake to conclude that the only way to succeed in banking is through ever-greater size and diversity. Indeed, better risk management may be the only truly necessary

Alan Ben
Chairman
Federal Reserve
Bank

Program Details

Date: 4th April, 2015
Venue: Hotel Royal Century, Narayanghat
Time: 10:00am to 5:00pm
Target Group
Credit Analysts / Relationship Officers/ Managers / Branch Managers / Credit Administration Officers/ Managers / Recovery Officers/Managers / Operations Officers / Managers / Supervisors

NATIONAL BANKING INSTITUTE

T: +977 1 4415905 / 903, 4436001
F: +977 1 4441351
E: info@nbti.com.np
W: www.nbti.com.np

nbi
NATIONAL BANKING INSTITUTE
"The Banking Academy Of Nepal"

Background

The risks events / incidents relating to both credit and operations have been taking place considerably in the Nepalese Banking Industry. The auction notices and operational risk related news, which are published virtually every day, substantiate the same.

Total Non-performing Assets (NPA) of the industry as on Marg end 2071 (Mid December 2014) is Rs. 36.75 billion, which number itself is sufficient to prove that credit defaults in this industry is very high. More alarmingly NPA out of total risk assets is 15.39% and 4.8% in the finance companies and development banks respectively.

More notably, Banks and Financial Institutions (BFIs) lodged 2,797 cases of Rs 42.93 billion at Debt Recovery Tribunal (DRT) as on Baisakh end 2071 (mid May 2014), which numbers itself speak about the bad assets. Astonishingly, out of total cases of 2,727 lodged at DRT with claim amount of Rs 42.51 billion registered as on Asadh end 2070 (Mid July 2013), commercial banks has the lion's share of 93% and 98% in terms of numbers and amount respectively. A few BFIs went into the liquidation whereas a number of BFIs have been facing prompt corrective actions due to erosion of capital on account of Credit Risks and Operational Risks.

Risk events relating to operational risks used to take place rarely in the past, which has however increased substantially in the recent years on account of increase in business, distribution outlets, products & services, staffs and dependency on technology. Due to increase in number of BFIs, competition has also increased immensely. BFIs have brought out various new and innovative products and services to cope with competition, meet the expectation of customers, diversify the risks and enhance income, which has also increased the operational risk.

Whilst BFIs use various tools for credit and operational risks management including formulation of policies, development of standard operating procedures, transferring of risks, and strengthening of various line of defenses, which however may not be sufficient unless employees are taught the tricks to identify the risks proactively, report the same to the concerned senior officials and have risks mitigants in place timely.

Having regards above, National Banking Institute has designed **'One and** Half Day' Training on Credit & Operational Risk Management aiming to hone the skills of the related staffs of BFIs in identifying and analyzing various risks relating to the credit proposals / operational risks, having risk mitigants in place, administering the risk assets efficiently and exiting from the relationship timely before the risk assets turning into non-performing, guiding them for exercising 'Risk & Control Self-Assessment' process and creating awareness on the provisions on Banking Offense Act so that credit and operational risks could be mitigated / managed effectively.

Objectives

- Understanding various risks in BFIs and borrowing cause, identifying and analyzing risks on the credit proposals and having risks mitigants in place for taking calculative risks
- Understanding the provisions on BASEL – II, marketing the credit products as per the risks appetite of the BFI and applying risk based pricing
- Documenting the security documents properly, administering the loans efficiently, identifying the Early Warning Signals and setting Taper / Exit Strategy timely.
- Initiating the recovery actions and recovering the loans and understanding legal issues including the provisions

Level	**Officer / Manager**
Duration	One and Half Day
Program Takeaways	Understanding Various Risks in Bank and Financial Institutions
	Defining and Identifying Credit Risks and Having Risk Mitigants
	Defining and Analyzing Industry Risk / Business Risk, Financial Risk, Management Risk, Technical Risk and Security Risk
	Monitoring Sector-wise Credit for Managing Concentration Risk based on Risk Appetite
	Obtaining & Executing Securities Documents for Credit Risk Mitigation
	Rating /Grading Risk and Monitoring and Administering the Credit Accounts / Collateral Securities
	Identifying Early Warning Signals and Setting the Account / Relationship Strategy
	Calculating Credit Risk Exposure as per BASEL – II and Marketing & Applying Risk Based Pricing – a tool of Risk Mitigation
	Defining and Identifying Operational Risk and Recognizing EWS / KRIs
	Developing Operational Risk Awareness Culture at the Branches
	Operational Risk Management Structure and Process
	Identifying Operational Risks as per BASEL – II Event Types
	Strengthening Three Line of Defense to Manage Credit Risk / Operational Risks
	Risk Events Compiling / Reporting
	Understanding Various Legal Issues Including Banking Offense Act
	Case Studies – Practical
Methodology	Presentation, Exercise & Discussion

Trainer's Profile

BN Gharti, an MBA, having more than 18 years of banking experience, is the former Acting Chief Executive Officer of Kist Bank.

Mr. Gharti started his banking career from Nepal Bangladesh Bank where he worked at Marketing and Credit Departments. Before joining the banking sector Mr. Gharti had worked in the government, private and social organizations for 9 years.

Mr. Gharti, who served 10 years at NIC Bank, was head of Marketing and Transaction Banking there before joining Kist Bank in the Capacity of Chief Business Officer in April 2009. He was the first employee who received "Excellent" rating in the history of NIC Bank and was awarded with many awards including "Excellence Award" and 'Best Branch Award". He was the Member of Human Resources Committee, Management Committee and Asset and Liability Management Committee. He had developed deposits and transaction banking products and prepared standard operating procedures for those products operations. He had driven the marketing department growing the customer base by threefold during a period of 2 years and slashing the concentration risks considerably.