



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. In deed, better risk management may be the only truly necessary



Alan Greenspan
Chairman
Federal Reserve
Bank

Program Details

Date: 10th (3pm to 6pm) &
11th (9:30am to 5:00pm)
July, 2015

Venue: NBI Hall, Ktm

Target Group

Credit Analysts /
Relationship Officers/
Managers / Branch
Managers / Credit
Administration Officers/
Managers / Recovery
Officers/Managers /
Operations Officers /
Managers / Supervisors

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

He was instrumental in inculcating commercial banking and risk management culture at Kist Bank. Mr. Gharti played a key role in formulating about 20 policies including Credit Policy and Deposit Management Policy, about 30 standard operating procedures including Credit Risk Management Manual and Deposit Management Manual, about 25 product papers including deposit product having features of both savings and fixed deposit, a path-breaking deposit product and SME Loan Product and about 15 Plans including Strategic Plan and Risk Diversification Plan in order to build up a strong systemic infrastructure. On account of which, Kist Bank was having highest savings and retail deposits in the industry with a customer base of about four hundred thousands, which was 7th position in the industry. Due to timely formulation of 'Risk Diversification Plan', 'Liquidity Management Plan' and 'NPA & Watch-list Accounts Management Plan', in his initiation, Kist Bank was successful to slash Real State Loan below 15% from more than 50%, have liquidity ratio above 30% from as low as 10% and recover NPA loans sizably, which rescued Kist Bank from near to failure. Mr. Gharti therefore shares his practical experience in sales maximization, risks diversification and overall risks management.

Mr. Gharti has taken many trainings including various domestic and international trainings on "Train the Trainer". He has conducted 150 plus trainings on Credit Relationship Management, Sales and Marketing, Credit Risks Management and Operational Risk Management. Mr. Gharti, who has received many awards from various social organizations, has written many articles on Operational Risk Management and other banking issues on various national dailies and journals.