



## 2011 Boulder MFT Course Syllabus

### Course Information

<b>Course:</b>	<b>Risk Management 101</b>
<b>Faculty:</b>	<b>Matthew Brown</b>
<b>Dates:</b>	<b>18-22 July, 2011</b>
<b>Time:</b>	<b>2:30 – 5:30 pm</b>
<b>Language:</b>	<b>English</b>

### Course Description

Risk is inherent in the delivery of financial services. MFIs must adequately manage risk to achieve both their financial and social objectives. Poor risk management practices may lead to huge financial losses and in extreme cases force financial institutions out of business. It is therefore important for MFIs, like all financial institutions, to develop a systematic approach to the analysis of risk. It is against this backdrop that this course takes an introductory look at risk management for MFIs.

The objective of this course is for participants to gain a broad understanding of risk analysis in order to apply this understanding to the microfinance organizations they work with and help those organizations meet their objectives. Through class discussions, interactive participation, and case studies, participants will analyze various categories and sub-categories of risk faced by MFIs, learn techniques to identify, measure, monitor, report and control relevant categories of risks, and consider tools that can assist with this process.

As all MFI employees, managers, and stakeholders have a role in risk management, the course will also consider the various steps in the risk management process, and the roles and responsibilities that various staff, management and Board members play in that process. In this way, participants will also gain an understanding of ways to integrate a risk management program into current MFI practices.

Participants will be encouraged to share their own experiences with risk management so as to deepen and enrich the overall classroom environment.



## Objectives

1. Develop a risk management vocabulary
2. Gain broad understanding of risk analysis techniques
3. Discuss key institutional, financial, operational, and external risks facing MFIs
4. Understand roles and responsibilities with regard to risk management in MFIs
5. Identify qualitative and quantitative measures of different types of MFI risk
6. Learn and Share!

## Prerequisites

None

## Audience / Participants

## Suggested Reading List

- AIRMIC, Alarm, IRM. 2010. *A structured approach to Enterprise Risk Management*. UK: AIRMAC, Alarm, IRM. [http://www.theirm.org/documents/SARM\\_FINAL.pdf](http://www.theirm.org/documents/SARM_FINAL.pdf)
- Abrams, Julie. 2011. *An Empirical Analysis of Foreign Exchange Risk Exposure in Microfinance*. Washington, DC: MFX Solutions Incorporated. <http://www.mfxsolutions.com/education-center/>
- American Institute of Certified Public Accountants. 1992. *COSO Internal Control - Integrated Framework Summary*. Washington, DC: AICPA. <http://www.coso.org/IC-IntegratedFramework-summary.htm>
- Basel Committee on Bank Supervision. 2003. *Sound Practices for the Management and Supervision of Operational Risk*. Basel: Bank for International Settlements. <http://www.bis.org/publ/bcbs91.pdf>
- Basel Committee on Bank Supervision. 2006. *Sound Credit Risk Assessment and Valuation for Loans*. Basel: Bank for International Settlements. <http://www.bis.org/publ/bcbs126.pdf>
- Basel Committee on Bank Supervision. 2008. *Principles for Sound Liquidity Risk Management and Supervision*. Basel: Bank for International Settlements. <http://www.bis.org/publ/bcbs144.pdf>
- Basle Committee on Banking Supervision. 1998. *Framework for Internal Control Systems in Banking Organisations*. Basle: Bank for International Settlements. <http://www.bis.org/publ/bcbsc131.pdf>



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- Champagne, Pamela. 2004. *Process Mapping for Risk Management and Process Improvement*. MicroSave Briefing Note #29. Nairobi, Kenya: MicroSave. [http://www.microfinancegateway.org/gm/document-1.9.26474/22055\\_Process\\_Mapping.pdf](http://www.microfinancegateway.org/gm/document-1.9.26474/22055_Process_Mapping.pdf)
- Chen, Greg, Stephen Rasmussen and Xavier Reille. 2010. *Growth and Vulnerabilities in Microfinance*. Focus Note. Washington, DC: CGAP/The World Bank Group. <http://www.cgap.org/gm/document-1.9.42393/FN61.pdf>
- Cleary, Gottlieb, Steen & Hamilton LLP. 2006. *Foreign Exchange Risk Mitigation Techniques: Structure and Documentation a Technical Guide for Microfinance Institutions*. Technical Guide. Washington, DC: CGAP/The World Bank Group. [http://www.cgap.org/gm/document-1.9.3001/TechnicalTool\\_ForeignEx.pdf](http://www.cgap.org/gm/document-1.9.3001/TechnicalTool_ForeignEx.pdf)
- Committee of Sponsoring Organizations (COSO) of the Treadway Commission. 2004. *Enterprise Risk Management —Integrated Framework, Executive Summary*. New York: COSO. [http://www.coso.org/Publications/ERM/COSO\\_ERM\\_ExecutiveSummary.pdf](http://www.coso.org/Publications/ERM/COSO_ERM_ExecutiveSummary.pdf)
- Council of Microfinance Equity Funds. 2005. *The Practice of Corporate Governance in Shareholder—Owned Microfinance Institutions*. Consensus Statement. Washington, DC: Council of Microfinance Equity Funds. <http://www.accion.org/Document.Doc?id=571>
- J.P. Morgan. *A Primer on Currency Risk Management for Microfinance Institutions*. London, England: J.P Morgan Chase & Co, 2010. [http://www.jpmorgan.com/cm/cs?pagename=JPM/DirectDoc&urlname=MFI\\_FX.pdf](http://www.jpmorgan.com/cm/cs?pagename=JPM/DirectDoc&urlname=MFI_FX.pdf)
- Lascelles, D. & Mendelson, S. 2009. *Microfinance Banana Skins 2009: Confronting Crisis and Change*. UK: Centre for the Study of Financial Innovation (CSFI). <http://www.csfi.org.uk/Microfinance%20Banana%20Skins%202009.pdf>
- Lascelles, D. & Mendelson, S. 2011. *Microfinance Banana Skins 2011: Losing its Fairy Dust*. UK: Centre for the Study of Financial Innovation (CSFI). <http://www.microfinancegateway.org/gm/document-1.9.49745/Microfinance%20Banana%20Skins%202011.pdf>
- MicroSave. 2010. *Risk Management Booklet*. Optimising Performance and Efficiency Series. Nairobi, Kenya: MicroSave. [http://www.microsave.org/sites/files/technicalBriefs/briefingNotes/Risk\\_Management\\_Booklet.pdf](http://www.microsave.org/sites/files/technicalBriefs/briefingNotes/Risk_Management_Booklet.pdf)
- The Seep Network. 2010. *Pocket Guide to the Microfinance Financial Reporting Standards Measuring Financial Performance of Microfinance Institutions*. Washington, DC: The SEEP Network. [http://www.seepnetwork.org/PDFfiles/SEEP\\_MFRS-Pocket-Guide\\_ENG\\_FINAL\\_web.pdf](http://www.seepnetwork.org/PDFfiles/SEEP_MFRS-Pocket-Guide_ENG_FINAL_web.pdf)



## Outline

<p><b>Day 1 :</b></p>	<p><b>Introductions, Objectives and Expectations</b></p> <p><b>Session One: Risk and Microfinance</b></p> <ul style="list-style-type: none"> <li>• What is Risk?</li> <li>• How is Risk Measured?</li> <li>• Responses to Risk</li> <li>• Categories and sub-categories of MFI Risk</li> <li>• Perceptions of MFI risks (Banana Skins Survey)</li> </ul> <p><b>Session Two: Overview of Institutional and External Risk</b></p> <ul style="list-style-type: none"> <li>• Review of institutional and external risks</li> <li>• Assessing institutional and external risks</li> <li>• Responses to institutional and external risks</li> </ul>
<p><b>Day 2 :</b></p>	<p><b>Session Three: Risk Management and Corporate Governance</b></p> <ul style="list-style-type: none"> <li>• Overview of Risk Management</li> <li>• Overview of Enterprise Risk Management</li> <li>• Overview Corporate Governance</li> <li>• Roles and Responsibilities</li> <li>• Institutional Objectives and Risk Appetite</li> </ul> <p><b>Session Four: Risk Management Process</b></p> <ul style="list-style-type: none"> <li>• Overview of Risk Management Process</li> <li>• Risk Management Feedback Loop</li> <li>• Identifying, Assessing, Responding &amp; Controlling Risks</li> <li>• Information Gathering and Analysis</li> <li>• Risk Communication, Monitoring &amp; Reporting</li> </ul>
<p><b>Day 3 :</b></p>	<p><b>Session Five: Credit Risk Management</b></p> <ul style="list-style-type: none"> <li>• Overview of Credit Risk</li> <li>• Portfolio Risk and Risk Limits</li> <li>• Transaction Risk</li> <li>• Process Mapping</li> <li>• Credit Risk Analysis</li> </ul>
<p><b>Day 4 :</b></p>	<p><b>Session Six: Operational Risk Management</b></p> <ul style="list-style-type: none"> <li>• Overview of Operational Risk</li> <li>• Transaction Risk</li> <li>• Human Resources Risk</li> <li>• Fraud Risk</li> <li>• Information Technology Risk</li> <li>• Analysis and Internal Controls</li> </ul>
<p><b>Day 5 :</b></p>	<p><b>Session Seven: Liquidity and Market Risk Management</b></p> <ul style="list-style-type: none"> <li>• Overview of Liquidity Risk</li> <li>• Liquidity Risk Analysis</li> <li>• Overview of Market Risk</li> <li>• Market Risk Analysis</li> </ul> <p><b>Course Wrap-up</b></p>