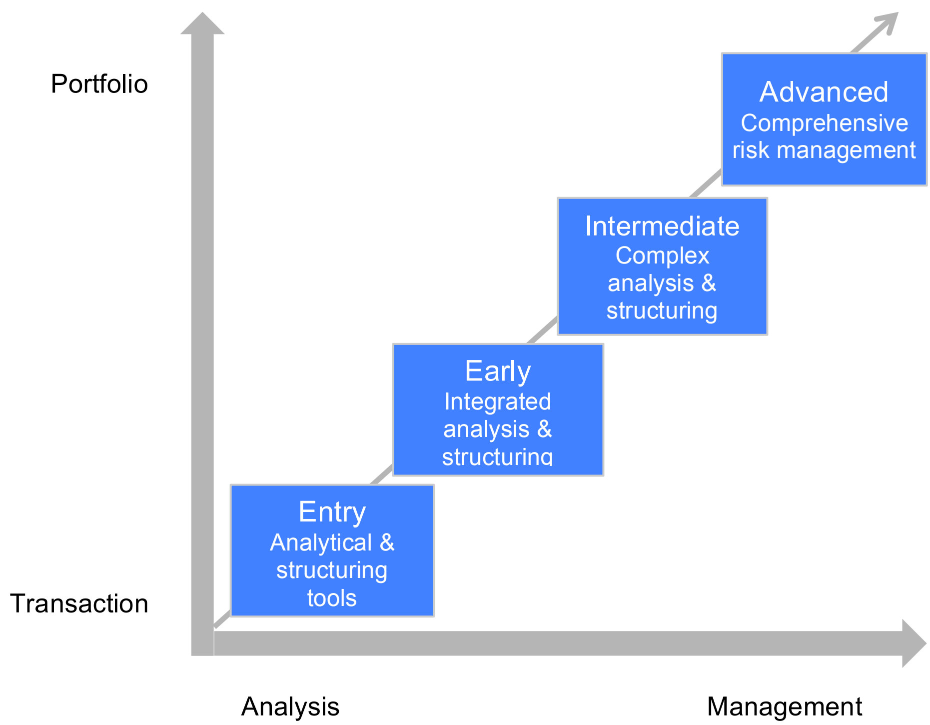
FINANCIAL TRAINING PARTNERS

Designing A Credit Curriculum

Changing needs

The skills bankers and risk managers need to work with risk change over their careers. At the outset, their focus is on risk analysis and debt structuring client-by-client, transaction-by-transaction. Later, the emphasis shifts to making challenging risk and structuring decisions and to being responsible for larger and larger portfolios of risk exposures.

A Progressive Risk Curriculum



Although mastery of any skill comes from experience on the job, training can play an important role in professional development for risk managers. A progressive curriculum gives risk managers and bankers the skills they need to be effective in their next jobs and refines the skills they developed in their last jobs. A typical progression of skills through the first 8-10 years of career is:

Entry-level skills

New risk managers and bankers play a support role in risk analysis and loan structuring. They need to be proficient at financial statement spreading and financial modeling. They also should be familiar with key risk factors and loan and debt capital markets products.

Early-stage skills

After one or two years of experience, bankers and risk managers do more complete, integrated work in risk and structuring. They need to be proficient at adjusting financial statements, identifying key risk factors, and doing company scenario analysis. They also need to be familiar with business and financial strategy analysis and with structuring debt financings to meet client needs.

Intermediate skills

After three to five years, bankers and risk managers make decisions about risks and deals. They need to be familiar with market, operational, and other types of risk. They should be familiar with risk ratings, risk capital, and risk-adjusted pricing as well. They also need to be proficient at evaluating complex risk issues, designing complex debt financings, and dealing with problem credits.

Senior skills

With eight to ten years' experience, senior risk managers and bankers make big, difficult risk decisions about clients, transactions, and entire portfolios. They need to be familiar with portfolio analytics, stress testing, and product risk. They also need to be proficient at problem solving, decision-making, influencing, and strategic thinking.

Keys to success

For any training program, success depends on more than just good evaluations from participants. It also depends on how well the program serves the needs of the firm as a whole. The most effective risk curriculums are comprehensive, progressive, and flexible.

Comprehensive

An effective risk curriculum is comprehensive, offering a full range of training to meet developing professional needs. From entry-level to senior-level, it has courses to meet long-term career and immediate on-the-job needs. Career-oriented training helps prepare bankers and risk managers for the next stage in their professional development, while immediate-need training helps them deal with current issues in products, markets, and risks.

Progressive

A good curriculum is progressive, efficiently building on job experience and prior courses to add the most value at the least cost. It starts with the tools for analyzing risk and the basics of debt structuring. Then moves on to complex risk issues and structuring challenges. Finally it concludes with business and firm-wide risk management issues.

Flexible

It is also flexible — easy to adapt to changing needs; and it is relevant, with up-to-date content tailored to the firm's changing mix of products, markets, and risks. Courses have standard, core topics that cover the fundamental skills at any level and time set aside for special topics to meet changing needs.

Sample curriculum

There is no one way to build an effective risk curriculum. Risk culture, credit market conditions, regulation, cost efficiency, and other factors affect any firm's curriculum choices; and there is a wide range of successful programs in place at major banks. Here is Financial Training Partners' version of a progressive risk curriculum, based on our experience working with clients around the world.

Entry-level

For new hires, a typical course includes: financial statement analysis, spreadsheet modeling, loan and debt capital markets products, and credit risk drivers. It lasts 15-20 days, depending on the goals for proficiency in risk and products. Financial statement analysis and modeling are often part of a broader entry-level training program for all new hires.

Early-stage

A typical course for those with some on-the-job experience in risk and banking has: business risk analysis, financial risk analysis, basic debt structuring, market risk, operational risk, and special topics. Special topics vary as firms' needs change, but they include: special industry analysis, reputation risk, early warning signs of distress, new developments in debt products, and the like. This course also is for professionals moving into risk and banking from other jobs. It lasts 3-5 days.

Intermediate

A typical course for those with more on-the-job experience in risk and banking includes: risk management, key credit risk factors, advanced debt structuring, problem credit management, and special topics. Special topics vary as firms' needs change, but they include: special industry analysis, management risk, country risk, new developments in debt products, and the like. This course lasts 2-4 days.

Senior

For those with extensive on-the-job experience, a typical course in risk and banking covers these topics: risk management strategies, portfolio management and stress testing, product risks, risk decision-making, and influencing and escalating skills. Top-level risk managers and bankers often play leading roles as instructors and evaluators. This course usually lasts 3-5 days.

Creating networks

A side benefit of a progressive risk curriculum is that it creates regular opportunities for in-person networking among peers in risk management and banking. Participants collaborate on assignments, share experiences, and exchange views in class and outside of it. They build informal relationships that contribute to their job effectiveness long after the course is over.

Communicating risk culture

Another benefit of a complete risk curriculum is that it helps reinforce the firm's risk culture. Courses are about skills, but they also can be about values. They are opportunities to discuss risk management principles and to showcase good examples of a firm's risk culture in action.

Financial Training Partners

We are an independent training firm that works with leading financial institutions around the world to help them take, manage, and profit from risk. For more information about our seminars, teaching methods, and learning materials, contact us at info@fintrain.com, visit us at www.fintrain.com, or read our blog at www.commentsoncredit.com.