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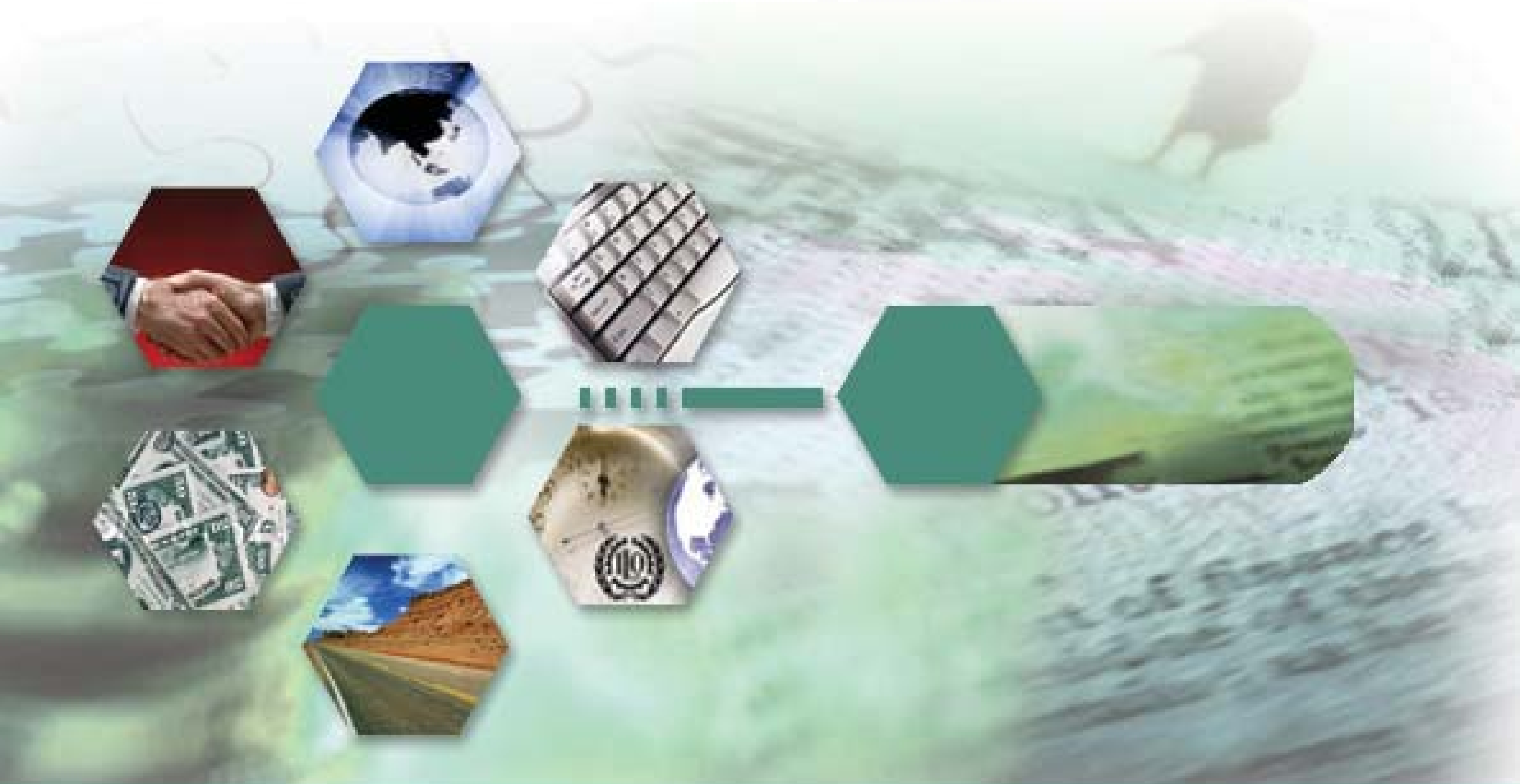
e-learning and reference solutions for the global finance professional

Value at Risk

Library of 16 courses providing an in-depth understanding of Value at risk and its applications.

After completing this course, you will be able to:

- Define VAR and explain how it is used to quantify risk
- Measure Value at Risk using various methods
- Familiarize yourself with the profile of major vendors of risk management systems available in the market
- Understand the benefits of Stress Testing as a complement to VaR
- Understand and apply advanced volatility and correlation models such as GARCH and EMWA
- Learn from the failures of Barings Bank, Orange County and Metallgesellschaft
- Apply VaR into the context of managing capital and making strategic decisions such as capital allocation



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Value at Risk

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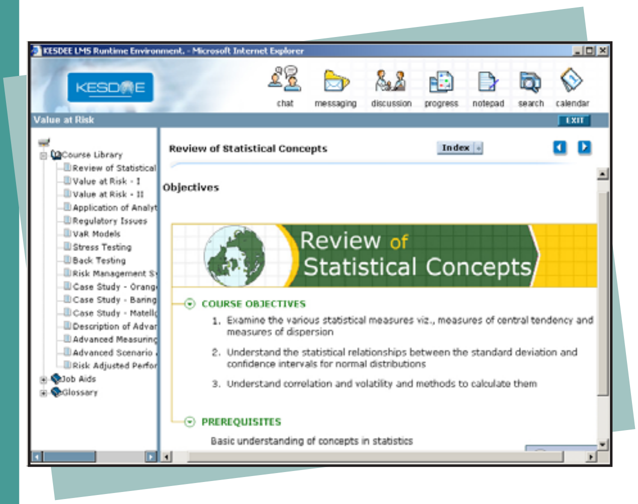

Overview

Value at risk is vital for banks, securities firms, commodity and energy merchants, and other trading organizations to be able to track their portfolios' market risk. It is a measure used by financial practitioners to quantify risk of a portfolio. The Course introduces the same and provides an up-to-date working knowledge of all aspects of VaR analysis, including the latest VaR models in theory and practice.

Course Level & Number of Courses

Intermediate Level

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Instructional Method

Dynamic, Interactive e-learning

Recommended Background

Familiarity with basic financial concepts

The themes of this product are:

- VaR as an integral part of risk management
- VaR as a measurement tool
- VaR to improve performance

For more information, please visit:

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Time taken to complete each Course: Two - Three hours

1. Review of Statistical Concepts

- The various statistical measures viz., measures of central tendency and measures of dispersion
- The statistical relationship between the standard deviation and confidence intervals for normal distributions
- The concept of correlation and volatility and the methods to calculate them

2. Value at Risk-I

- The concept of Value at Risk
- The concept of trading and banking book
- The various methodologies of estimating VaR and their strengths and weaknesses
- The comparison between the strength and limitation of VaR

3. Value at Risk-II

- The computation of VaR of foreign exchange spot, foreign exchange options positions, common shares/stocks, fixed income portfolio including portfolio
- The various applications of VaR

4. Application of Analytical Techniques

- The framework of the analytical technique - gap, duration, simulation and value at risk
- The concept and assumption under each technique
- The comparison and analysis of each techniques across various parameters
- The application of techniques with real life case studies

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5. Regulatory Issues

- How market risk can be regulated
- The purpose of regulatory capital
- The various approaches applied to capital charges

6. VaR Models

- The various methods to measure value at risk such as parametric, historical simulation and monte carlo simulation
- The comparison among the various methods according to their characteristics, advantages and disadvantages
- The process of value at risk implementation

7. Stress Testing

- The concept of stress testing as a complimentary tool to value at risk analysis
- The creation of hypothetical and historical scenarios
- The implementation of stress test scenarios into market risk modeling
- The growing use of stress testing to risk managers

8. Back Testing

- The technique of backtesting
- The different types of backtesting

9. Risk Management Systems

- The important steps involved in the choice of risk management software vendor
- The main software solution vendors in the market; the products they offer and their salient features

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10. Case Study - Orange County

11. Case Study - Barings Bank

12. Case Study - Metallgesellschaft

13. Description of Advanced VaR Models

- The various emerging forms of VaR viz., Component VaR and Del VaR
- The impact on individual trades on Total VaR using these forms
- The advancements in Monte Carlo Simulation
- The variance reduction techniques employed for Monte Carlo Simulation

14. Advanced Measuring Volatility and Correlation

- The concept of volatility and volatility clustering
- The conditional volatility models viz., Exponential Moving Average approach and GARCH
- The importance of time errors and the impact of crashes on correlation and its effect on VaR calculation

15. Advanced Scenario Analysis and Stress Tests

- The application of stress testing to a group of reporting firms through aggregation
- The various techniques like Maximum Loss and Extreme Value Theory
- How systematic stress testing is used with the help of stress test matrices

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16. Risk Adjusted Performance Measurement

- The concept and need for risk adjusted performance measurement
- Risk capital and details of the measures for risk capital viz., revenue (or earnings) volatility, Earnings at Risk (EaR), and asset volatility
  - Value at Risk (VaR)
- The importance of capital allocation in risk adjusted performance measurement and the factors that affect them

JOB AIDS

- Measurement Tools
- Disclosures
- Global Best Practices
- Benchmarking Data
- Policy Templates

Calculators in Value at Risk

1. Duration
2. Confidence Level for a Given Standard Deviation
3. Standard Deviation for a Given Confidence Level
4. Value at Risk Variance –two asset portfolio
5. VaR for Required Period and Confidence Level
6. Undiversified and Diversified VaR
7. VaR of Equities
8. VaR of an FRA
9. Jensen’s Measure
10. Sharpe's Measure
11. Treynor's Measure
12. Variance Co-variance

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Target Audience

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5. Global Banking Supervision	Library of 15 Courses
6. Capital Adequacy Planning (Basel I)	Library of 7 Courses
7. Basel II-University	Library of 63 Courses
8. Sarbanes-Oxley Act	Library of 12 courses
9. Futures & Forwards	Library of 7 Courses
10. Swaps	Library of 7 Courses
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14. Market Risk (Advanced Level)	Library of 4 Courses
15. Value at Risk	Library of 16 Courses
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18. Counterparty Credit Risk	Library of 9 Courses
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31. Foreign Exchange Management	Library of 7 Courses
32. Treasury Analytics	Library of 5 Courses
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34. Funding and Investments	Library of 5 Courses
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40. Financial Accounting	Library of 9 Courses
41. Mutual Funds	Library of 11 Courses
42. ePRM Coach	Library of 68 Courses
43. eFRM Coach	Library of 61 Courses

Upcoming Products

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KESDEE has the required technology platform to respond to clients training requirements in the financial industry. We offer several solutions, each developed with the guidance of creditable experts. Given below are few of the forthcoming products:

- Financial Planning
- International Trade Services
- Bank Branch Management
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