CAFRAL Advanced Management Program

Brief Outline of the Program

Overseas Leg (October 8-12, 2018)

Corporate Finance (Schmeits)

- Corporate borrowing and financial policy: A corporate finance perspective
- Key drivers of optimal capital structure choices (theory and practice and link between finance and strategy) :
- Impact of financial leverage on firm and equity valuation: Overview and application of valuation approaches

Financial Distress and Resolution (Altman)

- The instructor considers the evolution of his established and popular family of Altman Z-Score models for distress prediction for firm and sovereign risk analysis.
- These models have important practical applications for bankers, investors and management, themselves, including managing of a financial turnaround.
- This session will also explore the size, scope and importance of the distressed security asset class and valuation of distressed firms' assets and securities.
- A final unit assessed where we are in the current credit cycle.

Credit Risk Management (Saunders)

- What role does bank capital play in bank safety?
- Regulatory capital requirements and Basel 3 and Basel 4
- Optimal capital for banks credit risk - Credit metrics and Rack
- Stress testing capital in the US and EU banking systems

Credit Monitoring (Saunders)

- Measuring Systemic Risk of Indian financial firms: A capital shortfall approach.
- Comparison of Systemic Risk measure for Public sector and Private banks
- Relative Systemic Risk of Indian financial sector compared to other countries

Project & Infrastructure Finance (Tice)

- Dynamics of project and infrastructure finance.
- Project financial capital structure optimization.
- The complexity of project finance analysis and contract-intensity.
- Case discussion: Cheniere Sabine Pass gas liquefaction facility.

Important Regulatory Developments Post-Financial Crisis (Walter)

- Brief overview of the forensics and impact of the financial crisis.
- Integration of macro shocks into the financial architecture framework.
- Loss analysis and who carried them.
- Recapitalization of banks.
- Global capital adequacy rules.
- Funding stability rules.

- Realizable liquidity rules.
- Bank breakups and ring-fencing.
- Implications for financial efficiency and stability.
- Deregulation once again? Fasten your seatbelts.

Strategic Positioning, Execution & Performance (Walter)

- What is the evidence in terms of relative market-shares and profitability in the financial services industry? Is bigger better? Is broader better? How is the evidence reflected in mergers and acquisitions deal-flow in the industry?
- What conflicts of interest have recent developments in global financial markets presented for financial intermediaries (e.g., FinTech), and what are the appropriate ways of dealing with them?
- How does strategic positioning influence risk exposure and risk and approached to risk management?
- In an era of quantitative and qualitative stress testing, how do risk management competencies influence bank franchises and valuations?
- Managerial issues related to size and complexity are often reflected in the problem of integrated risk management, combining the classic dimensions of market risk and credit risk with liquidity risk, operational risk, sovereign risk and reputational (franchise) risk.
- How can these risk control issues (discussed individually in this program) be integrated at the enterprise level and give rise to competitive advantages or disadvantages in banks or other kinds of financial services firms?

Securities Market Developments (Berner)

- Key principles of securities market regulation.
- Regulation by function.
- Conduct regulation – fair disclosure, questionable practices, insider trading
- Is market fairness related to market efficiency?
- Comparative approaches – US, EU, UK, Singapore etc.
- The battle among financial centers.
- Politics of regulation.

Enterprise Risk Management and Governance (Walter)

- Integrated, cross-disciplinary overview of risk management best-practices for senior members of financial services firms and corporations exposed to market risk, credit risk, sovereign risk, operational and reputational risk
- This session will cover the emergence of new risk measures and the serious implications from misunderstanding the interdependencies amongst different risk domains.

Managing Operation Risk (Pinedo)

- As long as people, systems and processes remain imperfect, operational risk (OpRisk) management will be an essential component of every organization's strategy.
- The need for strong OpRisk management practices is greater now more than ever, as rapid advancements in technology and increased globalization and cyber security threats have resulted in evolving regulatory and business environments.
- This session will provide a sound theoretical foundation from which to explore cutting-edge OpRisk techniques under a changing regulatory environment, including an overview of the latest updates to the Basel Accords.

- They will leave this session equipped with the analytical and practical tools necessary to defend against cyber security threats, model, measure and manage operational risk within their organization.

Business Strategy, Leadership, and Governance (Lechner)

- The trust clients put in their advisors is increased by the latters' interest in, and understanding of, the client's business.
- The goal of this strategy session will be to convey a primer in evaluating firm performance.
- This session will focus on principles that transcend industry boundaries and have stood the test of time. The emphasis will be on the creation of value in competitive (and unregulated) environments. The central questions that will be addressed are:
- What allows certain firms to earn positive economic profits while others deliver negative returns?
- Why can certain firms sustain their economic profits over long periods of time, while for other firms these profits quickly disappear?
- Through case analysis, participants will perform industry and firm level assessment to identify a firm's strengths and vulnerabilities as well as the factors necessary to turn advantages into sustained profits.

Risk and Decision Analytics (Zhang)

- This module introduces the basic concepts, principles, and techniques of decision making under risk. Participants will learn how to model complex business problems that involve risk and uncertainty with the help of spreadsheet models.
- It covers analytical tools such as Monte-Carlo simulation, decision analysis, machine learning and optimization under uncertainty.
- The emphasis is on models that are widely used in diverse industries such as financial services, real estate, pharmaceutical and energy industries.
- We analyze risks in financial securities, construction projects, R&D projects, supply chain, etc.
- Applications include risk quantification and prediction of investment opportunities (Monte-Carlo simulation and machine learning); risk diversification and portfolio management (optimization); and risk mitigation and value of strategic flexibility (multi-stage decision tree analysis

Indian Leg (October 4-5, 2018)

Recent regulatory developments

1. Banking and financial sector developments
2. Developments relating to capital market
3. Basel III framework
4. Recovery and resolution of stressed assets
    - Insolvency and Bankruptcy Code
    - Asset Management Companies

Financial Markets

- Overview of financial markets
- Liquidity adjustment facility – Repo, Reverse Repo, OMO
- Recent measures to develop corporate bond market
- SEBI regulations relating to governance, disclosures, etc. for banking companies

Current economic and financial sector outlook

- Monetary policy and implications
- Inflation and growth, credit outlook
- Banking and financial sector outlook
- Current credit crisis and way forward

Risk governance

- Risk management architecture; integrated risk management
- Board and senior management role in risk governance
- Risk management – credit, market and operational
- Derivatives for risk management

Digital Banking

- Fintech growth and competition
- Mobile and internet banking
- Payment infrastructure, UPI

Cyber risk management

- Cyber threats, attacks/incidents and impact
- Cyber security governance model/framework and strategies
- Cyber risk preparedness by banks