

# Business Risk Measurement and Management

ASPECT ADVISORY ACADEMY  
TECHNICAL SEMINAR



## OVERVIEW:

This seminar deep-dives into a risk that every bank is exposed to, but which often receives (too) little attention: business risk defined as an unexpected drop in business volumes, margins and fees. It is an important risk for fee-driven business models like wealth manager, and custodians. The seminar starts out with a definition (and demarcation) of business risk against other risk types like credit-, market, and interest rate risk in the banking book. Subsequently, we discuss the most popular approaches of business risk modelling (both top-down and bottom-up). Finally, we look at the model life cycle starting on early warning indicators, data collection and calculation of business risk.

## AGENDA OUTLINE:

**1 Day Seminar** – please refer following slides

## WHO SHOULD ATTEND:

We believe that this seminar is most useful for participants from:

- Supervisors
- Risk management
- Risk controlling
- Internal audit
- Model Validation

## SEMINAR FORMAT:

- This seminar will be conducted in English
- This session will be conducted via Microsoft Teams. On completion of your registration you will receive a link to the meeting

## COURSE MATERIAL:

- Sessions are recorded and could be obtained on request at the end of the seminar
- Trainers presentation slide decks could be obtained on request at the end of the seminar
- Certificates will be awarded at the completion of the seminar

## CERTIFICATE:

- Certificates will be emailed to the participants on completion of the seminar

*Have a question? Send us a mail to:  
[aaa.aspectadvisory.eu](mailto:aaa.aspectadvisory.eu)*

## 1 DAY

### Business risk measurement and management

09:00

#### 1 Identification:

Definition and demarcation against other risk types (strategic risk, reputational risk, financial risks) Data demarcation

10:30

### Morning coffee break

10:45

#### 2. Measurement:

- Top-down:
  - breaking down headline earnings
  - analysing their fluctuations: business risk or non-business risks
- Bottom-up:
  - Understanding the firm's business model/ value chain
  - structured interviews with business units: what can go wrong?
  - Scenario risk drivers
  - Combining historical headline earning fluctuations with scenario losses (a la AMA in OpRisk)
  - Data challenges: what data is required to model business risk?
  - Model estimation, validation and maintenance
  - Data availability

12:15

## 1 DAY

Lunch Break

- 13:30
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- 15:00
- 3. Risk appetite for business risk and limit allocation
  - 4. Does all business risk needs to be backed by internal capital?

Afternoon Coffee Break

- 15:15
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- 17:00
- 5. Business risk management framework
    - early warning indicators
    - data collection
    - calculation of business risk

## 6. Summary

Close of Session