



# **Skill Development Program in Credit Risk Management and Credit Derivatives**

## **Topics Covered:**

**Introduction to Credit**

**Fundamentals of Credit Risk  
and Company Analysis**

**Credit Structuring and  
Documentation**

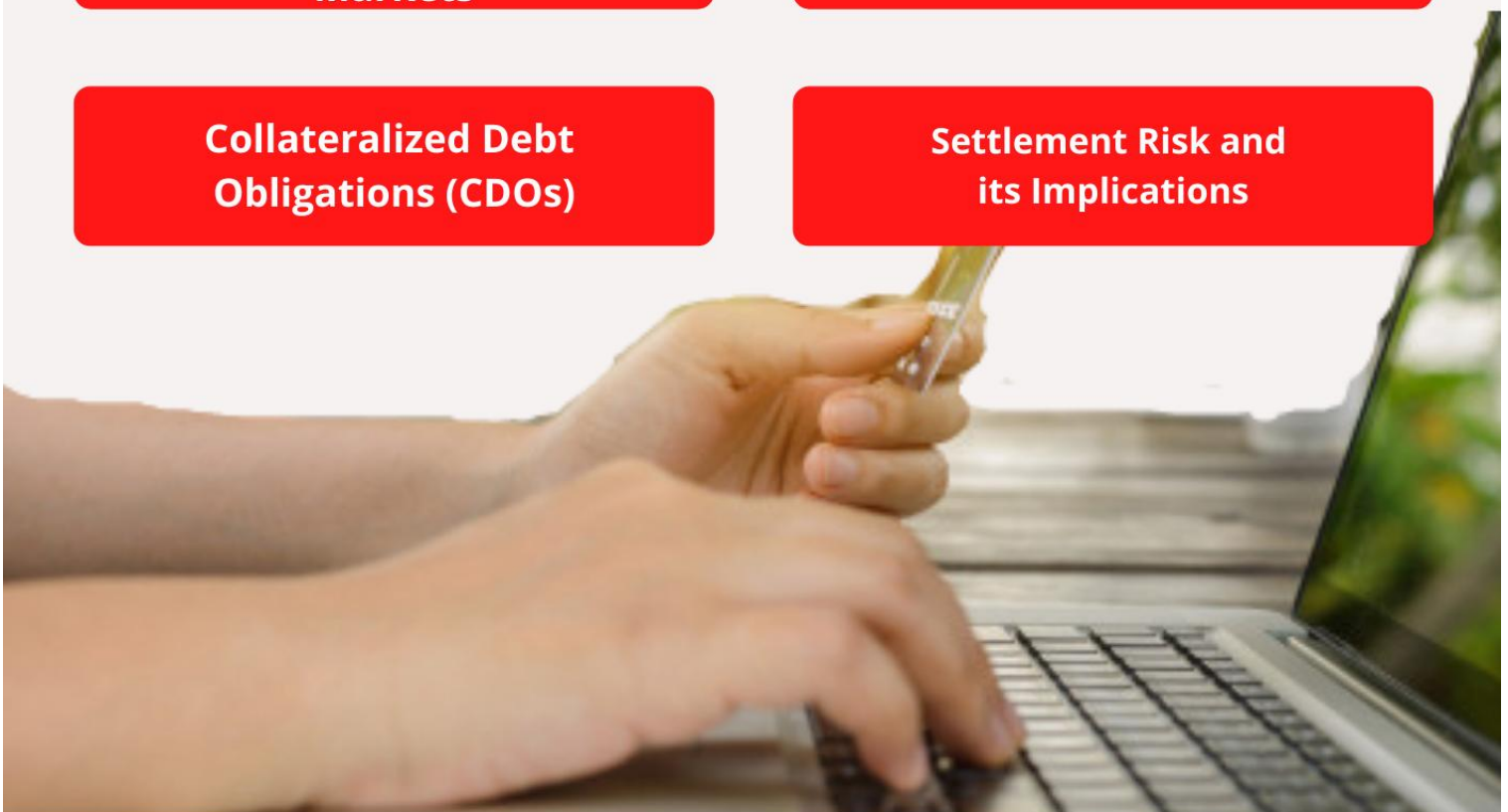
**Credit Ratings and Risk in  
OTC Markets**

**Credit Derivatives – ISDA  
Documentation and Repo  
Markets**

**Bond Valuation and  
Credit Risk Mitigation**

**Collateralized Debt  
Obligations (CDOs)**

**Settlement Risk and  
its Implications**





**Credit risk management provides a framework for understanding the true nature of credit risk present in your organization. The Risk Manager should be aware of the inherent risk when providing a loan to a borrower and must measure, manage, and monitor total exposures to achieve a desired return on its capital.**

**This course will help you understand the financials of company and judge the inherent credit risk, by performing credit risk analysis. Use a structured approach and identify early warning signals. It covers relevant and practical topics like Credit Risk Assessment, Risk in OTC Products, Credit Derivatives and Financial Statement Analysis.**

**Mr. Archit Lohia – CFA, CA, CAIA, LLB  
Founder – CareerTopper**





## COURSE LEARNING OUTCOMES:

- Understand the types of Risks and Credit Risk
- Perform Financial Statement Analysis, Forecast Statements and Credit Analysis on investments
- Highlight the use of Credit Ratings and Bond Valuation in Risk Mitigation
- List various types of credit risk and identify the process for Credit Risk Management
- Discuss various types of Off Balance Sheet Items, Additional Risk Factors and Securitization Process
- Understand the CDO Process, types of CDOs and the inherent risks
- List the importance of Credit Default Swaps and Total Return Swaps and inherent risks in Derivatives contracts
- Discuss the inherent credit risk in OTC Markets, like Repos, Reverse Repos, Currency Derivatives and Interest Rate Derivatives.
- Evaluate the Settlement Risk of a contract, through PSR and CVA
- Identify the early warning signals in derivatives contracts and the risk mitigation techniques
- Understand the documentation for Credit Derivatives, ISDA Agreements and market-specific agreements

## PROGRAM HIGHLIGHTS:



**Hear from Industry Experts**



**Customizable Format**



**Certification of Participation**



**Specialize in Alternative Investments**





## PEDAGOGY

The course will be conducted through interactive online sessions, covering the key concepts along with in-class assignments, discussions and presentations. Additional readings will be provided for covering the contemporary aspects on an ongoing basis.

### Interactive Learning and In-class Participation:

For students to have an interactive learning experience, we will be providing the following:



#### Live Quizzes

Get real-time feedback and output from the faculty



#### Group Discussions

Live discussions on current market scenarios

### Exam and Certification:

The participants will be required to appear for a Certification Test. The Certification Test can be attempted only once by the candidate. Upon successful completion of the Certification Test, all the participants shall be eligible to earn the Certificate of Participation.





## CERTIFICATE OF PARTICIPATION:

Participants who successfully clear the Certification Test shall be given the Certification of Participation.



## Certification Test:



### Duration

1 Hour



### Exam Structure

MCQ's



### Continuous Evaluation

Live Quizzes &  
Group Discussion



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## WHY CHOOSE US?



### Customized Programs

Programs designed to YOUR needs to achieve YOUR dream



### Blended Learning

Learn at home & in our classroom for a practical-based experience



### Real-Time Output

In-class feedback & real-life case studies



### Subject Matter Expertise

Leverage our intellectual capital and industry experience



### Ubiquitous Learning

Learn and practise on the go with our online platform



### Online Help

Get your queries answered by our online helpdesk

## CLIENTELE:



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## PROPOSED TOPIC OUTLINE:

TOPIC	No. of Hours
<ul style="list-style-type: none"> <li>• <b>Introduction to Credit:</b> <ul style="list-style-type: none"> <li>o Interaction of the Market, Client and Financial Institution</li> <li>o Understanding Market, Credit and Operational risks</li> <li>o Environmental and Regulatory risk Analysis</li> <li>o The 5Ps and 5Cs of Credit</li> </ul> </li> </ul>	1.00
<ul style="list-style-type: none"> <li>• <b>Financial Statement Analysis:</b> <ul style="list-style-type: none"> <li>o Role of Financial Statements, Relevance of Notes</li> <li>o Management Analysis</li> <li>o Revenue Driver and Growth</li> <li>o Industry Analysis including SWOT, Critical Success Factors and o Porter Framework</li> <li>o Inventories and Depreciation</li> <li>o Intangible Assets</li> <li>o Finance Cost as a % of Average Debt</li> <li>o Working Capital Cycle</li> <li>o Cash-flow Analysis</li> <li>o Capital Expenditure and Debt/ Equity Ratio</li> <li>o Leases, Hire Purchase, Pension Liabilities</li> <li>o Classification of Investments in Financial Assets'</li> </ul> </li> </ul>	4.00
<ul style="list-style-type: none"> <li>• <b>Structuring and Documentation:</b> <ul style="list-style-type: none"> <li>o Bank CMA Format and Credit Policy Formulation</li> <li>o Preparation of Credit Proposal and Credit Appraisal, Capital Budgeting Methods</li> <li>o Behavioural Aspects of Credit officer, Pre-sanction Methodologies and Analysis, Know your Customer (KYC) requirements</li> <li>o ESG Analysis for Loans/Bonds</li> <li>o Investment grade versus non-investment grade</li> <li>o Holding company analysis</li> </ul> </li> </ul>	3.00
<ul style="list-style-type: none"> <li>• <b>Credit Ratings:</b> <ul style="list-style-type: none"> <li>o Basics of Credit Rating</li> <li>o Credit Risk Management</li> <li>o Dealing With Intricacies Of Credit Rating</li> <li>o Management Risk and Project Risk</li> <li>o Ratings Methodology For Manufacturing Companies</li> <li>o Ratings For Financial Institutions And Banks, Sovereign Ratings, Internal Rating models (Basel)</li> </ul> </li> </ul>	3.00



## PROPOSED TOPIC OUTLINE:

TOPIC	No. of Hours
<ul style="list-style-type: none"> <li>• <b>Bond Valuation and Risk Mitigation:</b> <ul style="list-style-type: none"> <li>o Bond Valuation Measures including Swaps, OAS, YTW, YTM</li> <li>o Risk Mitigation using derivatives like swaps, FRA, caps and floors, FOREX Hedge</li> <li>o Understanding Yield Curves</li> <li>o Trading on Interest Rate Risks</li> </ul> </li> </ul>	3.00
<ul style="list-style-type: none"> <li>• <b>Credit Risk Management:</b> <ul style="list-style-type: none"> <li>o Understanding Credit Spreads, Trading on Credit Spreads</li> <li>o Understanding Systemic Risk</li> <li>o Credit Analysis in a Multi Asset Class portfolio</li> <li>o Trading Strategies for Emerging Markets</li> <li>o CRA Regulations and Debt Guidelines</li> <li>o Credit Risk Models &amp; Miscellaneous including interest rate Regression/Time series modelling,</li> <li>o Merton and other Models</li> <li>o Credit Monitoring and Identification of Early Warning Signals</li> </ul> </li> </ul>	3.00
<ul style="list-style-type: none"> <li>• <b>Forecasting:</b> <ul style="list-style-type: none"> <li>o Building a forecast-framework and methodology</li> <li>o Qualitative and quantitative factors</li> <li>o Base, management, and downside cases</li> <li>o Critical value drivers</li> </ul> </li> </ul>	2.00
<ul style="list-style-type: none"> <li>• <b>Off Balance Sheet Items, Additional Risk Factors and Securitization:</b> <ul style="list-style-type: none"> <li>o Contingent Liabilities and Guarantees</li> <li>o Rating of Asset Backed and Mortgage Backed Securitization Transactions</li> <li>o Credit Enhancement and Structures</li> <li>o Stressed Asset Management – Warning signs, Process and Monitoring for Recovery, CDR</li> <li>o Mechanism, Pricing/ valuation of NPA's and Asset backed/Mortgage backed Securities</li> <li>o Introduction to Distressed Debt</li> </ul> </li> </ul>	3.00
<ul style="list-style-type: none"> <li>• <b>Collateralized Debt Obligations (CDOs):</b> <ul style="list-style-type: none"> <li>o Overview of CDO and CDO Variations</li> <li>o Types of CDOs: <ul style="list-style-type: none"> <li>□ Balance Sheet CDOs</li> <li>□ Funded and Unfunded CDOs</li> <li>□ Synthetic CDOs</li> </ul> </li> <li>o What are Credit Enhancements?</li> <li>o Risks Involved in CDO Markets</li> <li>o Development of CDO Market in India and Global Market</li> </ul> </li> </ul>	3.00







## PROPOSED TOPIC OUTLINE:

TOPIC	No. of Hours
<ul style="list-style-type: none"> <li>• <b>Credit Derivatives:</b> <ul style="list-style-type: none"> <li>o Credit Default Swap (CDS):               <ul style="list-style-type: none"> <li>□ Product Structure</li> <li>□ Inherent Risks</li> <li>□ Participants</li> <li>□ Unwinding Issues</li> </ul> </li> <li>o Total Return Swap (TRS) - Product Structure and Inherent Risks</li> <li>o Difference between CDS and TRS</li> <li>o Credit Spread Derivative Products:               <ul style="list-style-type: none"> <li>□ Spread Options</li> <li>□ Inherent Risks</li> <li>□ Participants</li> </ul> </li> </ul> </li> </ul>	2.00
<ul style="list-style-type: none"> <li>• <b>Derivatives - Introduction to Major Risks::</b> <ul style="list-style-type: none"> <li>o Major Risks in Derivative Trading</li> <li>o Types of Credit Risks and its Difference from Risks in Derivative Trading</li> <li>o Risks in OTC Markets v/s Risks in Exchange Traded Markets</li> <li>o Margin Requirements - Mark-to-Market Adjustment</li> <li>o Market Risk and Premium</li> <li>o Lending Risk and Transfer Risk</li> <li>o Issuer-specific Risk</li> </ul> </li> </ul>	2.00
<ul style="list-style-type: none"> <li>• <b>Credit Risk - OTC Markets:</b> <ul style="list-style-type: none"> <li>o Currency Derivative Products – Structure, Cash Flow and Risks Involved:               <ul style="list-style-type: none"> <li>□ Credit Risk</li> <li>□ Pre-settlement and Settlement Risk</li> <li>□ Market Risk</li> </ul> </li> <li>o Risk Mitigation Approaches</li> <li>o Warning Signals:               <ul style="list-style-type: none"> <li>□ Wrong-way Trade</li> <li>□ Barrier Option</li> <li>□ Embedded Loans</li> </ul> </li> <li>o Interest-rate Derivative Products - Structure and Cash Flow:               <ul style="list-style-type: none"> <li>□ Plain-vanilla Swaps</li> <li>□ Structured Interest-rate Swaps</li> <li>□ Swaptions Warning Signals:</li> </ul> </li> <li>o Interest-rate Derivative Products – Risk Involved:               <ul style="list-style-type: none"> <li>□ Credit Risk</li> <li>□ Pre-settlement and Settlement Risk</li> <li>□ Market Risk</li> </ul> </li> <li>o Warning Signals:               <ul style="list-style-type: none"> <li>□ Settlement Timing Mismatches</li> <li>□ Embedded Loans</li> </ul> </li> <li>o Other Interest-rate Derivative Products - Non-standard swaps and inherent risks</li> </ul> </li> </ul>	4.00



## PROPOSED TOPIC OUTLINE:

TOPIC	No. of Hours
<ul style="list-style-type: none"> <li>• <b>Settlement Risk and its Implications:</b> <ul style="list-style-type: none"> <li>o Pre-settlement Risk (PSR)</li> <li>o PSR Limits - Setting PSR Limits</li> <li>o Settlement Risk</li> <li>o Peak Exposure and Loan Equivalent Exposure</li> <li>o Credit Valuation Adjustment (CVA)</li> <li>o Factors used to Calculate CVA</li> <li>o CVA calculation under Stress-test Scenarios</li> </ul> </li> </ul>	2.00
<ul style="list-style-type: none"> <li>• <b>Credit Derivatives – Documentation AND Repo Market:</b> <ul style="list-style-type: none"> <li>o ISDA Agreement and Credit Support Annex (CSA): <ul style="list-style-type: none"> <li>□ Structure of ISDA Agreement</li> <li>□ Use of ISDA Agreement</li> <li>□ What is a Default?</li> <li>□ Important Terms to Pay Attention To!</li> <li>□ Consideration to be made, in Event of Default</li> </ul> </li> <li>o Repo and Reverse Repo Structure - Types of Repo Products</li> <li>o Treatment of Repo as a Secured Loan or not - Case Study</li> <li>o Risks in Repo Products: <ul style="list-style-type: none"> <li>□ Credit Risk</li> <li>□ Interest Rate Risk</li> <li>□ Market Risk</li> </ul> </li> <li>o Global Master Repo Agreement (GMRA) - Its Importance</li> </ul> </li> </ul>	2.00



## **CONTACT US**

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