

Institute and Faculty of Actuaries

### **Pre-Fellowship Study Pathway in Banking**

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# Banking

- Central banks
- Investment banks
- Commercial banks Corporate and retail
- Retail banks Personal and small business
- New entrant banks including fintechs
- Consultants



### **Banking is not so different from insurance**

#### Insurance

Model validation

Capital adequacy, ORSA

Asset-liability management

Reserves for claims

**Product pricing** 

Hedging e.g. derivatives

Risk management e.g. credit

#### Banking

Model validation

Capital adequacy, ICAAP

Asset-liability management

Reserves for credit losses

**Product pricing** 

Hedging e.g. derivatives

Risk management e.g. credit



# But working in banking may be different

- Working in multi-disciplinary teams
- Speed v. accuracy: quick estimate, subsequent confirmation
- Clear but short communications



### Skills that actuaries can use in banking

- Problem-solving economic cycles, new challenges
- Understanding and judgement v. tick-box compliance
- Constructive challenge, when appropriate
- Clear and concise communication, spoken and written
- Enterprise-wide risk management



# **Getting into banking**

 'What can you do for us?' v. 'What examinations have you passed?'



### Awareness of current issues in banking

- Large databases Open Banking, APIs
- Innovative online products and services
- Credit losses from Covid-19
- Climate change stress testing
- Non-financial risk e.g. IT, cyber, conduct





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# **Banking in the Current Curriculum**

### **Banking examples in pre-Associate modules**

- CS2 Banking setting, exposure to risk, machine learning
- CM1 Banking products, bank loan pricing
- CM2 Provisions for expected credit losses IFRS9
- CB1 Banking capital, banking company accounts
- CB2 Barriers to entry, price discrimination, asset bubbles, banking crises
- CP1 Risk identification and classification, risk measurement and reporting, capital management and monitoring, banking glossary





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# **Pre-Fellowship Study Pathway in Banking**

### **Future of Pre-Fellowship Study Pathways**

- A broader portfolio of pre-Fellowship study pathways responding to the professional interests and career aspirations of members
- Support members seeking to move into new areas
- Drawing on best content available – bespoke, in partnership, or via accreditation
- Accessible online to our global membership



### **Pre-Fellowship Study Pathway in Banking**

- Is the first of these new pathways to be offered
- Its development has been supported by the IFoA Banking Member Interest Group (MIG)
- Delivered by the Actuarial Society of South Africa (ASSA)
- SP and SA level online modules
- Modules will be formally accredited by the IFoA



# How will this work?

- Candidates will register directly with ASSA for study and assessment related to the modules
- They will sit assessments during ASSA's May and October examination sessions, commencing May 2022
- Fees will be similar to those set for the IFoA's own pre-Fellowship examinations
- ASSA will provide a full results service to candidates
- Successful candidates will receive exemptions from the IFoA's pre-Fellowship Banking pathway



### **Learning Resources**

- Syllabi, learning materials, tuition services and examination counselling will be provided by ASSA
- Syllabi for these SP and SA modules were published on the IFoA website in April 2021

https://www.actuaries.org.uk/learn-and-develop/lifelonglearning/banking-lifelong-learning

• Learning materials including specimen examination papers due to be published end-October 2021



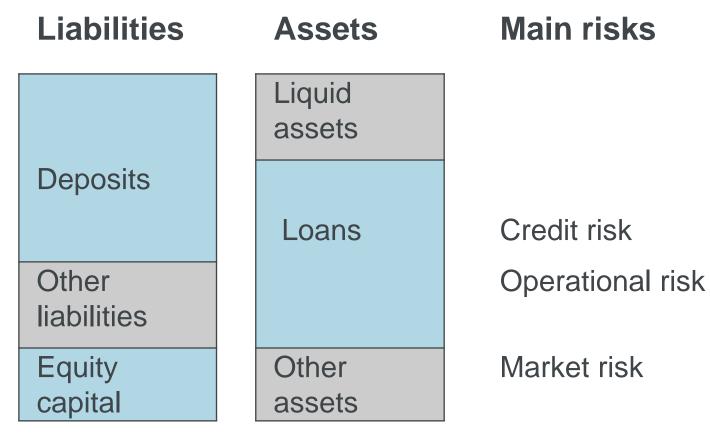


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# **Module Content**

# **Banking: Balance sheet**



#### **Capital and liquidity**

- Banks hold equity capital against possible losses on assets
- Banks hold liquid assets for possible withdrawals



# **Module Content**

#### **Principles (SP)**

- 1. Overview of banking
- 2. Banking regulations
- 3. Banking risk management
- 4. Product pricing
- 5. Credit risk measurement
- 6. Market risk measurement
- 7. Operational risk measurement
- 8. Capital measurement
- 9. Liquidity measurement

#### **Applications (SA)**

- 1. Credit risk management
- 2. Market risk management
- 3. Operational risk management
- 4. Treasury management
- 5. Liquidity management
- 6. Capital management
- 7. Governance
- 8. Strategy
- 9. Complex problem solving



## **Examples of detailed content in SP module**

#### Overview of Banking

Balance sheet, capital and liquidity

Banking risks e.g. credit, market, operational

Glossary of banking terms

#### Product Pricing

Loan pricing - DCF methodology

Deposit pricing - price elasticity

Pricing of derivative products - not repeating SP6



# **Examples of detailed content in SA module**

#### Capital Management

> Capital requirements: minimum, additional

Capital buffers: stress testing

Capital adequacy, ICAAP submission

#### Strategy

Strategic planning process, opportunities/threats

- Mergers and acquisitions
- Current strategic issues



