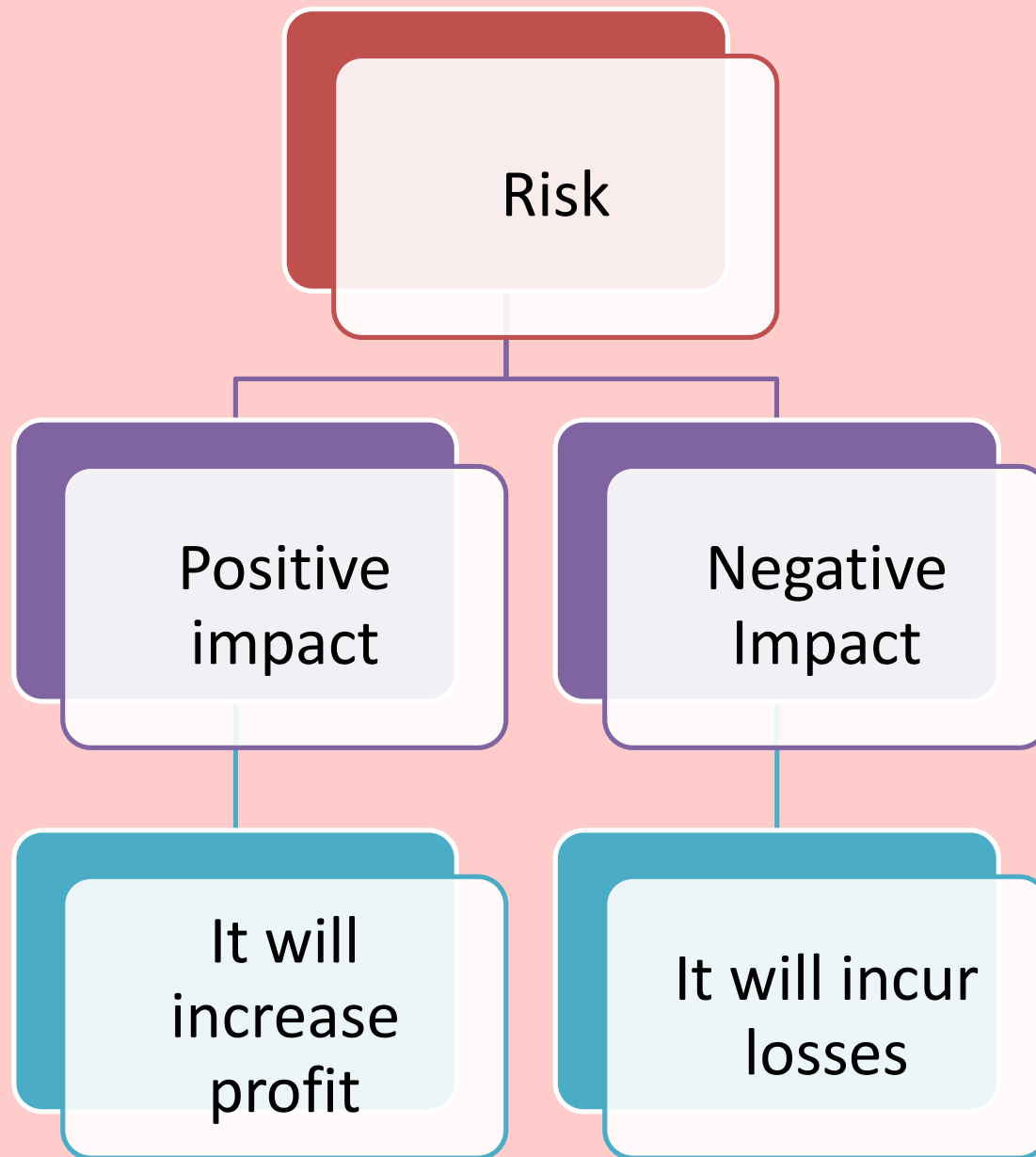


Introduction to Risk Management

By CA Vishwanathan H Iyer
M.com, SET, FCA



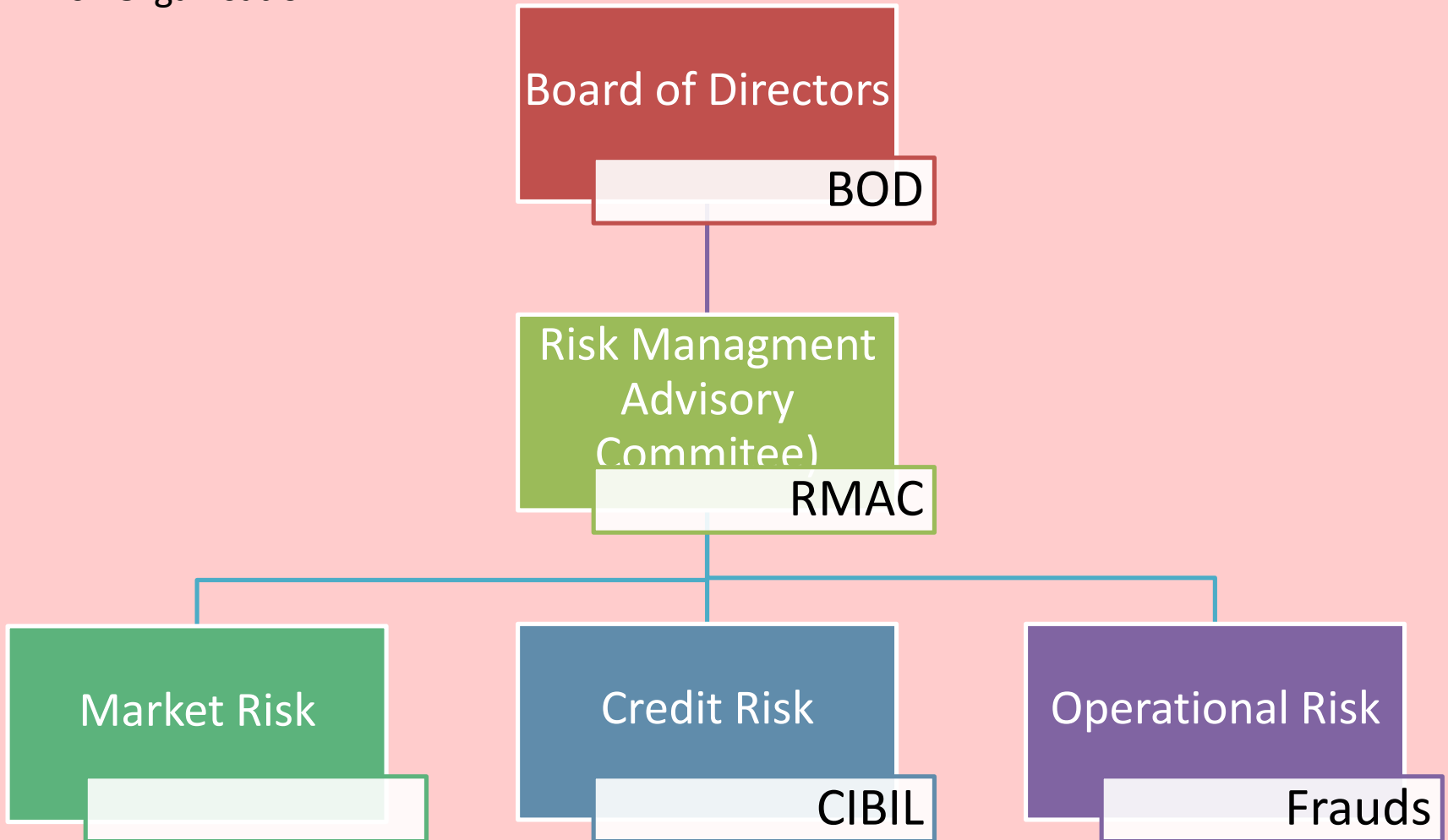
Definition

Economic Times has defined the Risk Management as,

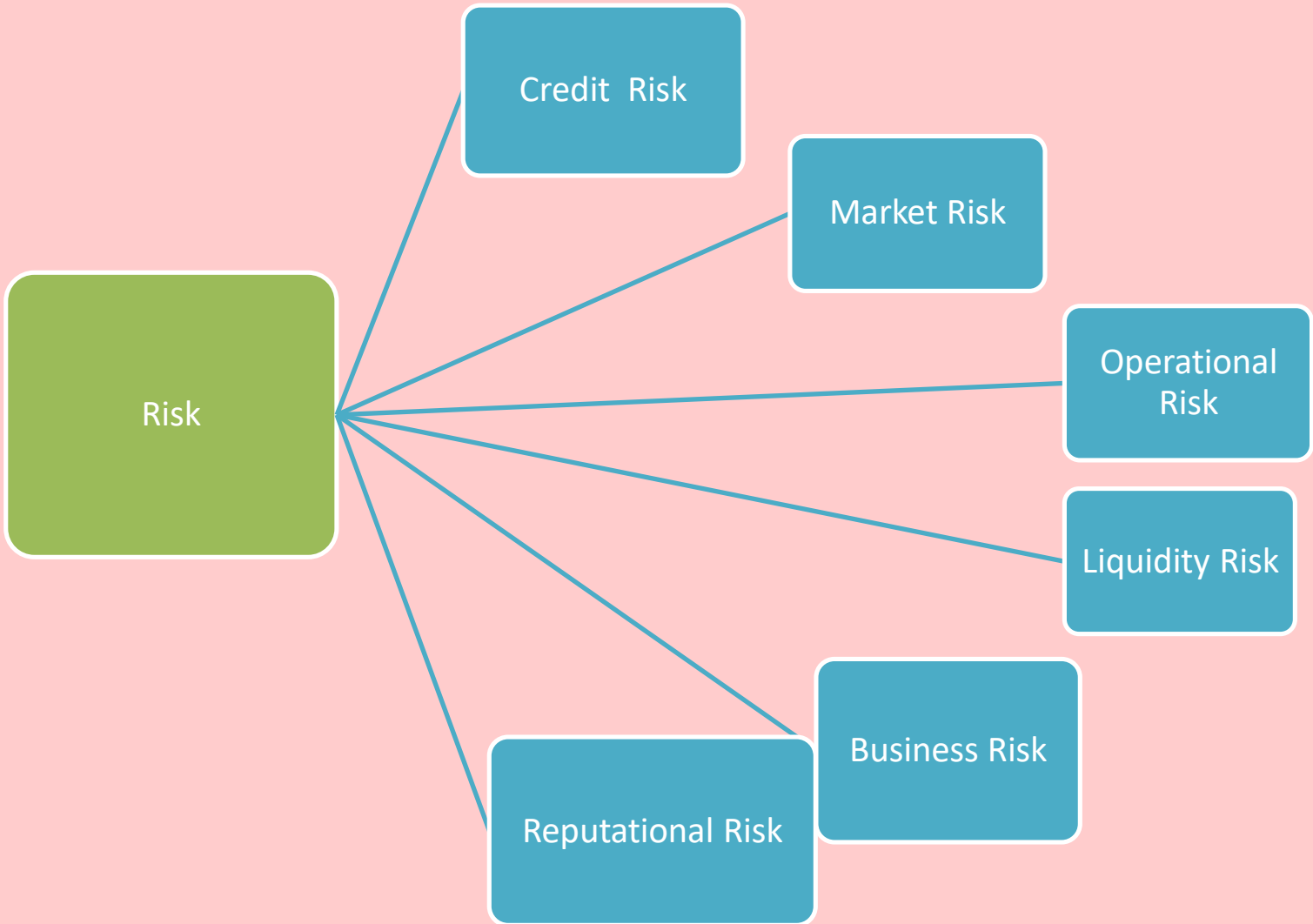
“In the world of finance, the risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce the risk.”



Risk Organisation



Types of Bank Risk



Credit Risk

```
graph TD; CR[Credit Risk] --- CR1[Counterpart Risk]; CR --- CR2[Default Risk]; CR --- CR3[Country Risk];
```

Counterpart
Risk

Default
Risk

Country
Risk

Market Risk

```
graph TD; A[Market Risk] --- B[Interest rate risk]; A --- C[Equity Risk]; A --- D[Commodity Risk]; A --- E[Currency Risk]
```

Interest
rate risk

Equity Risk

Commodity
Risk

Currency
Risk

Operational
Risk

```
graph TD; A[Operational Risk] --- B[Human Risk]; A --- C[IT/System Risk]; A --- D[Processes Risk];
```

Human Risk

IT/System
Risk

Processes
Risk