CTP Study Notes

Topic 4 · Financial, Regulatory & Operational Risk

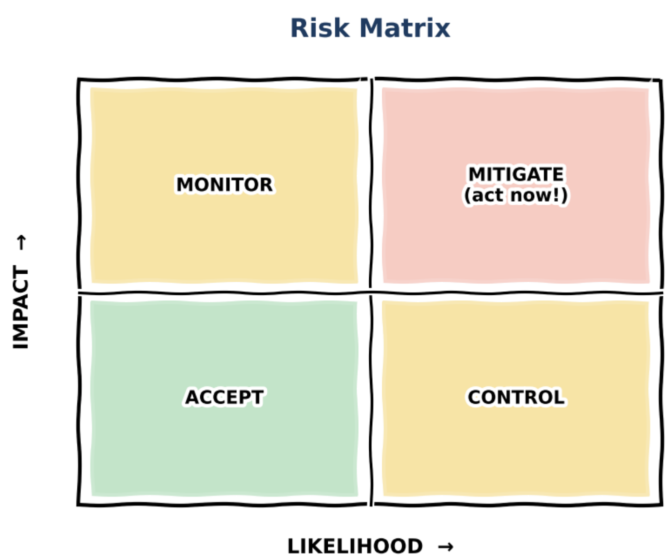
spotting what can go wrong — and building the guardrails

Big idea: For every risk: **identify → measure → control.** Covers financial, operational and regulatory risk.

A) Financial & Counterparty Risk

The main financial risks

→ **Market** (rates, FX, commodities) · **Credit / counterparty** (they don't pay) · **Liquidity** (can't fund).



Rank risks by impact x likelihood

✎ REMEMBER

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High impact + high likelihood = **MITIGATE now.** Low + low = **accept.**

Taming counterparty risk

→ Set **exposure limits**, check credit ratings, diversify, use **netting & collateral.**

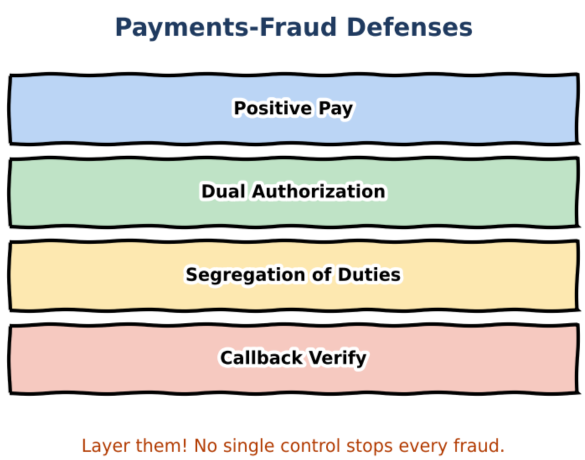
Treasury policy

→ A written **policy** sets who can do what, dollar limits, approved instruments & counterparties.

✎ BIG PICTURE

Enterprise Risk Management (ERM) = view ALL risks together, not in silos.

B) Operational, Fraud & Regulatory Risk



Layer your payments-fraud defenses

Payments-fraud controls

→ **Positive Pay** (catches altered/forged checks) · **ACH debit filters/blocks**.

→ **Dual authorization**, **Segregation of Duties (SoD)**, **callback verification.**

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✎ REMEMBER

SoD = no single person controls a whole payment. **Layer controls — one is never enough.**

Keep running in a crisis

→ **BCP / disaster recovery** = keep paying & collecting when systems or sites go down.

The rulebook

→ **SOX** (internal controls) · **Dodd-Frank** (derivatives) · **Basel III** (bank LCR/NSFR) · **KYC/AML.**

✎ DECODE

Basel LCR = a bank can survive a 30-day stress. **KYC/AML** = know your customer, block dirty money.

★ 30-SECOND RECAP

Identify → measure (**risk matrix**) → control.

Fight fraud with **Positive Pay + SoD + callbacks**; plan for outages; obey the regs.

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