# Stress Testing and Scenario Design for Market Risk Training Course

Professional Development Training Course Outline

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|---|---|---|---|
| **Category** | Risk Management | **Duration** | 5 Days |
| **Base Fee** | $1,500 USD | **Delivery Mode** | Online / On-site Hybrid |

## Course Introduction

Stress Testing and Scenario Design for Market Risk Training Course is specifically designed to address the crucial need for advanced expertise in Stress Testing and Scenario Design, which are paramount components of modern Risk Management and Regulatory Compliance. Financial institutions globally face increasing scrutiny over their capacity to withstand extreme, yet plausible, market movements. Mastering these techniques is not just a regulatory obligation but a strategic imperative for ensuring Financial Stability and optimizing Capital Allocation. The course will provide participants with the theoretical foundation and practical skills to build, implement, and validate cutting-edge stress tests that accurately capture Tail Risk and Systemic Risk across various asset classes, from fixed income and equities to derivatives and commodities.

The curriculum emphasizes a hands-on, practical approach, blending in-depth coverage of methodological concepts such as Historical Scenarios, Hypothetical Scenarios, and Sensitivity Analysis with real-world applications and Case Studies from recent financial crises. Participants will learn to navigate the complexities of data requirements, model limitations, and the integration of stress testing results into the broader Enterprise Risk Management (ERM) framework. By the end of this intensive training, attendees will be equipped to transform their firm's stress testing capabilities from a mere compliance exercise into a powerful, forward-looking tool for Strategic Decision-Making and enhancing overall Risk Governance.

## Programme Curriculum

**Stress Testing and Scenario Design for Market Risk Training Course**

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**Course Duration**

5 days

**Course Objectives**

1. Accurately measure potential losses under extreme market conditions using advanced VaR and ES methodologies.
2. Develop a portfolio of relevant Hypothetical Scenarios and Historical Scenarios
3. Satisfy stringent requirements set by global regulators, focusing on BCBS 239 and SR 11-7 guidelines.
4. Identify conditions that could lead to firm failure for strategic planning.
5. Explore the application of AI/ML techniques for scenario generation and Predictive Modeling.
6. Link stress test results directly to the Internal Capital Adequacy Assessment Process
7. Isolate and measure the impact of specific risk factors on the market risk portfolio.
8. Design scenarios that capture the contagion effects of Interconnectedness within the financial system.
9. Apply best practices for model validation, back-testing, and Model Risk Management.
10. Incorporate the interplay between Market Risk and Liquidity Risk in stress scenarios.
11. Construct complex scenarios involving simultaneous moves across different Asset Classes
12. Discuss the shift towards Cloud Computing for scalable and efficient stress test execution.
13. Effectively communicate stress testing results and limitations to Executive Management and the Board of Directors.

**Target Audience**

1. Market Risk Analysts and Managers
2. Quantitative Risk Modelers
3. Heads of Enterprise Risk Management (ERM)
4. Regulatory Compliance Officers
5. Portfolio Managers and Traders
6. Internal Audit and Model Validation Teams
7. Treasury and Capital Planning Staff
8. Financial Regulators and Supervisory Analysts

**Course Modules**

**1. Foundations of Market Risk and Stress Testing**

- Defining Market Risk.
- The Regulatory Landscape.
- The Stress Testing Cycle.
- Case Study: The limitations of VaR during the 2008 Global Financial Crisis.
- Introduction to Data Requirements and Risk Factor Mapping.

**2. Quantitative Scenario Design Methodologies**

- Historical Scenarios.
- Hypothetical/Ad-Hoc Scenarios.
- Sensitivity and Component Stress Tests.
- Case Study: Designing a hypothetical scenario for a rapid rise in global interest rates
- Econometric Models.

**3. Advanced Stress Testing Techniques**

- Reverse Stress Testing.
- Idiosyncratic and Systemic Shocks.
- Scenario Aggregation and Marginal Stress Testing.
- Case Study: Reverse stress testing applied to a bank's trading book to identify Portfolio Concentration Risk.
- Pillar 2 Stress Testing and the link to ICAAP.

**4. Modeling Market Risk Factors**

- Stress-testing various asset classes.
- Modeling non-linear exposures.
- Dealing with correlations in extreme market moves.
- Case Study: Stressing an Options Portfolio using an extreme volatility-of-volatility shock
- Handling illiquid instruments and Model Uncertainty.

**5. Integration with Enterprise Risk Management (ERM)**

- Mapping Stress Test results to the firm's Risk Appetite Framework.
- Stress Testing Governance.
- The role of stress testing in Limit Setting and Business Strategy.
- Case Study: Incorporating stress test loss projections into the firm's overall Capital Buffer calculation.
- Linking Market Risk Stress with Credit Risk and Operational Risk stress.

**6. Validation and Back-Testing**

- Model Risk Management.
- Back-testing stress loss projections against realized outcomes.
- The challenge of validating extreme event scenarios.
- Case Study: Assessing the predictive power of COVID-19 Scenarios a year after the market shock.
- Best practices for independent model review and internal audit of stress tests.

**7. Practical Implementation and Systems**

- Technology requirements for large-scale stress testing.
- Data quality and granularity.
- Choosing between in-house systems, vendor solutions, and Cloud-Based Platforms.

- Case Study: Developing a cost-benefit analysis for migrating stress testing execution to a Public Cloud.
- Automating the stress testing workflow for efficiency.

**8. Emerging Trends and Future Challenges**

- Addressing Climate Change Risk via scenario analysis
- The impact of FinTech and algorithmic trading on market dynamics.
- Exploring the use of Machine Learning (ML) for dynamic scenario generation.
- Case Study: Designing a Transition Risk and Physical Risk scenario for a portfolio holding fossil fuel assets.
- Future regulatory focus areas

## Training Methodology

This course employs a participatory and hands-on approach to ensure practical learning, including:

- Interactive lectures and presentations.
- Group discussions and brainstorming sessions.
- Hands-on exercises using real-world datasets.
- Role-playing and scenario-based simulations.
- Analysis of case studies to bridge theory and practice.
- Peer-to-peer learning and networking.
- Expert-led Q&A sessions.
- Continuous feedback and personalized guidance.

**Register as a group from 3 participants for a Discount**

**Send us an email: info@fineskilltrainingcenter.org or call** +254769199797

**Certification**

Upon successful completion of this training, participants will be issued with a globally- recognized certificate.

**Tailor-Made Course**

We also offer tailor-made courses based on your needs.

**Key Notes**

**a.** The participant must be conversant with English.

**b.** Upon completion of training the participant will be issued with an Authorized Training Certificate

**c.** Course duration is flexible and the contents can be modified to fit any number of days.

**d.** The course fee includes facilitation training materials, 2 coffee breaks, buffet lunch and A Certificate upon successful completion of Training.

**e.** One-year post-training support Consultation and Coaching provided after the course.

**f.** Payment should be done at least a week before commence of the training, to Fineskill Training Center account, as indicated in the invoice so as to enable us prepare better for you.

## Upcoming Scheduled Sessions

| Start Date | End Date | Location | Price |
|---|---|---|---|
| **23 Nov 2026** | 27 Nov 2026 | Online | $1,000 |
| **23 Nov 2026** | 27 Nov 2026 | Physical | $1,500 |
| **23 Nov 2026** | 27 Nov 2026 | Physical | $3,000 |
| **23 Nov 2026** | 27 Nov 2026 | Physical | $3,000 |
| **23 Nov 2026** | 27 Nov 2026 | Physical | $6,000 |
| **23 Nov 2026** | 27 Nov 2026 | Physical | $4,500 |
| **23 Nov 2026** | 27 Nov 2026 | Physical | $6,000 |
| **23 Nov 2026** | 27 Nov 2026 | Physical | $6,000 |

Ready to enroll or request a customized program? Book online or contact us:

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