

IIBF Risk in Financial Services Syllabus

The Indian Institute of Banking & Finance (IIBF) has officially released the Risk in Financial Services Syllabus 2025, covering all key areas required for both Level I (Indian perspective) and Level II (International perspective) examinations. The IIBF Risk in Financial Services exam structure has been prepared in collaboration with the Chartered Institute for Securities & Investment (CISI), London. This comprehensive syllabus equips banking and finance professionals with essential knowledge of risk types, regulatory guidelines, risk management frameworks, and global best practices.

IIBF Risk in Financial Services Syllabus for Module A

This module introduces the fundamentals of risk and why banks are considered special institutions in the financial system. It outlines different types of risks and establishes a framework for effective risk governance and control.

Module	Topics	Subtopics
Why Banks are Special	Functions and Role of Banks	<ul style="list-style-type: none">- Functions Banks Perform- Bank's Role in the Economy- Other Uniqueness of Banks
Risks and Risk Management in Banks	Understanding Risk	<ul style="list-style-type: none">- What is Risk?- Definition of Risk- Risk in Banks
	Types of Risks	<ul style="list-style-type: none">- Business Risk vs Control Risk- Financial Risk vs Non- Financial Risk- Various Types of Risks Faced by Banks- Non-Financial Risks

Module	Topics	Subtopics
	Risk Interconnectedness and Developments	<ul style="list-style-type: none"> - Interconnectedness Among Banking Risks - Recent Developments in Risk Management - Banking Reforms in India - New Trends in Indian Banking System - Risk Management Going Ahead
Risk Management Framework	Core Concepts and Benefits	<ul style="list-style-type: none"> - Lessons from Crisis - Benefits of Risk Management - Risk Management Concept - Risk Management Approach - Risk Culture - Risk Management Architecture
	Elements and Structure	<ul style="list-style-type: none"> - Elements of Risk Management Framework - Organisational Structure - Risk Management Policy - Risk Appetite - Risk Limits
	Risk Management Processes	<ul style="list-style-type: none"> - Risk Identification Process - Risk Measurement - Risk Mitigation - Risk Monitoring and Control

Module	Topics	Subtopics
		- Management Information System (MIS)
	Enterprise Risk Management (ERM)	<ul style="list-style-type: none"> - Events: Risk and Opportunity - ERM Defined - Achievement of Objectives - Components of ERM - Relationship of Objectives and Components - Effectiveness - Encompasses Internal Control
 Asset Liability Management (ALM) & Interest Rate Risk	ALM Fundamentals	<ul style="list-style-type: none"> - What is ALM? - Objectives of ALM - ALM Process
	Interest Rate Risk	<ul style="list-style-type: none"> - Interest Rate Risk in Banking Book - Duration GAP Analysis - Measurement System Reports - Stress Testing - Back Testing - Interest Rate Risk Mitigation
Liquidity Risk Management	Liquidity Risk Overview	<ul style="list-style-type: none"> - What is Liquidity? - Liquidity vs Solvency - Forms of Liquidity Risk
	Managing Liquidity Risk	- Liquidity Management

Module	Topics	Subtopics
		<ul style="list-style-type: none"> - Factors Contributing to Liquidity Risk - Liquidity Risk and Balance Sheet - Risk Management Framework for Liquidity Risk - Identification and Measurement of Liquidity Risk

IIBF Risk in Financial Services Syllabus for Module B

This module focuses on credit risk—the largest risk class for banks. It explains risk at both borrower and portfolio levels and details credit rating systems, credit models, and risk-based pricing.

Module	Topics	Subtopics
Credit Risk Management Framework	Understanding Credit Risk	<ul style="list-style-type: none"> - What is Credit Risk? - Obligor (or) Borrower Level Risk vs Portfolio Risk - Systematic vs Unsystematic Risk - Need for Credit Risk Management Framework
	Framework Elements	<ul style="list-style-type: none"> - Credit Risk Culture - Building Blocks of Credit Risk Management - Strategy, Financial Goals, Risk Appetite - Portfolio Risk and Reward
	Lending Practices	<ul style="list-style-type: none"> - Loan Policy- Due Diligence Process

Module	Topics	Subtopics
		<ul style="list-style-type: none"> - Loan Approval Process - Limits on Aggregate Loans and Commitments - Underwriting Criteria - Exceptions to Credit Policy
	Organizational Aspects	<ul style="list-style-type: none"> - Organization Structure
Obligor / Borrower Risk	Risk Types	<ul style="list-style-type: none"> - Business Risk (or Operating Risk) - Financial Risk
	Risk Interactions and Analysis	<ul style="list-style-type: none"> - Interaction between Business Risk and Financial Risk - Different Risk Levels - Sources of External Risk - Industry Risk Analysis - Entity Level Risk
Credit Rating System	Internal and External Ratings	<ul style="list-style-type: none"> - What is Credit Rating? - Usefulness of Rating System for Banks - Features of Internal Credit Rating System - Rating Exercise and Rating Assignment - Rating by External Rating Agencies
Portfolio Credit Risk	Risk Components	<ul style="list-style-type: none"> - Systematic Risk - Unsystematic / Idiosyncratic / Diversifiable Risk - Concentration Risk

Module	Topics	Subtopics
		- Correlation Risks
Credit Risk Models	Model Types and Uses	<ul style="list-style-type: none"> - Uses of Credit Models - Types of Models
Measurement of Credit Risk	Risk Measurement Metrics	<ul style="list-style-type: none"> - Probability of Default (PD) - Methods for Estimating PD - Exposure at Default (EAD) - Loss Given Default (LGD)
	Portfolio-Level Risk Analysis	<ul style="list-style-type: none"> - Portfolio Assessment of Credit Risk - Risk Adjusted Return on Capital (RAROC) - Economic Capital in RAROC Model - Uses of RAROC
	Pricing Based on Risk	<ul style="list-style-type: none"> - Risk-Based Pricing - Methods of Risk-Based Pricing
Credit Derivatives	Concepts and Instruments	<ul style="list-style-type: none"> - What is a Credit Derivative? - Protection Buyer vs Protection Seller - Advantages to Both Parties - Credit Events - Payout Mechanisms
	Derivative Types	<ul style="list-style-type: none"> - Credit Default Swap (CDS) - Total Return Swap (TRS) - Credit Options - Credit - Linked Notes

IIBF Risk in Financial Services Syllabus for Module C

This module addresses risks arising from changes in market prices and interest rates. It also includes the valuation and management of fixed-income securities and computation methods for Value at Risk (VaR).

Topics	Subtopics
Market Risk Overview	<ul style="list-style-type: none">- What is Market Risk?- Trading Portfolio in a Bank- Interest Rate Risk- Equity Price Risk- Foreign Exchange Risk- Commodity Price Risk- Liquidity Risk- Credit and Counterparty Risks- Model Risk
Market Risk Management Framework	<ul style="list-style-type: none">- Market Risk Management Framework- Organizational Structure to Manage Market Risk- Organizational Structure for Trading Activity- Risk Management Strategy- Policies and Procedures
Fixed Income Securities	<ul style="list-style-type: none">- What is a Bond?- Government of India in the Bond Market- Bond Market in India- Bond Valuation
Measurement of Interest Rate Risk	<ul style="list-style-type: none">- Sensitivity Approach- Price Value of a Basis Point (PVBP)- Computation of Portfolio PVBP- Hedging Using PVBP- Other Uses of PVBP- Duration: Definition and Properties

Topics	Subtopics
	<ul style="list-style-type: none"> - Portfolio Duration - Modified Duration and Price Elasticity - Price Volatility Characteristics of Bonds - Convexity - Bond Portfolio Management
Value at Risk (VaR)	<ul style="list-style-type: none"> - Historical Background - Definitions of VaR - Assumptions for VaR Calculation - Building Blocks of VaR - VaR Methodologies - Comparison of VaR Methods - Advantages and Disadvantages of Methods - Limitations of VaR - Extreme Value Theory - Stress Testing - Back Testing of VaR Models

IIBF Risk in Financial Services Syllabus for Module D

This module covers risks from internal processes, people, and systems, including cyber risks. It details frameworks and controls banks should adopt to mitigate operational disruptions.

Topics	Subtopics
Operational Risk & Management Framework	<ul style="list-style-type: none"> - Developments Giving Rise to Increasing Operational Risk - Peculiarity of Operational Risk - Definition of Operational Risk - Operational Risk Culture

Topics	Subtopics
	<ul style="list-style-type: none"> - Operational Risk Organizational Framework - Policy Guidelines and Strategic Approach - Operational Risk Identification Process - Assessment of Operational Risk
Collection of Internal & External Loss Data	<ul style="list-style-type: none"> - Collection of Loss Data - Minimum Loss Data Standard - Specific Criteria for Loss Data Identification - Collection and Treatment - Near-Misses and Opportunity Costs - External Loss Data - Root-Cause Analysis
Risk and Control Self-Assessment (RCSA) & Key Risk Indicators (KRI)	<ul style="list-style-type: none"> - RCSA Process - Defining Inherent Risk - Effectiveness of Control Assessment - Computation of Risk Zones - Color-Coded Risk Levels - Key Risk Indicators (KRIs) - Various Forms of KRI - Selecting KRIs - Risk Appetite - Scenario Analysis - Uses of KRIs
Technology Risk	<ul style="list-style-type: none"> - Basic Principles of Information Security

Topics	Subtopics
	<ul style="list-style-type: none"> - Information Security Governance - Organizational Structure: Roles and Responsibilities - Critical Components of Information Security - Malware Protection Measures - Patch and Change Management - Audit Trails - Reporting and Metrics - Vendor & Service Provider Security - Network & Remote Access Security - DDoS/DoS Attacks - ISO 27001 Implementation - Wireless Security - Business Continuity Considerations - Information Security Assurance - Security in Delivery Channels & Emerging Technologies - Working Group Recommendations on Information Security - Electronic Banking - Technology Risk Management and Cyber Frauds
Corporate Governance	<ul style="list-style-type: none"> - Definition of Corporate Governance - Governance in Banking Sector - Basel Committee's Perspective - Importance of Risk Management in Governance - Benchmarking Risk Governance

Topics	Subtopics
Climate Risk & Sustainable Finance	<ul style="list-style-type: none"> - Climate Situation in India - Basel Committee on Climate Risk - Climate Risk Definition and Characteristics - Implications of Climate Change - Financial Risks from Climate Change - Climate Risk Management Framework - Green Finance and Sustainable Development

IIBF Risk in Financial Services Syllabus for Module E

This module offers insight into regulatory frameworks like Basel Accords and Indian RBI guidelines to help banks maintain capital adequacy and effective supervision.

Topics	Subtopics
Why Do Banks Need Regulation?	<ul style="list-style-type: none"> - Need for Regulation of Banks - Banking Regulation and Supervision - Regulation & Supervision in India - Global Banking Regulation - Basel Committee on Banking Supervision - The Concordat- Basel I Accord - Basel Committee Amendment (1996) - Basel II Accord
Global Financial Crisis and Basel III	<ul style="list-style-type: none"> - Regulatory Shortcomings - Regulatory Reforms - Basel Committee's Response to the Global Financial Crisis

Topics	Subtopics
Regulatory Capital and Capital Adequacy	<ul style="list-style-type: none"> - Bank Capital: Accounting Residual - Why Banks Need Capital - Minimum Capital Prescription - Basel III Capital Regulation - Standardized Approach: Capital Charge for Credit Risk - Off-Balance Sheet Items - Total Counterparty Risk - External Credit Assessments - Issue Rating Applicability - Credit Risk Mitigation - Internal Rating Based Approach
Capital Allocation Against Market Risk	<ul style="list-style-type: none"> - Scope and Coverage of Capital Charge for Market Risks - Measurement of Capital Charge for Interest Rate Risk
Capital Charge for Operational Risk	<ul style="list-style-type: none"> - Definition of Operational Risk - Measurement Methodologies: <ul style="list-style-type: none"> • Basic Indicator Approach (BIA) • Standardized Approach (SA) • Advanced Measurement Approach (AMA) - New Standardized Approach - Shortcomings of Current Methods - Business Indicators - Risk-Weighted Assets- RBI Technical Guidance Note
Supervisory Review Process & ICAAP (Pillar 2)	<ul style="list-style-type: none"> - Objective of Supervisory Process - ICAAP Principles and Definitions

Topics	Subtopics
	<ul style="list-style-type: none"> - ICAAP Coverage and Structure - Risk Appetite and Risk Structure - Risk Identification, Monitoring & Reporting - Internal Controls- Board and RBI Submissions - ICAAP as a Management Culture - Principle of Proportionality - Independent Review & Validation - Forward-Looking ICAAP - Stress Tests & Scenario Analyses - Capital Planning and Allocation
Stress Testing	<ul style="list-style-type: none"> - Stress Testing Objectives - Sensitivity and Scenario Analyses - Reverse Stress Testing - Stress Testing Framework - Single Factor Stress Tests - Bank Classification for Testing - PCA Framework for SCBs- PCA Criteria
Market Discipline (Pillar 3)	<ul style="list-style-type: none"> - General Overview - Definition and Objectives - Disclosure Practices - Interaction with Accounting Disclosures - Validation and Materiality - Confidentiality vs Transparency - General and Regulatory Disclosure Principles
Basel III Buffers & Ratios	<ul style="list-style-type: none"> - Objectives of Capital Buffers

Topics	Subtopics
	<ul style="list-style-type: none"> - Capital Conservation Buffer (CCB) - Counter-Cyclical Capital Buffer (CCyB) - Domestic Systemically Important Banks (D-SIBs) - Leverage Ratio- Liquidity Standards • Liquidity Coverage Ratio (LCR) • Net Stable Funding Ratio (NSFR)
Risk Based Supervision (RBS)	<ul style="list-style-type: none"> - Background and RBI Initiatives - Supervision Process in India - Supervisory Approach and Framework Features - Benefits of RBS - Supervisory Tools and Methods
Risk Based Internal Audit (RBIA)	<ul style="list-style-type: none"> - What is Risk Based Auditing? - Objective of RBIA - Board and Management Oversight - Audit Policy - Functional Independence - Identification of Auditable Units - Conducting Risk Assessments - Developing Risk Profiles - Audit Communication Practices

IIBF Risk in Financial Services Syllabus for Module F

This module provides a foundation on derivatives—how they are used to hedge risks and their role in risk management strategies.

Topics	Subtopics
Introduction to Derivatives	<ul style="list-style-type: none"> - What is a Derivative? - Features of Derivatives - Over-the-Counter (OTC) vs Exchange - Traded Derivatives - Uses of Derivatives - Misuse of Derivatives - Major Types of Derivatives - Long and Short Positions - Derivative Markets in India
Forward Contracts	<ul style="list-style-type: none"> - Definition and Characteristics - Advantages of Entering a Forward Contract - Problems Associated with Forward Contracts - Pay-off on a Forward Contract - Pricing the Underlying Asset - Benefits and Costs of Holding Assets - Concept of Price vs Value of a Forward Contract - Forward Rate Agreement (FRA)
Futures Contracts	<ul style="list-style-type: none"> - What is a Futures Contract? - Futures vs Forward Contracts - Contract Performance Mechanism - Role of the Clearing House - Margin Account Mechanism - Spot vs Futures Price Relationship - Delivery and Cash Settlement - Pricing of Futures Contracts - Contango vs Normal Backwardation - Interest Rate Futures

Topics	Subtopics
Options	<ul style="list-style-type: none"> - Definition of Options - Option Terminology - Call Option- Put Option - Pricing of Options - Interest Rate Options
Swaps	<ul style="list-style-type: none"> - Definition and Characteristics of Swaps - Swap Terminology - Types of Swaps - Interest Rate Swaps - Calculating Interest Rate Swap Cash Flows - Uses of Interest Rate Swaps - Swaptions (Options on Swaps)

Appendix: Statistical Concepts

This section includes fundamental statistical tools and theories essential for risk quantification and financial modeling.

Topics	Subtopics
Statistical Measures	<ul style="list-style-type: none"> - Frequency Distribution - Measures of Central Tendency (Mean, Median, Mode) - Measures of Dispersion (Range, Variance, Standard Deviation) - Measures of Skewness - Measures of Kurtosis - Measures of Correlation - Measures of Regression - Expected Return - Average of Ratios

Topics	Subtopics
	<ul style="list-style-type: none"> - Risk- Average Growth Rate - Portfolio Diversification - Beta - Performance Evaluation
Probability Theory	<ul style="list-style-type: none"> - Probability and Conditional Probability - Random Variables- Distribution Functions - Expectation and Standard Deviation - Binomial Distribution - Poisson Distribution - Normal Distribution - Applications in Finance: • Credit Risk • Value at Risk (VaR) • Option Valuation

IIBF Risk in Financial Services Paper 2 Syllabus

The **Level II Paper 2: Risk in Financial Services** examination forms a key part of the professional certification pathway in risk management. This paper focuses on equipping candidates with an in-depth understanding of risk types, risk assessment frameworks, regulatory guidelines, and modern risk oversight mechanisms.

Topic	Key Areas Covered
Principles of Risk Management	<ul style="list-style-type: none"> - Understanding key risk concepts - Risk identification, assessment, and mitigation techniques - Importance of risk culture and risk appetite
International Risk Regulation	<ul style="list-style-type: none"> - Overview of global regulatory bodies and frameworks - Basel Accords and their impact on banking - Cross-border supervision and international compliance

Topic	Key Areas Covered
Operational Risk	<ul style="list-style-type: none"> - Risks from internal failures: people, systems, and processes - Measurement and monitoring of operational risk - Controls, reporting, and mitigation strategies
Credit Risk	<ul style="list-style-type: none"> - Risk of borrower default and credit exposure - Credit risk frameworks and credit rating systems - Portfolio-level risk management
Market Risk	<ul style="list-style-type: none"> - Exposure to market variables: interest rate, FX, equity, commodities - Value at Risk (VaR) and sensitivity analysis - Market risk governance and regulatory capital
Investment Risk	<ul style="list-style-type: none"> - Understanding volatility and performance metrics - Asset allocation, diversification, and portfolio risk - Risk-return trade-offs in investment decision-making
Liquidity Risk	<ul style="list-style-type: none"> - Inability to meet short-term obligations - Funding liquidity vs. market liquidity - Liquidity risk assessment and stress testing
Corporate Governance and Risk Oversight	<ul style="list-style-type: none"> - Role of board and senior management - Risk committees and accountability structures - Aligning governance with risk strategy
Model Risk	<ul style="list-style-type: none"> - Risks from reliance on flawed or misused models - Model validation and backtesting - Regulatory expectations on model risk

Topic	Key Areas Covered
Enterprise Risk Management (ERM)	<ul style="list-style-type: none">- Integrated and organization-wide approach to risk- Risk aggregation and reporting- Embedding ERM into strategic planning

