

Key Risk Concepts and the Global Risk Environment

Risk Management

Session 1 · Monday 24 August 2026

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Qualifying Programme · August–November 2026

01 Key Risk Concepts 24 Aug TODAY	02 Governance & Regulation 7 Sep	03 Risk Process & ERM 14 Sep	04 Evaluating & Reporting Risk 21 Sep	05 Appetite, Culture & Compliance 28 Sep
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EXAMINATION case study released 12 Oct · exam Nov 2026 · no class 31 Aug

By the end of tonight, you will be able to...

01

Define risk precisely

The effect of uncertainty on objectives — upside as well as downside — and why the definition matters in the exam.

02

Categorise any risk

The study text's six categories — and why the category drives ownership and reporting.

03

Measure risk

Probability, impact and time horizon — the risk rating they combine to give, and the exposure at stake.

04

Read the global risk environment

The external drivers that move risk, and how to bring them into an answer.

05

Work the KCB way

How the 40:20:40 method runs this programme, and what it asks of you each week.

IN THE EXAM Chapter 5 is examined in 8 of the last 13 sittings — defining and categorising risk recur constantly. Chapter 1 rarely appears alone; it is the context you write around other answers.

Six blocks · one fixed break

- 1** The KCB method and the exam
- 2** Chapter 5 — what risk is, and how to categorise it
- 3** Measuring risk — probability, impact and rating
- 4** Chapter 1 — the global risk environment
- 5** Credit Suisse introduced — the concepts applied

Break · fixed

- 6** Technique, practice and takeaways

RUNNING CASE Credit Suisse ran a \$24bn exposure against a \$20m limit and lost a 167-year-old bank. From tonight, it is the case we return to every week.

How this programme works, and what it asks of you

01

40% · Knowledge

Building knowledge across the syllabus — the frameworks the exam is built on. Your reading, and the taught part of each session.

02

20% · Explore

How it fits together and applies in the exam — the Credit Suisse running case, the discussion, the workshops.

03

40% · Practice

The timed writing that turns knowledge into marks. At home each week, in the case clinics, and at the weekend.

04

How we work

Write at home, debrief in class. A three-hour paper cannot fit a two-hour session — so class time is for feedback.

05

The one commitment

Attempt every practice question, even when the answer is not good. A page we can talk through beats a blank one.

THE EXAM Three hours, six questions, attempt four — three in Section A (75 marks) applied to the pre-released case, one in Section B (25 marks), an unseen scenario.

1

SECTION 1

Key Risk–Management Concepts

Chapter 5 — what risk is, and how to categorise it.

Risk is the effect of uncertainty on objectives

01

RISK

The effect of uncertainty on objectives — up or down.

CREDIT SUISSE

Credit Suisse booked the Archegos upside and ignored the down.

02

PURE vs SPECULATIVE

Pure risk only loses; speculative risk can also pay off.

CREDIT SUISSE

Prime-broking Archegos was speculative risk, run past its limit.

03

INHERENT vs RESIDUAL

Inherent is before controls; residual is what remains after.

CREDIT SUISSE

A \$20m limit existed; the residual exposure reached \$24bn.

04

UPSIDE COUNTS

Objectives are the reference point, not losses alone.

CREDIT SUISSE

\$17.4m of client revenue, chased into a \$5.5bn loss.

05

IN THE EXAM

Chapter 5 is examined in 8 of 13 sittings — the definitions recur.

CREDIT SUISSE

Define risk as the effect of uncertainty on objectives.

THE DEFINITION Risk is not “the chance of something bad”. That excludes upside — and the exam moves you off that definition in this very chapter.

The study text's six categories, grouped

01

Business risk

Non-financial — competition, demand, economic and political change.

02

Credit, market, liquidity

The financial risks — counterparty, prices and funding.

03

Operational risk

People, process, systems and external events.

04

Reputation risk

The standing the other risks can destroy.

05

Why the category matters

A common taxonomy that drives ownership and reporting.

THE EXAM ANGLE The manual's six categories are business, credit, market, liquidity, operational and reputation. Use the study text's taxonomy — it is what the examiner marks against.

2

SECTION 2

Measuring and Reading Risk

Chapter 5 continued, and Chapter 1 — the environment.

Probability, impact and the risk rating

01

PROBABILITY

Likelihood over a stated period — qualitative or quantitative.

CREDIT SUISSE

A default looked unlikely — until the position was known.

02

IMPACT

The scale of the outcome, in financial or critical terms.

CREDIT SUISSE

\$24bn exposure — more than half the group's equity.

03

RISK RATING

Likelihood and impact combined — the assessment, over a stated horizon.

CREDIT SUISSE

A low rating on paper; the real exposure reached \$24bn.

04

TIME HORIZON

Match the horizon to how fast the risk moves.

CREDIT SUISSE

Breached from April 2020; the tail arrived in a week.

05

IN THE EXAM

State the rating (likelihood × impact) and the horizon.

CREDIT SUISSE

Rate it, size the exposure, then apply it to the case.

THE POINT A risk rating is only meaningful over a stated time horizon. Omit the horizon and the grade is guesswork dressed as analysis.

Six external forces that move risk — Chapter 1

01

Political and regulatory

Geopolitics, sanctions, and the direction of regulation itself.

02

Economic

Inflation, interest rates, currency and credit — how risk gets priced.

03

Social and technological

Skills, demographics, AI and cyber — the fastest-moving drivers.

04

Environmental and legal

Climate transition and physical risk; expanding legal liability.

05

Why it matters

These are external-origin risks that no internal function owns.

THE EXAM ANGLE Chapter 1 rarely stands alone. Name a driver, then the exposure it creates, and use it as context inside a bigger answer.

How external shocks find the risks left unmanaged

01

NO OWNER

Funding and confidence risk fall between functions.

CREDIT SUISSE

No single owner watched the confidence draining from the bank.

02

CONNECTED

One shock cascades into the next.

CREDIT SUISSE

Archegos, Greensill and outflows compounded into a funding event.

03

EMERGING

New risks arrive faster than a register updates.

CREDIT SUISSE

Social-media-driven outflows — CHF 110bn in one quarter, 2022.

04

THE TIPPING POINT

A survivable loss can still end a firm.

CREDIT SUISSE

A \$5.5bn loss was survivable; the lost confidence was not.

05

IN THE EXAM

External risks are the ones organisations under-report.

CREDIT SUISSE

Name the risk nobody inside the organisation owns.

THE POINT The risks that sink organisations are rarely the ones on the register. External forces find whatever internal risk was left unmanaged.

From inherent risk to residual, in three steps

INHERENT

STEP ONE

State the risk before controls: probability times impact, on a scale you can defend.

RULE

Use 1–5, or a money figure — not “high” on its own.

EXAMPLE

High probability × severe impact = a top-quartile risk.

CONTROL

STEP TWO

Apply the controls in place, and say how much they actually move the risk.

TRAP

Assuming a control works — test its effectiveness first.

EXAMPLE

A limit only reduces exposure if it is enforced.

RESIDUAL

STEP THREE

State what remains, and whether the residual sits within appetite.

THE MARKS

The residual-against-appetite judgement is the analysis.

OUTPUT

A residual figure the board can actually act on.

THE POINT Credit Suisse recorded the inherent limit and never measured the residual. Inherent risk flatters the board; residual risk is the truth.

Turning a Chapter 1 driver into a usable risk entry

01

DRIVER

Start with an environmental force — a Chapter 1 driver.

CREDIT SUISSE

Rising rates and market stress across 2020–22.

02

EVENT

Name the specific event it could cause here.

CREDIT SUISSE

A concentrated counterparty defaulting suddenly.

03

CATEGORY

Assign the manual's category — here, credit and market.

CREDIT SUISSE

A concentrated counterparty risk, not a mere operational one.

04

EXPOSURE

Rate likelihood × impact, then size the amount at stake, over a horizon.

CREDIT SUISSE

Low probability, catastrophic impact — \$24bn at stake.

05

OWNER

Name who owns it — or it manages no one.

CREDIT SUISSE

The Archegos exposure had no owner who saw its size.

THE CHAIN Driver → event → category → exposure → owner. Run any environmental force through that chain and you have a register entry the board can use.

Two ways to put a value on a risk

01

Qualitative

Scales and expert judgement — High/Medium/Low, or RAG. Fast, and subjective.

02

Quantitative

Data and modelling — probabilities, money, value-at-risk. Precise, and data-hungry.

03

When to use which

Qualitative for intangibles and speed; quantitative where the data exists.

04

The hybrid

Most registers combine both — a rating, backed by a figure where one is available.

05

The exam trap

A number is not more right than a rating. State your method, and its limits.

THE EXAM ANGLE The examiner rewards knowing when each approach fits — not defaulting to one. Say which you chose and why.

A large red square with rounded corners containing a white number "3".

3

SECTION 3

Credit Suisse Applied

The concepts from tonight, on the running case.

Archegos, 2021 — key concepts on a real failure

01

THE RISK

Speculative prime-broking risk on one client, run past its limit.

CREDIT SUISSE

The revenue was booked; the exposure was never read.

02

THE CATEGORY

A credit and market risk — concentrated on one counterparty.

CREDIT SUISSE

Miscalling it merely “operational” is why nobody escalated it.

03

THE EXPOSURE

A \$20m limit; \$24bn at default — half the group’s equity.

CREDIT SUISSE

Probability looked low; the impact was catastrophic.

04

INHERENT vs RESIDUAL

The limit existed; the residual risk was never measured.

CREDIT SUISSE

A framework that records the limit only flatters the board.

05

IN THE EXAM

Use Credit Suisse to show concepts applied, not just defined.

CREDIT SUISSE

The marks are in the application, not the definition.

WHY CREDIT SUISSE It lets you apply every concept from this chapter to one real failure — a bank that measured nothing until \$24bn was already on the book, and lost 167 years of independence for it.

Categorise and measure a real risk

THE MOMENT · YOUR ORGANISATION

“Take one risk your own organisation faces right now — a real one, not a textbook example.”

Categorise it, decide whether it is pure or speculative, and estimate its exposure with an explicit time horizon.

01

Breakout · 8 min

Groups of four. Each person brings one risk; the group tests the categories.

02

Challenge · in group

Argue any that could sit in two categories. The category drives how it is managed.

03

Plenary · 10 min

One risk per group, with its category, its type and its horizon named.

20 MINUTES Real risks only · state the horizon out loud · defend the category.

How to take a risk from event to exposure in three moves

NAME IT

STEP ONE

State the risk as cause, event and consequence — not as a one-word topic like “cyber”.

RULE

If it cannot be owned or controlled, it is a topic, not a risk.

TIME

Two minutes.

CATEGORISE IT

STEP TWO

Assign the category by asking which objective the risk threatens.

TRAP

Sorting by where it comes from, not by what it threatens.

TEST

Would the owner you have implied actually accept it?

MEASURE IT

STEP THREE

Rate likelihood and impact, state the time horizon, and size the exposure at stake.

THE MARKS

The horizon and the exposure at stake are where the analysis marks are.

OUTPUT

A categorised, rated risk with a stated horizon.

THE POINT A risk you can name, categorise and measure is a risk you can answer an exam question about. A topic is not.

Five ways candidates lose marks on Chapters 5 and 1

01

Defining risk as only downside

Risk is the effect of uncertainty on objectives. Dropping the upside is the first error.

02

Categorising by origin

Category follows the objective the risk threatens, not where the risk came from.

03

A rating with no horizon

Probability is meaningless without a stated period. Always name the horizon.

04

Naming a topic, not a risk

"Cyber" is a topic. A risk has a cause, an event and a consequence.

05

Listing drivers with no example

Reciting PESTEL proves nothing. Name a driver and the exposure it creates.

THE PATTERN Every error here is the same one: describing a concept instead of using it to analyse a real risk.

How the manual's categories behave

01

BUSINESS

From the operating environment – taken willingly for advantage.

CREDIT SUISSE

Prime broking was a business risk, taken for the revenue.

02

CREDIT & MARKET

Counterparty default, and adverse price moves.

CREDIT SUISSE

Archegos was credit and market risk on a single client.

03

OPERATIONAL

People, process and systems – including control failure.

CREDIT SUISSE

The control failure was operational; the exposure was not.

04

REPUTATION

The standing the other risks put at stake.

CREDIT SUISSE

The financial loss was survivable; the reputation loss was not.

05

IN THE EXAM

Name the manual's category, then what it does to the firm.

CREDIT SUISSE

Credit Suisse spanned four of the six categories at once.

IN THE EXAM Use the study text's six categories, not a generic split. Naming the manual's category and its consequence is what earns the mark.

The same concepts on a different failure — BP, 2010

01

THE RISK

A low-probability, catastrophic operational risk at Deepwater Horizon.

BP

Cost and schedule pressure quietly raised the probability.

02

THE CATEGORY

Operational — with severe reputational consequences.

BP

Treated as routine drilling risk, not an existential one.

03

THE EXPOSURE

Tail risk: rare, but roughly \$65bn in total cost.

BP

Expected-value thinking understated it fatally.

04

THE PARALLEL

A risk measured low and mispriced — as at Credit Suisse.

BP

Different sector; the same failure to read the exposure.

05

THE LESSON

Low-probability, high-impact risks defeat expected value.

BP

Use BP when the scenario is operational, not financial.

WHY THIS MATTERS Credit Suisse is a financial failure; BP an operational one. Between them they cover both kinds of exposure for a Section B scenario.

Which ideas combine well in a 25-mark answer

01

Define then categorise

Open with the definition, then categorise the risk in front of you. Method, shown.

02

Category plus exposure

Name the category, then measure it. Qualitative sorting, then a number.

03

Driver plus exposure

Name an environmental driver, then the specific exposure it creates.

04

Concept plus case

Every concept lands harder applied to Credit Suisse than defined in the abstract.

05

Two is the number

Two concepts applied well beat five defined in passing.

FROM THE REPORTS The strongest answers define briefly and apply at length. The definition is the toll; the application is the road.

Ten minutes, on five real risks

THE TASK · 10 MINUTES

“Take five risks from your own organisation’s register, or five you can name from the news this week.”

For each: category, pure or speculative, and an exposure estimate with a stated time horizon.

01

Individual · 4 min

Five risks, three labels each. Be decisive on the category.

02

Pairs · 3 min

Swap. Challenge any category you disagree with — most disputes are between two of the six.

03

Plenary · 3 min

Volunteers. The one risk the room split on, and which objective settled it.

10 MINUTES Category · type · exposure with a horizon · defend the close calls.

Answering a “define and apply” question without stopping at the definition

01

Define, but do not stop

The definition earns the first mark. The marks are in what you do next.

02

Categorise with a reason

Name the category and say which objective the risk threatens.

03

Show the rating and the exposure

Likelihood × impact with the horizon stated, then the amount at stake. Numbers beat adjectives.

04

Apply it to the case

A concept defined in the abstract earns less than one applied to the scenario.

05

Use the upside

Remember risk includes opportunity — most candidates answer only the downside.

FROM THE REPORTS Candidates who define risk pass; candidates who categorise, measure and apply it are the ones who score.

Two Section A, one Section B — from the past CGI exams

DIRECTED PRACTICE · PAST CGI EXAMS ON THE KCB COMPANION

On the KCB companion you have the previous CGI papers. Complete these three before Session 2; we debrief them at the start.

This is the Practice 40 of the KCB method. Attempt every one — a page we can talk through beats a blank page.

01

Section A · Jun 2022 Q2

BETS plc — risk categorisation and the most relevant categories (Ch 5).

02

Section A · Nov 2025 Q1

DPS — principal risks, the risk register and risk categories (Ch 5).

03

Section B · Jun 2024 Q6

JimPacked — the definition of risk, terminology and black swans (Ch 5).

ALSO Read Chapter 5 and Chapter 1, and bring one question you could not answer.

What you carry into Session 2

01 Risk is the effect of uncertainty on objectives — upside included. Never define it as “the chance of something bad”.

02 Use the manual’s six categories — business, credit, market, liquidity, operational, reputation — and let the category drive ownership.

03 The risk rating is likelihood times impact over a stated horizon; exposure is the amount at stake — \$24bn at Credit Suisse.

04 The global environment is a source of external-origin risk that no internal function naturally owns.

05 Credit Suisse: a \$20m limit breached to \$24bn exposure — appetite as a document nobody acted on. Our running case.

EXIT TICKET · ONE SENTENCE IN CHAT

“Name one external-origin risk facing your organisation that nobody inside it owns.”

PRACTICE · ON THE KCB COMPANION

Two Section A questions and one Section B, before Session 2 — see the previous slide.

Read Chapter 5 and Chapter 1 of the study text.

RETRIEVAL Define risk · name the six categories · state the risk-rating equation and why the horizon matters.