



جامعة الجميع الذكية
EVERYONE'S SMART UNIVERSITY

Everyone's Smart University

Assignment 1 (Spring 2021)

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الرقم الجامعي

Section

**Master of Project
Management**

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Course Code

(PMG510)

Project Risk Management

Instructions:

Instructor's Name: Eng. Mosaab M. Hamed

حتى الآن من المفترض أن تكون أصبحت قادراً على التعرف والتمييز بين أنواع المخاطر المختلفة وكيفية التعامل معها. كما يمكنك الآن رؤية كيف يتم هذا الأمر في الشركات الكبيرة والمرموقة.

في هذا الواجب: قم باختيار واحدة من الشركات التالية:

أرامكو السعودية

البنك الأهلي التجاري

شركة الاتصالات السعودية

قم باختيار واحدة من الشركات الثلاث المذكورة أعلاه ثم ابحث عن أي ٤ مخاطر تواجهها هذه الشركة .

لكل خطر من هذه المخاطر قم بالاجابة عن الأسئلة التالية:

- ١ . لماذا اعتبرته خطراً؟
- ٢ . ماهو نوع هذا الخطر؟
- ٣ . ماهي احتمالية هذا الخطر؟ وفي حالة وقوعه مامدى قوة وتأثير هذا الخطر؟
- ٤ . ماهي السياسة أو الاستراتيجية التي تتبعها هذه الشركة للتعامل مع هذا الخطر وادارته؟

**** يمكنك الاجابة باللغة العربية أو الانجليزية على ألا تتجاوز اجابتك صفحتين من النوع A4**

**** يتم تسليم جميع الاجابات في ملف بصيغة pdf.**

**** حجم الخط ١٢ .**

**** نوع الخط Arial.**

**** المسافة بين الأسطر (line spacing) 1.5**

أمنياتي بالتوفيق.

Throughout this course you have learned about the different types of risk and how businesses manage them. Now you will be able to see how it is done in a well-known company.

Your assignment is to choose one of the following companies:

Saudi Aramco

The National Commercial Bank

Saudi Telecom Company

Do some research on any of the aforementioned companies and identify four risks they are facing.

For each risk please answer the following:

1. Why is this a risk?
2. What type of risk is it?
3. What is the likelihood of the risk? How great is the impact?
4. What strategy or policy does the company use to manage the risk?

** Your answers could either be in Arabic or English.

** You should submit your assignment in a pdf formatted file.

** Font size should be 12.

** Font type is Arial.

** Line spacing is 1.5.

All the best.

The National Commercial Bank

The biggest risks facing banks are how to manage them properly. Banking risks can be defined and categorized in several ways and a long list of the types of risks they face can be developed.

Therefore, I will talk about the major risks in the NCB include: Credit, Operational, Market, Liquidity risk.

1- Credit risk:

Credit risk is one of the most important risks of banks, because the possibility of losing the borrower is due to the inability to manage the loan, the lack of capital, the terms of the loan and the collateral associated with the loan.

There are three types of credit risk, including the risk of credit spread caused by market fluctuations, the difference between interest rates, the risk of a risk-free rate of return, and the risk of default when the borrower is unable to make contractual payments.

The probability of loss may result from the borrower's failure to repay the loan, or to meet its contractual obligations, and this affects the fact that the borrower may not receive the principal and interest, resulting in interruptions in cash flows and increased collection costs.

Banks are therefore moving to implement different risk control strategies, which may be implemented daily to manage the bank's long-term management:

- Risk-Based Pricing Strategy

Where the lender imposes a higher interest rate on borrowers, they feel the risk of default when seeing the financial situation, resulting in different rates being applied to different borrowers depending on the risk appetite and ability to repay the loan, and relatively low interest rate. Thus, compensate any default for a good customer with a lower interest rate with the other client to whom the loan was granted at a higher rate.

- Inserting Covenants strategy

The lender may include debt pledges or provisions in loan agreements before the borrower is disbursed. They can be divided into operational covenants or technical and financial undertakings, and any breach in this Agreement would result in a warning signal to the lender that there was a default and appropriate action must be taken to secure the loan amount.

- Periodic MIS Reporting Strategy

The bank requires the borrower to provide a prior financial statement for the analysis, which may be monthly or annually, depending on the type and amount of exposure. It gives a clear and complete picture of the borrower's cash flows and whether he is financially sound enough to pay off the debt obligations on time.

- Limiting Sector Exposure

In this respect, the lender may decide which sectors will be active in lending money to the borrower as this will have a significant impact on the company's NPA ratios.

2- Operational risk

The risk of loss due to errors, violations, interruptions, or damages that may be intentional or accidental, caused by persons, internal processes, systems, or external events, such as fraud in the subscription process.

The operational risks in banks are the risk of loss resulting from inadequacy, failure of internal regulations, internal controls, procedures, or policies due to employee errors, violations, fraud, or any external event that disrupts the operations of the financial institution.

The potential for operational risks in banks is the result of opportunities and uncertainties faced by the company in carrying out its daily business activities, procedures, and regulations. They rely heavily on the human factor: mistakes or failures

due to actions or decisions made by company employees, resulting in banks with higher levels of operational losses because operating risks are too high to cause losses.

The operational risk management strategy is to fully evaluate the bank's current risk profile, and then create a database and map of all internal and external risk events.

The Bank then develops key risk indicators (KRI) that serve as early warning signs of potential problems.

In addition, the key to effective ORM management is to train people to anticipate what may happen, especially when the business unit is about to do something new, such as delivering a product, changing the customer interface, changing the way employees are compensated, or outsourcing part of it for a core business process.

3- Market

Banks are more vulnerable if they are heavily involved in investing in capital markets, sales, and trading, due to the unpredictability of stock markets, commodity prices, interest rates and credit spreads.

There are different types of market risk, including:

- Interest Rate Risk

Interest rate risk arises from unexpected fluctuations in interest rates due to monetary policy measures taken by the Central Bank. Returns offered on securities in all markets should be equal in the long term by adjusting market demand and displaying the instrument.

- Commodity Risk

Some commodities are essential to any economy and complement the production of many goods because of their use as indirect inputs. It often causes a supply-side crisis. Such shocks not only lower stock prices and performance-based profits, but also reduce the company's ability to respect the value of the capital itself.

- Currency Risk

Also known as exchange rate risk. This is the possibility of a decrease in the value of the return due to the depreciation of the local currency.

- Country Risk

Many macro variables beyond the control of the financial market can affect the level of return due to investment. They include the degree of political stability, the level of fiscal deficits, exposure to natural disasters and the regulatory environment.

Market risk is measured by techniques such as VaR (value at risk) and sensitivity analysis. A value at risk is the maximum loss that is not exceeded by a certain probability in a certain period, such as interest rate risk, stock risk, currency risk and commodity risk. These risks affect the financial performance of banks.

So as a strategy, banks are trying to mitigate the impact of these risks by creating reserves and limits. By holding market risk in a trading book where banks tend to inflate their credit risk reserves, to provide cover for market risk that may be hidden.

4- Liquidity risk

Liquidity risk occurs when an individual investor, business or financial institution sits on short-term debt obligations. The investor or entity may not be able to convert the asset into cash without giving up capital and income due to lack of buyers or an inefficient market.

There are two different types of liquidity risk:

- The first is liquidity risk financing or cash flow.
- The second is liquidity risk in the market and is meant for asset/product risk.

And to measure the likelihood of these risks:

- The ratio of basic deposit to total assets.
- The ratio of total loans to total deposits.
- Ratio of term deposits to total deposits.

The impact of liquidity risk in the market comes in the form of market risk, which leads to the inability to sell an asset to a lower market price, making the market price understandable.

There are some strategies that banks use to manage liquidity risks, including:

- Better balance sheet management

Good balance sheet management is one of the best ways the Bank can mitigate liquidity risks.

- Better management of the company's cash flows

dealing with liquidity risks, especially those inherently internal,

- Improving risk reporting abilities

Improving current risk reporting abilities. Using programs that simplify their financial statements and help them focus on liquidity risks from the perspective of the entire organization.

- Usage of comprehensive liquidity risk metrics and monitoring processes

Some banks need to identify their own ideas on liquidity risks and when their contingency plans are implemented exactly.

- Greater preparedness for impending periods of stress

By increasing the willingness to face stress, stakeholders must be honest about the possibility of the emergence of extreme positions by using stress tests that can mimic enterprise-related problems as well as market-level problems for bank liquidity.

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