ICAAP Stress Testing and Risk Appetite Training Course for Banks

15 – 19 February 2027
Rome

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Programme Summary

ICAAP stress testing and risk appetite is the subject of this one-week training course for finance and risk managers in banks, ending in an internal capital and liquidity assessment pack for one bank. Banks hold capital models, yet scenarios, appetite limits and funding plans are often built apart. The programme moves from the assessment cycle and risk identification to scenario design, then to capital and liquidity planning, and finally to a pack a board can approve. Mars Training Centre UK delivers this programme on ICAAP stress testing and risk appetite to mixed-organisation cohorts.

The Business Case

Commercial, development and Islamic banks must show that capital and liquidity stay adequate under pressure. Weak scenario design, vague risk appetite and unlinked capital and funding plans lead to repeated supervisory questions and late management action. Joining these elements into one assessment lets boards act before limits are breached.

- Capital Plan Credibility: Improves as scenarios, buffers and management actions are tied into one plan.
- Risk Appetite Usefulness: Rises as limits are calibrated to stress results and monitored.
- Liquidity Resilience: Improves as survival horizons and funding sources are tested together.

Principles and Evidence Base

- Basel Framework Pillar 2: Sets the supervisory review principle that each bank assesses its own capital needs, applied in Sessions 1 and 3 to the assessment cycle.
- ICAAP and ILAAP: Describe the internal assessment of capital and of liquidity, applied in Sessions 2 and 4 to the structure of the pack.
- Supervisory Review and Evaluation Process: Shows how a supervisor reads the assessment, applied in Session 5 to the board challenge.
- Liquidity Coverage Ratio and Net Stable Funding Ratio: Provide the liquidity measures that stress results are compared with in Session 4.

Intended Participants

- Finance managers who prepare the capital plan and its projections.
- Risk managers who own stress testing and risk appetite limits.
- Treasury and asset and liability managers who plan funding and liquidity buffers.
- Internal audit and compliance leads who review the assessment before approval.

Typical settings include commercial banking, Islamic banking and development finance.

Learning Outcomes

1. Participants will be able to diagnose material risks that drive the capital and liquidity needs of a bank.
2. Participants will be able to construct stress scenarios that link macroeconomic shocks to bank results.
3. Participants will be able to evaluate risk appetite limits against stress outcomes.
4. Participants will be able to prioritise management actions that restore capital and liquidity under stress.
5. Participants will be able to justify an internal assessment pack to a board and a supervisor.

Programme Structure

Day 1: ICAAP Stress Testing and the Assessment Cycle

What must a bank show about its own capital and liquidity, and how is the cycle organised?

- Pillar 2 Assessment Cycle Map
- Governance and Ownership Matrix
- Material Risk Identification Register
- Risk Inventory Scoring Sheet
- Data Lineage Checklist

Day 2: Risk Appetite and Limit Design

How are appetite statements turned into limits that can be monitored?

- Risk Appetite Statement Template
- Limit Calibration Table
- Early Warning Indicator Set
- Breach Escalation Protocol
- Concentration Risk Review

Day 3: Scenario Design and Capital Projection

How do severe but plausible scenarios change the capital position?

- Scenario Narrative Builder
- Macroeconomic Shock Translation
- Credit Loss Projection Sheet
- Capital Buffer Waterfall
- Reverse Stress Test Method

Day 4: Liquidity Assessment and Management Actions

Does funding survive the scenarios, and what actions restore the position?

- Liquidity Coverage Ratio Stress Reading
- Net Stable Funding Ratio Gap View
- Survival Horizon Calculation
- Contingency Funding Plan Test
- Management Action Credibility Screen

Day 5: Assessment Pack for One Bank

Do the earlier tools combine into one pack that a board can approve?

- Applying the Session 1 Material Risk Identification Register
- Testing the Session 2 Limit Calibration Table
- Checking the Session 3 Capital Buffer Waterfall
- Rehearsing the Session 4 Contingency Funding Plan Test
- Completing the Internal Assessment Pack

Methodology

The programme uses a data workshop built on prepared files for two banks, one commercial and one Islamic, each with a balance sheet, funding profile and draft appetite statement. Participants work in small groups, run scenarios and defend results and limits to peers acting as board and supervisory reviewers.

- Suggested activity: Translating a rise in unemployment and a fall in property values into credit losses and capital.
- Suggested activity: Recalibrating a limit after a stress result and stating the escalation step.
- Suggested activity: Challenging a management action list and ranking its actions by credibility.

Capstone Output

Each participant completes an internal assessment pack for one bank. It holds a material risk register, appetite statement with limits, two stress scenarios with capital results, a liquidity survival reading and a management action list. The pack is used at work to brief a board committee and to prepare for the supervisory dialogue.

Frequently Asked Questions

Is a programme on ICAAP stress testing and risk appetite suitable for managers new to stress testing?

Yes. ICAAP stress testing and risk appetite is taught through prepared files and templates. It assumes experience in bank finance, risk or treasury, but no modelling code.

Which framework does ICAAP stress testing and risk appetite rest on?

ICAAP stress testing and risk appetite rests on the Basel framework Pillar 2, the ICAAP and ILAAP approach, and the liquidity coverage ratio and net stable funding ratio measures.

How is the pack from ICAAP stress testing and risk appetite used at work?

You use the internal assessment pack to brief a board committee, agree limits with business heads and prepare answers for supervisory questions.

How does ICAAP stress testing and risk appetite differ from a general bank risk management programme?

ICAAP stress testing and risk appetite concentrates on testing capital and liquidity under stress and setting limits, while a general risk management programme covers every risk type and control.