CERA new syllabus 2023

Preamble (new section):

The CERA syllabus has been developed to reflect the current ERM standards, tools, and techniques, and the risk environment currently faced by organisations. However, ERM practice continuously evolves in a rapidly changing world. Individuals with a CERA credential are expected to be able to apply their knowledge of risk management to new and unfamiliar scenarios. For example, external changes could lead to material unanticipated change in an organisation's risk environment arising from known and emerging risks. Individuals with a CERA credential must be able to interpret changes in the risk environment to ensure they can appropriately support their organisation. To meet the spirit of this syllabus, Award Signatories should ensure the education material supporting the CERA credential appropriately covers the need to continuously adapt to the risk environment an organisation is facing.

Although not always expressly stated, the CERA Learning Objectives have been structured to be assessed from a variety of perspectives. These perspectives may vary, depending on the risk, and may include a range of factors such as the stakeholders involved (e.g., regulators, rating agencies, customers, and the board), the type of organisation (e.g., financial and non-financial), and the types of risks faced (e.g., financial, insurance, environmental, operational, legal, cyber, reputational, counterparty, strategic, and emerging risks). This does not mean that all combinations of perspectives need to be considered for each learning objective, but candidates should be able to apply the relevant principles to scenarios based on various combinations of perspectives.

Section 1: ERM Foundations (10 learning objectives)

Section 1.1: fundamentals of ERM

a) Describe the concept of ERM, the drivers behind it and the resulting value to organisations. (Bloom 2-3)

b) Demonstrate the application of a risk control process such as the Risk Management Control Cycle. (Bloom 3)

c) Describe the characteristics of effective risk communication appropriate for the target audience. (Bloom 2-4)

Section 1.2: the internal environment

d) Recommend an appropriate enterprise risk management framework for an organisation. (Bloom 4-5)

e) Evaluate the health of an organisation's risk management culture. (Bloom 4-5)

f) Demonstrate an understanding of governance issues, such as agency, compliance and legal risks and the need for audit and market conduct compliance activities. (Bloom 3-4)

g) Evaluate the elements and structure of a successful risk management function. (Bloom 4-5)

h) Analyse the ERM roles and responsibilities of the people within an organisation and how the different groups can collaborate effectively. (Bloom 2-4)

Section 1.3: the external environment

i) Examine the impact of the external environment on an organisation's ability to achieve its objectives. (Bloom 4-5)

j) Describe how an organization can adapt to unforeseen changes in its risk environment (Bloom 2-4)

Section 2: Risk analysis and evaluation (14 learning objectives)

Section 2.1: risk identification

k) Identify specific risks faced by an organisation. (Bloom 2-4)

l) Detect emerging risks (Bloom 3-4)

m) Determine an appropriate monitoring mechanism for emerging risks. (Bloom 3-4)

n) Describe how individual risks might be categorised in different ways. (Bloom 2-3)

Section 2.2: risk assessment

o) Determine the implication of risks on the balance sheet and income statement (Bloom 3-4).

p) Describe the properties and limitations of common risk measures (e.g., VaR and TVaR). (Bloom 2-3)

q) Demonstrate risk aggregation techniques that illustrate the concept of risk diversification. (Bloom 3-4)

r) Demonstrate the use of scenario analysis and stress testing in the measurement of risks. (Bloom 3-4)

s) Demonstrate the use of techniques to assess risk accumulations and compounding risks. (Bloom 3-4)

t) Demonstrate how events of low frequency and high severity can be modelled. (Bloom 3-4)

u) Demonstrate an understanding of model risk. (Bloom 3-4)

v) Propose an appropriate modelling technique that meets organisational needs to analyse risks. (Bloom 4-5)

w) Analyse risks that can be quantified using appropriate methods. (Bloom 4-5)

x) Analyse risks that are not easily quantifiable, such as operational, environmental and contagion-related risks. (Bloom 4-5)

Section 3: Embedding ERM into decision-making (18 learning objectives)

Section 3.1: making decisions.

y) Describe how an organization can articulate its approach to risk using risk appetite and risk limits. (Bloom 3-4)

z) Determine how an organization's risks and opportunities influence the selection of strategy (Bloom 4-5)

aa) Assess how an organization's risk decisions affect its stakeholders. (Bloom 4)

bb) Assess the risk and return trade-offs for decisions (e.g. those targeting changes in the organisation's risk profiles). (Bloom 4-5)

cc) Determine how ERM can be appropriately embedded into an organization's strategic planning. (Bloom 3-4)

Section 3.2: responding to risks

dd) Propose ERM solutions or strategies that effectively manage risk under different real (case study) and hypothetical situations facing organisations. (Bloom 5-6)

ee) Demonstrate application of the following responses to risk, including consideration of their costs and benefits: avoidance, acceptance, reduction without transfer, and transfer to a third party. (Bloom 3)

ff) Demonstrate the use of controls in an organisational process. (Bloom 3-4)

gg) Demonstrate how derivatives or similar methods may be used to manage or reduce risk. (Bloom 3-4)

hh) Demonstrate how reinsurance or similar methods may be used to manage or reduce risk. (Bloom 3-4)

ii) Analyse how ALM and similar risk strategies can be used to manage or reduce risk in an organisation. (Bloom 4-5)

jj) Demonstrate possible techniques for managing non-financial risks. (Bloom 3-4)

kk) Explain how to manage the impact of significant events after they have occurred (e.g. customer remediation). (Bloom 4)

Section 3.3: risk capital

ll) Explain how to develop a capital model for a hypothetical organization. (Bloom 4-5)

mm) Demonstrate a conceptual understanding of economic measures of value and capital requirements (e.g., EVA, embedded value, economic capital, regulatory measures, and accounting measures) and their uses in decision-making processes. (Bloom 3-4)

nn) Apply risk measures (such as VaR and TVaR) and demonstrate how to use them in value and capital assessment. (Bloom 3-4)

oo) Demonstrate the use of techniques to allocate risk once aggregated. (Bloom 3-4)

pp) Propose techniques of attributing the “cost” of risk/capital strategies to business units in order to gauge performance (e.g. returns on marginal capital). (Bloom 5-6)

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