

## Course highlights

In depth regulatory update on the new supervisory standards affecting ALM

Insights from practitioners on what businesses desire from stress tests

Learn the importance of dynamic ALM strategy capable of quick-fire change

Discuss the economic factors set to impact on bank balance sheets

Analysis of how the banking industry will adapt to accommodate lower-for-longer interest rates

Detailed presentation on funds transfer pricing methodology, and the business-critical role it plays

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# Banking Asset-Liability Management

London – 15 & 16 March 2012

New York – 22 & 23 March 2012

## About the course

Asset-liability management is no longer the relatively simple task of monitoring and managing net interest income. Since the crisis, plummeting base-rates and demanding new regulation has applied firm pressure on ALM functions to carry out in-depth funds transfer pricing analysis of businesses, and to more prudently manage liquidity risks associated with dealing in capital markets. The demise of stable interbank money markets, the sovereign deficit crisis, plans to ring-fence retail deposits, repo and securities market reform and newly integrated collateral and liquidity requirements loom large over many financial institutions; the economic consequences remain at best difficult to predict, at worst potentially crippling. The challenge for those working within asset-liability management is how to plan and proceed with a robust ALM strategy that remains capable of being dynamic and flexible. Risk magazine has invited a group of experienced professionals to contribute to a two-day training seminar covering these issues.

## Who should attend?

This seminar is intended to provide training to risk management professionals in financial institutions, as well as regulatory bodies and advisory firms. However, Risk welcomes any individual with an interest in the course material.

Specific job titles/functions include:

- ALM
  - Strategy
  - Funding
  - Modelling
- Treasury
- Liquidity Risk
- Interest Rate Risk
- Fixed Income
- Funds Transfer Pricing
- Regulatory Advisory
- Treasury Trading
- Stress Testing
- Balance Sheet Management
- Capital Management
- Collateral Management

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## Venues

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Thistle Kingsley Hotel  
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## Course Tutors:

Each session will feature a talk from an expert tutor, to be followed by time for questions and group discussion on the subject raised.

The speaking faculty for this course includes:

### LONDON

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Jeroen Lamoot,  
Financial Stability and Policy Expert,  
Belgium National Bank

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Prof. Moorad Choudhry,  
Head of Business Treasury, Global Banking  
& Markets, Royal Bank of Scotland

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Mario Onorato,  
Senior Director,  
Balance Sheet Risk Management,  
Algorithmics

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Amit Kalyanaraman,  
Head of Product Risk Management,  
Retail Bank Treasury, Barclays

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Gabor Winkler,  
Group Head of ALM, Raiffeisen Bank

---

Colin Johnson,  
Senior Manager,  
Group Balance Sheet Management,  
Lloyds Banking Group

---

Prof. Brian Scott-Quinn,  
Director, Banking Programmes  
International Capital Market  
Association Centre

---

Christian Goerlach,  
Head of European ALM,  
Deutsche Bank

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### NEW YORK

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Marshal Auron,  
Vice President Supervision,  
Federal Reserve Bank Charlotte

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Andy Jobst,  
Chief Economist,  
Bermuda Monetary Authority

---

Matthieu Royer,  
Managing Director,  
Credit Agricole

---

Amiel Goldberg,  
Managing Principle,  
Goldberg and Hohmann LLC

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John Chapman,  
Chief Economist,  
Alhambra Investment Partners

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Olga Collins,  
Vice President,  
Provident Bank New York

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## Coming up in 2012

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### Basel 2.5 to Basel III: Challenges and Objectives for Risk Management:

London 16 & 17 February  
New York 23 & 24 February  
[www.incisive-training.com/basel](http://www.incisive-training.com/basel)

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### Managing Liquidity Under Basel III

London 27 & 28 February  
New York 1 & 2 March  
[www.incisive-training.com/liquidity](http://www.incisive-training.com/liquidity)

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### Solvency II – Risk Management Frameworks

London 1 & 2 March  
[www.incisive-training.com/solvencyii](http://www.incisive-training.com/solvencyii)

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### Marcello Minenna on Derivative Pricing and Model Calibration

London 15 – 17 February  
New York 25 – 27 April  
[www.incisive-training.com/derivativepricing](http://www.incisive-training.com/derivativepricing)

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### School Of Energy Risk Management

London 6 – 8 March  
[www.incisive-training.com/schoolofenergy](http://www.incisive-training.com/schoolofenergy)

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### Market Data, Reference Data and Technology Training

London 19 – 23 March  
[incisive-training.com/marketdatauk](http://incisive-training.com/marketdatauk)

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### Patrick Hagan on Fixed Income

London 23 & 24 February  
New York 27 & 28 February

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### Stress Testing

London 29 & 30 March 2012  
New York 19 & 20 March 2012  
[www.incisive-training.com/stresstesting](http://www.incisive-training.com/stresstesting)

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### London Thursday 15 March 2012

Day

**1** 

#### Asset-Liability Management and the On-going Crisis

0900 Registration

0930 **A regulatory update: public authority responses to the crisis**

- Restoring confidence in the banking sector – EU measures
- Central Bank actions
  - Rejuvenating unsecured funding markets
  - Avoiding further deleveraging
- Regulatory measures
  - Strengthening bank capital and liquidity
  - Implementation and monitoring exercises
  - Proposed timeline and progress to date

1030 Morning Break

1100 **Managing the balance sheet through uncertainty**

- ALM best practices pre-crisis
  - Basic theories
  - Hedging and securitisation
- Perceived characteristics of the crisis that have placed a new emphasis on asset-liability management
- New roles and management functions for ALM
- The role and required skills of the ALM committee
- The modern role of the treasury in relation to business front offices
  - Accuracy of funding curves
- New governance processes and the challenges they are presenting
- The developing relationship between ALM and the CRO/risk managers
- The broad steps that can be taken to control ALM during the current period of uncertainty

### London Friday 16 March 2012

Day

**2** 

#### Asset-Liability Management Analysis and Global Liquidity

0830 Registration

0900 **Bank internal funds transfer pricing (FTP): business best practice for constructing the TLP curve and implementing the optimum FTP model**

- Objectives of the internal funds transfer pricing model
  - Liquidity risk component
  - Interest rate risk component
  - Correct pricing of liquidity and correct cost of stressing the balance sheet
  - Desired resource allocation and accurate PnL reporting
- Business best-practice approaches to constructing the internal risky funding curve:
  - Market inputs
  - The most appropriate interpolation model
  - Smoothing mechanisms
  - Longer time periods
  - Qualitative judgement
- Necessary market and internal data
- Communicating FTP curve to the business
- Formalising funding policies for different business lines
- Implications for business models within the bank: driving behaviour
  - Trading book
  - Banking book
  - Retail: assigning FTP to non-contractual maturity products

1100 Morning Break

1130 **Scenario analysis and stress testing framework**

- How does stress testing contribute to effective ALM?
- Establishing an efficient and organised stress testing framework
- How a stress testing function might be integrated into treasury operations
- Benefits of effective stress testing
  - Forward looking assessments: how ready are we?
  - Allows analysis of impact of stress periods
- Regulation on stress test validation and reporting

1230 Lunch

1330 **Impact of new regulation for ALM and funding**

- The new global regulatory framework: Basel III
  - Capital
  - Leverage ratios
  - LCR and NSFR liquidity coverage
- Regulatory incentives and reasoning behind Basel III
- Important outstanding issues in liquidity coverage regulations
- Capital management under Basel III and impact on the balance sheet
- What are the recognised implications on risk, liquidity management and treasury functions?
- Implications for business models within the bank
- Implications for banking industry
- Countercyclical measures and asset-liability management
- IFRS accounting measures and the implications for ALM and balance sheet management

1445 Afternoon break

1515 **Lower-for-longer interest rates: managing the banks' "worst nightmare"**

- Traditional techniques for managing interest rate risk
- How will lower for longer interest rates hamper the banking industry?
- What is the risk to profitability and risk management?
- What does this mean for ALM and treasury functions?
- Methods for the analysis of net interest-rate margin
- Various factors incentivising banks to increase retail deposits
- How do retail clients respond to market compared with other clients?
- Scenario analysis for retail business
  - Historical observations and examples
  - Business expertise
- Stress testing analysis for non-maturing liabilities
- How will Vickers report compound this effect?

1630 Close of day one

1230 Lunch

1330 **Dynamic asset-liability management and resolution planning**

- Stress testing as the basis for establishing triggers and early-warning signals for strategy
- Reverse stress testing
- Important factors for stress testing results to communicate
  - Potential losses
  - Impact on profitability of portfolio/business line/institution
  - Liquidity shortages and risks under stress
  - Capital allocation
- Roles and responsibilities to ensure strategic measures are implemented in timely and cost effective manner
- FSA CP 11/16: a model for managing ALM in stressed periods

1500 Afternoon break

1530 **The effects of Central Bank liquidity provision**

- How will central bank monetary policy affect funding
- Late 2011 central bank liquidity action
  - Response of the markets
- Role of the European Central Bank in averting a funding and liquidity crisis
- Role of the Federal Reserve
- Sovereign solvency crisis: possible developments and concerns for ALM functions

1630 Close of course

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### New York Thursday 22 March 2012

Day

**1** 

#### Asset-Liability Management and the On-going Crisis

0900 Registration

0930

##### A regulatory update

- Restoring confidence in the banking sector
- Strengthening bank capital and liquidity
  - International and regional initiatives: Basel III and Dodd-Frank
  - Federal Reserve initiative to improve formulate reporting and monitoring standards
  - Proposed timeline and progress to date
- New regulatory structure and objectives

1030 Morning Break

1100

##### Managing the balance sheet through uncertainty

- ALM best practices pre-crisis
  - Basic theories
  - Hedging and securitisation
- Perceived characteristics of the crisis that have placed a new emphasis on asset-liability management
- New roles and management functions for ALM
- The roles and required skills of the ALM committee
- The modern role of the treasury in relation to business front offices
  - Funding, liquidity and interest rate risk units
- New governance processes and the challenges
- The developing relationship between ALM and the CRO/risk managers
- The broad steps that can be taken to control ALM during the current period of uncertainty

1230 Lunch

1330

##### Impact of new liquidity risk regulations and stress testing regulation

- The Basel liquidity risk framework: overview
- Important outstanding issues in liquidity risk regulations
- ALM decisions under Basel III and impact on the balance sheet
- Systemic liquidity risk
- Liquidity risk stress testing under the IMF Financial Sector Assessment Program (FSAP)

1430 Afternoon break

1500

##### Economic implications of future monetary reformn

- Current global and domestic economic landscape
- Implications of government controlled monetary supply
  - Historical examples
  - Short term future examples
- Eurozone, China, BRIC growth
- Importance of gold-linked monetary reform:
- Medium- to long-term implications for global economy
- Significance for banking industry
  - Credit, Treasury, ALM

1630 Close of day one

### New York Friday 23 March 2012

Day

**2** 

#### Asset-Liability Management analysis and repercussions for business units

0830 Registration

0900

##### Analysing funding implications of financial market downturn and volatility

- Analysing the implications and managing reduced net-interest rate margins
  - Deposit based funding
  - Term funding
  - Scarce currencies
- ALM role in organising cross-currency funding
- Managing basis risk
  - Poor inter-bank market
- Introduction to stressed analysis of funding sources: ALM role and working with risk
- Implications for business models within the bank: FTP analysis
  - Objectives of funds transfer pricing model
- Externally sourcing funds cheaply
- Internally analysing profitability of business units
  - Necessary market and internal data
- Liquidity risk component
- Interest rate risk component
  - Industry approaches to producing a FTP curve:
- Roles and responsibilities
  - Intra-day curves
  - Longer time periods
  - Qualitative judgement

1030 Morning Break

1100

##### ALM scenario analysis and stress testing framework

- How does liquidity stress testing contribute to effective ALM?
- Establishing an efficient and organised stress testing framework
- How a liquidity stress testing function might be integrated into treasury operations
- Benefits of effective stress testing
  - Forward looking assessments: how ready are we?
  - Allows analysis of impact of stress periods
- Scenario analysis and stress testing contractual cash-flows
- Behavioural analysis and liquidity
  - Scenario modelling customer behaviour

- Analysing implications of negative/stressed behavioural scenarios
- Interest rates moving
- Changing competitive environment
- Crisis examples
- Regulation on stress test validation and reporting

1230 Lunch

1330

##### Dynamic asset-liability management and balance sheet resolution planning

- Stress testing as the basis for establishing triggers and early-warning signals for strategy
- Reverse stress testing
- Important factors for stress testing results to communicate
  - Potential losses
  - Impact on profitability of portfolio/business line/institution
  - Liquidity shortages and risks under stress
  - Capital allocation
- Roles and responsibilities to ensure strategic measures are implemented in timely and cost effective manner
- Communicating effectively with senior management
- Regulatory Resolution Planning concepts: helpful model for managing ALM in stressed periods

1500 Afternoon break

1530

##### Lower-for-longer interest rates: managing the banks' "worst nightmare" and associated interest rate risks

- Traditional techniques for managing interest rate risk
- How will lower for longer interest rates hamper the banking industry?
- What is the risk to profitability and risk management?
- What does this mean for ALM and treasury functions?
- Methods for the analysis of net interest-rate margin
- Various factors incentivising banks to increase retail deposits
- How do retail clients respond to market compared with other clients?
- Scenario analysis for retail and corporate business
  - Historical observations and examples
  - Business expertise
- Stress testing analysis for non-maturing liabilities

1630 Close of course

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