

3rd Edition

Managing Interest Rate Risk in the Banking Book

Actively manage interest rate risk, improve frameworks and advance behavioural models under the EBA's final IRRBB guidelines to steer banks into the optimal position

Vienna, Austria

27th – 29th June 2018

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Workshop on the 27th June 2018

A deep dive into the exploration of individual behavioural models under the updated IRRBB guidelines

Attending This Premier **marcus evans** Conference Will Enable You to

- **Establish** a strategic approach to EBA's final IRRBB guidelines addressing system and data challenges
- **Advance** behavioural modelling for non-maturing deposits and equities
- **Extract** insights from behavioural models and scenario analysis to actively manage interest rate risk
- **Understand** the implications of IRRBB on capital giving consideration to ICAAP
- **Draw** the line between IRRBB and FRTB for each desk with concern to the impact

Learn from Key Practical Case Studies

- **mBank** explore correct modelling of non-maturing deposits and prepayment deposits for IRRBB
- **Hrvatska Postanska Banka** analyse interest rate risk alongside liquidity management from a total bank perspective
- **Raiffeisen** assess EVE and NII under IRRBB requirements
- **Rabobank** reveal steps to take in order to facilitate the discussion with the board regarding IRRBB sensitivities

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With the final EBA guidelines looming, ensure you are **utilising resources** to **streamline** and advance IRRBB **management**



Expert Speaker Panel

Alexander Tsorlinis
Head of Market Risk Management
Raiffeisen Bank International

Andrej Hronec
Head of Treasury and ALM
VÚB

Jeff Simmons
Managing Director,
Head of Enterprise Risk
The Bank of Tokyo-Mitsubishi UFJ

Mads Gydesen
Chief Risk Manager
Danske Bank

Sander Boogmans
Head of Interest Rate
Risk Management
ING

Kristin Vollrath
Head of Treasury Risk Control
UBS

Cristiano Bonisoli
Head of ALM
Banco BPM

Beata Lubinska
Senior Market Risk Manager
MeDirect Group

Błażej Wajszczuk
Senior Dealer
BGZ BNP Paribas S.A

Massimo Pedroni
Senior Partner
Prometeia

Marco Castagna
Head of Centralised
Treasury Management
Intesa Sanpaolo

Frank Mulder
Head of Interest Rate Risk
Management and Strategy
Rabobank

Sergey Kharinov
First Deputy Head
of Internal Treasury
Russian Agricultural Bank

Anja Bozak
Head of Group Market
and Liquidity Risk
Addiko Bank

Tihomir Public
ALM Director
Hrvatska Postanska Banka

Bernhard Krob
Head of Risk Management Systems
BVR

Katie Duggan
Balance Sheet Risk Manager
Investec

Jacek Rzeźnik
Head of Market and Liquidity Risk
mBank

Day One

28th June 2018

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08.30 Registration and Coffee

09.00 Opening Remarks from the Chair

KEY CHALLENGES BANKS FACE WHEN IMPLEMENTING THE FINAL IRRBB GUIDELINES

09.15 **Case Study**

Advance IRRBB infrastructure in accordance to the updated EBA guidelines

- Overview of the optimal systems under which IRRBB is calculated across banks
- Steps to updating your IRRBB systems
- Milestone in efficiency: streamline your IRRBB system upgrade processes and system capabilities
- Key challenges in the overhaul of IRRBB systems across the bank: Integrated analysis of IRRBB and other ALM risks

Beata Lubinska

Senior Market Risk Manager

MeDirect Group

10.00 **Duration of equity on a bank's balance sheet**

- Treatment of equity in Standard Outlier Test
- Analogy with savings and current account replication
- Interest income and its volatility
- Value losses in going concern and gone concern

Sander Boogmans

Head of Interest Rate Risk Management

ING

10.45 **Refreshme**

11.15 **Analysis of interest rate risk alongside liquidity management from a total bank management perspective**

- Total bank management (TBM) and asset liability management (ALM)
- Dynamic liquidity and interest rate risk management
- CRD V and CRR II versus Basel/ EBA standard for IRRBB
- Short term liquidity management and long term plans: Connecting with IRR management
- New challenges, next steps and ALM quiz

Tihomir Public

ALM Director

Hrvatska Postanska Banka



PANEL DISCUSSION

12.00 **Global perspective on efficient management of IRRBB across all subsidiaries of your bank**

- Bird's eye view over strategic management of IRRBB across a number of different branches
- Key challenges posed due to cross-regional management of IRRBB
- Currency challenges: Balance between the Euro alongside other currencies when calculating the interest rate risk

Panellists:

Marco Castagna

Head of Centralised Treasury Management

Intesa Sanpaolo

Andrej Hronec

Head of Treasury and ALM

VÚB

Jacek Rzeźnik

Head of Market and Liquidity Risk

mBank

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12.45 **Integration of IRRBB and credit risk under the new IFRS9 principles**

- The credit risk impact on the interest risk exposures in the banking book
- Modelling of expected losses and recovery flows
- Alternative methodological approaches and case studies

Massimo Pedroni

Senior Partner, Head of International Business:

Enterprise Risk Management area

Prometeia

13.05 Lunch

14.05 **Case Study**

Standard Outlier Test: Prepare, calculate and avoid penalties

- Assessing EVE and NII under the standard outlier test
- Upgrading overall systems to ensure compliance with final IRRBB requirements
- Lessons to learn from the potential comparability across a variety of banks

Kristin Vollrath

Interest Rate Risk Management

UBS

14.50 **Market conditions have changed given regulatory requirements and new sources of liquidity making a benchmark reform a key challenge for years to come**

- Regulation and Central bank policies impact on money markets.
- O/N rates are becoming a choice for major currencies benchmark rates: What are the consequences?
- Managing a benchmark transition: What do we know so far?

Błażej Wajszczuk

Senior Dealer

BGZ BNP Paribas S.A

15.35 **Refreshme**

16.05 **Spotlight on the future movement of interest rates and its effects on IRRBB**

- Addressing other areas within IRRBB to be affected by movement of rates
- Model risk: Ensure data acquired is sufficient to model for an increase in rates
- Prepare for external changes of IRRBB calculation as a result of an increase in rates

Cristiano Bonisoli

Head of ALM

Banco BPM

16.50 **Assessment of structural FX guidelines and implementation**

- Overview of new EBA guidelines for structural FX
- Case study: Key steps in implementation of structural FX guidelines at Danske Bank
- Challenge: The accounting treatment of the structural FX position

Mads Gydesen

Chief Risk Manager

Danske Bank

17.35 Closing Remarks from the Chair

17.40 End of Day One

29th June 2018

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08.30 Registration and Coffee

09.00 Opening Remarks from the Chair

KEY STEPS TO THE ADVANCEMENT OF YOUR BEHAVIOURAL MODELS FOR IRRBB

09.05 **Connecting EVE and NII Modelling in the IRRBB framework**

- Clear definition of static and dynamic scope
- Consistent limit structure
- Calculating EVE for specific products
- Proper modelling of zero floors on Asset and Liability side

Alexander Tsorlinis

Head of Market Risk Management

Raiffeisen Bank International



PANEL DISCUSSION

09.50 **Discussing equity within the broader IRRBB requirements**

- Should equity be included in the EVE calculations?
- Tap into the number of approaches to modelling equity
- Addressing key challenges of modelling equity
- Should equities be considered over night?

Panellists:

Sergey Kharinov

First Deputy Head
of Internal Treasury

Russian Agricultural Bank

Jacek Rzeźnik

Head of Market
and Liquidity Risk

mBank

10.20 **Refreshme**

EXTRACT INSIGHTS FROM MODELLING TO ACTIVELY MANAGE INTEREST RATE RISK

10.50 **Proper management and strategic organisation of IRRBB across the bank**

- Optimise steering of IRRBB framework and ensure this is done properly and correctly
- Ensure that IRRBB is compatible with aims to access the international market
- Accent on the steering and positioning of your interest rate risk sensitivities
- Overview of IRRBB alongside credit spread risk in the banking book and any potential challenges anticipated

Anja Bozak

Head of Group Market and Liquidity Risk

Addiko Bank

11.35 **Case Study**

Sufficient steps to take in order to facilitate the discussion with the board regarding IRRBB sensitivities

- Finding simplicity in continually complex IRRBB calculations
- Increase communication with the board regarding IRRBB: Modelling in the spotlight
- Advantage of increased communication with the board and the potential benefits for your team

Frank Mulder

Head of Interest Rate Risk Management and Strategy

Rabobank

12.25 Lunch

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13.25 **Preparing for a transition to business as usual following the implementation of final IRRBB guidelines**

- Maintain a dynamic approach to IRRBB management following compliance
- Sustain consistent data acquisition to benefit and better reporting of IRRBB sensitivities
- Global perspective: Maintain consistency in IRRBB calculation across all subsidiaries of your bank

Katie Duggan

Balance Sheet Risk Manager

Investec

IRRBB IMPLICATIONS ON CAPITAL GIVING CONSIDERATION TO ICAAP

14.20 **Calculate capital required for interest rate risk in the banking book**

- Capital allocation methodology: Worth revisiting?
- Assessing interest rate risk alongside ICAAP
- Optimising your internal capital calculation model to be in sync with IRRBB requirements
- Internal capital change

Jeff Simmons

Managing Director, Head of Enterprise Risk

The Bank of Tokyo-Mitsubishi UFJ

14.50 **Refreshme**

IRRBB AND FRTB: SETTING THE BOUNDARY IN STONE



PANEL DISCUSSION

15.20 **Clear up the remaining arbitrage between the trading book and the banking book**

- Improve core strategies of sorting between the two books
- Understand the sorting process regarding older activities on your balance sheet
- Dealing with internal risk transfer properly and clearly

Panellist:

Sergey Kharinov

First Deputy Head of Internal Treasury

Russian Agricultural Bank

15.50 Closing remarks from the Chair

15.55 End of Day Two

Who Should Attend

From Banks, Heads of:

- IRRBB
- Interest Rate Risk
- Market Risk
- Asset Liability management
- Balance Sheet Management
- Banking Book
- Liquidity Risk
- Treasury Risk

Business Development Opportunities

Does your company have services, solutions or technologies that the conference delegates would benefit from knowing about? If so, you can find out more about the exhibiting, networking and branding opportunities available by contacting:

Veronika Sapronova, Marketing Manager, **marcus evans** London
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Interactive Conference Workshop

A deep dive into the exploration of individual behavioural models under the updated IRRBB guidelines

27th June 2018

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08.30 Registration and Coffee

09.00 Workshop Leader's Introduction and Opening Remarks

IRRBB CAPITAL REQUIREMENTS AND FTP MODEL GOVERNANCE

09.15 **Funds transfer pricing model governance in retail banks**

- FTP Process
 - FTP components
 - FTP methods and types
 - FTP treatment for prepayments
- Defining structural hedging needs for BSM
- Assisting Finance Actuals calculate margins
- Incorporating liquidity components in your NMDs pricing
- Projecting CoF / VoF to generate NII by lines of Business
- Best practice in FTP

Led by:

Arnau Lopez Cabot
Independent Consultant

10.45 **Refreshme**

11.15 Workshop leaders opening remarks

11.30 **IRRBB guidelines alongside capital requirements**

13.00 Lunch



PRACTICAL ROUNDTABLE DISCUSSIONS

14.00 **Behavioural Models Under The Microscope**

Each practical round table lasts 30 minutes throughout the afternoon as an opportunity to network on a more intimate level. Delegates will be able to join discussions and speak to experts in these areas about their individual concerns.

Round Table One
Fixed rate mortgages*

Round Table Two
Fixed rate retail and corporate products*

Round Table Three
Fixed rate corporate loans*

Round Table Four
High-quality liquid assets*

**For each of the models above, the following four points will be addressed and explored in a roundtable format:*

- Overview of best practice in modelling of the said product
- Spotlight on any potential updates and changes for model calculation as a result of final EBA paper for IRRBB
- Challenges often faced by said model alongside an outline of key strategies to combat these
- Anticipate the impact of future market movements on the said model

Roundtables led by:

Katie Duggan
Balance Sheet
Risk Manager
Investec

Tihomir Public
ALM Director
Hrvatska Postanska Banka

16.30 Closing Remarks from the workshop leader

16.35 End of Workshop Day

Testimonials

"Great opportunity to be informed how various banks handle regulatory requirements on IRRBB and better understand various concepts of IRRBB. Excellent opportunity to also speak and network with peers."

Group Treasury Asset-Liability Management
Bank of Cyprus

"Thanks a lot for organising this event. It was very interesting to share views on IRRBB with other banks."

Market Risk Analyst
Societe de Financement Local

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Speaker Profiles

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Mads Gydesen

Mads Gydesen is Chief Risk Manager in Risk and Structure, that is a part of Group Treasury in Danske Bank. He has a great understanding of financial risks and knowledge of accounting principles.

Risk and Structure has the first line of defence responsibility of managing the interest rate, cross currency basis and FX risk from the banking book. This includes behavioural risk modelling. Mads has 20 years of experience from the financial sector in Copenhagen, and was structurer of non-linear interest rate risk and analyst on e.g. derivatives and Danish Mortgage Bonds before joining Danske Bank Group Treasury. Mads holds a M.Sc. in Economics from University of Copenhagen, where he has also lectured a course in Finance and been a censor.

Frank Mulder

Frank Mulder MSE, aerospace engineer by training, has been active in interest rate derivatives for over a decade. In 2016 he was appointed as Head Interest Rate Risk Management & Strategy in Rabobank's treasury department. Before assuming this role he has been Senior Portfolio Manager for the investment books and a Senior Trader Interest Rate Derivatives. Next to his day-to-day activities for the bank, Frank is a guest lecturer on derivatives and actively involved in the fintech and pension sector in the Netherlands.

Sander Boogmans

Sander Boogmans is manager of the ALM book within the Treasury department of ING Bank in the Netherlands. He joined ING Bank in 1997 and held various roles in Market Risk Management, both of trading and banking books. He holds a Master's degree in econometrics from the University of Groningen.

Błażej Wajszczuk

Since 2001 engaged in interbank interest rate operations. Currently, as a member of ALM team focused on banking book liquidity and interest rate risk management. Since 2006 member of the board of ACI Polska Financial Market Association. As the board member responsible for interest rate benchmarks administration including WIBOR and POLONIA index. Coach and lecturer in the Warsaw Banking Institute covering financial math, bonds, yield curve and interest rate risk management subjects. Certified Assets and Liabilities Manager. Diploma awarded by the Finance Trainer Institute Vienna.

Kristin Vollrath

Kristin started her career with a bank apprenticeship in a regional bank in Germany in 1999. She joined UBS's Group Treasury in 2005. Between 2010 and 2013 she was responsible for divisional balance sheet optimization for Wealth Management (WM) and Private and Corporate (P&C). She joined the firm-wide Treasury Risk Control team in 2013 where she focuses in particular on net interest income and margin risks of global WM and P&C and Treasury risks in the EMEA region. Since 2016 Head Treasury Risk Control UBS Europe SE. Kristin holds a Master of Arts (MA) degree in Finance and Banking, is a Swiss Certified Treasurer (SCT)* and a certified banker (by the German Chamber of Industry and Commerce).

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Sergey Kharinov

Sergey Kharinov, First Deputy Head of Internal Treasury, Russian Agricultural Bank. Born in Moscow, 1982, graduated from Academy of Finance, Moscow, in 2003 with banking emphasis. Joined Rosbank ALM team in 2002 as a junior manager. Left Rosbank in 2011 as deputy head of ALM department upon successful completion of Rosbank integration into Societe Generale group. Since 2011 Sergey is in charge of ALM function at Russian Agricultural Bank treasury, the top-5 bank in Russia, 100% government equity body and universal bank focused on local agricultural industry development.

Katie Duggan

Katie Duggan is at Investec Bank in the Balance Sheet Risk team where she heads up Interest Rate Risk in the Banking Book. Prior to joining the bank she worked at a risk consultancy where her responsibilities included analysing clients risk systems and needs in order to improve and build new solutions to better manage their risk. She has worked in the Interest Rate Risk space for the past 5 years. She produces all the IRRBB risk and regulatory reports and presents those findings in ALCO. Her current focus is on finalising the implementation of a risk system upgrade with her team and the new proposed Basel IRRBB Standards. She is a certified FRM and also a member of the Banking Association of South Africa task group, which considers the scope of prudential regulation, and engages with the South African Reserve Bank on behalf of the industry on matters pertaining to prudential regulation, and implementation of the BASEL standards in South Africa.

Beata Lubinska

Beata is a financial engineer with 15 years of practical experience gained in international financial institutions such as GE Capital, Deloitte and Standard Chartered Bank based both in Milan and London. Currently she is a Head of Market Risk Department in MeDirect Group in London with the main focus on IRRBB, Market Risk and Balance Sheet Management. Beata is also pursuing the academic research. In her PhD thesis she launches the hypothesis that the application of the optimization techniques improves the management of the banking book in terms of quantifiable economic impact on the P&L of the bank and that there is clear benefit from the integrated treatment of the interest rate risk and liquidity risk under one approach. She strongly promotes the proactive management of the Balance Sheet of a bank. The results of her research are published in Financial Sciences, Springer Proceedings in Business and Economics and Research Papers of Wroclaw University of Economics. Her recent publications include:

1. "Review of the static methods used in the measurement of the exposure to the interest rate risk" – Financial Sciences 2014
2. "Balance Sheet Shaping Through Decision Model and the Role of the Funds Transfer Pricing Process – Springer 2017
3. "Contemporary challenges in the Asset Liability Management" – Springer 2018

In addition, Beata is actively providing trainings for professionals from banking industry in Latvia and London.

Alexander Tsorlinis

Alexander Tsorlinis has worked for 20 years in market risk management. Starting with Creditanstalt in 1996 he specialized quickly in the development of internal market risk models. Creditanstalt was the first bank with an approved market risk model 1998 in Austria. After a couple of mergers which ended in UniCredit Bank Austria Alexander stayed until 2007 in the merged organization working in the field of market, counterparty risk and IRRBB management. In 2008 Alexander moved to Raiffeisen Bank International (RBI) heading the newly created market risk management unit functionally responsible for the entire group. In 2010 Alexander has introduced the internal market risk model for RBI as well.

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