

# ASSET LIABILITY MANAGEMENT MASTER CLASS

LONDON  
23-26 MAR 2020



Capital, Liquidity, Interest-Rate Risk and  
FTP Best Practice

Workshop Leader:  
Professor Moorad Choudhry and  
Dr Beata Lubinska

## WHO SHOULD ATTEND?

- ALCO and EXCO members
- Head of Treasury
- Head of Balance Sheet Management
- Head of Money Markets
- Head of ALM
- Head of Liquidity Risk
- CRO and staff
- CFO and staff
- Product management
- Head of Regulatory Reporting and staff
- Head of Internal Audit
- ILAA authors
- ICAAP authors
- Management consultants in the Basel III space
- Board NEDs

## COURSE OVERVIEW

The role of the active management of the banking book in the banking industry is constantly growing. This is dictated by heavily regulated landscape and increased competition for resources such as liquidity and capital. Given the market pressure, the relentless pursuit for the most efficient and productive use of a bank's resources subject to consolidated risk and return appetite remains of upmost importance for banks of all size.

The first part of the workshop guides participants through the key areas of bank asset-liability management (ALM): capital, liquidity, leverage, Funds Transfer Pricing (FTP) and interest rate risk in the banking book (IRRBB), to ensure that they are able to implement best-practice in their bank, and to address the "3-dimensional" optimisation problem of meeting the requirements of all stakeholders.

The second part of the course walks through the quantification of the economic benefits coming from the optimization process and shows how to apply the optimization process in practise.

### ATTENDING THIS WORKSHOP WILL ENABLE YOU TO:

- Ensure effective and best-practice ICAAP and ILAAP processes
- Apply strategic ALM discipline to ensure an optimised balance sheet in Basel III implementation
- Ensure interest rate risk in the banking book is managed efficiently to minimise the regulatory capital charge
- Apply best-practice FTP processes into origination strategy to maintain effective balance sheet management
- Adopt an effective ALCO operating framework and governance mechanism that delivers an efficiently managed balance sheet

Material from the author's books Moorad Choudhry Anthology: and The Principles of Banking will be used in the workshop.

## COURSE LEADER

Moorad Choudhry is an independent non-executive director on the Board of Recognise Financial Services Ltd in London. He was latterly Treasurer, Corporate Banking Division at The Royal Bank of Scotland.

Moorad is a Fellow of the Chartered Institute for Securities & Investment, a Fellow of the Institute of Directors and a member of the Board of Governors of the London Institute of Banking & Finance. He is on the Editorial Boards of the Journal of Structured Finance, Qualitative Research in Financial Markets, International Journal of Economics and Finance and American Securitization. He has authored over 20 textbooks on finance and banking.



## COURSE LEADER

Dr. Beata Lubinska is a financial engineer with over 15 years of practical experience gained in international financial institutions such as GE Capital, Deloitte and Standard Chartered Bank. Beata's background is strongly focused on Interest Rate Risk in the Banking Book ("IRRBB"), Balance Sheet Management and Behavioural modelling for banks asset liability management purposes. She has spent most of her career managing IRRBB for a number of financial institutions.

Beata holds a PhD in Finance from Wroclaw University of Economics and her research publications have enjoyed strong reviews by academics and industry practitioners.

Beata is a member of the BTRM Faculty in London founded by Professor Moorad Choudhry.



## DAY 1

|              |                                                                                                                                                                                            |
|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>08:30</b> | Registration                                                                                                                                                                               |
| <b>09:00</b> | Introduction: Best-practice ALM                                                                                                                                                            |
| <b>10:00</b> | Base III Liquidity: LCR and NSFR <ul style="list-style-type: none"> <li>▪ Reporting</li> <li>▪ Optimisation</li> <li>▪ Impact on liabilities strategy</li> </ul>                           |
| <b>10:45</b> | BREAK                                                                                                                                                                                      |
| <b>11:00</b> | Basel III Capital <ul style="list-style-type: none"> <li>▪ Capital management</li> <li>▪ Balance sheet management</li> </ul>                                                               |
| <b>12:30</b> | LUNCH                                                                                                                                                                                      |
| <b>13:30</b> | Basel III Capital floor (Basel IV) <ul style="list-style-type: none"> <li>▪ Output floor and standardised approach</li> </ul>                                                              |
| <b>15:00</b> | BREAK                                                                                                                                                                                      |
| <b>15:15</b> | Risk Management Framework: <ul style="list-style-type: none"> <li>▪ Risk Appetite Statement</li> <li>▪ Board-approved limit setting</li> </ul>                                             |
| <b>16:00</b> | CASE STUDY: An ICAAP Preview session <ul style="list-style-type: none"> <li>▪ What makes a good ILAAP? What makes a poor ILAAP?</li> <li>▪ Capital and Liquidity Stress Testing</li> </ul> |
| <b>17:00</b> | Close                                                                                                                                                                                      |

## DAY 2

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|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>08:30</b> | Registration                                                                                                                                                                                                                                                |
| <b>09:00</b> | Liquidity Risk "Pillar 2": <ul style="list-style-type: none"> <li>▪ Cash flow mismatch reporting</li> <li>▪ Collateral management</li> <li>▪ Intra-day liquidity risk management</li> <li>▪ High Quality Liquid Assets (HQLA) optimisation</li> </ul>       |
| <b>11:00</b> | BREAK                                                                                                                                                                                                                                                       |
| <b>11:15</b> | BASEL III - Interest Rate Risk in the Banking Book (IRRBB) <ul style="list-style-type: none"> <li>▪ Pillar 2A capital impact on business lines</li> </ul>                                                                                                   |
| <b>12:30</b> | LUNCH                                                                                                                                                                                                                                                       |
| <b>13:30</b> | BASEL III - Interest Rate Risk in the Banking Book: <ul style="list-style-type: none"> <li>▪ Hedging and Strategic ALM</li> <li>▪ Key Metrics: NII and EVE, and CSRBB</li> </ul>                                                                            |
| <b>15:00</b> | BREAK                                                                                                                                                                                                                                                       |
| <b>15:15</b> | Funds Transfer Pricing: (FTP) <ul style="list-style-type: none"> <li>▪ Liquidity term premium best-practice</li> <li>▪ Balance sheet management</li> <li>▪ The FTP curve methodology</li> <li>▪ Funding Policies</li> <li>▪ Product applications</li> </ul> |
| <b>17:00</b> | Close                                                                                                                                                                                                                                                       |

## DAY 3

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|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>08:30</b> | Registration                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>09:00</b> | Introduction to the optimization concept in ALM <ul style="list-style-type: none"> <li>▪ The evolving role of ALM in banks</li> <li>▪ The role of ALM is evolving from the traditional liquidity and IRBB management into a broader definition of active balance sheet</li> <li>▪ What is the role of ALM today?</li> </ul>                                                                                             |
| <b>11:00</b> | BREAK                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>11:15</b> | How to optimize banking book? <ul style="list-style-type: none"> <li>▪ Integration between IRRBB and Liquidity risks</li> <li>▪ Target metrics for IRRBB measurement</li> <li>▪ Target metrics for liquidity risk management</li> <li>▪ Can the optimal ALM strategy be defined through the application of the optimization methods in order to provide you with the optimal direction of your banking book?</li> </ul> |
| <b>12:30</b> | LUNCH                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>13:30</b> | CASE STUDY: building the optimization boundaries                                                                                                                                                                                                                                                                                                                                                                        |
| <b>15:00</b> | Balance Sheet optimization through the numerical optimization - choosing the right method: <ul style="list-style-type: none"> <li>▪ What is the objective function in the optimization exercise?</li> <li>▪ What are the constraints functions in the optimisation exercise?</li> </ul>                                                                                                                                 |
| <b>17:00</b> | Close                                                                                                                                                                                                                                                                                                                                                                                                                   |

## DAY 4

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| <b>08:30</b> | Registration                                                                                                                                                                                                                                                                                                                                                                             |
| <b>09:00</b> | Formulation of the optimization process: <ul style="list-style-type: none"> <li>▪ Initial structure of the banking book</li> <li>▪ ALM assumptions</li> <li>▪ Building the objective and constraints function for interest rate risk and liquidity risk in the optimization process</li> </ul>                                                                                           |
| <b>11:00</b> | BREAK                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>11:15</b> | CASE STUDY: Optimization of the funding base                                                                                                                                                                                                                                                                                                                                             |
| <b>12:30</b> | LUNCH                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>13:30</b> | Quantification of the economic benefits coming from the optimization exercise: <ul style="list-style-type: none"> <li>▪ Sensitivity analysis of the optimization model - identification of the sensitivity factors</li> <li>▪ How does the result of the optimization process change under different scenarios?</li> <li>▪ How to apply the optimization process in practice?</li> </ul> |
| <b>14:45</b> | BREAK                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>15:00</b> | The role of the Funds Transfer Pricing in optimization process: <ul style="list-style-type: none"> <li>▪ Balance sheet shaping through FTP</li> <li>▪ Incentive scheme</li> <li>▪ Management overlay - achievement of the strategic objectives through FTP</li> </ul>                                                                                                                    |
| <b>17:00</b> | <b>End of workshop</b>                                                                                                                                                                                                                                                                                                                                                                   |



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Moorad Choudhry Financial and BL Advisory & Consulting

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LONDON, 23-26 MAR 2020

COURSE FEE: 2500£ plus VAT

TO BOOK A PLACE: fill in the form below and email it to [beata@bladvisory.com](mailto:beata@bladvisory.com)

FOR ENQUIRES CONTACT: [beata@bladvisory.com](mailto:beata@bladvisory.com) ▪ +44 (0) 7919 413381

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A VAT invoice will be issued to confirm your booking and joining instructions will be sent seven days before the course.

- Cancellations received 30 days prior to course commencement will be eligible for a refund less an administration charge of £50.
- After this time no refund can be made although a substitute delegate is acceptable.
- The organizer reserves the right to cancel the course. Full refund will be given.