

“Interest rate risk in the banking book continues to be a key issue for many banks and they have to be able to enhance and adapt their approach within a changing environment”

Live Online Training Course: Interest Rate Risk in the Banking Book – Active Management and Strategy

A structured online course delivered in four half-day sessions
over four weeks

Module One:

The course

Module Two:

The benefits of attending our training courses are well known. Apart from the practical knowledge gained from the trainers there is also the opportunity to benchmark your business processes against industry best practices along with gaining valuable insights from the other participants. Often however the pressures of work or budget constraints make it difficult to travel to courses and be there in person. This live online training course has been created in order to enable executives from banks worldwide to experience the benefits of a live course from their office or home.

Module Three:

The course delivered over four weekly sessions will prepare financial institutions for the new regulatory landscape in relation with IRRBB and to enhance profitability through the application of the active management techniques of this important risk category which has gained its importance over recent years. A proper IRRBB framework creates an opportunity for income generation both under near term and longer term horizons. Mismanagement can be very expensive and have implication across different areas of a bank. The first challenge in management of IRRBB consists in defining the strategy and steering approach which is consistent with a bank's business model. The course will support in answering so important questions such as which steering approach should be used in order to manage IRRBB on a regular basis? Additionally, it will shed light on Credit Spread Risk in the Banking Book and the metrics which should be used to measure it. By the end of the session participants will be provided with the simplified model of the calculation of NIIS and EVE volatility compliant with the BCBS requirements.

Module Four:

Your Expert Trainer

Beata Lubinska, PhD
Founder and CEO
BLAdvisory

To view our full course calendar, please go to www.me-financialtraining.com

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CPE credits available upon completion

How you will benefit

- **Understand** the importance of IRRBB as a profitability enhancer
- **Gain** knowledge on the IRRBB measurement techniques
- **Overcome** the practical challenges related to the BCBS 368 requirement
- **Understand** the trade off between the strategy and steering of IRRBB
- **Comprehend** the importance and techniques for measurement of CSRBB
- **Examine** hedging strategies and hedging instruments in great depth
- **Gain** knowledge on how to create the IRRBB stress testing and reverse stress testing framework

Interest Rate Risk in the Banking Book – Active Management and Strategy

Program

Interest rate risk in the Banking Book - key challenges

- What is IRRBB and why is it important?
- Comprehensive and feasible IRRBB strategy and steering approach – key questions to be answered
- IRRBB measurement, management and strategies
- Repricing Gap analysis as an important tool for the understanding of the IRRBB position of a bank
- Measuring Net Interest Income (NII) risks with static and dynamic sensitivity analysis
- Measuring Economic Value of Equity (EVE) and its sensitivity
- Analysis of the interest rate shocks
- Analysis of the impact of the automatic options on the EVE metric
- Re-investment and re-funding risks

IRRBB risk subtypes for the definition of the Risk Appetite Statement for IRRBB

- Basis risk – what it is and how to measure it
- Repricing risk – what it is and how to measure it
- Option risk – automatic options and behavioural options
- Yield risk – what it is and how to measure it

Credit spread risk in the banking book - the new IRRBB risk category

- European Banking Industry Common Understanding of CSRBB as defined by EBA Guidelines
- Which assets are in scope of CSRBB?
- How to measure the CSR in the Banking Book?
- Sensitivity to asset swap spread
- Potential metrics to measure CSRBB and proportionality approach

Case study: Calculation of impact of automatic options on the EVE metrics under 6 regulatory shocks

Case study: Calculation of the NII sensitivity and EVE volatility under different interest rate scenarios

Case study: Margin compression and how to hedge it?

- Trade-off between hedging and funding strategies
- Impact of IRR and liquidity mismatches on NII
- Understanding the “trade-off” between profitability and risk - real challenge of ALM analysis
- Important links for liquidity management and transfer pricing through ALM

Case study: Undertaking different hedging and funding strategies – what happens?

- Is it better to manage the ALM position through natural hedging or derivatives?

Case study: Pros and Cons of the use of derivatives – practical example

Hedging instruments for IRRBB

- FRA
- IRO – floors, caps and collars
- Swaptions
- Amortizing swaps
- Bullet swaps

IRRBB metrics

- NII volatility
- EVE sensitivity
- PV01 and time bucket sensitivity
- CSR01
- VaR
- EaR
- Duration of equity
- Duration Gap = DGAP

Case study: Calculation of NIIS through the flows and stock approach

Managing IRRBB on ongoing basis in banks

- IRRBB strategy
- IRRBB identification
- IRRBB measurement through NIIS, EV, PV01, VaR
- IRRBB mitigation
- IRRBB monitoring and ALCO discussion

Case study: Analysis of the IRRBB metrics – is the IRRBB well managed?

IRRBB stress testing and ICAAP

- Internal versus normative view in stress testing
- ICAAP methodology for IRRBB
- Objectives of stress testing
- Reverse stress testing

Case study: Creating IRRBB stress test scenario

Conclusions

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About your expert trainer

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, based both in Milan and London. Currently she leads a small boutique consulting company, BL Advisory & Consulting in London.

Previously she was the Head of Market Risk of the MeDirect Group in London with her main focus being IRRBB, Market Risk, and Balance Sheet Management. Beata is also a member of the BTRM Faculty founded by Professor Moorad Choudhry in London. In addition, Beata is actively providing trainings for banking industry professionals across the globe (Kuwait, London, USA, Oman, Qatar, and Turkey).

Beata is an author of the book "Asset Liability Management Optimization – A practitioner's guide to balance sheet management and remodelling" published by Wiley & Sons Ltd in London. Her main areas of specialization include: Funds Transfer Pricing, Interest Rate Risk in the Banking Book, Asset Liability Management, and Balance Sheet management through FTP and optimization.

Beata holds a PhD granted by Wroclaw University of Economics in Poland. 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.

What people are saying about this course

"This is a great course! I truly enjoyed it and it helped me to increase my understanding"

National Bank of Canada

"Very good, lots of content and applicable and interesting real-life stories/examples"

Morgan Stanley

"Well presented. Allowed for good group discussion"

ATB Financial

"Useful, provoking thoughts on the linkage between FTP, P&L, Budgeting and IRR & Liquidity Risk"

Discover Financial

For more testimonials, see:

davidgreenadvisors.com/about/testimonials

about...

Who should attend?

- Liquidity managers and IRRBB managers
- Finance professionals
- Bank treasurers and treasury professionals
- ALM professionals
- ALCO members
- Advisors at consultancy firms
- Bank supervisors

Key Benefits Include

- All the benefits of attending a live course without the time and expense of having to travel.
- Receive an electronic copy of the course material prior to commencement
- Practical case studies for participants to work on after the conclusion of each session which will then be discussed the following week
- Gain the perspective of other participants both during and after each session

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financial markets training

marcus evans financial markets training division has been developed to offer courses of the highest calibre to industry practitioners. Our clients' increasing demands for high quality hands-on training, drives our focused output. Thorough research ensures their applicability to your current business concerns.

Training courses are being offered on a world-wide basis from our production offices across Europe, the US, Australia and the Asia Pacific region. This international network affords a global view of emerging training needs in the most dynamic industries.

Most major financial institutions have attended our courses including:

Goldman Sachs, Morgan Stanley, JP Morgan, HSBC, Barclays, Citi, Nomura, Credit Suisse, Bank of America, Citizens Bank, Wells Fargo, GE Capital, ING, Scotia Bank, CIBC, Royal Bank of Canada, ITAU BBA & Banco Bradesco

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