

PRACTICAL  
SEMINAR

LISBON (local TBC)

# ASSET AND LIABILITY MANAGEMENT: A PRACTICAL APPROACH

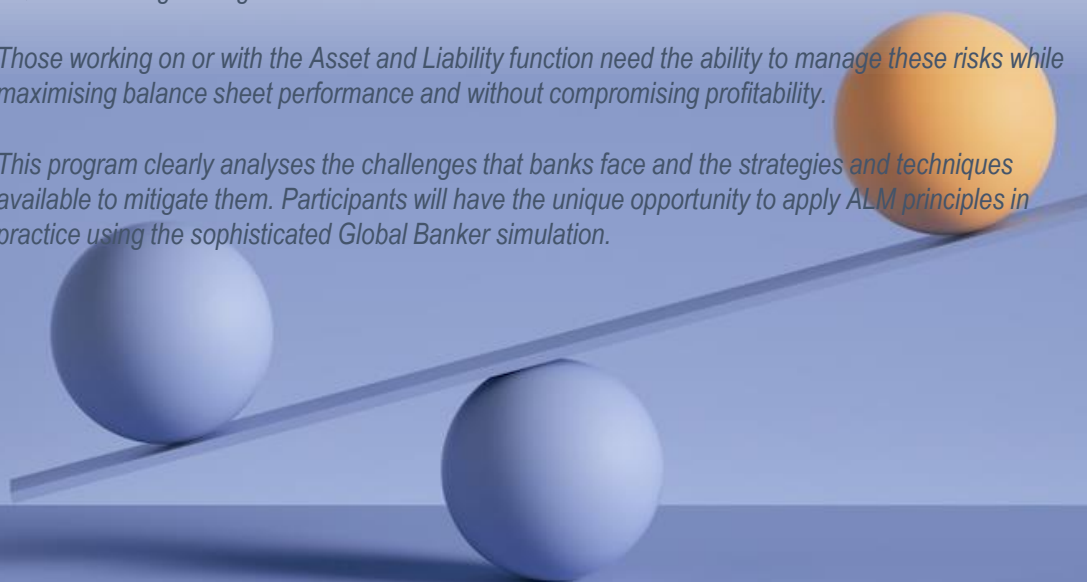
## CURRENT CHALLENGES

*Bank Asset and Liability Management currently faces a number of challenges including:*

- *Instability in the banking sector arising from the collapse of banks like SVB, Credit Suisse, and First Republic*
- *The return of higher interest rates and its impact on investment portfolios*
- *Tightening of banking regulations*
- *The implementation of Basel IV and the FRTB*
- *Potential deterioration of credit quality during an economic slowdown*
- *Volatility in global financial markets*
- *Geo-political uncertainty*
- *Quantitative tightening*

*Those working on or with the Asset and Liability function need the ability to manage these risks while maximising balance sheet performance and without compromising profitability.*

*This program clearly analyses the challenges that banks face and the strategies and techniques available to mitigate them. Participants will have the unique opportunity to apply ALM principles in practice using the sophisticated Global Banker simulation.*



2023  
17, 18, 19 APRIL

### Informations:

Ana Margarida Soromenho

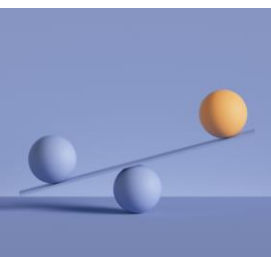
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# ASSET AND LIABILITY MANAGEMENT: A PRACTICAL APPROACH

## PRACTICAL SEMINAR

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### INSTRUCTOR

**Dr Lawrence Galitz**

### WHO SHOULD ATTEND

Anyone working at management level within a commercial bank, those working in ALM, risk, credit, treasury, liquidity, or strategy. In addition, central bank regulators and anyone else responsible for banking supervision at national, regional, or state level.

Those in corporate lending, funding, capital markets, investment, operations, accounting, legal, or support functions, will also benefit by gaining an appreciation of the issues faced by their colleagues in other divisions.

**LOCATION:** Lisbon (Location to be confirmed)

**DURATION:** 3 Days

**TIMETABLE:** 17 and 18 April : 9:00-17:30  
19 April: 9:00-17:00

**FEE:** APB member: 2 200 € / Non-members: 2 530 €

### INSTRUCTOR

**Dr Lawrence Galitz** is a director and founder of ACF Consultants. Dr Galitz has an international reputation for delivering training seminars for the Global Financial Markets. His book – the *Financial Times Handbook of Financial Engineering* – when published has become an international standard. He has also contributed to *The Handbook of European Fixed Income Securities* (2004) edited by Frank Fabozzi.

### ABOUT ACF

ACF Consultants provides learning services and supporting technology to the finance sector. Our clients are global investment and commercial banks, financial institutions, and regulators. ACF is innovative, resourceful, and agile, and we aim to provide a personal tailored service to every client.

### WHY THIS PROGRAM IS DIFFERENT

Practice in other ALM seminars focuses on case studies and spreadsheet-based exercises.

This program is different because, in addition to these traditional methods, participants will also have the opportunity to apply and experiment with ALM principles and practices in the context of a simulated commercial bank. Global Banker gives participants a panoramic view of the entire bank and how various divisions influence each other.

The Global Banker simulation goes far beyond the capabilities of a spreadsheet. The sophisticated and multi-faceted bank simulation uses over 100 interlinked financial and behavioural models to create a highly realistic experience covering all aspects on commercial banking. The complex topics that make up the workings of a bank, which must be considered by ALCO members, are simulated in a coherent, interactive simulation that responds accurately as the levers are pulled. Participants get instant feedback, and learn quickly how to improve their decision-making.

In addition, and importantly, the program features the latest changes in ALM created by the phasing in of Basel IV, the latest implementation of the Basel regulatory framework.

### LEARNING OUTCOMES

Over an intensive three-day period, participants will:

- Obtain an **overview of bank operations** – seeing clearly how everything fits together
- Understand **asset and liability management concepts** – and how they affect day-to-day decisions throughout the bank
- Appreciate the **practical impact of Basel IV** and the **FRTB** on bank operations
- Establish how to **increase profitability** through the design and execution of **successful strategies** – taking into account the need for **liquidity** and the **cost of capital**
- Identify and analyse a **bank's exposure** to the various sources of **risk** – and how to control risk within acceptable bounds
- Appreciate the **key interactions** between **funding, lending, liquidity, and capital**
- Assess how **derivatives** like interest rate swaps and credit default swaps can enable banks to **manage their exposure to interest rate and credit risk**
- Explore how successful **securitisation** can help banks manage their balance sheet
- **Apply various ALM strategies** in a realistic and challenging simulated bank environment
- Broaden the **breadth and depth** of their **banking knowledge** – learning about and gaining first-hand experience within each major area of the bank



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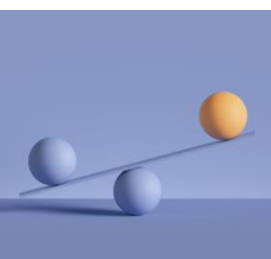


#### Pedidos de Cancelamento:

- Só poderão dar origem ao reembolso total do valor pago, quando recebidos até 5 dias úteis antes da data de início do curso. A partir deste prazo, a inscrição será paga na totalidade, podendo, no entanto, o participante ser substituído por outro;
- Deverão ser efetuados por e-mail e rececionados pelo IFB dentro do prazo acima estabelecido.

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## PROGRAM CONTENT

### Asset and Liability Management

- ALM concepts
- Implementing the ALM approach
- Role, responsibilities and functioning of an ALCO
- Gathering data to support the ALCO
- Integrating total bank operations – credit, finance, trading, treasury and risk management
- Establishing profit-centres
- Measuring profit-centre contribution
- Funds transfer pricing (FTP)
- Modelling and simulation

### Balance Sheet Structures

- On- and off-balance sheet accounts
- Interest rate risk measures
- Securitisation
- Regulatory ratios
- Capital adequacy
- Liquidity
- Hot Topic: The importance of credit risk, liquidity, and capital in today's environment

### Risk Management

- Identifying banking risks
- Credit risk: Exposure from traditional lending and through credit derivatives
- Liquidity risk – liquidity demands vs. liquidity resources
- Interest-rate risk: Maturity mismatch, Gap risk, Yield-curve risk
- Currency risk
- Duration risk
- Operational risk
- Quantifying risk exposures
- Controlling risk through pro-active risk management  
Hedging techniques using derivatives
- Integrating and combining risks
- The Value-at-Risk (VaR) approach
- Expected Shortfall – what is it and what does it add?
- Hot Topic: Measuring risk in a stressed environment – beyond the VaR and ES approaches

### Profitability

- Measuring profitability: RoA vs. RoE
- Risk-adjusted returns
- Capital-adjusted returns
- Risk-return trade-off
- Impact of capital and liquidity requirements on bank profitability
- Cost of implementing hedging programs
- Hot Topic: The impact of ALM on profitability

### Lending Policy

- Credit risk and its impact
- Risk assessment
- Establishing acceptable levels of risk-adjusted return
- Using credit derivatives to manage credit risk exposure
- Achieving the right lending mix
- Retail vs. corporate
- Floating-rate vs. fixed-rate
- Syndicated loans
- Pricing
- Hot Topic: The importance of credit risk management in today's environment

### Liquidity, Financing Policy, and Basel Liquidity Ratios

- Retail vs. money-market funding
- The role of the money-markets
- Liquidity risk from market funding
- Competing for retail deposits
- Minimising costs of money market funding
- Timing
- The Liquidity Coverage and Net Stable Funding Ratios
- Hot Topic: How much will the Basel liquidity rules affect my bank?



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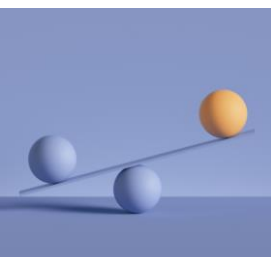
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## PROGRAM CONTENT

### Treasury Management

- Investment assets – Bills, CDs, Commercial paper, and Bonds
- The impact of higher rates on investment portfolios
- The hidden dangers of HYM and AFS investments
- What went wrong with SVB?
- Using derivative instruments – futures, swaps, and options
- Controlling risk
- Managing cash flows and liquidity
- Investment management
- Hot Topic: Investment policy in a higher-rate environment

### Capital Management

- Raising capital
- Debt vs. equity vs. hybrid instruments
- Floating-rate vs. fixed-rate debt
- Callable bonds
- Convertibles, equities
- Measuring the cost of capital
- RAROC
- Capital allocation
- Securitisation of assets
- Hot Topic: Managing the capital base – what is the best strategic choice?

### Capital for Credit and Operational Risk – Basel I through Basel IV

- Tier One, Tier Two, and RWA
- Pillars I, II, and III
- Standardised (SA) vs. Internal Ratings Based (IRB) approaches
- Foundation vs. Advanced IRB approaches (F-IRB vs. A-IRB)
- Using internal credit models
- PD, EAD, and LGD
- Allowance for credit risk mitigation: collateralisation and credit derivatives
- Operational Risk
- Counterparty Credit Risk (CCR)
- Credit Valuation Adjustment (B-CVA, SA-CVA)
- Securitisation (SEC-SA, SEC-ERBA, and SEC-IRBA)
- Large Exposures
- The Capital Conservation Buffer (CCB)
- The Countercyclical Buffer (CCyB)
- Capital and Leverage ratios
- Capital floors
- Step-in risk
- Key changes from Basel III to Basel IV
- Hot Topic: How does Basel IV affect my bank?

### Capital Review for Market Risk – The Fundamental of the Trading Book

- Key features of the FRTB
- Trading vs. Banking books
- Trading desks
- The Standardised Approach (SA)
- Delta, vega, and curvature risks
- The Internal Models Approach (IMA)
- Shift from VaR to ES
- Default Risk Charge (DRC)
- Residual Risk Add-on (RRAO)
- Model Validation and Non-Modellable Risk
- Incorporating market illiquidity
- Hot Topic: How does the FRTB affect my bank?



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