



Treasury & Risk Management Roadshow

Prof. Moorad Choudhry

23-25th June 2020



Our mission



Forte Markets specializes in practitioner based training focusing on the Banking, Financial and Legal sectors. Our aim is to develop practical knowledge and skills by using industry professionals and leading subject matter experts as our workshop leaders and consultants.



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

The purpose of this roadshow is to bring Moorad Choudhury to the region for the 5th time to deliver four days of comprehensive workshops covering a number of key regulatory topics for Banks :

- ▶ **Basel III/IV**
- ▶ **Interest Rate Risk in the Banking Book**
- ▶ **ALCO Governance**



Days 1 & 2

BASEL III & BASEL IV Implementation. ALM & ICAAP. ILAAP Best Practice Process

This workshop guides participants through the key areas of bank asset-liability management (ALM): capital, liquidity, leverage, RWA changes and interest rate risk in the banking book, to ensure that they are able to implement best-practice in their bank, and to optimise the “3-dimensional” optimisation problem of meeting the requirements of all stakeholders.

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
- Implement an integrated liabilities strategy that will optimise the liability structure while enabling efficient compliance with NSFR and LCR
- Manage the balance sheet efficiently to account for new capital regulations such as Leverage Ratio
- Ensure efficiently interest rate risk in the banking book is managed to minimise the regulatory capital charge
- Incorporate latest RWA changes 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

Workshop Breakdown

DAY 1

08:30 Registration & morning coffee

09:00 Introduction

09:30 Base III Liquidity: LCR

- Reporting
- Optimisation
- Impact on liabilities strategy

10:30 Basel III Liquidity: NSFR & Reporting

- Strategic ALM and balance sheet management implications

11:00 Additional monitoring metrics & Intra-day liquidity requirements

12:00 LUNCH

13:00 ILAAP Principles

- What makes a good ILAAP? What makes a poor ILAAP?
- Ensuring an efficient and value-added ILAAP process

CASE STUDY: An ILAA review session

15:00 HQLA Portfolio Principles

- Asset selection criteria
- Hedging the HQLA portfolio under "Strategic
- ALM" principles
- Handling the cost of maintaining the HQLA portfolio

17:00 End of Day 1

DAY 2 [Morning]

08:30 Registration & morning coffee

09:00 Basel III Capital:

- Capital management
- Balance sheet management

10:00 Basel III and BASEL IV Capital: RWA Changes

- Balance sheet management
- Capital floors and impact on business lines

11:00 BASEL III - Interest Rate Risk in the Banking Book
Ensuring compliance and minimising the regulatory capital charge

CASE STUDY: ICAAP process best-practice principles

Day 2 & 3

IRRBB

Interest-Rate Risk in the Banking Book (IRRBB) Best-Practice Principles.

Compliance with the Basel Committee's standards on interest-rate risk in the banking book (BCBS 368) presents significant challenges to all banks with respect to measurement, calculation and hedging of interest rate risk, and this whole area is the subject of intense focus from the regulatory authorities. Banks need to ensure they are able to address all the requirements of the regulatory whilst ensuring regulatory capital optimisation

This one-day workshop provides comprehensive coverage of business best-practice approach to IRRBB, to ensure optimum compliance with Basel Standards. It explains the process and implementation of an efficient IRRBB measurement, reporting and hedging framework in clear and practical terms, to enable delegates to acquire an understanding of best-practice IRRBB principles, and how they can be integrated into ALM policies, thus optimising the bank's risk management framework.

By the end of this workshop you will be able to:

- Understand the value and importance of an effective IRRBB mechanism
- Be able to ensure best-practice measurement, reporting and hedging for your bank's IRRBB process framework
- Understand the use, calculation and application of the two reporting measures (NII and EVE)
- Implement a best-practice IRRBB regime in your bank
- Operate your bank's IRRBB process efficiently and effectively

The workshop is aimed at experienced or middle-ranking Treasury, Risk, Finance and Business Line practitioners, and covers the complete spectrum of IRRBB from regulatory compliance, measurement, and behavioural modelling to stress testing and hedging. Delegates take part in Group Exercises that aim to demonstrate the IRRBB framework in a practical, observable context

Workshop Breakdown

Afternoon Session – 24th June 2020

Overview

- Significance of interest rate risk for banks
- Definition of interest rate risk and its various forms
- Regulatory landscape
- Basel standards
- EBA guidelines
- PRA Pillar 2 guidance
- IRRBB link to capital

Reporting metrics: NII and EVE

- Understanding and applying the value approach
- Understanding and applying the income approach
- Methods for calculating EVE and NII sensitivity
- EVE vs MVE

IRR challenges and how to overcome them

- Assessing different types of risk – yield curve, basis, option, residual
- Modelling assumptions
- Behaviouralisation approach
- Approaches to modelling deposits
- Non-dated liabilities and their hedging
- Pipeline and pre-hedge risk
- The treatment of capital

Morning Session 25th June

Data requirements

- Balancing model sophistication and the cost of implementation
- Data quality

Stress testing

- Selection process of shock and stress scenarios
- Reverse stress tests
- Addressing key challenges of running stress testing exercises
- Scenario approach

Managing/mitigating IRRBB

- Cash versus derivative hedges
- Management actions

Implementing your IRRBB measurement solution

- The Basel Committee Standard on Interest Rate Risk in the Banking Book
- The Standardised IRR Framework
- IRR Principles
- Internal governance
- Enhanced disclosure requirements
- Assessing the operational impact of IRRBB
- What does best practice look like?
- Strategic ALM

Day 3

ALCO Governance

The asset-liability committee (ALCO) is the primary balance sheet risk forum in a bank, and is recognised as such by the Regulatory Authorities. An efficient ALCO process enables a bank to manage risk effectively and optimise its balance sheet, with resulting positive impact on profit.

Crucially, in the era of the Senior Managers Regime (SMR), a robust ALCO infrastructure is an essential ingredient in best-practice corporate governance.

This one-day interactive workshop will raise awareness and understanding of recommended best-practice principles for bank ALCO governance and procedure. Aimed at senior managers and executives in any banking institution, as well as all staff involved in the ALCO process, the course presents essential tools required to inculcate the right governance culture in a bank. This includes a range of policy templates that can be applied in any bank, together with real-world examples and case studies to demonstrate techniques.

Delegates will gain a clearer understanding of how to formulate and drive the ALCO governance process in the most effective way, plus a tool-kit of best-practice ALCO templates.



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By the end of this workshop you will be able to:

- Understand the proper role of the asset-liability committee in Bank governance and risk management
- Learn how to implement a genuinely effective and robust ALCO process
- Become familiar with ALCO organisation and operating framework
- Understand the ALCO as part of the balance sheet risk triumvirate
- Draft, as part of a group exercise, the ALCO Agenda and MI Pack

Workshop Breakdown

Afternoon Session 25th June

The role of the asset-liability committee in Bank governance and risk management

- Bank risk management operating framework
- Board and ExCo interaction

ALCO organisation and operating framework

- Membership, responsibilities
- The ALCO Terms of Reference: best-practice framework
- Reporting line and Board-delegated authority
- Confirming the timetable and “standing items” diary
- Sub-committee organisation and reporting
 - Balance sheet management committee
 - Products pricing committee

ALM policy framework

- Policy approval process
- Appropriate policy-setting procedure: fitting policy in line with the bank operating model
- Hedging policy

Working as part of the balance sheet risk triumvirate

- Effective interaction with CRO and CFO offices and committees
- Managing and driving balance sheet risk culture

The ALCO MI pack

- Guidelines for constructing a fit-for-purpose MI deck
- Recommended ALCO MI pack template structure

WORKSHOP EXERCISE: Drafting the ALCO Agenda and MI pack

- Balance sheet review: assessing items for the ALCO agenda
- Datasets for inclusion in MI pack
- Most effective way to communicate risk exposure data and MI
- Forward planning: the year’s schedule, agenda of standing items + schedule

Professor. Moorad Choudhry Course Leader



Professor Moorad Choudhry is the former Chief Executive Officer of Habib Bank AG Zurich in London, and Honorary Professor at University of Kent Business School. Prior to joining Habib Bank, Moorad was Head of Treasury at RBS Corporate Banking, Head of Treasury at Europe Arab Bank, Head of Treasury at KBC Financial Products and vice- president in structured finance services at JPMorgan Chase Bank. He began his career at the London Stock Exchange in 1989.

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.

Moorad has authored over 20 textbooks on finance and banking.

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