

PROMETEIA RISK ACADEMY

# ALM Masterclass

*A deep dive into the best practices of **Balance Sheet Management**:  
finding the optimal balance between Risk and Performance  
in compliance with the latest regulatory standards*



# Asset and Liability Management Masterclass

Over the past few years, ALM has been increasingly subject to scrutiny from regulatory authorities, which have stressed the importance of Interest Rate, Funding and Liquidity Risk, introducing also mandatory risk indicators, such as the LCR and the NSFR. In this scenario, new managerial practices and regulatory frameworks were developed to better identify the sources of these risks and mitigate their effects on P&L and capital requirements. **As a key element of the Asset Liability Management process, Funds Transfer Pricing (FTP)** has become not only crucial to understand the sources of profitability in a financial institution, but also plays a fundamental role for managing effectively market and liquidity risk. **Active Balance Sheet Management must nowadays combine consistently both Risk and Performance perspectives** to achieve its institutional goals. The **complexity of this holistic representation** raises further challenges for the bank in terms of methodology, governance and technology.

## YOUR EXPERT TRAINERS

Prometeia has a unique track record in the field of ALM, Liquidity Risk and Funds Transfer Pricing:

- **Over 70 ALM and FTP projects successfully delivered in the last 3 years** in EMEA, supporting business processes and regulatory compliance of Risk, Finance and Treasury
- **Over 500 implementation consultants and IT engineers fully dedicated to Risk projects** (ERM and Buy-side), of which 300 specialised in ALM, Market and Liquidity Risk management
- **Over 25 years of experience in developing ALM solutions**, covering IRRBB, Managerial and Regulatory Liquidity, FTP, Hedge Accounting and other related fields

## THE COURSE

**This two-day course addresses comprehensively the whole spectrum of ALM and Balance Sheet Management, covering IRRBB, FX and Liquidity Risks along with FTP and Profitability challenges.**

**This course shows what the role of the ALM Function has become within a modern banking institution**, where FTP is the key tool to steer multiple strategic processes, such as performance measurement, risk allocation and external pricing. **The first day focuses on the identification and measurement** of IRRBB, FX, Funding and Liquidity Risks. It discusses the impact of behavioural assumptions and the corresponding modelling methodologies to be used. It raises the

limits of ongoing static representations and highlights the importance of holistic stress testing and simulation exercises to project both regulatory and managerial KRIs and KPIs dynamically in the future. **The second day deals with the integration of market and liquidity risk into a holistic framework**, focusing on Fund Transfer Pricing and dynamic Balance Sheet forecasting. In this context, the analysis will conclude with the challenges that are faced by an effective ALM implementation, in terms of organizational structure, operational model, governance and IT architecture. **Participants will be actively encouraged to discuss issues relating to their own bank and local market.**

## THE TRAINING PACKAGE INCLUDES:

- **Live interactive workshop** with no limit to the number of participants from the Bank
- **Combination of industry best practices and concrete experience** acquired in both advanced and emerging markets
- **Comprehensive take-away course documentation**
- **Post-course contact with trainers** to address further concerns and draft a roadmap

## HOW WILL YOU BENEFIT?

**This 2-day course will be highly interactive with practical examples** to explain concepts and group discussion will be encouraged throughout. Attendees will gain knowledge and know-how regarding:

- **The sources of each risk** and their materiality for the Bank
  - **The role of the ALM Function** to ensure active balance sheet management
  - **The intricacies of the holistic Risk and Performance representation**
  - **The impact of regulatory guidance** on the ALM process
- Plus
- **The implementation challenges** of an effective ALM & Treasury Risk governance

## WHO SHOULD ATTEND?

The course is suitable for:

- **Risk, ALM, Treasury, and Finance** departments
- **Other governance functions** such as Planning, Regulatory Reporting, IT, Internal Audit

## PROGRAMME

## DAY 1

### Models and Methodologies for Interest Rate and FX Risk

- Role of the **ALM Function** and Equity investment strategies
- Identification of **material components** of IRRBB and FX Risks
- The “**value**” approach and the “**income**” approach of IRRBB measurement
- The importance of **behavioural** assumptions
- The risk embedded in **current accounts and sight deposits**
- The risk embedded in products with **early termination options**

### Models and Methodologies for Liquidity and Funding Risk

- Identification of **material components** of Liquidity and Funding Risk
- Counterbalancing Capacity (CBC) and **Time-to-Survival** for Liquidity Risk measurement
- **Regulatory requirements** (LCR & NSFR) and what this means in practice
- Definition of relevant **stress testing scenarios** on rollover, haircuts and time-to-sell assumptions
- **Integration between Managerial and Regulatory** Liquidity perspectives

## DAY 2

### Models and Methodologies for Risk & Performance Integration

- **Role of Funds Transfer Pricing** in modern banking organisations
- The **building blocks** approach to Funds Transfer Pricing
- **FTP modelling approach for Equity** and other non-maturing assets and liabilities
- Allocation of **FTP charges and revenues** and the role of ALM risk warehouses
- **Dynamic projection of budget strategies**, forecast of market scenarios, rollover and other behavioural assumptions
- **Integrated simulation** of all **Key Risk Indicators (KRIs)** and **Key Performance Indicators (KPIs)**

### Implications on Operational Model, Organisational Structure and Governance for ALM

- Phases of the **Operational ALM and Funding Planning** Process
- **Options for managing** IRRBB, FX and Liquidity Risks from a Treasury operational perspective
- **Natural hedging versus derivatives** hedging strategies
- **FTP and its interactions** with the ALM Operational Model
- The concept of **Risk Appetite** and its implementation in terms of ALM Governance
- The **three lines of defence** model as optimal organizational structure

### ALM Implementation Challenges

- The necessity of an **integrated Risk & Performance solution**
- **Advanced** modelling, stress testing and **forecasting** requirements

# About Prometeia

Prometeia is a global provider of consulting services and business solutions focused on Risk & Performance Management. Since 1974, we supply highly specialised advisory, analytical tools and research programs, integrating quantitative models, market and customer data, financial and economic scenarios. With over 700 industry experts, we serve over 200 financial institutions in 20 different countries, through a consolidated network of foreign branches and subsidiaries located in Europe, Africa and Middle East. Prometeia's client base includes primary financial institutions, central banks and multilateral organisations, as well as local banks and credit unions.

## OUR UNIQUE BUSINESS MODEL COMBINES



## PROMETEIA RISK ACADEMY

Prometeia's business model sets it apart from traditional professional training providers: its teaching relies heavily on real world practical experience, since Prometeia's matter-experts are constantly involved in the delivery of Risk Management projects in a multitude of banks and financial institutions. Prometeia's training mission is to add value to customers by building a bridge between economic theory, econometrics, finance and day-to-day banking challenges.