CIBFM
Centre For Islamic Banking, Finance And Management

ALM VISION

2-DAY WORKSHOP ON ASSET LIABILITY MANAGEMENT (ALM) WITH THE CENTRE FOR ISLAMIC BANKING, FINANCE AND MANAGEMENT (CIBFM) AND ALM EXPERT SERGE MOULIN, FOUNDER & CEO, ALM-VISION S.A.S. (EUROPE)

ASSET LIABILITY MANAGEMENT

- PRINCIPLES AND SIMULATIONS OF STRUCTURAL RISK MANAGEMENT STRATEGY -

- 2-DAY SIMULATIONS-BASED WORKSHOP -

28-29 MARCH 2017

8:30AM-12:15PM
1:30PM-5:00PM

CENTER FOR ISLAMIC BANKING, FINANCE AND MANAGEMENT (CIBFM)
LEVEL 3 ILIA BUILDING
UNIVERSITI BRUNEI DARUSSALAM CAMPUS
JALAN TUNGKU LINK BE1410
NEGARA BRUNEI DARUSSALAM

STAKEHOLDER .....BND $2,980.00
NON-STAKEHOLDER .....BND $3,380.00

FEE INCLUDES WORKSHOP MANUALS, PRACTICAL SESSIONS, REFRESHMENTS AND A CERTIFICATE OF ATTENDANCE (FOR FULL PARTICIPATION)
FOR FULL REGISTRATION INFORMATION SEE BACK OF BROCHURE
(STAKEHOLDERS ARE PARTICIPANTS FROM MOF, AMBD AND ALL DOMESTIC BANKS IN BRUNEI DARUSSALAM)

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ASSET LIABILITY MANAGEMENT

- PRINCIPLES AND SIMULATIONS OF STRUCTURAL RISK MANAGEMENT STRATEGY -

INTRODUCTION TO THE WORKSHOP

The financial crisis stressed the importance of liquidity and interest rate risk management. Subsequent prudential and regulatory responses that followed the crisis entirely renewed the way in which Asset Liability Management (ALM) is run. It is in light of these regulatory initiatives that ALM-Vision developed this workshop.

The workshop is of great value to risk management and financial management teams, risk supervision teams and banking professionals seeking an interactive and simulations-based workshop to gain broader exposure to international best practices in Asset Liability Management.

PARTICIPANTS WILL GAIN

Participants to this interactive workshop will gain exposure to international best practices in ALM and to the integration of new international standards to the operational modeling of their Asset Liability Management including stress testing and assessing liquidity risk, market risk, looking at Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), etc. under IAS/ IFRS. The course integrates theoretical dimensions of Asset Liability Management to practical simulations with a user-friendly simulation software:

- Dynamic modeling of income statements and balance sheet, key variables to model, modeling new production,
- Scenario creation and stress-testing: defining scenarios for Asset Liability Management
- Ways of adjusting the balance sheet to reduce exposure to liquidity risk and interest rate risk (swaps, swaptions, cap floors if available) and commercial products,
- Calculating Funds Transfer Pricing (FTP) and profitability on the capital of a transaction under Basel II and III, analysis of the prepayment option,
- Methodological reconciliation of static and dynamic gaps.

Participants will reinforce their culture in Asset Liability Management with an analysis and explanation of the issues faced in recent cases of institutional failure observed during the crisis.

OUR EXPERTISE

ALM-VISION is a specialized quantitative modeling firm, focused on ALM modeling and advisory to financial institutions: banks, insurance companies, pension funds, real estate funds, governments. ALM-Vision brings a market perspective to the global ALM issues that companies face. We provide support to our clients in the setting up of an Asset Liability Management solution or in the independent review of an existing solution, in modeling and scientific advisory (hedging prepayments, pricing and unwinding complex operations etc.). In banking, our proprietary software ALM-Solutions® Bank ALM is developed to assist decision-makers with flexibility and precision in modeling the bank income statement and balance sheet together with major ratios for advanced financial analysis and ALM. We assist teams in charge of monitoring interest rate, credit and liquidity risk in developing, understanding and validating assumptions and models, assessing the impact of a variety of scenarios and stress tests on the balance sheet and income statements.

In the insurance sector, ALM-Vision brings a market perspective to the global actuarial issues that insurance companies face. We help companies model their balance sheet, forecast their solvency ratio and answer to regulatory requirements.

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2-DAY ALM WORKSHOP OUTLINE

SESSION 1: GENERAL CONSIDERATIONS ON ASSET LIABILITY MANAGEMENT

LESSONS FROM THE CRISIS IN EUROPE

- The fatal impact of the liquidity crisis: the case of three European banks
  - Dexia: appears to be financially sound in 2007…
  - Fortis: a fatal strategic error
  - Northern Rock: sorcerer's apprentice building society
- The fundamental role of ALM
- A review of the reference texts on ALM provided by the international regulatory authorities

PARADIGM SHIFT, ALM AT THE HEART OF THE BANK

- Regulators are pushing for increased expertise and structuring of the role of ALM
- Organisation and positioning of ALM
- The major methodological principles of ALM

SESSION 2: MODELING THE BALANCE SHEET

MODELING FIELDS: THE MAJOR ACCOUNTING POSITIONS

- Analysis methods for the loans runoff positions
- Modeling deposit collection
- How do we model the impact of client behavior? (early repayments)
- How do we value titles, derivatives portfolios and margin calls?
- Modeling new business production

DEFINING SCENARIOS

- Defining scenarios: interest rate, exchange rates and credit loss
- Stress scenarios
- Stress testing and defining constraints

SESSION 3: MANAGING BALANCE SHEET STRUCTURAL RISK

ECONOMIC PARAMETERS RISK (INTEREST RATE, MARKET PRICES…)

- The standard approach: static gap analysis
- Dynamic gap analysis: the modern approach
- How to set up a hedging policy
- Defining funds transfer pricing (FTP), Risk-adjusted return on capital (RAROC)

LIQUIDITY RISK, FX RISK AND EQUITY RISK

- Understanding static liquidity gaps
- LCR and stress tests
- Refinancing tools and issuance policies
- Exchange rate risk
- Investment of capital
- RWA optimization

SESSION 4 INTERACTIVE SIMULATION

ANALYSIS AND SIMULATIONS ON A STANDARDISED BALANCE SHEET

- Example of a global balance sheet
- Static and dynamic gap analysis
- Refinancing strategies
  - Transformation and refinancing risk: immediate profitability vs. sustainability (stability)
- Interest rates (foreign exchange rates) scenarios and hedging strategies
- Stress scenarios
- Example of a rescue operation

ALM CONSIDERATIONS FOR ISLAMIC FINANCIAL INSTITUTIONS

- Key modeling variables and differences with conventional finance
- Pricing methodology for Shari'a-compliant products and requalification risk (Shari'a non-compliance risk)
- The impact of direct exposure to fundamental risk on modeling stress tests
- Systemic risk modeling as key to Islamic financial institutions
- Modeling liquidity risk for the Islamic finance industry

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Asset Liability Management Principles
- Scope
- Regulatory framework

Modeling
- Methodology
- Overview of balance sheet items affected by structural risk
- Impact on profit and loss
- Modeling IFRS accounting books and records with risk and production scenarios

Structural risk
- Interest rate
- Liquidity
- FX

Simulation workshop
- Interest rate / future production impact and scenario simulations

SESSION 1: GENERAL CONSIDERATIONS ON ALM

- Asset Liability Management plays a fundamental role at the heart of banks by securing the bank's commitments through capital management, deposit collections and borrowing
- Gap analysis manages structural risks that are intrinsic to banking and that affect the various balance sheet items.

Definition and scope of ALM
- Liquidity and financing
- Banking book interest rate risk
- FX risk
- Capital investment management strategy

Impact of new regulations
- Basel Committee: Pillars 1 and 2, text and recommendations
- Basel III: Liquidity Ratios and Leverage Ratios
- Specific regulatory framework : gradual implementation of the LCR

Key role ... under constraints
- To manage structural risks to ensure the bank's viability and to protect its operating incomes after tax (results)
- To facilitate the strategic management of the balance sheet in close collaboration with other departments
- Under financial market constraints, domestic market structural constraints, and local regulatory constraints

Lessons learned from the crisis
- The fatal impact of the liquidity crisis: examples during and following the crisis
- The fundamental and critical role of liquidity transformation management
- Necessary measures to reduce the risk ALM crisis (methodology and implementation of liquidity and transformation risk management strategy)

SESSION 2: MODELING THE BALANCE SHEET

- Accounting statements are both the aggregating tool of various bank deposit activities and loans, and also the communication tool with public and private stakeholders.
- ALM activity requires a highly detailed comprehension of the dynamic and structural risks of balance sheet and income statement items to ensure modeling and management.

Principles
- Comprehensive modeling, documented, pragmatic, on verified data
- Estimations necessary, staying within an acceptable margin of error

Transparent methodology
- Calculating the impact of scenarios at a granular level to be finalized for each balance sheet and income statement item (line a line or under portfolio)
- Consolidation of simulation results of all accounting items and regulatory ratios on periodic statements (balance sheets / income statements / liquidity conditions and regulatory ratios)

Modeling field: The main accounting items
- Deposit collection
- Loans
- Securities: Bonds and Equities
- Derivatives and margin calls
- Analysis of other optionality and other non-linear risks

Active management: the dynamic dead-end
- Modeling new loans / collections
- Roll concept / Forecasting Methodology

From scenarios developed by users
- Forecasting economic activities
- Evolution of the level of rates and the yield curve
- Loans and Collections: changes in production and correlations to other scenarios

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SESSION 3: MANAGING BALANCE SHEET STRUCTURAL RISK

- The main structural risk management strategies depend on inflection opportunities of the loans strategy and savings collection, on opportunities in the financial and structured products markets, and on the availability of interest rate and foreign exchange hedging instruments.

Rates

- Regulatory framework
- Standard ratio
- Static gaps
- Dynamic gaps
- Hedging strategy
- Structural orientations
- Hedging instruments
- Capital reinvestment strategy

Liquidity

- Liquidity indicators
- Regulatory framework
- LCR
- HQLA
- Operational management
- Stress tests
- Liquidity gaps
- Refinancing tools

FX

- Parameters of FX risk
- FX risk management: principles and market instruments
- Capital allocation strategy

SESSION 4: MANAGING BALANCE SHEET STRUCTURAL RISK

- From the static liquidity dead-end to the dynamic liquidity dead-end

Scenarios and impact

- Defining and testing scenarios
- The impact of variations of balance sheet items on key numbers in ALM

From the static dead-end...

- Static dead-end: managing structural risk inherent to the existing portfolio
- interest rate risk (duration) / exchange risk modeling
- Modeling transformation risk and refinancing

...to the dynamic dead-end

- Active management of balance sheet risk in ongoing activity
- Simulation and management of the impact of new production
- Modeling the impact customer behavior: anticipation of changes in collection and prepayments.

Management on the horizon of regulatory constraints

- Liquidity ratios
- Leverage effect ratios
- Prudential rations

Communication of management information

- Sharing key ALM risk information with CFO / financial management and with the ALM committee
- Participation in the development of bank strategy
- Optimizing the transformation and rate risk limits

- ALM considerations for Islamic financial institutions

Considerations

- Key modeling variables and differences with conventional finance
- Pricing methodology for shari'ah compliant products and requalification risk (Shari'ah non-compliance risk)
- The impact of direct exposure to fundamental risk on modeling stress tests
- Systemic risk modeling as key for Islamic financial institutions
- Modeling liquidity risk specific to the Islamic financial industry and management of the impact of new production
- Modeling the impact customer behavior: anticipation of changes in collection and prepayments.

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TRAINER PROFILE

Serge Moulin is the Founder of ALM-VISION, a firm that provides technical support and advisory services to financial institutions, including the powerful ALM-Solutions® software. He was deal of the year 2009 for the rescue operation of FORTIS and his team was intensely involved in most of the rescue operations that took place during the 2008 crisis, advising governments, financial institutions and the European Commission (EC).

He is an actuary and investment banker specialized in financial institutions and was Managing Partner at Riverrock Group. Previously, he co-headed the Strategic Institutions team of Société Générale Corporate & Investment Banking. He worked in a similar role at JP Morgan Chase Bear Stearns Europe. In both positions, he modeled and analyzed banks and insurance companies' assets and liabilities and advised clients on their ALM, investments, liquidity and capital. He was formerly a financial executive and assumed various positions: head of ALM, CIO, CFO, COO and deputy CEO of several financial institutions. He started his career in research, structuring and quantitative management.

He is considered one of the specialists most involved in the various rescue operations in Europe during the crisis. His mandates included Fortis, Dexia, Banques Populaires, Nama – Ireland, Iceland, KBC and as advisor to the EC on Spanish and German files. He is actuary advisor to the Kingdom of Belgium, including for the insurance company Ethias. He wrote numerous research papers on finance and lectures at the French National School for Statistics and Economic Administration - Paris (ENSAE) and the French Certificate in Asset Liability Management. Mr. Moulin graduated from ENSAE and is a member of the Institute of Actuaries of France (Institut des Actuaires) and of the International Actuarial Association (IAA).

ALM-Vision now acts via Mr. Serge Moulin as monitoring trustee to the EC and on the participation follow-up of Ethias and as actuarial and financial advisor to the Kingdom of Belgium. The Kingdom of Belgium, through the SFPI (Federal Society of Participation and Investment, the legal entity owning and managing the state's participations in private companies, including BNPP, Belfius, Ethias) owns of 25% of Ethias.

ASSISTANT

Dr. Anne-Sophie Gintzburger joined ALM-Vision following a Ph.D in Islamic finance. Anne-Sophie has a doctorate from the École normale supérieure (ENS-Lyon, 2013) and is a graduate of the Australian National University (ANU, 2010). She joined our team following freelance projects in strategic consulting and Islamic finance. She works closely with our international clients. She is tasked with developing our activities internationally.

CONTACT US

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CENTRE FOR ISLAMIC BANKING, FINANCE AND MANAGEMENT (CIBFM)

The Centre For Islamic Banking, Finance and Management (CIBFM) is the learning arm under Autoriti Monetari Brunei Darussalam (AMBD). Established in 2010 as the Centre For Excellence for Brunei's finance industry, CIBFM has been accredited by Brunei Darussalam National Accreditation Council (BDAC) as a Training Institution in the field of Banking, Finance and Management; and henceforth, all training programmes organised by CIBFM are recognised as Value Added Qualifications. In addition to providing executive education, CIBFM also organises high profile local and international events in partnership with renowned institutions.

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Fee includes workshop manuals, practical sessions, refreshments and a certificate of attendance (for full participation). CIBFM operates a strict NO CANCELLATION POLICY after receipt of nominations from organisations, but substitute/s are welcomed. CIBFM reserves the right to cancel or postpone the programme should a number of 12 participants not be met.

(Stakeholders are participants from MOF, AMBD and all domestic banks in Brunei Darussalam)

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Submit your completed form by **15 March 2017** Kindly include a copy of your IC along with this form

	Participant 1	Participant 2	Participant 3
Name			
Position			
Email address			
Telephone			
Approving Manager			
Name			Signature & Company Stamp
Position			
Org/Dept			
Email address			
Telephone			