



MONECO FINANCIAL TRAINING

BANK CAPITAL MANAGEMENT CAPITAL PLANNING, FUND TRANSFER PRICING AND RAROC

September 23 - 25, 2019

Lecturer: Jean-Bernard Caen

Upcoming Seminar

How to link risk, return and capital to maximize the bank's value creation?

- **Understanding the role of banks capital**
- **Articulating capital, risk and return**
- **Risk identification, measurement and aggregation**
- **Regulatory and Economic Capital assessment**
- **Internal Funds and Risk Transfer Pricing**
- **Forward-Looking View and Capital Allocation to businesses**
- **Risk-Adjusted Performance Measurement and Monitoring**

The purpose of this seminar is to give you a clear understanding of what is banks capital and how to use it to create value. Banks are currently managed using two desynchronized steering wheels: The regulatory framework that ignores profitability, and the accounting framework that – until recently – ignores risk. Economic Capital and IFRS 9, increasing competition from FinTechs and the need for a better servicing of the economy are promoting a review of how banks manage their capital. This seminar clarifies for you the issues and the practical ways to handle them.

The three days are articulated as follows: On day 1, we clarify the nature of capital and its articulation with risk and return; On day 2, we learn how to measure economic risks so that the results are usable both for micro- and macro-management decision support; On day 3 we enter the internal mechanics of transferring funds and risks within the bank and still retaining the coherence required for proper performance assessment and the support of management actions.

Day 1 starts with the exploration of the different capital metrics: Regulatory, accounting and economic. We look at the multiple components of capital and their "raison d'être". Once the articulation between capital and risk is clearly defined, we address the issues of risk appetite and tolerance, capital usage and allocation. We end the day with the RICAP, the process used to identify and classify risks.

Day 2 is entirely dedicated to Economic Capital. It is a key component of banks capital management. In its aggregate form, it measures the need for capital. It constitutes a risk metrics that is neutral and transverse, applicable to all measurable risks. We look at how to link Economic Capital with profitability and capital measures, to provide powerful top to bottom performance measures and efficient management decisions support.

Day 3 addresses the intricacies of moving capital, risks and funding within the bank in such a way that performance and risk indicators remain relevant and efficient for any subset of the bank, at any level of aggregation.

And we conclude the seminar with issues related with macro-prudential considerations: what issues are born from the discrepancies between the views of regulators and of shareholders regarding capital levels, and what are the challenges this creates for banks and for the economy as a whole.

MONDAY, SEPTEMBER 23th

09⁰⁰–09¹⁵

Welcome and Introduction

09¹⁵–12⁰⁰

The Nature and Utility of Banks Capital

- Why do banks need capital?
- The regulatory, accounting and economic views of capital
- Capital regulation from Basel 1 to Basel 4 and beyond
- Accounting capital, its components and the role of equity
- Economic capital and value creation
- Capital allocation and financial planning

The Articulation between Capital and Risk

- Capital as a means to take risks and generate profits
- Risk appetite objective and indicators
- Risk tolerance logic
- Risk, return and capital, the magic triangle
- Assessing added value
 - Economic Profit
 - RAROC and Economic Value Added

12⁰⁰–13⁰⁰

Lunch

13⁰⁰–16³⁰

Capital Planning and Risk Management

- Fundamental components of capital planning

- Internal control and governance
- Capital policy and risk capture
- Forward-looking view
- Management framework for preserving capital
- Benefits of capital management
 - Risk strategies, diversification, market share, pricing

Foundations of Risk Management

- A brief history of Risk Management
- The RICAP process
 - Risk hunting and identification
 - Risk taxonomy
- Game on all issues covered during day 1

TUESDAY, SEPTEMBER 24th

09⁰⁰–09¹⁵

Brief recap

09¹⁵–12⁰⁰

Economic Capital Concepts

- Foundations of Economic Capital
 - The seven guidelines
- Implementation steps
 - Articulation with Basel Pillar 2
 - Articulation with Finance/IFRS 9

Economic Capital Assessment

- Steps to measuring Economic Capital
 - Risk Capital as standalone risk measure
 - Economic Capital as Marginal risks measure
- Measuring Credit Risk Capital

- Basel 2/3 formula analysis
- Credit Var and concentration
- Measuring market risks
 - Balance sheet and trading risks
 - Interest rate, FX, equity, spread and other market risks
- Measuring operating and other risks
- Aggregating risks
 - Managing inter risks correlations

12⁰⁰–13⁰⁰

Lunch

13⁰⁰–16³⁰

Economic Capital in Practice

- Expected results and interpretation
 - Business models and risk profiles
- Articulating Economic and Regulatory Capital
 - Perimeters and severity level
 - Risk coverage and methodologies
- Organization of the Economic Capital team
 - Required functions, committees and IT support
- Benchmarks and review of banks disclosures

Case study: Dexia

- The rise and the fall: facts and figures
- Analysis and lessons

WEDNESDAY, SEPTEMBER 25th

09⁰⁰–09⁴⁵

Economic Capital Exercise Review and Discussion

09⁴⁵–12⁰⁰

Funds Transfer Pricing

- Organization of the ALM, the nuclear reactor of the bank
- Commercial and Financial margins
- Steering of the Commercial margin
- Steering of the Financial margin
- Pricing internal funding using Reference refinancing

12⁰⁰–13⁰⁰

Lunch

13⁰⁰–16³⁰

RAROC, Macro-prudential Regulation

- RAROC
 - Different types of Risk Adjusted measurement
 - Analysis of RAROC components
 - Live exercise
- Discussion of macro-prudential regulation issues

- Can bank still measure their risk properly?
- What impact of the banking regulation on the economy?
- Moral hazard and the future of regulation

Final game

Termination of the Seminar and Evaluation

Lecturer: Jean-Bernard Caen

As a Policy Advisor within the consulting firm PRNS 'parnass' since 2014, Jean-Bernard has been working on assignments for Financial Institutions in the areas of risk-finance interactions, ALM, capital allocation, risk appetite and the economic assessment of risks.

Before that, as Head of Economic Capital and Strategy for Dexia group for 12 years, he was in charge of Basel2 Pillar2 and Risk-Finance cooperation. He was instrumental in working out and implementing Economic Capital as the internal measure of risk. It was subsequently used in all risk vs. return processes across the group, such as Risk Appetite, Risk Budgeting, RAROC and Capital Planning.

In 1990, Jean-Bernard founded the Management Consulting firm Finance & Technology Management (FTM), which he ran for 12 years as the CEO. As such, he directed numerous assignments for European Financial Institutions in the areas of Shareholder Value, Risk Management, Capital Allocation and ALM.

He is a member of PRMIA France Executive Committee, of AFGAP Management Board, and he teaches at the French National School of Economics and Statistics; he is also a senior lecturer and he published numerous articles.

He is a French Civil Engineer and he graduated from MIT.



Knowledge Leads the Way...

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Terms and Conditions of the MONECO Financial Training

MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

REGISTRATION FORM

• Bank Capital Management – Capital Planning, Fund Transfer Pricing and RAROC

September 23 – 25, 2019

€ 1,755

COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.: VAT Identification No.:

PARTICIPANTS

1. Title: Name: Phone:
Mr/Mrs/Ms
E-mail: Position:

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Date: Signature: