

MONECO FINANCIAL TRAINING

LIQUIDITY RISK MANAGEMENT SUPERVISORY REQUIREMENTS AND INDUSTRY PRACTICE

October 15-16, 2018

Lecturer: Gary Dunn

Registration Deadline: October 1, 2018



Upcoming Seminar

How you will benefit:

- **An understanding of the revised standards**
- **Gain theoretical and practical understanding of liquidity risk management**
- **Understand links between liquidity risk management and other regulatory initiatives such as IIRBB and FRTB**
- **Understand risk transfer, fund transfer pricing**
- **Gain experience of facing regulatory challenge**

Course Overview and Objectives:

Arguably, loss of liquidity rather than capital inadequacy was the primary driver of failure of financial institutions during the 2008 financial crisis. Regulators have responded with guidance on best practice in the form of principles; new quantitative requirements, for example LCR and NSFR; and a revised and deeper liquidity review process.

This course provides a comprehensive overview of the current regulations in place including BCBS documents, supervisory statements on approaches to the review process, existing CRR requirements and draft revisions to CRR published in November 2016. These requirements will be compared with industry practice and also the interaction of these regulations with other regulatory initiatives, e.g. IRRBB and regulatory capital requirements (particularly under the revised market risk rules – FRTB).

Participants will engage in spreadsheet-based exercises that will give them practical experience in calculating LCR and NSFR, explore the interaction with interest rate risk in the banking book (IRRBB) requirements. They will also participate in a role-playing exercise where they practice responding to regulatory scrutiny.

Who should attend?

Analysts, Vice Presidents, Directors, Senior Managers in:

- Treasury Functions
- Capital Management
- Regulatory Compliance
- Governance
- Audit
- Risk Analytics
- Liquidity Risk Management

MONDAY, OCTOBER 15

09⁰⁰–09¹⁵

Welcome

09⁰⁰–12¹⁵

Introduction

- Defining liquidity risk
 - Virtuous and Vicious circles of liquidity
- Basel III framework
 - Capital and Liquidity
 - The Central Bank and Supervision
 - Solvency and Liquidity
- The need for liquidity risk management
 - The strategic decision – making process
 - Some liquidity risk measures
 - Balance sheet liquidity Model framework
 - Cash Flow Approach
- Case studies
 - Lehman
 - Northern Rock

12¹⁵–13¹⁵

Lunch

13¹⁵–17⁰⁰

Regulatory Requirements

- BCBS136 and BCBS144 – The Principles
- Basel III
 - Introducing papers BCBS 188, BCBS 238, BCBS 248, BCBS 272 and D295
 - The LCR (liquidity coverage ratio)
 - Summary
 - Scope, timeline and Phase-In requirements
 - Calculating and Implementing the Liquidity Coverage Ratio (LCR)
 - Quantitative vs. qualitative requirements
 - Reporting Template design
 - High Quality Liquid Assets
 - Definition and Characteristics
 - Types – Level I vs. Level II
 - Operational requirements
 - Treatment of specific assets (MBS, Equities)
 - Treatment of assets received as collateral

- Net Cash Outflows
 - Definition
 - Calculation
 - Run-off factors and inflow rates
 - Treatment of specific instruments (derivatives, stable vs. non-stable deposits)
 - Effects of downgrade triggers, valuation changes, etc.
- Monitoring Tools
- Example Calculating LCR using published bank data
- **Role-Playing Exercise**
 - Prepare an LCR regulatory report based on the earlier exercises but with revised assumptions
 - Meet the regulator for a regulatory review meeting
 - Exercise review and discussion

TUESDAY, OCTOBER 16

09⁰⁰–12¹⁵

Regulatory Requirements (continued)

- **NSFR (net stable funding ratio)**
 - Definition and Calibration
 - Disclosure requirements
 - Quantitative vs. qualitative requirements
 - Reporting Template design
 - Components for NSFR Calculation
 - Available amount of stable funding
 - ASF categories/factors
 - ASF category components
 - Treatment of derivative liability amounts
 - Interdependent assets and liabilities
 - Required amount of stable funding
 - RSF categories/factors
 - RSF category components
 - Treatment of encumbered Assets, derivatives, secured financing transactions and off-balance sheet exposures
 - Interdependent assets and liabilities
 - EU Implementation

Intraday liquidity risk management (BCBS 248)

- A sound Principle
- Definitions
- Intraday liquidity sources and uses
- Monitoring tools – with some comments
- Stress Testing (brief discussion of requirements)

ILAAP

- CRD
- EBA Guidelines
- ECB SSM Guides on ICAAP and ILAAP

12¹⁵–13¹⁵

Lunch

13¹⁵–17⁰⁰

A Sound Liquidity Risk Framework

- Liquidity Framework
 - Evolution of Liabilities Management
 - Leverage and the Economic Cycle
- Funds Transfer Pricing (FTP) and other risk transfers
 - Link between FVA and DVA
- Simulation Models, Monte Carlo and option pricing
 - Behavioural Options
- Contingency Fund planning and Stress Testing
 - General requirements
 - A Monte Carlo Solution
 - A Bayesian Solution
- Risk Appetite Framework

Other relevant topics (Time permitting)

- Consideration of interest rate risk and IRRBB requirements
- FRTB/Revised CRR
- Position and risk transfer between the banking book and the trading book
- Liquidity risk and interest rate risk capitalisation on the trading book

Lecturer: Gary Dunn

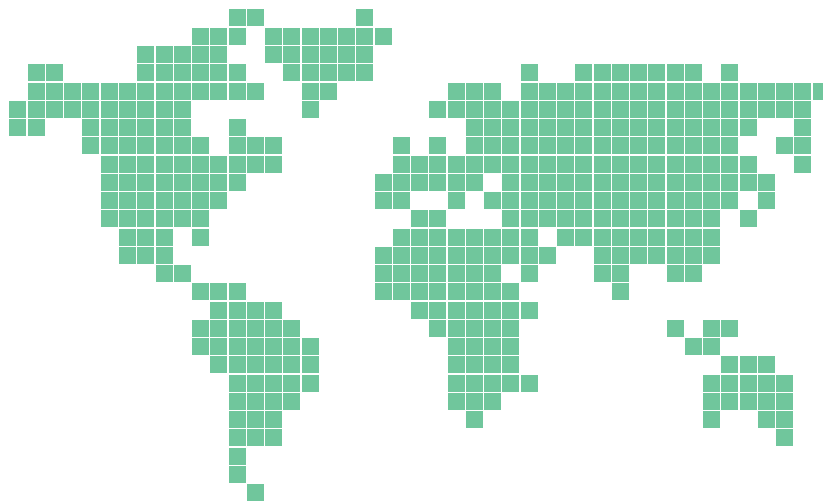
Started out life as a statistician at the Bank of England in 1977 and after a 16-year career there ended up as a senior manager within UK foreign currency reserve management with responsibility for interest rate risk strategy and liquidity management. To aid liquidity management Gary created an internal market for funding between fixed income portfolio managers and the FX desks.

Gary ventured into the private sector where he spent a further 10 years as a proprietary trader.

Gary joined the FSA in 2005 where his main responsibility was reviewing regulatory market risk models (CAD models including VaR and IRC). Whilst at FSA Gary conducted a thematic review of the management of interest rate risk in the banking book (IRRBB) across London based banks. He also attended the AIG/TBG, a BCBS working group responsible for technical design of proposed market risk regulatory capital rules. Gary contributed to the design and calibration of IRC for Basel 2.5 and also wrote internal working papers on VaR, ES and other spectral risk measures which contributed to a review of the academic literature on market risk measures, the first in a long series of FRTB papers from BCBS and industry.

From 2010, as a senior manager at HSBC, Gary participated in many dialogues between industry and regulators covering topics such as FRTB, central clearing, margining, liquidity risk and IRRBB (interest rate risk in the banking book), as well as working on internal projects such as stress testing, IRC development, regulatory interactions and CRD IV submissions. Finally, before moving into consultancy and training, Gary took on an MD role at Morgan Stanley where he was head of risk analytics for the EMEA region.

Now Gary works as a private consultant and trainer.



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

**Registration Deadline:
October 1, 2018**

• Liquidity Risk Management – Supervisory Requirements and Industry Practice

October 15 – 16, 2018

€ 1,400

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:

2. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

3. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

Date: Signature: