



The EUROPEAN SUPERVISOR EDUCATION INITIATIVE (ESEI)

presents the seminar on

## **“Interest Rate Risk and Asset-Liability Management in Banks”**

hosted by: Deutsche Bundesbank

Date: 27 - 29 November 2019

Venue: Eltville (Rheingau), Germany



## OBJECTIVES

### General Background

The seminar aims at giving deep insights into all aspects of interest rate risk management both from a theoretical and practical perspective. Corresponding aspects of the new Basel III framework (e.g. pricing for liquidity/setting up an adequate FTP-system, dealing with interest rate risk model risk, etc.) are fully covered.

Learning methods include presentations on theoretical basics, computer live-simulations (participants should bring a laptop, if possible), discussions with experts and case studies on interest rate risk and asset-liability management (ALM). Market professionals from banks will present their perspective and stand ready for an exchange of views. Deutsche Bundesbank and Erste Bank der Oesterreichischen Sparkassen AG experts will speak on regulatory experiences and developments relating to the Basel III framework.

Participants will have a chance to familiarize themselves with best practice models, discuss different approaches and share their experiences.

The language during the seminar will be English.

### Speakers

In this seminar, representatives of the consulting company zeb will present the theoretical framework as well as experiences from a practitioner's point of view. Participants will be invited in several case studies. In addition, experts from the Deutsche Bundesbank will discuss regulatory practice and implications on interest rate risk and asset liability management.



## PROGRAMME

### Wednesday, 27 November 2019

- 04.00 p.m. **Interest rate risk - key elements and management strategies**  
(zeb)
- Sources and nature of interest rate risk
  - Key aspects of ALM
  - Economic vs. profit-and-loss perspective
  - Importance of term transformation
  - Relevant regulatory framework and management strategies
  - Applying funds-transfer-pricing
  - Integrating liquidity costs
  - Current trends and challenges

### Thursday, 28 November 2019

- 9.00 a.m. **ALM analysis and target figures**  
(zeb)
- Overview of the model bank
  - Analysis of the balance sheet and cash flow structure
  - The concept of net present value
  - Planning of future present values
  - Practical exercises 'cash flow analysis'
- 10.30 a.m. **Coffee break**
- 11.00 a.m. **ALM analysis and derivation of cash flow parameters (1/2)**  
(zeb)
- Derivation of cash flows
  - Positions with fixed and uncertain interest rate and maturity
  - Dealing with variable positions
  - Practical aspects concerning integration of interest rate and liquidity risk bearing cash flows
  - Broad vs. closed ALM concept
  - Comparison of alternative interest adjustment models
  - Parameter selection for models
  - Practical exercises 'Modelling of Non Maturity Deposits'
- 12.45 p.m. **Lunch**
- 1.45 p.m. **ALM analysis and derivation of cash flow parameters (2/2)**  
(zeb)
- Elements of a replication portfolio approach
  - Integration of volume changes
  - Derivation of future scenarios and integration in the cash flow model
  - Client example for derivation of modelling Non Maturity Deposits
  - Dealing with (implicit) options
  - Live simulations with replication portfolio



- 3:15 p.m. **Coffee break**
- 3.30 p.m. **Prudential Treatment of Interest Rate Risk**  
(Thomas Springmann, Deutsche Bundesbank)  
Regulation of interest rate risk treatment under Basel III
- Implementation of a standardized shock
  - Qualitative requirements for organization and processes
  - Supervision of interest rate risk
  - Design of an on-site inspection
  - Experience gained from on-site inspections
- 5.00 p.m. **End of Seminar day**
- 5.30 p.m. **Social Event:**  
Christmas Market and dinner in restaurant Rudesheim  
Departure/Meeting point 5.30 p.m. in the lobby of training center

## Friday, 29 November 2019

- 9.00 a.m. **Economic risk measurement in the banking book**  
(zeb)
- Basics of risk-modeling in the banking book
  - Definition of the value at risk (VaR)
  - Parameterization of VaR models and sensitivity to different parameters
  - Practical aspects concerning the estimation and backtesting of a risk model
  - Practical exercise 'VaR Simulation'
- 10.15 a.m. **Coffee break**
- 10.30 a.m. **Management strategies in the banking book**  
(zeb)
- Relevance of risk-return figures
  - Application of different strategies
  - Active vs. passive management strategies
  - Benchmark evaluation
  - Effective limitation of interest rate risk
  - Use of derivative instruments
  - Practical exercises 'Hedging the Banking Book'
- 12.00 p.m. **Lunch**
- 1.00p.m. **Asset Liability Management in "Erste Bank" - an international banking group**  
(Dr. Tibor Dudàs, ERSTE Bank AG)
- ALM in Erste Group - History and organizational set up
  - Elements of an effective management concept
  - The standard ALM process: From Data gathering to decision monitoring



- Group projects and topics: What is on the current agenda?
- 2.30 p.m. **Coffee break**
- 2.45 p.m. **Planning of net interest income**  
(zeb)
- Evaluation: Static profit-and-loss perspective
  - Dynamic planning of net interest income
  - Funds-transfer-pricing as part and parcel of managing net interest income
  - Management approaches of “hedging” the different banking segments
  - Live simulations
- 3.30 p.m. **Final summary and conclusion // Backup material**  
End of seminar

## ORGANISATIONAL INFORMATION

### Accommodation and venue:

Bundesbank Training Center  
Erbacher Straße 18  
65343 Eltville, Germany,  
Tel: +49 6123 901-0

All relevant rooms (for training and accommodation) are reserved in the Training Center.

### Seminar fee and registration

Seminar fee: 950 € (plus 230 € for accommodation and meals)

**Please register via our website until 28 October 2019.**

<http://www.ese-initiative.org> or this direct [link](#)

Throughout the seminar, accommodation and food will be provided at the Training Center of the Deutsche Bundesbank in Eltville. Ancillary costs (e.g. telephone calls, additional drinks, etc.) are to be borne by the participants themselves. There will be one social event and a welcome dinner on Wednesday, 27 November 2019. The social event is included in the seminar fee and is considered as an integral part of the seminar.



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The invoices for the seminar fee will be issued and sent to the individual institutions after the event has taken place. In case a registration already confirmed by ESE is cancelled after the registration deadline and no replacement for this place can be found, the complete seminar fee is due and will be invoiced by ESE.

## Seminar Organisation

### Seminar organisation in general

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### About ESE

The European Supervisor Education Initiative (ESE) is an alliance of central banks and supervisory authorities in Europe with the objective to qualify financial supervisors in Europe. Its members are Bank of Slovenia, Banque centrale du Luxembourg, Czech National Bank, De Nederlandsche Bank, Deutsche Bundesbank, German Federal Financial Supervisory Authority and Oesterreichische Nationalbank.

ESE is committed to high level training based on uniform standards to enhance financial supervisors' knowledge and skills and to promote a common European supervisory culture and practice. The initiative offers a modular seminar programme for banking, insurance and securities and markets supervisors, financial stability analysts and economists from central banks and supervisory authorities in Europe.

ESE is always open to new members or cooperations. Any contribution by European central banks, supervisory authorities or other institutions in the field of financial supervision sharing the idea that training is crucial to the success of financial supervision is highly appreciated.