



The EUROPEAN SUPERVISOR EDUCATION INITIATIVE (ESE)

presents the web seminar on

“INTEREST RATE RISK AND ASSET-LIABILITY MANAGEMENT IN BANKS”

via Cisco WebEx Meetings from the 24th to 26th of November 2021

OBJECTIVES

The seminar aims at explaining key aspects of interest rate risk within asset-liability management (ALM) in banks. The concept of Funds Transfer Pricing (FTP) will be covered for the two core pillars of ALM, the economic value of equity (EVE) and net interest income (NII), and applied to fixed-rate, floating-rate and non-maturing products. Regulatory aspects, such as IRRBB guidelines will be discussed along with most recent developments in interest rate risk management, such as negative interest rates and behavioral aspects of bank customers.

TARGET GROUP

Primarily banking supervisors (micro-prudential) or staff members from the financial stability sector (macro-prudential) from Central Banks or National competent authorities (NCAs) in Europe, who have already gained some experience in the field of the title topic and are interested in deepening their knowledge and sharing their experience with other staff members.

FORMAT

Presentations, simulation exercises, group discussions and case studies. There will be a maximum of 25 attendees in this training.

TRAINERS

Two market professionals for Risk management, Treasury and Asset Liability Management will leverage some 45 years of professional experience and expertise and stand ready for an exchange of views. PROF. DR. FIDELIO TATA and DR. TIBOR DUDAS will share ALM knowledge and discuss developments relating to the IRRBB requirements.

REGISTRATION

Training Fee: 200 - 300 Euro (depending on final number of attendees)

Registration Deadline: Monday, 15 November 2021

Please register via the ESE website:

<https://www.ese-initiative.org/ease-en/trainings/online-registration>

Confirmations and the Link for participation will be sent after the registration deadline.

Invoices for the training fee will be sent after the training. The web seminar will be presented via WebEx, hosted by the training company.

WEB SEMINAR ORGANISATION

ESE Secretariat at Deutsche Bundesbank, Central Office Frankfurt

Email: ese-initiative@bundesbank.de

Phone: 069/9566-12666 or -5107



ESE Web Seminar

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

PROGRAMME

Day 1, Wednesday, 24th of November 2021

- | | |
|---------------|---|
| 09.00 - 9.30 | Kick-off by training company and ESE representative <ul style="list-style-type: none">• Welcome and introduction of speakers• Quick introduction of seminar participants and their expectations for the seminar• Organizational issues |
| 09.30 - 10.15 | Session I: ALM in Banks <ul style="list-style-type: none">• Interest Rate Cycles• Purpose of ALM• ALM as a Profit or a Cost Center• Stakeholders of ALM• Instruments used in ALM |
| 10.15 - 10.30 | Break |
| 10.30 - 11.15 | Session II: Interest Rate Risk <ul style="list-style-type: none">• Definitions• Duration• Duration Gap Analysis• Economic Value (EV) Measures• Earnings Measure• Discussion |
| 11.15 - 11:45 | Session III: Regulatory Update <ul style="list-style-type: none">• Latest Developments in Regulation• Basel III & IV• Key Principles of IR Risk Management |
| 11.45 - 12.00 | Break |
| 12.00 - 12.45 | Session IV: Banking Book <ul style="list-style-type: none">• Banking Book vs. Trading Book |



- Risk vs. Return
- Active vs. Passive Risk Management
- Funds Transfer Pricing (FTP)

12.45 - 13.00

Wrap-Up

- Summary
- Organizational issues
- Open questions

Day 2, Thursday, 25th of November 2021

09.00 - 09.15

Kick-Off

- Organizational issues
- Open questions

09.15 - 09.45

Session V: Net Interest Exposure

- Net Interest Income (NII)
- Net Exposure to Interest Changes
- Parallel vs. Non-parallel Yield Curve Shifts
- Repricing Gap Analysis

09.45 - 10.15

Simulation Exercise

10.15 - 10.30

Break

10.30 - 11.00

Session VI: Non-Maturing Products

- Examples of Non-Maturing Products
- Expected Maturity & Rate Reset Frequency
- Embedded Options
- Discussion

11.00 - 11.30

Session VII: Replicating Model

- Aggregation of Positions
- Rolling Portfolio
- Volume Changes

11.30 - 12.00

Simulation Exercise

12.00 - 12.15

Break

12.15 - 12.45

Session VIII: 0%-Interest Rate Floor

- 0%-Floor as an Implied Option
- Challenges in Theory and Praxis
- Model Risks
- Discussion



- 12.45 - 13.00 **Wrap-Up**
- Summary
 - Organizational issues
 - Open questions

Day 3, Friday, 26th of November 2021

- 09.00 - 09.15 **Kick-Off**
- Organizational issues
 - Open questions
- 09.15 - 10.45 **Session IX: Case Study: Austrian Saving Bank**
- ALM at an Austrian Saving Bank - The History
 - Organizational Set-up
 - Related departments
 - The Standard Analysis Concepts
 - The Standard ALM Process
 - Ongoing Projects and Topics
- 10.45 - 11.00 Break
- 11.00 - 11.45 **Session X: Bank-specific ALM**
- Different Bank Balance Sheets since the 1990s
 - Regional Differences in Bank Balance Sheets
 - Balance Sheets for different Business Models
 - Implications for ALM
 - Discussion
- 11.45 - 12.00 Break
- 12.00 - 12.45 **Session XI: Selected ALM Issues**
- Behavioral Economics
 - Strategic ALM
 - Planning of NII
 - Discussion
- 12.45 - 13.00 **Wrap-Up**
- Summary
 - Organizational issues
 - End of seminar



EUROPEAN SUPERVISOR EDUCATION INITIATIVE

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.