ASSET LIABILITY MANAGEMENT

For Practitioners, by Practitioners

9th – 11th June 2015, KUALA LUMPUR

Key Highlights:

- Capital and Risk: Essential Elements and Measures of Each
- ALCO and Treasury: Management of the Balance Sheet
- Key Accounting, Risk Management and Regulatory Compliance Issues
- Effective Use of Derivatives and Structured Products in ALM
- Liquidity Risk, Capital Management and Quantitative Risk Management
- Case Studies and Real-life Examples

Expert Course Directors

Anand Batepati
Former Head, Multi Asset Structuring, Rabobank Asia

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Former Director, Fixed Income & Structured Liabilities Solutions, Société Générale

SIDC CPE - accredited: 10 CPE Points

Workshop Background

REDmoney and GFM Training's Asset Liability Management (ALM) workshop builds the skills needed to manage the profitability, solvency and the balance sheet of a financial institution so that it can safely meet its obligations by matching incomes with outflows; and investments with commitments. ALM is a critical activity in an insurance company, pension fund, commercial bank or a corporate treasury. We start with the basics of calculating present and future value exposures on both the asset and liability sides, showcase the decision-making framework required for prudent capital management, introduce and quantify factors that lead to structural mismatches and generate risk exposures, and demonstrate the main risk management techniques deployed in top tier financial institutions. We showcase the accounting and regulatory standards that influence and govern ALM decisions.

As a prerequisite, some familiarity with insurance, pension fund management or commercial banking will be necessary.

Who Should Attend?

- **Insurance Professionals** involved in ALM, investment management, risk management, treasury or product design
- **Pension Fund** managers and sponsors involved on either the asset or liability side of the fund
- **Commercial Bankers** involved in ALCO, treasury, lending businesses, mortgages, budgeting or strategy
- **Risk Managers and CFOs** in financial institutions or corporates
- **Trust Providers and Fiduciaries** managing investments to pay for specific obligations
- **Financial Planners** involved in generational transfers and long-term investment objectives
- **Auditors, accountants, lawyers and other professionals** needing to understand the financial instruments and market risk metrics involved in ALM
- **Regulators and central bankers** who help shape policies governing financial institutions

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Teaching and Case Study Format

Each day covers 5-6 topics illustrated over several real world examples. We start with a brief of a real ALM scenario that needs to be solved and then examine the menu and features of real-world instruments and solutions for that scenario. We then develop skills and techniques for these solutions through hands-on spreadsheet exercises.

Course Agenda

Day one: Fundamentals of ALM: Calculations and Processes

Day one begins by answering the question 'what is ALM and why is it important?' We then showcase how ALM is governed in a financial institution. We conclude with the basics of quantifying risk exposures embedded in a balance sheet.

What is ALM and why does it matter?
- The 'simplest' ALM problem: fixed income asset versus fixed liability
- A look at the evolution of a hypothetical balance sheet
- A tale of two balance sheets - can you spot the time bomb and the money machine?

A brief look at how a financial institution makes money
- Value drivers, performance measurement, profitability analysis
- Risk adjusted returns, capital adjusted returns

Stating asset-liability management objectives and risks
- Revisiting the 'simplest' ALM problem
- How even fixed-fixed ALM problems differ from the 'simplest case' in reality

Valuing the present value of liabilities
- Review of discounted cash flow calculations
- Brief review of rate curves
- How to select the appropriate discount rate/rate curve

Measures of exposure for bonds and fixed liabilities
- Duration: the 'center of gravity' tenor of both sides
- PV01: the fastest measure of tick-by-tick exposure
- Modern exposure calculations using computers

Beyond fixed-fixed ALM
- Navigating the continuum from fixed income through perps and preferreds to equities
- Modeling variable factors on the liability side

A brief recap of key concepts: capital and risk
- The various forms of capital: accounting capital, risk weighted capital, economic capital, on and off balance sheet assets and liabilities, transfer pricing
- The various measures of risk: Liquidity, interest rate risk, cash flow risk, solvency risk

ALCO and Treasury: management of the balance sheet
- ALCO
- Risk management framework and the ALM process
- Roles and responsibilities of ALCO: economic capital management, risk budgeting and risk limits, governance and oversight
- Transfer pricing: objectives, policies, and examples

Treasury
- Funding instruments: From deposits to traded debt
- Investment instruments: from money markets to equities
- On and off balance sheet instruments: guarantees, commitments, securitization, reinsurance, derivatives
- Transfer pricing in action

Day two: Accounting, Regulations and Basic ALM Risk Management

Day two builds on the basics of Day one by focusing on three defining functions in any ALM business: accounting, risk management and regulatory compliance. Accounting is mostly important for entities needing to report financial performance, and in many cases accounting rules can drive or limit which instruments can be included in a portfolio. Risk management is critical to any ALM objective and provides both measures of losses and shortfalls in extreme cases as well as helping identify changes to minimize such hazards. Both accounting and risk management are interlinked with regulatory standards and requirements.

IFRS 9 and FAS 133: Hedge accounting
- Review of the difference between cash flow and mark-to-market hedges
- Calculating the correlation ratio for hedge effectiveness

Basel III and Capital Adequacy: Solvency and leverage
- Basel II, III and local solvency requirements
- Liquidity requirements
- Local solvency requirements

Structural analysis of assets and liabilities
- Distinctions between investment portfolios, held to maturity, available for sale and trading assets
- Funding sources: from deposits to wholesale markets to central banks
- Interest rate risk: mismatches, gap analysis, bucketing and stress testing
- Introduction to hedging strategies

Use of derivatives in ALM
- Main FX and rates instruments: FRAs, IR Swaps, FX Swaps, CCS
- Other major derivatives: CDS and CDS indices, options, swaptions and other exotics
- Marking to market derivative contracts
- Market risk versus credit risk versus cash flow risk versus liquidity risk
- Accounting, regulatory, credit and liquidity issues when using derivatives

Value-at-risk (VaR) and its variants
- Understanding what VaR does (and doesn’t) measure
- Techniques for calculating VaR: from ‘back-of-the-envelope’ to the full Monte Carlo
- CVaR and other VaR variants

Earnings-at-risk (EaR)
- Understanding the differences (and similarities) between EaR and VaR
- Factors entering a full EaR calculation

Related risk measures
- The relationship between duration/DV01 and VaR and EaR
- The ‘personal insignificance principle’

How the ALCO looks at today’s metrics

Day three: Liquidity and other risks in ALM

Day three expands into additional real-world risks and problems faced in asset-liability management, starting with cases on liquidity risk, and looking at applications of quantitative risk management (QRM) to simulate and manage other risks seen by pensions and insurers.

Liquidity risk
- Understanding and modeling liquidity risk
- Setting policies to mitigate liquidity risk
- Measuring the 'cost' of liquidity risk

Capital management
- Capital adequacy requirements and how to measure adequacy
- The notion of risk based capital - credit risk, market risk and risk weighted assets

Quantitative Risk Management (QRM) techniques in ALM
- Platinum hedging

Cases of 'runs' and other liquidity squeezes
- Mutual Benefit Life Insurance Co, 1991
- The Bear Stearns Companies Inc., 2008
- American International Group, 2008

Cases of solvency squeezes and asset-side failures
- Executive Life Insurance Company, 1991
- Fannie Mae and Freddie Mac, 2008
- The mirror image: how to fail on the liability side

A case of operational risk: HIH Insurance, 2001

Recap of concepts covered in the last three days and how to avoid similar failures

Conclusion and Wrap-Up

Expert Course Directors

Anand Batepati is a partner of Global Financial Markets Group (GFM) and has 20 years of experience in financial markets. Prior to GFM, he was the Head of Multi Asset Structuring for Rabobank for Asia, providing capital markets investment and hedging solutions to institutional clients across equities and FICC. Before joining Rabobank, he was at HSBC based in Hong Kong overseeing structuring and product development initiatives as a director of structuring for the region. Anand has traded and structured equities and hybrids at Bear Stearns based in London, covering clients in Europe and Asia. Anand has developed and executed various smart beta investment strategies, multi asset class and hybrid structures, provided Asset Liability Management solutions to clients ranging from insurance companies, asset managers to private banks. Anand has also helped establish a Fund of Hedge Funds in London, worked as a private equity investor, has successfully started and sold a technology company and has worked for the World Bank in Washington D.C. He is passionate about investing and has managed private deep value and special situations portfolio in the public markets for several years. Anand holds a Masters degree in finance from London Business School and an MBA from Asian Institute of Management / McGill University. He has lived and worked in New York, London and Hong Kong.

Tariq Dennison is a partner of Global Financial Markets Group (GFM) and has worked in financial markets since 1998. Prior to GFM, he has traded fixed income and credit derivatives at Société Générale, interest rates and currencies at the Canadian Imperial Bank of Commerce (CIBC), smart beta and alpha strategy indices at JP Morgan, equity and commodity derivatives and structured products at Bear Stearns, and structured hedge fund products at Commerzbank, and has also worked at Accenture and a core acquisition target of Microsoft Corporation. Tariq currently sits on the boards of two Hong Kong property companies and one global organization serving US citizens on tax and investment issues. Mr. Dennison is an active author and speaker regularly asked to present content on topics ranging from central bank policy and bond market myths to the future of digital currency and portfolio management technology. He co-developed and taught GFM's Fixed Income Portfolio Management to the Hong Kong Society of Financial Analysts and CFA Singapore, has also been invited to speak at Bloomberg and CMA Australia, and has been interviewed by the Associated Press and the Wall Street Journal. Mr. Dennison received his Masters in Financial Engineering Degree from the University of California at Berkeley's Haas School of Business and his Bachelor of Science in Mathematics from Marquette University. He was awarded a Howard Hughes Medical Institute Fellowship for mathematical research at the Medical College of Wisconsin in 1997.

Asset Liability Management
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BOOKING DETAILS

I am booking:	Pricing
☐ 1 delegate	MYR 9,850
☐ 2 delegates	MYR 16,745
☐ 3 delegates	MYR 23,640

Early bird offer: registrations received on or before **12th May 2015** shall attract a 2.5% discount. No discounts shall be given to registrations received after this cut-off.

Please note: A late booking fee of MYR150 will be imposed on registration received within 14 days of the course start date.
Fees include training materials, refreshments and lunch. Accommodation is not included.

DELEGATE DETAILS

Name / Job Title / Email address / Telephone

1 ______________________ / ______________ / ____________________ / ____________
2 ______________________ / ______________ / ____________________ / ____________
3 ______________________ / ______________ / ____________________ / ____________
4 ______________________ / ______________ / ____________________ / ____________
5 ______________________ / ______________ / ____________________ / ____________

WHO TO INVOICE AND CONTACT?

Please tell us who we should invoice. It is also helpful for us to have the name of an administrator with whom we can liaise directly.

Contact person for invoicing: ______________________ Job Title: ______________
Email: ______________________ Tel: ______________ Fax: ______________
Contact person to send administration details: ______________________
Job Title: ______________ Email: ______________________Tel: ______________

Payment can be made by cheque or bank transfer. A notification will be sent to you once payment has been received.
I wish to pay by: ☐ Cheque/bankers draft ☐ Telegraphic transfer ☐ Credit Card

Please note all telegraphic transfer fees, taxes and levies (domestic or otherwise) shall be borne by the sponsoring organization.
Payment made by foreign cheque will be charged additional bank fees of 1% of the invoice amount.

APPROVING MANAGER

To process your registration we require the name and signature of a manager who is authorized by your organization to approve training expenditure.

Name: ______________________ Job Title: ______________
Organization name: ______________________ Email: ______________ Tel: ______________

Authorizing signature ______________________(mandatory)
Yes, I have read and understood the booking and cancellation policy below.

SEND US YOUR REGISTRATION!

By email: **enquiry@REDmoneytraining.com** By fax: **+603 2162 7810**
You may also book online at **http://www.REDmoneytraining.com**
Please call us on: **+603 2162 7800** or **+603 2162 7802** if you require assistance.
Our address is: **REDmoney, Suite 22-06, 22nd Floor, Menara Tan & Tan, 207, Jalan Tun Razak, 50400 Kuala Lumpur**

<u>Booking, Payment and Cancellation Policy</u> – important, please read carefully
By completing, signing and sending us this registration form you are confirming delegate places on the course. You are also confirming your understanding of our Booking, Payment and Cancellation Policy.
Cancellation: If delegates cannot attend the course replacement participants are always welcome. Otherwise delegates must request in writing (letter, fax or email) to cancel registration/s or transfer to a different course at least 21 days before the course start date to be eligible for a refund, less a 5% administration fee. Delegates who cancel within 21 days of the course start date, or who do not attend, are liable to pay the full course fee and no refunds will be given. Instead fees will be converted to a REDmoney Training course voucher equivalent to the original fee, less a 15% administration charge. This voucher is transferable within your organization and must be redeemed within one year of issue or become void. If a course is postponed for whatever reason delegate bookings will be automatically transferred to the new course date. Delegates who wish to transfer to a different course will be subject to the same terms as above and charged the difference in course fees. No refunds or course vouchers will be issued for a no-show.
Payment Terms: All course fees are to be received before the course start date. REDmoney shall receive the full course fee with no deductions of any description. All telegraphic transfer fees, taxes and levies (domestic or otherwise) shall be borne by the sponsoring organization.