Masterclass on Asset Liability Management (ALM) Optimization

8 – 12 February 2027
Geneva (Switzerland)

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Ref: 321558_295568 **Date:** 8 – 12 February 2027 **Location:** Geneva (Switzerland) **Fees:** 5200 GBP

Introduction

The role of active management of the banking book in the banking industry is becoming increasingly crucial due to a highly regulated landscape and intensified competition for resources such as liquidity and capital. With market pressures continuously mounting, it remains critical for banks of all sizes to use their resources efficiently and productively, balancing risk and return. Strategic Asset and Liability Management ALM plays a key role in achieving this balance, ultimately improving financial performance by optimizing the balance between returns and risks across both on and off-balance sheet items.

This course will explore various ALM strategies and techniques used in risk management, focusing on key elements such as liquidity risk management, balance sheet management, and ALM optimization. Whether you're looking to enhance your ALM best practices or seeking asset liability management certification, this course will provide you with the knowledge to navigate complex ALM challenges effectively.

Course Objectives

By the end of this course, participants will be able to:

- Understand the key role of ALM in financial institutions and how to manage risks efficiently.
- Gain knowledge of IRRBB measurement techniques and how they influence profitability enhancement.
- Understand ALM risk management principles and how they apply to both on-balance sheet and off-balance sheet management.
- Learn about the liquidity risk management process and pricing of liquidity.
- Gain practical insight into balance sheet optimization techniques and their impact on financial performance.
- Understand the best practices in the Funds Transfer Pricing FTP process.
- Learn how to overcome challenges associated with the BCBS 368 requirement.

Course Outlines

Day 1: ALM Introduction and Overview

- Introduction to ALM strategies and the importance of asset and liability management in banking.
- IRRBB measurement and management, focusing on strategies to mitigate interest rate risk.
- Case Study: Calculation of Net Interest Income NII sensitivity and Economic Value of Equity EVE volatility under different interest rate scenarios.
- Case Study: Assessing basis risk using re-fixing gap analysis.
- Case Study: Evaluating the effectiveness of IRRBB management.

Day 2: Liquidity Risk Management in ALM

- Case Study: Calculation of the liquidity buffer size in a bank.
- The trade-off between hedging and funding strategies.
- Case Study: Practical examples of different hedging and funding strategies.
- Pros and cons of using derivatives in liquidity risk management.
- Overview of Basel Committee of Banking Supervision BCBS 368 and the European Banking Authority standards for IRRBB.

Day 3: ALM in the FTP Framework

- Introduction to Funds Transfer Pricing FTP and its role in balance sheet management.
- Case Study: Calculating Net Interest Margin NIM in business units and ALM.
- Analyzing the ALM P&L components.
- Introduction to balance sheet optimization techniques.
- Conclusion and Q&A session.

Day 4: Formulation of the ALM Optimization Process

- Overview of the ALM optimization process applied to the banking book.
- Defining the initial banking book profile and building the objective and constraint functions for optimization.
- The importance of model sensitivity analysis in ALM optimization.
- Impact of significant changes in interest rates and asset base proportions on optimization.

Day 5: Derivatives Hedging in ALM

- Understanding derivatives hedge accounting under IFRS 9 and their economic benefits.
- Review of key interest rate and FX derivatives used in ALM.
- Level 2 vs. Level 3 valuation of derivatives.
- Using derivatives to manage net interest income, fair value portfolios, and funding management.
- Operational and liquidity implications of derivatives usage.
- The impact of central clearing of derivatives on capital and financial performance.

Why Attend this Course: Wins & Losses!

- In-depth understanding of ALM strategies and their importance in balance sheet management.
- Practical knowledge of risk financial management techniques, including liquidity risk, IRRBB, and asset liability management.
- Insight into balance sheet optimization and how to price liquidity for improved profitability.
- Enhanced skills in Funds Transfer Pricing FTP and its role in managing and allocating financial resources efficiently.
- Hands-on experience in applying derivatives hedging strategies under IFRS 9, helping manage interest rate risk and currency exposure.
- Expert knowledge of BCBS 368 and other regulatory frameworks governing ALM practices.

Conclusion

This course is an essential investment for anyone involved in asset liability management within financial institutions. Whether you're a risk manager, treasury professional, or seeking an ALM certification, the skills and knowledge gained will significantly enhance your ability to optimize the banking book and improve financial performance.

With a deep dive into ALM best practices, balance sheet management, and derivatives hedging, this course equips you with the tools to navigate the complexities of the financial landscape while maintaining sound risk management and achieving business objectives.