



PB INSTITUTE OF RESEARCH AND TECHNOLOGY

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Nairobi - Kenya

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Advanced ALM Masterclass: Liquidity, Interest Rates and Balance-Sheet Risk

Duration: 5 days

On-Site

01 Who Should Attend

- Risk managers and ALM risk professionals
- ALCO members
- Banking executives and senior managers
- Liquidity and market-risk professionals
- Investment and portfolio managers
- Financial analysts
- Balance-sheet management professionals
- Internal auditors
- Banking regulators and supervisors
- Professionals responsible for financial risk and balance-sheet strategy

02 About the Course

Advanced Asset & Liability Management: A Kenyan Banking Perspective is an advanced, practical training course designed to equip banking, treasury, finance, risk, and investment professionals with the expertise required to manage balance-sheet risks and optimize financial performance within Kenya's banking environment. The course examines advanced Asset & Liability Management (ALM) techniques, with particular emphasis on liquidity risk, interest-rate risk in the banking book, funding strategies, balance-sheet optimization, capital management, stress testing, Funds Transfer Pricing (FTP), and ALCO decision-making. Participants will explore how Kenyan banks can balance profitability, liquidity, regulatory requirements, market conditions, and financial resilience while responding to changing interest rates, funding costs, customer behavior, and economic conditions.



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03 Workshop Objectives

- Describe the role of the ALM function within a bank
- Articulate the causes and consequences of the global financial crisis, the motivation for the regulation that has come in the wake of it and the impact it has had on the ALM function
- Explain the impact of the regulation on bank's balance sheet in particular the resources of capital and liquidity
- Understand the role of the ALM function in optimizing the balance sheet via either capital preservation or margin maximization achieved by a more selective approach to assets issued and funding raised
- Appreciate what future challenges lie ahead for the ALM function in particular from the potential introduction of Basel IV
- Identify ways in which the wider business can support the ALM function in dealing with these challenges via, for example, communication and alignment of business incentivization

04 Module Topics

Module 1: Session 1: The evolving role of Asset and Liability Management [ALM]

- ▶ Defining the role of ALM
- ▶ Recap on the Global Financial Crisis
- ▶ What caused it?
- ▶ What resolved it?
- ▶ What were the lessons learnt?
- ▶ How has it impacted ALM functions

Module 2: Session 2: Linking Asset and Liability Optimisation to Return on Equity

- ▶ Impact of Basel III on Capital
- ▶ The risk constraint ratio
- ▶ Recap on the Standardised Methodology for Credit Risk
- ▶ Gearing - Linking asset and liability pricing to returns on capital



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Module 3: Session 3: Optimising Assets - Internal Rating Based (IRB) approach for Credit Risk

- ▶ ??? Incentives for adopting IRB ??? more complexity less capital
- ▶ ??? Foundation IRB (FIRB) compared to Advanced IRB (AIRB)
- ▶ ??? Constructing the IRB equation for wholesale
- ▶ ??? Constructing the IRB equation for retail
- ▶ ??? Adjusting IRB for calculation of Economic Capital

Module 4: Session 4: Traded Market Risk

- ▶ ??? Sources of Market Risk
- ▶ ??? Evolution of Market Risk Regulation
- ▶ ??? Measuring Market Risk using Regulatory VaR and Stressed VaR
- ▶ ??? Limitations of Basel II.5 and overview and Fundamental Review of the Trading Book [FRTB]

Module 5: Session 5: Asset and Liability Gap Analysis

- ▶ ??? Challenges of Maturity Transformation
- ▶ ??? Selecting appropriate time buckets
- ▶ ??? Distribution of maturing and non maturing assets and liabilities
- ▶ ??? Introduction to behavioural modelling
- ▶ ??? Adjusting for prepayment and redemption

Module 6: Session 6: Non-Traded Market Risk - Overview of IRRBB

- ▶ ??? What is IRRBB and what are the sources of it
- ▶ ??? Comparing IRRBB to CSRBB
- ▶ ??? Economic Value of Equity [EVE] vs Earnings at Risk [EAR]
- ▶ ??? Review of BIS 368 ???Final??? Standards for IRRBB
- ▶ ??? Treatment of cash flows
- ▶ ??? Time bucketing of cash flows



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Module 7: Session 7: Liquidity Risk

- ▶ ??? Typical Liquidity Metrics
- ▶ ??? Evolution of Liquidity Regulation
- ▶ ??? Basel III Liquidity Regime
- ▶ ??? Liquidity Coverage Ratio [LCR]
- ▶ ??? Net Stable Funding Ration [NSFR]
- ▶ ??? So what does this mean for ALM and ultimately strategy and liquidity preferences?
- ▶ ??? How they work in harmony

Module 8: Session 8: Beyond Pillar I

- ▶ ??? Overview of the Individual Capital Adequacy Assessment Process [ICAAP]
- ▶ ??? Overview of the Individual Liquidity Adequacy Assessment Process [ILAAP]
- ▶ ??? What stress is appropriate ??? what qualifies as ???severe but plausible???
- ▶ ??? Harmonising ICAAP and ILAAP
- ▶ ??? Effective Recovery and Resolution Planning [RRP]

Module 9: Session 9: Evolution of FTP and its role in managing Non Wholesale Portfolios

- ▶ ??? Challenges in Non Wholesale Portfolio Management
- ▶ ??? Defining FTP
- ▶ ??? What is it?
- ▶ ??? Why have it?
- ▶ ??? Why is it essential in optimizing portfolios
- ▶ ??? Evolution of FTP methodologies
- ▶ ??? Zero cost curve

Module 10: Session 10: Deriving the FTP Curve



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- ▶ ??? Market sources and proxies
- ▶ ??? Secondary Trading
- ▶ ??? Peer spreads
- ▶ ??? Challenges of deriving the curve in an under developed wholesale environment
- ▶ ??? Use of basis and cross currency swaps
- ▶ ??? Ownership and governance

Module 11: Session 11: Operating FTP

- ▶ ??? Methodologies
- ▶ ??? Ownership and governance
- ▶ ??? Including in management reporting ??? stock/flow rate blending
- ▶ ??? Driving behaviours
- ▶ ??? Aligning business incentivisation