SalmonThrust
FINANCIAL TRAINING

2-Day Intensive Course

Basel III: Understanding Liquidity Risk Management for *Non-Risk Professionals*

Intermediate Level

17 – 18 May 2012, Singapore

Who's attending?

This course is beneficial to all bank employees

Why not recommend this course to a colleague?

The market turmoil that began in mid 2007 has served to highlight the importance of effective liquidity management. Recently The Basel Committee on Banking Supervision has focused efforts directed to strengthening liquidity risk management. Two publications are directly relevant: *Principles for Sound Liquidity Risk Management and Supervision, September 2008*, and *International Framework for Liquidity Risk Measurement, Standards and Monitoring, December 2009*.

This two day course is a program designed for non-risk professionals. It begins with the basics and explains liquidity risk and the concepts and techniques used to manage liquidity. It enables teams that support liquidity risk professionals to understand their aims and constraints and it enables liquidity risk teams to understand the operations of their support teams, and brings to the forefront the benefits of a bank-wide risk culture. For non risk professionals it provides an understanding of liquidity risk management.

What will I get out of it?

By the end of the programme participants understand:

- What liquidity is; how illiquidity arises?
- The forms of liquidity risk
- The metrics used for liquidity risk measurement and management
- How to determine the Liquidity Coverage Ratio, Net Stable Funding Ratio and the four common metrics
- How to determine the processes and procedures used for determination of liquidity risk ratios and metrics and the impact on the IT architecture
- The strengths and limitations of the liquidity risk management, measuring and monitoring
- Liquidity risk, liquidity risk policy and liquidity management methodology options
- The regulatory mandates which support liquidity risk management
- The bank-wide importance of liquidity risk
- The scope of Basel III

Save Time and Money with In-House Training

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For more information on holding this, or any other salmon Thrust course in-house, please contact:

Audrey Ang, Sales Manager
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Email: audrey@salmonthrust.com

Funding Support

The Monetary Authority of Singapore (MAS) administers Financial Training Scheme (FTS) grants to financial sector organisations that sponsor eligible Singapore based participants to training programmes that meet qualifying criteria. For more details, please visit www.mas.gov.sg, or contact the MAS via fsdf@mas.gov.sg."

BOOK NOW! Register before 17 April 2012 for early-bird discount.

Website	Telephone	Email
www.salmonthrust.com	(+65) 6323 0768	email@salmonthrust.com

COURSE CONTENT

Day 1

Module 1: Historical Significance

- The 1970s and what banks did and did not do well
- The Basel Accords, Basel I and Basel II; the Three Pillars
- The role of the supervisor, the supervised and disclosure
- Risk based capitalization and the Capital Requirements Directive; Basel type models
- Building a stronger risk management culture
- Risk Appetite; allocating capital to support risk; Risk and Return and Shareholder Value
- Defining liquidity and liquidity risk
- Liquidity risk in context:
    - Market risk
    - Credit risk
    - Operational risk
    - Implementing Basel II

Exercise in Groups: *Participants construct a matrix of departments, activities and transactions and identify and categorize expected risks across a broad spectrum of risks. A skeleton is provided and a group matrix "take away" is developed.*

Module 2: Principles for Sound Liquidity Risk Management

- The historic context, and the financial problems which began in mid 2007
- Liquidity risk at a more granular level. Funding liquidity risk and market liquidity risk
    - Foreign currency issues
    - Mismatches
- Liquidity risk management, what is it? What does it achieve? Where the vulnerabilities are to be found
- Early warnings, liquidity evaporates and illiquidity can be sustained. Why and how? The flight to quality, Pools of liquidity
- Liquidation fire sales
- Cash, the repo market and its importance, haircuts, a refresher
- Liquidity risk tolerances
- Contingency liquidity risk planning
- Stress and scenario testing; financial stability under stress tests, including severe and plausible scenarios.
- Systemic Risk

Exercise in Groups: *Participants review liquidity cross currency matrix and determine the liquidity hotspots. Prudent actions, including entering the repo market are reviewed and resolution actions proposed. Costs are determined.*

Day 1 Lunch

Module 3: Mid 2008 Financial Crises

- Ineffective management of liquidity risk
- No tools to measure liquidity risks in products, business lines and no risk tolerance assessments
- Stress testing failures; lacking contingency funding plans
- Inadequacies of asset valuations and capital adequacy provisions
- Irregularity in meeting standards; standards not continuously maintained

Case Study in Groups: *Participants review the 2008/2009 crisis and build a set of monitoring tools which would have alerted the management of Lehman and Merrill Lynch earlier. Participants review the minutes of the bailout discussions and determine alternatives actions. Participants review the alternative actions given a contingency funding plan and comment on the adequacies of the valuations provided by models.*

Module 4: Concepts of Liquidity Risk Management

- Recent documentation: *Principles* September 2008 and *Framework* December 2009
- What is sound liquidity risk management, what is a robust liquidity risk management framework?
- Adequate levels of liquidity, cushions, high quality liquid assets; contingent liquidity risk
- What is meant by supporting a range of stress events
- A summary of the Principles; must be adhered to
- Two regulatory standards
    - Promote short term resiliency: Liquidity Coverage Ratio
    - Promote longer term resiliency: Net Stable Funding Ratio
- Minimum standards; supervisors and jurisdictional enhancements; standards met continuously
- Common metrics
    - Contractual maturity mismatch
    - Concentration of funding
    - Available unencumbered assets
    - Market related monitoring tools

Case Study Groups: *Participants identify, throughout the life of various transactions the sorts of events that impact liquidity and then identify mitigation techniques and procedures. The ratios, LCR and NSFR are calculated and maintained. The common metrics are utilized. A skeleton is provided.*

Day 2

Module 5: Liquidity Coverage Ratio and Net Stable funding Ratios

- Definition of the ratios
- The Defence: High Quality Liquid Assets; stocks of liquid assets; the test for quality; what counts?
- Available Stable Funding: definition
- Monetizing as a test of liquidity
- Net cash outflows: what counts; conditions and scenarios; the categories
- Requirement to meet continuously, how to ensure; reporting and currencies
- What systematic shocks are indications of problems: idiosyncratic and market shocks
- Bank's conduct stress tests, including sharing and testing at far dated horizons
- The common metrics

Exercise in Groups: *Participants define what counts as High Quality Liquid Assets, and provide justifications and reasons for inclusions and exclusions. Participants determine LCR based upon different definitions of HQLA and NCO. Participants define what counts as Available Stable Funding, and provide justifications and reasons for inclusions and exclusions. Participants determine NSFR based upon different inclusions and exclusions.*

Module 6: Supervisors Role

- Policy
- Assess both the adequacy and a bank's liquidity risk management system and the levels of liquidity
- Minimum standards
- Public disclosure
- Terms upon which the supervisor can intervene
- Harmonization; standards to be applied consistently, internationally, given supervisors set jurisdictional parameters
- Increasing frequency and operational requirements
- Protecting depositors
- Enhancing the stability of the financial system
- Intraday liquidity

Exercise in Groups: *Participants design regulatory reporting formats and comment on why the selections and reported items were incorporated and upon the frequency of generation. Granularity as options are to be incorporated and justified.*

Day 2 Lunch

Module 7: Your Liquidity Risk IT Risk Architecture (for Non-IT Professionals)

- Computational cycle
- Processes and Procedures
- Operational requirements for cycle enhancements
- Slicing and dicing issues
- Dealing with fat tails and exceptional market conditions
- Organizational issues and separation of function
- Who needs to know what? Granularity
- Reporting by email, comments and reformatting; graphs
- Executive management and Board, Risk Management Department responsibilities and interaction with other departments
- Being unaware is no excuse, but how do we make this easy
- Issues for systemic risk

Case Study Groups: *Participants propose procedures for the shortening of reporting, and analyze how the operational cycles are impacted, including how personnel are affected. Participants determine how fat tails may affect liquidity and how slice and dice techniques may enhance reporting in times of stress. Participants summarize the major factors affecting the management of liquidity risk, and propose who is targeted for reporting, frequency and granularity.*

Module 8: Basel III in a Wider Context

- Absorbing shocks, improved risk management and governance, transparency and disclosures
- Micro prudential and macro prudential measures
- Capital quality and common equity. Quality also counts
- Underpinning the regime with a leverage ratio and sanity checks
- Capital buffers, conservation and countercyclical buffers
- Global liquidity standards
- Northern Rock and pricing Liquidity
- Corporate Governance and Board oversight

Venue

All of our courses are held in 4 -5 stars hotels, chosen for their location, facilities, and level of service. You can be assured of a comfortable, convenient learning environment throughout the duration of the course.

Due to the variation in delegate numbers, we will send confirmation of the venue to you approximately 2 weeks before the start of the course.

Christopher John Brickhill

Christopher has over 30 years experience in financial markets risk and technology, and has worked in Asia, Europe, and North America. He provides consultancy and training services though out Asia Pacific and specializes in Risk, Risk IT, Tactical and Strategic planning. His banking career began with Chase Manhattan Bank in New York, and has worked or consulted for Citibank (New York and Dubai), Bankers Trust (Deutsche), DBS, China Everbrite, Standard Chartered Bank, HSBC, Schroders, Westpac, BNI, BRI, Bank Syariah Mandiri, SEB, Mizuho, Daiwa, Santander and LTCB. He managed Reuters's Basel II program in Asia Pacific and he teaches and examines part of the Enterprise Risk Management Diploma courses for ARiMI/NUS.

Christopher's knowledge and experience in financial consultancy and training derives from his extensive experience both as a banker and a vendor to the banking industry. He has taught at universities, written and published academic material, managed technology for global organizations, and managed multinational teams developing, and implementing financial software. His areas of consultancy include Risk, Basel II and III (market, credit, operational and liquidity), capital adequacy, Economic Capital, risk capital frameworks, policy formation and implementation, treasury and risk automation initiatives and strategy.

Christopher has taught at the University of Oxford, the University of Essex and the University of Melbourne where he lectured in Mathematical Logic and wrote *What is Mathematical Logic?* with John Crossley and others and which was published by Oxford University Press in 1972, and continues in press today in multiple languages.

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Register now

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