

ABS | Executive Education

# THE ALCO CHALLENGE

## ASSET & LIABILITY MANAGEMENT (ALM) FOR FINANCIAL INSTITUTIONS

By Dr. Jean Dermine

Co-author of the ALCO Challenge &  
World Renowned Professor of Banking and Finance at INSEAD

Dr. Jean Dermine is co-author of the ALCO Challenge, the computer-based asset and liability management in banking training simulation used around the world. For this programme, he will introduce its concepts and have participants practice with the ALCO Challenge simulation in teams, each of which represents the Asset-Liability Committee (ALCO) of a bank. Participants will also receive a signed copy of his seminal book on creating value in banking, *Bank Valuation and Value-based Management* (J. Dermine, Mc Graw-Hill, NY, 2nd edition, 2015).

He has been a Visiting Professor at the Wharton School of the University of Pennsylvania, at the Universities of Louvain and Lausanne, CESAG in Dakar, as well as Visiting Fellow at New York University, and Guest Professor at the Göteborg and Stockholm Schools of Economics. As a consultant/director of training programmes, he has worked with international banks, accounting and consulting firms, national central banks, European Central Bank, Bank for International Settlements, HM Treasury, the OECD, the World Bank, the European Commission, and the Mentor Forum for the US Supreme Court and the European Court of Justice. His work has been profiled in the international press, including *The Economist*, *Financial Times*, *New York Times* and *Wall Street Journal*.

Dr. Jean Dermine is Professor of Banking and Finance, and Director of Executive Education programmes on Strategic Management in Banking and Risk Management in Banking at INSEAD, one of the world's top business schools. He is also the founder of the INSEAD Centre for International Financial Services.

8 AICB  
CPD HOURS

10 SIDC  
CPE POINTS

The banking world is changing fast: digital banking, FinTechs, Final Basel 3 (Basel 4) regulations on capital and liquidity, and regional economic integration. As banks are shifting from an overriding concern for revenue growth to a preoccupation with long-term value creation and risk control, knowledge of Asset & Liability Management (ALM) is becoming a necessity for all bankers accountable for the results of a profit center. ALM includes a set of tools that ensure that strategy, risk-avoidance or risk-taking, pricing, and performance measurement are consistent with the corporate objectives set by senior management and the board and the regulatory constraints imposed by central banks, such as Basel 2 or Final Basel 3.

A unique feature of the programme is to anchor the discussion on a sound bank valuation model that identifies in a transparent manner the drivers of value creation. It forms the basis of the applied book that will be distributed to the participants Bank Valuation and Value-based Management (J. Dermine, Mc Graw-Hill, NY, 2nd edition, 2015).

## PROGRAMME OUTLINE

### DAY 1

#### Morning Session

##### **DRIVERS OF VALUE CREATION**

- Corporate Financial Goals
- Price-to-Book Ratio, Winners and Losers in a Fast-Changing World (JP Morgan, Morgan Stanley, Barclays, UBS, Mizuho)
- Decentralisation and Profit Centre Management
- RAROC, Economic Profit, Capital Allocation and Advanced Fund Transfer Pricing

ALCO Challenge Simulation, Decision 1 – Results Reading and Review Pricing and Market Shares

#### Afternoon Session

##### **THE CREDIT – FIXED INCOME MARKET**

- Capital allocation from Basel 1 to Final Basel 3
- The Credit Market: from loans to securitisation, corporate bonds issuance, peer-to-peer lending and market place funding
- Case Study: Lending Club
- IFRS 9 expected loss provisioning, performance indicators and compensation

ALCO Challenge Simulation, Decision 2 – Results Reading and Review Pricing and Market Shares

- Q&A and Review

### DAY 2

#### Morning Session

##### **THE MANAGEMENT AND CONTROL OF LIQUIDITY AND MARKET RISKS ON TRADING BOOK**

- ALM and accounting rules for trading book and fair value through other comprehensive income (FVTOCI)
- Liquidity Management Tools
- Control of interest rate risk, earnings at risk and economic value of equity at risk
- Control of market risk, VAR and Expected Shortfall
- Basel Fundamental Review of the Trading Book (FRTB)

ALCO Challenge Simulation, Decision 3 – Results Reading and Review Pricing and Market Shares

#### Afternoon Session

##### **NEW REGULATORY ARCHITECTURE WITH SPECIAL RESOLUTION REGIME AND BAIL-IN BONDS**

- New regulatory architecture with bail-in bonds
- Cases of international restructuring
- FinTech and financial institutions

ALCO Challenge Simulation, Decision 4 – Results Reading and Review Pricing and Market Shares

- Value Creation and Risk Control – What could go wrong?
- Q&A and Review

## LEARNING OBJECTIVES

By the end of the programme, participants will be able to:

- Develop key performance indicators related to pricing, balance sheet management and off-balance sheet control
- Identify product profitability, risk factors, capital adequacy, taxation and stock market value
- Develop strategic pricing in a competitive environment and in-depth analysis of market prospects, teams' strategies and competitive positioning
- Evaluate modern risk management techniques to cover both credit and market risks
- Negotiate the pricing of Interest Rate Swaps and the Sale of Loans

## PARTICIPANT PROFILE

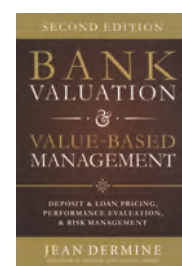
- Senior executives from financial institutions in private banking, corporate, investment banking, retail lending and treasury dealers
- Members of the asset and liability committee (ALCO), group finance, auditors and risk controls

## TRAINING METHODOLOGY

The programme is a mix of lecture-discussions to introduce the concepts and practice with the banking simulation ALCO Challenge. Participants are grouped into teams which represent the Asset & Liability Committee (ALCO) in charge of value creation, sustainable growth and risk control. The applied setting of a simulation and group work helps greatly to experience the leadership issues of complexity, scarcity of time, delegation of tasks, as well as behavioural biases such as overconfidence, herding and anchoring. A unique feature of the ALCO Challenge is that it includes advanced control tools that help participants to understand the sources of profitability and risks. The ALCO Challenge is compliant with Basel 2 and Final Basel 3 regulations.



Author of numerous articles on banking and Asset & Liability Management, Dr Jean Dermine has published 5 books, including *Bank Valuation and Value-based Management (deposit and loan pricing, performance evaluation and risk management)*, McGraw-Hill, NY, 2nd edition, 2015 (with translation in Chinese and Portuguese-Brazil).



## PROGRAMME DETAILS

Date : 2 – 3 July 2019  
Time : 9:00 am – 6:00 pm  
Venue : Asian Banking School

## PROGRAMME FEE

**MYR  
10,000\***

The cost of the programme includes lunch and other refreshments, as well as programme materials for one participant.

*\*Subject to 6% Service Tax*

To register for this programme, please visit the Executive Education page on our website at [www.asianbankingschool.com/our-programmes/executive-education](http://www.asianbankingschool.com/our-programmes/executive-education)

## ABOUT THE SCHOOL

At the Asian Banking School, we understand how impactful knowledge can be in transforming individuals, organisations and societies. By leveraging on the power of experience of senior industry practitioners as well as world-renowned academics from leading business schools in the world to deliver our programmes, we provide a learning environment for participants to gain real world knowledge to enhance their professional lives and make changes that matter in their organisations.

Through its sector-leading customised and open enrolment Executive Education programmes that are designed to be relevant, intensive and challenging, the School equips banks and its leaders with the right knowledge to take them up and move them forward. It also provides the opportunity for executives to share their experiences in a structured and intellectually stimulating environment, to learn from each other and ask the hard-hitting questions in a safe environment separate from their workplace.

The School develops and delivers relevant, practical and innovative learning development programmes for bankers at all levels through its suite of Executive Education, Public, In-House and Graduate Training Programmes, as well as its Professional Qualifications-related training workshops. It also provides a broad spectrum of consultancy services that are tailor-made to meet organisational needs and strategic objectives, and can range from a long term comprehensive education pathway programme to a short up-skilling class.

For training enquiries, please contact:

### Asian Banking School

Level 12, NU Tower 2, Jalan Tun Sambanthan  
Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia

Tel : +603-2742 7822

Email : [training@asianbankingschool.com](mailto:training@asianbankingschool.com)

Website: [www.asianbankingschool.com](http://www.asianbankingschool.com)

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