

PI ETA CONSULTING COMPANY

Understanding Asset and Liability Management

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OUTLINE FOR UNDERSTANDING ASSET AND LIABILITY MANAGEMENT PROGRAM, A 2-DAY PROGRAM

- **Background & Overview of Asset and Liability Committee (ALCO)**
 - Role & Objectives
 - Sample Statements on Role / Function of ALCO
 - Capital of a financial institution
 - Funding and Liquidity
 - Structural Market Risk of On and Off Balance Sheet items

- **Asset / Liability Composition**
 - What comprises Assets
 - What comprises Liability
 - Detail discussion on characteristics of the major assets and liabilities of an FI
 - Sample Balance Sheet of some local commercial banks
 - Off Balance-Sheet items

- **Role of ALCO in Capital Management**
 - Minimum Capital Standards and Compliance
 - Capital Structure of a Bank
 - Regulatory Capital, Compliance & Maintenance
 - Illustration : Sub-Prime crisis impact on Bank's Capital
 - What would ALCO look at
 - Capital Adequacy
 - Growth of Assets-Liabilities and adequacy of Capital

- **Role of ALCO in Funding and Liquidity Management**
 - Liquidity Structure and Regulatory Framework
 - Liquidity Concept and Objectives (MCO, MCI)
 - Money Market, Liquidity and their significance to Banking Institutions
 - Regulatory Framework and Compliance
 - Regulatory Limits, Ratios, Utilization
 - Liquidity Profile and Associated Risks :
 - Growth in Asset-Liability Types and implication on Liquidity
 - Illustration : Assessment of Change in Liquidity Profile
 - ALCO's Role, Objectives, Actions

- **Role of ALCO in Structural Profile and Interest Rate Risk Management**
 - Structural Profile
 - Market Risk for Trading vs Non-Trading / Accrual Portfolios
 - Structural Growth in Asset-Liability Types and reasons
 - Implication under various scenarios and behavioral change
 - ALCO's Role, Objectives and Actions
 - Illustration : Compare structures of different banks
 - **Case Study 1**
 - **Assess detail components of Assets and Liabilities of 5 different competitor banks, and determine their character, strength and weaknesses.**
 - Structural Interest Rate Risk, Gaps and Exposures
 - Structural Change in Asset-Liability profile of a Bank
 - Implications : Interest Rate / Market Risk scenarios
 - ALCO's Role, Objectives and Actions
 - Illustration : Change in Asset-Liability Profile
 - **Case Study 2**
 - **Take on the role of ALCO, discuss and analyze a 3 year detailed profile, character and margins of a financial institution, the fundamental month-on-month changes it underwent, and determine the strategic course of actions you would recommend as a valued member of ALCO.**
 - Off-Balance Sheet Items
 - Commitments, Contingencies & Derivatives
 - Futures, Options, Swaps, Exotics
 - Impact of Derivatives and Hedging on ALM
 - Value at Risk : meaning, relevance and applicability
 - Foreign Exchange Position and Exposures
 - Ad Hoc Items for ALCO to consider : Treasury Issues, New Products
- **The ALCO Framework**
 - Membership
 - Rationale and Component example
 - Role of the Treasurer
 - Frequency of Meetings, Minutes, Agenda and papers
 - Economics and Market Review
 - ALCO Support Unit
- **Issues and Challenges for ALM**
 - Complexity
 - System and data
- **Concluding Remarks**

For more information, please contact PI ETA Engagement Resource (PEER) Group at
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PROGRAM FACILITATOR

Mr. Christopher H. L. Chan
B.Ec., MBA

Mr. Christopher H. L. Chan is a Business Domain Expert Facilitator with PI ETA Consulting Company.

Chris is currently Assistant General Manager in the Audit Division of a financial institution, covering its group and overseas Global Markets and Risk Management areas. He had been at different periods, Head of Market Risk and Treasury Risk Management Department of a Malaysian commercial bank, and Senior Vice President in the Risk Division of an Investment Bank.

Chris has been in banking for over 37 years, mainly in the field of Treasury Trading and Management, as well as Risk Management. He started his career as a Dealer in a commercial bank, and subsequently to managing a Trading Room over a period of more than 20 years, after which he moved on to Risk Management. His expertise covers area in the Foreign Exchange Market, Money Markets, Fixed Income Instruments and Derivatives, as well as Risk Management and Auditing. He had been involved in Asset-Liability Management and its processes for almost 30 years.

He is actively involved in training via the Malaysian Banking Institute (IBBM), as well as in making presentations to corporate clients through the years. Chris is and has been for many years, an examiner in the IBBM committee that oversee the certificate examination for treasury dealers in the Malaysian banking community. He holds a Bachelor of Economics (BEc.) degree from the University of Malaya and a Master of Business Administration (MBA) degree in Finance from the University of Hull.