

# ILAAP - Fundamental & Advanced

## OVERVIEW:

The seminar comprehensively addresses the main building blocks of ILAAP, their best practice implementation, and how to robustify typical weak points. We start out with the definition of the different liquidity risks, and in which products and services they can be found. Furthermore, we discuss the main KRIs used to measure liquidity risks, how to set risk appetite and tolerances and how to internally price liquidity and liquidity risk. Moreover, we look at failed banks and how to use these data points to conservatively calibrate liquidity stress tests. Finally, we look at what LCR and NSFR are showing and what they are hiding.

## AGENDA OUTLINE:

### Day 1:

- What is liquidity risk and how does it affect banks?
- The different types of liquidity management frameworks
- Linkages between liquidity risk and solvency risk
- Existing regulation around liquidity risk

### Day 2:

- Banks' liquidity risk in an advanced nutshell
- Key elements of a liquidity (risk) management framework (ILAAP)
- How do products affect and optimize banks' internal and regulatory Ly position?
- How to challenge banks' internal liquidity risk management

## WHO SHOULD ATTEND:

We believe that this seminar is most useful for participants from:

- Treasury & (Liquidity) Risk controlling
- Regulatory reporting/ affairs
- Internal audit
- Regulators

## SEMINAR FORMAT:

- This seminar will be conducted in English
- This session will be conducted via Microsoft Teams. On completion of your registration you will receive a link to the meeting

## COURSE MATERIAL:

- Sessions are recorded and could be obtained on request at the end of the seminar
- Trainers presentation slide decks could be obtained on request at the end of the seminar
- Certificates will be awarded at the completion of the seminar

## CERTIFICATE:

- Certificates will be emailed to the participants on completion of the seminar



09:00 - 17:00 CET



Virtual | On-site



Refer pricing structure

*Have a question? Send us a mail to: [aaa.aspectadvisory.eu](mailto:aaa.aspectadvisory.eu)*

## DAY 1

### Day 1 : Fundamental

09:00

#### 1. What is liquidity risk and how does it affect banks?

- 1.1 Case study 1: Banks that became illiquid
- 1.2 Liquidity definitions
- 1.3 Liquidity vs. solvency
- 1.4 Liquidity innovations/ developments
- 1.5 Types of liquidity risk

10:30

### Morning coffee break

10:45

#### 2. The different types of liquidity management frameworks

- 2.1 Liquidity risk drivers
- 2.2 Liquidity risk tools
- 2.3 Case study 2: from business model to liquidity risk profile
- 2.4 Liquidity risk measurement
- 2.5 Case study 3: A comprehensive liquidity risk appetite statement
- 2.6 Liquidity Risk Governance
- 2.7 Liquidity chance
- 2.8 FTP
- 2.9 Liquidity buffer cost
- 2.10 (Contingency) Funding plans

12:15

## DAY 1

Lunch Break

13:30

### 3. Linkages between liquidity risk and solvency risk

3.1 Case study 4: Banco Popular

3.2 Capital & Solvency spirale

3.3 "Solvidity" stress tests

15:00

3.4 Case study 5: Example of an implemented "Solvidity" stress test

Afternoon Coffee Break

15:15

### 4. Existing regulation around liquidity risk

4.1 1o1 on LCR/ NSFR

4.2 Pitfalls of LCR/ NSFR

4.3 Very high LCRs

17:00

4.4 LCR volatility across time

4.5 Case study 6: Northern Rock

Close of Day 1 Sessions

## DAY 2

Day 2 : Advanced

09:00

### 1. Banks' liquidity risk in an advanced nutshell

- 1.1 Why are banks (liquidity) regulated?
- 1.2 Liquidity and liquidity risk types
- 1.3 Design, assumptions and use of different liquidity maturity ladders
- 1.4 Liquidity management as part of balance sheet management/treasury coordinated by ALCO
- 1.5 Popular metrics to measure and limit liquidity risk
- 1.6 Liquidity buffer: trading or banking book?
- 1.7 Where to technically store the Ly buffer and what's their "time-to-liquidity"
- 1.8 Main liquidity risk drivers per business model
- 1.9 Case study 1: Balance sheet management framework of a European bank

10:30

Morning coffee break

10:45

### 2. Key elements of a liquidity (risk) management framework (ILAAP)

- 2.1 Governance Trinity
- 2.2 Risk appetite and -limits
- 2.3 System infrastructure
- 2.4 Liquidity management
- 2.5 Liquidity risk controlling
- 2.6 ...

12:15

## DAY 2

Lunch Break

13:30

### 2. Key elements of a liquidity (risk) management framework (ILAAP) (cont'ed)

2.5 ...

2.6 Robust Contingency Funding Plan

2.7 Process Trinity: ILAAP/ Recovery/ Resolution

15:00

2.8 Funds Transfer pricing

2.9 A best practice liquidity (risk) management framework

2.10 Lehman Brothers Inc.: How 80 bn \$ of liquidity reserve can still be insufficient to avoid illiquidity?

Afternoon Coffee Break

15:15

### 3. Liquidity optimization and their implied new risks

3.1 Banks' internal vs. regulatory liquidity position

3.2 Unsecured lending and funding (incl. MTN-/ CP programs)

3.3 Liquidity buffer mix

3.4 SFTs: ON, term and evergreens

3.5 Central bank funding

17:00

3.6 Central bank role in liquidity crises

3.7 Optimizing regulatory liquidity

3.8 Implied new risks from optimization

### 4. "Often seen" deficits in liquidity risk frameworks

Close of Day 2 Sessions