

# **Understanding Asset and Liability Management**

## ***Comment from past participant***

*“The facilitator is very experienced! Chris is able to relate topics with his experience. He provided a lot of real experience and examples which value add to the seminar.”*

– Ms. Wong Shyr Yam, Malayan Banking Berhad, Singapore.  
[Class of July 2010]

*“I find Chris' experience in this industry extremely helpful in enlightening the class with the concepts in the seminar. Very enjoyable seminar!”*

– Ms. Angeline Lim Gek Neo, United Overseas Bank Limited, Singapore..  
[Class of November 2011]

*“This seminar gives me a broader knowledge about managing assets and liabilities related to derivatives products.”*

– Mr. Judy Aryanto Tissadharna, PT Bank Mizuho Indonesia, Indonesia.  
[Class of November 2011]

*“Valuable experience sharing session!”*

– Mr. Chua Chee Wan, Malayan Banking Berhad, Singapore.  
[Class of May 2012]

*“Good sharing on Chris' experiences over the 2 days training.”*

– Ms. Cheah Chooi Cheang, OCBC Bank, Singapore.  
[Class of October 2014]

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SEMINAR CODE: PTM03

## *Highlights*

- Understand what constitutes Assets and Liabilities of a Financial Institution, and the Importance of Asset Liability Management (ALM).
- Have an overview of Asset and Liability Committees (ALCO), their Roles, Objectives, Responsibilities, and related Regulatory and best practices.
- Have an insight into Liquidity Management and Interest Rate Risk Management, within the Asset Liability Management process of a Financial Institution.
- Analyze the behavioral characteristics of Assets and Liabilities, the associated type of Risks, and how to manage some of these risks
- Have an insight into some major derivatives and how they can affect the Asset and Liability profile of an institution.
- Three case studies covering arm-length assessment, as well as hands-on discussion and decision participation on Asset-Liability Management.
- Have an appreciation of the recommended ALCO Framework in which to operate in.

Seminar Facilitator  
**Mr. Christopher H. L. Chan, B.Ec., MBA**

Seminar Duration  
**2 Days, 9:00am to 5:00pm**

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## Seminar Background

Understanding Asset and Liability Management (ALM) is a program targeted at those who are new to and have responsibilities in ALM, as well as anyone who has a functional, leadership or audit role within the ALM framework. It is also highly relevant to Banking Analysts whose work involves evaluation of a Financial Institution, its character, risk area and potential weakness. The program aims to provide a foundation as well as working knowledge of ALM, its relevance in ensuring an organization can continue as an on-going business concern, and actions that can be undertaken to ensure the organization remains competitive in the financial market-place.

## Seminar Content

- **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 Banking Institution
    - 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
    - Assessment of Change in Liquidity Profile
    - ALCO's Role, Objectives, Actions

- **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
  - **Case Study 3**
    - **Analyze the role, actions or inactions of the ALCO of a 100 year-old financial institution, over its most critical period, the impact of derivatives it undertook, and determine the pitfalls and failures it faced.**
- **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**

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## **Benefits of Attendance**

Participants will gain a good solid foundational knowledge in Asset and Liability Management (ALM), understand what constitutes Assets and what constitutes Liabilities. In addition, they will have an understanding of what constitutes the recommended ALM framework, the role and responsibilities of the Asset and Liability Committee (ALCO), its challenges and some of the actions to be undertaken in maintaining good ALM.

## **Who should attend?**

New ALCO Members, ALCO Support Group Members, Treasury and Finance Personnel, Senior Management, Risk Management Personnel, Accountants, Internal and External Auditors, Financial Institution Analysts and Stock Analysts.

## **Seminar Facilitator**

**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.

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