

Risk magazine's seventh annual conference

**alm**  
**2001**

**Risk**

# Asset/Liability & Risk Management 2001

Advanced strategies and latest developments in asset/liability management and enterprise-wide risk management

**Paris 24 & 25 September 2001**

## KEYNOTE SPEAKER

Stephen Bland

Head of Policy for Capital and Credit, Market and Liquidity Risk  
FINANCIAL SERVICES AUTHORITY, BASEL COMMITTEE

**Stream One:** PRACTICAL BALANCE SHEET MANAGEMENT

**Stream Two:** ADVANCED RISK MANAGEMENT  
FOR ASSET/LIABILITY MANAGEMENT

**Stream Three:** MANAGING RISK IN RETAIL BANKING

## Conference highlights

- ❖ Gain cutting-edge insights into how leading institutions are preparing for the implications of the New Basel Capital Accord
- ❖ Examine the latest techniques for liquidity risk measurement and management
- ❖ Optimise your capital allocation and funds transfer strategies

**PLUS** two separately bookable one-day post-conference seminars on **Wednesday 26 September 2001**

- ❖ The Latest Developments in Liquidity Risk Measurement and Management
- ❖ Effective Integration of Market Risk and Credit Risk Methodologies

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**ALMA**

UK ASSET AND LIABILITY  
MANAGEMENT ASSOCIATION

[www.risk-conferences.com/alm2001euro](http://www.risk-conferences.com/alm2001euro)

is Risk's seventh annual conference on Asset/Liability and Risk management and will cover cutting-edge research, methodologies and strategies within the rapidly evolving field. This year's event will hold greater importance than ever for professionals in these fields because of the monumental impact that the New Basel Capital Accord will have on the industry. As the different risk management disciplines converge to form an increasingly complex picture, this three streamed conference will allow delegates to keep abreast of all the latest developments by offering unparalleled learning, choice and networking opportunities. With over 30 presentations from leading practitioners from across Europe and the United States and a flexible interactive environment, highlights of this two-day conference will include:

- Analysis of the new Basel proposals and how financial institutions will need to adapt to meet the new requirements
- A detailed study of best practice in liquidity risk measurement and management
- Insight into the introduction of Continuous Linked Settlement and the impact it will have on liquidity
- An examination of how equity is managed in The World Bank's balance sheet
- How to utilise securitisation to change the balance sheet risk profile
- Insightful analysis of the convergence of credit and market risk
- Developing and implementing optimal transfer pricing techniques

## NEW DEDICATED RETAIL BANKING STREAM

Following on from last year's highly successful innovation, this year's event will also include a **dedicated retail banking stream** whose highlights will include:

- Effective methods for measuring and managing balance sheet risk
- Measuring and managing the optionality in pre-payment products
- The latest research in modelling customer behaviour in the European market
- Insight into stress testing methodologies for retail products

## TWO SEPARATELY BOOKABLE ONE DAY SEMINARS

In addition to the two-day conference you may also take advantage of the opportunity to explore some of the conference's leading themes in great depth at one of the separately bookable post-conference seminars:

- **The Latest Developments in Liquidity Risk Measurement and Management**
- **Effective Integration of Market Risk and Credit Risk Methodologies**

These one-day seminars will provide in-depth training within a practical and interactive learning environment.

## ABOUT YOUR KEYNOTE SPEAKER

### **Stephen Bland, Financial Services Authority, Basel Committee Representative**

Stephen Bland is Head of Policy for Capital and Credit, Market and Liquidity Risk in the Prudential Standards Division of the UK Financial Services Authority. He co-ordinates the FSA's involvement in the review of the Basel Capital Accord and related EU legislation. He has chaired one of the Basel working groups, looking at the use of banks' internal ratings when setting regulatory capital requirements.

### **SPEAKER HIGHLIGHTS**

**Dr Dirk Erdmann, Director, Head of Counterparty & Legal Risk Policies, WESTLB**, will be analysing credit risk mitigation in derivatives business.

**Krishnan Chandrasekhar, Senior Manager, Asset Liability Management, THE WORLD BANK**, will present an in-depth case study explaining how The World Bank manages equity on its balance sheet.

**Dennis Cox, Director of Operational Risk, HSBC INSURANCE BROKERS**, will examine regulatory directions within retail banking.

# Paris 24 & 25 September 2001

## GOLD SPONSOR



Quantitative Risk Management

Quantitative Risk Management is a systems development and consulting firm specializing in risk management, ALM and transaction-level profitability for financial institutions and large corporates. QRM's client base includes more than 125 leading financial institutions from across the world, ranging in size from \$1 billion to nearly \$1 trillion in assets. QRM's Systems are comprehensive multi-currency packages that enable financial managers to produce market value analyses utilizing arbitrage-free pricing models, earnings simulations and shareholder value analyses based on deterministic or stochastic market scenarios, forward market valuations for projected balance sheets, Value-At-Risk, RAROC analysis and hedge optimization for the entire balance sheet. QRM's Systems run on the Windows NT operating system utilizing client-server platforms with advanced valuation and planning engines in C++, intuitive GUI front-ends, and MS SQL Server back-ends. All of QRM's Systems are designed to operate in distributed processing environments and are capable of processing simultaneously on dozens of CPUs. QRM's ALM and Profitability systems are seamlessly integrated, allowing financial institutions to dissect earnings-at-risk, value-at-risk, customer profitability and product profitability using a common and consistent set of assumptions and input data. This tight integration eliminates the headaches traditionally associated with disjointed and disparate ALM and Profitability processes. All parties within the financial institution are thus able to operate within a common framework for proper management of bottom-line and top-line profitability.

## SILVER SPONSOR



Strategic Risk International is a consulting firm specializing in advising financial institutions on Asset and Liability Management issues. SRI's services include: the provision of risk management technology, ALM systems implementation and the undertaking of advisory

assignments. SRI's risk management technology includes the following:

**FinPlan** a leading edge balance sheet modeling system that can be used for ALM, financial planning, strategic planning and product design

**AutoLoad** an automated data load and data stratification system

**AlcoPack** an automated ALCO reporting system that includes risk reporting vs limits, regulatory reporting and Board summaries

**BSS** a balance sheet risk/reward optimization system

SRI has implemented risk management systems for over 90 financial institutions in the UK, Europe, USA, the Middle East, Australia and SE Asia. It has also provided advisory services to over 100 financial institutions on risk management matters. The firm operates out of offices in the UK, USA and Australia.

Contact Numbers: UK 44 07900 655 866

USA 1 925 939 1188

Australia 612 9420 0066

Fax 44 0113 258 9625

Fax: 1 925 939 1726

Fax: 612 9420 0236

## EXHIBITORS

Confirmed exhibitors to date include:

- **Algorithmics Incorporated**
- **IPS-Sendero**
- **IRIS integrated risk management ag**
- **Quantitative Risk Management**
- **Strategic Risk International**
- **SunGard Trading & Risk Systems**

## MARKETING OPPORTUNITIES



offers your company an unparalleled opportunity to reach both your existing and future clients at a time when they are most receptive to information. To find out more about how you could take advantage of the sponsorship or exhibition opportunities available, call **Karlie Rogers** on **+44 (0) 20 7484 9733** or email: **krogers@riskwaters.com**

## ENDORSED BY



AFGAP is the French Asset and Liability Management Association. It was formed in 1990. The association gathers more than 150 members, all professionals of asset and liability management, working in banks, insurance companies or other sectors. The aim is to provide a forum for the exchange of views and experiences in the field of financial global risk management.



UK ASSET AND LIABILITY  
MANAGEMENT ASSOCIATION

The association was formed in February 1992 by a small group of people involved in asset/liability management as a forum to meet and discuss relevant issues. Membership now includes most of the UK's leading banks, building societies and financial institutions. This independent association was formed to enhance and disseminate knowledge to its members and keep them abreast of the latest developments in the techniques for asset and liability management. The association provides a basis for members from UK financial institutions where asset liability management techniques are practised.

Delegates are welcome to move freely between the three streams

## Day One Monday 24 September 2001 Paris

8.30 Registration and breakfast

9.00 **Chairman's opening remarks**  
Gilles Demeulenaere, **QUANTITATIVE RISK MANAGEMENT**

9.10 **Keynote Address - Considering the impact of the New Basel Accord on setting overall capital requirement levels**  
Stephen Bland, FSA, **BASEL COMMITTEE**

STREAM ONE: BALANCE SHEET MANAGEMENT	STREAM TWO: ADVANCED RISK MANAGEMENT	STREAM THREE: RISK IN RETAIL BANKING
	<b>OPERATIONAL RISK</b>	
9.50 <b>Chairman's opening remarks</b> Leonard Matz, <b>NESHANNOCK FINANCE</b>	9.50 <b>Chairman's opening remarks</b> Gilles Demeulenaere, <b>QUANTITATIVE RISK MANAGEMENT</b>	9.50 <b>Chairman's opening remarks</b> Jean-Francois Boulier, <b>SINOPIA ASSET MANAGEMENT, AFGAP</b>
10.00 <b>Managing equity in the World Bank's balance sheet</b> Krishnan Chandrasekhar, <b>THE WORLD BANK</b>	10.00 <b>Analysing the Basel proposals for operational risk</b> David Lawrence, <b>CITIBANK</b>	10.00 <b>Measuring and managing balance sheet risk</b> Christopher Clegg, <b>ABBAY NATIONAL</b>
10.40 Morning Break		
11.10 <b>A comprehensive ALM resource</b> James Salem, <b>ROYAL BANK OF CANADA</b>	11.10 <b>A comparison of methodologies for tackling operational risk</b> Victor Dowd, <b>FINANCIAL SERVICES AUTHORITY</b>	11.10 <b>Examining regulatory directions within retail banking</b> Dennis Cox, <b>HSBC INSURANCE BROKERS</b>
	<b>MARKET RISK</b>	
11.50 <b>Examining optimal transfer pricing techniques</b> Kim Hobbs, <b>CAPITAL ONE</b>	11.50 <b>Extreme Value Theory: the latest fad or a breakthrough in risk management?</b> Mike Davies, <b>TOKAI BANK EUROPE</b>	11.50 <b>Managing liquidity in a new entrant bank</b> Jim Cull, <b>STANDARD LIFE ASSURANCE COMPANY</b>
12.30 Lunch		
	<b>LIQUIDITY RISK</b>	
2.00 <b>Liquidity: The forgotten risk</b> Carl Tannenbaum, <b>ABN AMRO</b>	2.00 <b>Interest rate risk - an earnings versus market value view</b> Peter Szabadhegy, <b>DELOITTE &amp; TOUCHE CENTRAL EUROPE</b>	2.00 <b>Approaches to stress testing for retail products</b> Duncan Asker, <b>HALIFAX</b>
	<b>SECURITISATION</b>	
2.40 <b>Current best practices and new ideas for measuring and pricing liquidity</b> Leonard Matz, <b>NESHANNOCK FINANCIAL</b>	2.40 <b>Credit derivatives in the securitisation market</b> Stephen Stonberg, <b>DEUTSCHE BANK</b>	2.40 <b>The model retail bank treasury</b> Martin Hoccom, Sheldon Lacy, Tony Main, <b>HALIFAX</b>
3.20 Afternoon Break		
3.50 <b>Preparing for the advent of continuous linked settlement</b> Richard A. Pattinson, <b>BARCLAYS</b>	3.50 <b>Securitisation methods to change the balance sheet risk profile</b> Alexander Batchvarov, <b>MERRILL LYNCH</b>	3.50 <b>Modelling mortgage prepayments from a European perspective</b> Dick Boswell, <b>ABN AMRO</b>
4.30 <b>Closing remarks from the Chair</b>		
4.40 <b>Cocktail reception</b> 🍷		

## Day Two Tuesday 25 September 2001 Paris

**8.30** Registration and Breakfast

**9.00** Chairman's opening remarks  
Jessica James, BANK ONE

**9.10** Plenary Session  
Credit Risk Mitigation in Derivatives Business  
Dr. Dirk Erdmann, WESTLB

**9.50** Plenary Session  
The Fleetboston Securitisation: A Case Study  
James L. Gertie, Fleetboston Financial

**10.30** Morning Break

**11.00** Panel Discussion:  
Assessing the challenges that the risk management industry faces in implementing the new Basel proposals  
Carl Tannenbaum, ABN AMRO  
Jean-Francois Boullier, SINOPIA ASSET MANAGEMENT, AFGAP  
Peter Goshawk, BARCLAYS  
Peter Nakada, ERISK  
Jessica James, BANK ONE  
Dr Andrew Kameron, STRATEGIC RISK INTERNATIONAL

STREAM ONE: CAPITAL ALLOCATION		STREAM TWO: CREDIT RISK		STREAM THREE: MORTGAGE FINANCE	
<b>11.40</b>	Chairman's opening remarks Dr Andrew Kameron, STRATEGIC RISK INTERNATIONAL	<b>11.40</b>	Chairman's opening remarks Jessica James, BANK ONE	<b>11.40</b>	Chairman's opening remarks Peter Goshawk, BARCLAYS
<b>11.50</b>	Issues in implementing economic capital models Peter Nakada, ERISK	<b>11.50</b>	Credit risk and the insurance industry Paul Varotsis, LEHMAN BROTHERS	<b>11.50</b>	Mortgage prepayment risk Simon Perry, John Rowland, TILLINGHAST-TOWERS PERRIN
<b>12.30</b> Lunch					
<b>2.00</b>	Optimising RAROC across business units Henry Norwood QUANTITATIVE RISK MANAGEMENT	<b>2.00</b>	Credit analysis using EVT and copula functions Jessica James, BANK ONE Nick Webber, WARWICK UNIVERSITY Extended Session	<b>2.00</b>	An examination of the ALM of pay-as-you-go systems Jean-Francois Boullier, SINOPIA ASSET MANAGEMENT, AFGAP
<b>2.40</b>	Sourcing and applying accurate and appropriate risk management data Shawn Convery, ALMONDE			<b>2.40</b>	Modelling customer behaviour and the optionality in the French retail market. A Case Study: the Plan d'Epargne Logement Antoine Frachot, CREDIT LYONNAIS
<b>3.20</b> Afternoon Break					
<b>3.50</b>	Moving from an accrued interest to market value approach to risk management Michiel Alleda, ABN AMRO NL	<b>3.50</b>	Trends in credit derivatives usage Pius Sprenger, DEUTSCHE BANK	<b>3.50</b>	Developing effective data management and analytics systems David N. Shaw, BANCWARE, SUNGARD TRADING AND RISK SYSTEMS
<b>4.30</b> Closing remarks from the Chair					
<b>4.40</b> Close of Conference					

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## Day One Monday 24 September 2001 Paris

**8.30** Registration and breakfast

**9.00 Chairman's opening remarks**  
**Gilles Demeulenaere**  
**QUANTITATIVE RISK MANAGEMENT**

**9.10**

**KEYNOTE ADDRESS - Considering the impact of the new Basel Accord on setting overall capital requirement levels**

- The current Basel Accord revision and the consideration of the minimum capital requirement levels
- The Basel Committee's goals: maintaining the current minimum capital level
- A Quantitative Impact Study to review the overall effect on banks across the G10 and beyond
- Assessing industry pressure to reduce the current minimum level – could banks operate at lower levels?
- Issues regarding procyclical capital charges
- Analysing the structure of capital requirements

**Stephen Bland**  
**Head of Policy for Capital and Credit, Market and Liquidity Risk**  
**FSA**  
**BASEL COMMITTEE**

Stream One Balance Sheet Management	Stream Two Advanced Risk Management	Stream Three Risk in Retail Banking
	<b>OPERATIONAL RISK</b>	
<p><b>9.50 Chairman's opening remarks</b>  <b>Leonard Matz</b>  <b>Principal</b>  <b>NESHANNOCK FINANCE</b></p>	<p><b>9.50 Chairman's opening remarks</b>  <b>Gilles Demeulenaere</b>  <b>QUANTITATIVE RISK MANAGEMENT</b></p>	<p><b>9.50 Chairman's opening remarks</b>  <b>Jean-Francois Boulier</b>  <b>Chief Investment Officer</b>  <b>SINOPIA ASSET MANAGEMENT</b>  <b>President, AFGAP</b></p>
<p><b>10.00</b>  <b>Managing Equity in the World Bank's Balance Sheet</b></p> <ul style="list-style-type: none"> <li>• Contextual background <ul style="list-style-type: none"> <li>– World Bank balance sheet overview</li> <li>– unique features</li> <li>– key financial policies</li> </ul> </li> <li>• Size and role of equity <ul style="list-style-type: none"> <li>– protecting Bank's financial capacity</li> <li>– equity-to-loans ratio</li> <li>– currency and duration benchmarks</li> </ul> </li> <li>• Dynamic management of equity <ul style="list-style-type: none"> <li>– impact on funding and hedging decisions</li> <li>– allocation of equity across different products</li> <li>– managing interest rate sensitivity</li> <li>– managing exchange rate sensitivity</li> </ul> </li> <li>• Loan portfolio considerations <ul style="list-style-type: none"> <li>– accounting for differences in portfolio credit quality</li> <li>– impact on product pricing</li> <li>– conclusions</li> </ul> </li> </ul> <p><b>Krishnan Chandrasekhar</b>  <b>Senior Manager, Asset Liability Management</b>  <b>THE WORLD BANK</b></p>	<p><b>10.00</b>  <b>Analysing the Basel proposals for operational risk</b></p> <ul style="list-style-type: none"> <li>• Definition of Operational Risk</li> <li>• The need for a capital charge</li> <li>• An evolutionary spectrum of approaches to capital <ul style="list-style-type: none"> <li>– the basic indicator approach</li> <li>– the standardised approach</li> <li>– the internal measurement approach</li> <li>– the loss distribution approach</li> </ul> </li> <li>• Problems with these approaches</li> <li>• Perverse incentives</li> <li>• Insurance</li> <li>• Outsourcing</li> </ul> <p><b>David Lawrence</b>  <b>Head of Risk Analytics</b>  <b>CITIBANK</b></p>	<p><b>10.00</b>  <b>Measuring and managing balance sheet risk</b></p> <ul style="list-style-type: none"> <li>• What are we trying to manage, and why? <ul style="list-style-type: none"> <li>– "clean" and "dirty" market risks</li> <li>– margin management</li> </ul> </li> <li>• Linking measurement to objectives <ul style="list-style-type: none"> <li>– risk control</li> <li>– accounting issues</li> </ul> </li> <li>• Linking management to strategy <ul style="list-style-type: none"> <li>– return on capital</li> <li>– shareholder value</li> </ul> </li> </ul> <p><b>Christopher Clegg</b>  <b>Head of Retail Market Risk</b>  <b>ABBEY NATIONAL</b></p>
<b>10.40</b> Morning Break		

<p><b>11.10</b>  <b>A comprehensive ALM resource</b></p> <ul style="list-style-type: none"> <li>An examination of the optimal integrated approach to: <ul style="list-style-type: none"> <li>IRRM</li> <li>FTP</li> <li>NII Planning/Forecasting</li> </ul> </li> </ul> <p><b>James Salem</b>  <b>Vice President, Applied Research and Quantitative Analysis</b>  <b>ROYAL BANK OF CANADA</b></p>	<p><b>11.10</b>  <b>A comparison of methodologies for tackling operational risk</b></p> <ul style="list-style-type: none"> <li>An examination of the evolving Basel framework</li> <li>Examining the approach to the calibration of the operational risk charge</li> <li>An assessment of the Sound Practices paper</li> </ul> <p><b>Victor Dowd</b>  <b>Associate</b>  <b>FINANCIAL SERVICES AUTHORITY</b></p>	<p><b>11.10</b>  <b>Examining regulatory directions within retail banking</b></p> <ul style="list-style-type: none"> <li>The challenge of regulation</li> <li>Regulatory developments in Europe and global initiatives</li> <li>Risk mitigation techniques</li> <li>Outsourcing</li> <li>Insurance</li> <li>How to add value while meeting regulatory challenges</li> </ul> <p><b>Dennis Cox</b>  <b>Director of Operational Risk</b>  <b>HSBC INSURANCE BROKERS</b></p>
<b>MARKET RISK</b>		
<p><b>11.50</b>  <b>Examining optimal transfer pricing techniques</b></p> <ul style="list-style-type: none"> <li>Defining and achieving Funds Transfer Pricing objectives</li> <li>Balance based transfer pricing</li> <li>Rate sensitive transfer pricing</li> </ul> <p><b>Kim Hobbs</b>  <b>Director, Financial Risk Management / Decision Analytics</b>  <b>CAPITAL ONE</b></p>	<p><b>11.50</b>  <b>Extreme Value Theory: the latest fad or a breakthrough in risk management?</b></p> <ul style="list-style-type: none"> <li>EVT versus VaR</li> <li>Common pitfalls in the use of EVT in practice</li> <li>Using EVT as a method of measuring and allocating economic capital</li> <li>So.... are we any further forward?</li> </ul> <p><b>Mike Davies</b>  <b>Head of Market Risk Management</b>  <b>TOKAI BANK EUROPE</b></p>	<p><b>11.50</b>  <b>Managing liquidity in a new entrant bank</b></p> <ul style="list-style-type: none"> <li>Regulation</li> <li>Control</li> <li>Optimisation</li> <li>Product mix</li> </ul> <p><b>Jim Cull</b>  <b>Deputy Treasurer</b>  <b>STANDARD LIFE ASSURANCE COMPANY</b></p>
<b>12.30</b> Lunch		
<b>LIQUIDITY RISK</b>		
<p><b>2.00</b>  <b>Liquidity: The forgotten risk</b></p> <ul style="list-style-type: none"> <li>Where have all the deposits gone?</li> <li>Following the flow of funds</li> <li>Strategies for maintaining solvency</li> <li>Exposure to the financial system</li> </ul> <p><b>Carl Tannenbaum</b>  <b>Senior Vice President</b>  <b>ABN AMRO</b></p>	<p><b>2.00</b>  <b>Interest Rate Risk - An earnings versus market value view</b></p> <ul style="list-style-type: none"> <li>Short versus long-term view (shareholder expectations/ communications)</li> <li>The impact of real versus inflationary rate changes</li> <li>Uses - and misuses - of duration of equity measures</li> <li>Hedgable versus unhedgable interest rate risk</li> <li>The impact of interest rate changes on all cashflows (correlation effects)</li> <li>Accrual versus mark-to-market accounting</li> </ul> <p><b>Peter Szabadhegy</b>  <b>Regional Managing Partner</b>  <b>DELOITTE &amp; TOUCHE CENTRAL EUROPE</b></p>	<p><b>2.00</b>  <b>Approaches to stress testing for retail products</b></p> <ul style="list-style-type: none"> <li>The purpose of the stress test in retail balance sheet management</li> <li>Relationship of stress testing to other balance sheet management techniques</li> <li>The key stress tests for retail products</li> <li>Methods used within Halifax Retail</li> </ul> <p><b>Duncan Asker</b>  <b>Asset &amp; Liability Manager</b>  <b>HALIFAX RETAIL FINANCIAL SERVICES</b></p>
<b>SECURITISATION</b>		
<p><b>2.40</b>  <b>Current best practices and new ideas for measuring and pricing liquidity</b></p> <ul style="list-style-type: none"> <li>Segmenting liquidity into risk components</li> <li>A brief look at the strengths and weaknesses of traditional measures</li> <li>Three dimensions of liquidity risk</li> <li>Measuring structural, normal or mismatch liquidity risk</li> <li>Measuring contingent risk and standby sources</li> </ul> <p><b>Leonard Matz</b>  <b>Principal</b>  <b>NESHANNOCK FINANCIAL</b></p>	<p><b>2.40</b>  <b>Credit derivatives in the securitisation market</b></p> <ul style="list-style-type: none"> <li>Assessing portfolio risk</li> <li>New developments in balance sheet synthetics</li> <li>Issues with hybrid synthetic transactions from a protection seller's perspective</li> <li>Synthetics - giving additional leverage to protection buyer</li> <li>Mark-to-market issues of the super-senior</li> </ul> <p><b>Stephen Stonberg</b>  <b>Managing Director, Head of GCD Structured Products</b>  <b>DEUTSCHE BANK</b></p>	<p><b>2.40</b>  <b>The model retail bank treasury</b></p> <ul style="list-style-type: none"> <li>Modelling, measuring and managing interest rate risk in a retail bank</li> <li>Risk characteristics of retail and wholesale markets</li> <li>Source and size of interest rate risks</li> <li>Evolution of risk management ALCO</li> <li>Individual product risk summary</li> </ul> <p><b>Martin Hoccom</b>  <b>Head of Market Risk Management</b>  <b>Sheldon Lacy</b>  <b>Risk Manager</b>  <b>Tony Main</b>  <b>Director, Money Markets</b>  <b>HALIFAX</b></p>
<b>3.20</b> Afternoon Break		

<p><b>3.50</b> <b>Preparing for the advent of continuous linked settlement</b></p> <ul style="list-style-type: none"> <li>Intra-day Liquidity</li> <li>How are institutions preparing for the introduction of CLS?</li> <li>Examining the possible liquidity management problems involved in CLS: fluctuations in liquidity</li> </ul> <p><b>Richard A. Pattinson</b> Assistant Group Treasurer and Head of Global Liquidity Policy &amp; Control <b>BARCLAYS</b></p>	<p><b>3.50</b> <b>Securitisation methods to change the balance sheet risk profile</b></p> <ul style="list-style-type: none"> <li>Latest securitisation techniques for risk mitigation</li> <li>True sale or synthetic risk transfer - theoretical and practical issues</li> <li>The economics of regulatory capital relief</li> <li>Changing applications of securitisation against the background of the BIS proposal</li> </ul> <p><b>Alexander Batchvarov</b> Managing Director, International ABS/MBS Research <b>MERRILL LYNCH</b></p>	<p><b>3.50</b> <b>Modelling mortgage prepayments from a European perspective</b></p> <ul style="list-style-type: none"> <li>Overview of some prepayment observations in European markets</li> <li>European mortgage characteristics</li> <li>Setting up a prepayment data warehouse</li> <li>A prepayment model for the Dutch market</li> <li>Valuing the prepayment option</li> </ul> <p><b>Dick Boswell</b> Head of ALM Modelling <b>ABN AMRO</b></p>
<p><b>4.30</b> Closing remarks from the Chair</p>		
<p><b>4.40</b> Cocktail reception 🍷</p>		

## Day Two Tuesday 25 September 2001 Paris

**8.30** Registration and Breakfast

**9.00** Chairman's opening remarks

**Jessica James**  
First Vice President  
London Head Strategic Risk Management Advisory  
**BANK ONE**

**9.10**

**Plenary Session**

**Credit risk mitigation in derivatives business**

- Assessing the available tools
  - close-out netting
  - collateralisation
  - credit derivatives
- Implementing "economic risk" - practical implications
- Outlook
- Discussion

**Dr. Dirk Erdmann**  
Director, Head of Counterparty & Legal Risk Policies  
**WESTLB**

**9.50**

**Plenary Session**

**The Fleetboston Securitisation: A Case Study**

**James L. Gertie**  
Executive Credit Officer  
Fleetboston Financial

**10.30** Morning Break

**11.00** Panel Discussion

**Assessing the challenges that the risk management industry faces in implementing the new Basel proposals**

**Jean-Francois Boulier**  
Chief Investment Officer  
**SINOPIA ASSET MANAGEMENT**  
President, AFGAP

**Peter Goshawk**  
Head of Capital Planning  
**BARCLAYS**

**Jessica James**  
First Vice President  
London Head Strategic Risk Management Advisory  
**BANK ONE**

**Peter Nakada**  
Vice President of Consulting  
**ERISK**

**Carl Tannenbaum,**  
Senior Vice President  
**ABN AMRO**

**Dr Andrew Kameron**  
Managing Director  
Strategic Risk International

Stream One Capital Allocation	Stream Two Credit Risk	Stream Three Mortgage Finance
<p><b>11.40</b> Chairman's opening remarks <b>Dr Andrew Kameron</b> Managing Director <b>STRATEGIC RISK INTERNATIONAL</b></p>	<p><b>11.40</b> Chairman's opening remarks <b>Jessica James</b> First Vice President London Head Strategic Risk Management Advisory <b>BANK ONE</b></p>	<p><b>11.40</b> Chairman's opening remarks <b>Peter Goshawk</b> Head of Capital Planning <b>BARCLAYS</b></p>

<p><b>11.50</b>  <b>Issues in implementing economic capital models</b></p> <ul style="list-style-type: none"> <li>• What types of data are required?</li> <li>• How much data is necessary</li> <li>• What do we do if our data is insufficient?</li> <li>• What risks should we model first?</li> </ul> <p><b>Peter Nakada</b>  <b>Vice President of Consulting</b>  <b>ERISK</b></p>	<p><b>11.50</b>  <b>Credit risk and the insurance industry</b></p> <ul style="list-style-type: none"> <li>• Transferral of risk from banks to insurance companies</li> <li>• Transferring risk through credit derivatives and credit guarantees</li> <li>• The role of ratings agencies</li> <li>• Cultural differences between banking and insurance business</li> </ul> <p><b>Paul Varotsis</b>  <b>Executive Director, Structured Credit</b>  <b>LEHMAN BROTHERS</b></p>	<p><b>11.50</b>  <b>Mortgage prepayment risk</b></p> <ul style="list-style-type: none"> <li>• The mortgage prepayment problem <ul style="list-style-type: none"> <li>– why is early repayment a big concern for mortgage lenders?</li> </ul> </li> <li>• Prepayment behaviour <ul style="list-style-type: none"> <li>– analysis of the key factors which drive mortgage prepayments</li> <li>– relative importance of the main drivers</li> </ul> </li> <li>• Forecasting the impact of prepayments <ul style="list-style-type: none"> <li>– a predictive model to estimate the impact of prepayments on a mortgage portfolio</li> <li>– the cost of prepayment under different scenarios</li> </ul> </li> <li>• Insights from the mortgage prepayment project being conducted by the Actuarial Profession</li> </ul> <p><b>Simon Perry</b>  <b>Consultant</b>  <b>TILLINGHAST-TOWERS PERRIN</b></p> <p><b>Justin Rowland</b>  <b>Consultant</b>  <b>TILLINGHAST-TOWERS PERRIN</b></p>
<p><b>12.30</b> Lunch</p>		
<p><b>2.00</b>  <b>Optimising RAROC across business units</b>  <b>Henry Norwood</b>  <b>QUANTITATIVE RISK MANAGEMENT</b></p> <p><b>2.40</b>  <b>Sourcing and applying accurate and appropriate risk management data</b></p> <ul style="list-style-type: none"> <li>• Introduction: data, still the biggest challenge</li> <li>• Selecting the best information <ul style="list-style-type: none"> <li>– scope, records, attributes</li> </ul> </li> <li>• Assembling information correctly for analysis <ul style="list-style-type: none"> <li>– sourcing, data manipulation: source, transformed, results, and</li> <li>– simulation parameters; historicals</li> </ul> </li> <li>• Deciding on the right degree of aggregation <ul style="list-style-type: none"> <li>– speed vs. precision, multiple aggregation levels, transparency.</li> </ul> </li> <li>• Middleware and platforms <ul style="list-style-type: none"> <li>– global management information systems</li> </ul> </li> <li>• Modularity and extensibility</li> <li>• Dissemination risk data throughout an organization <ul style="list-style-type: none"> <li>– intransit, imprints, exports...</li> </ul> </li> </ul> <p><b>Shawn Convery</b>  <b>President, CEO</b>  <b>ALMONDE</b></p>	<p><b>2.00</b>  <b>Credit analysis using EVT and copula functions</b></p> <ul style="list-style-type: none"> <li>• Current credit risk methods</li> <li>• A credit rating model: desirable attributes of a credit risk model include: <ul style="list-style-type: none"> <li>– ability to use agency ratings while recognising that they influence credit quality and also that they may lag events</li> <li>– ability to use internal ratings</li> <li>– incorporation of good tail estimation techniques due to infrequent defaults and sparse data</li> <li>– good modelling of dependency - copula techniques are the obvious candidate</li> <li>– possible extension to credit derivative valuation</li> </ul> </li> <li>• Credit risk and EVT <ul style="list-style-type: none"> <li>– introducing EVT and how it can be applied to credit data</li> <li>– credit risk and copula functions</li> </ul> </li> <li>• Introducing copula functions and their use in credit analysis <ul style="list-style-type: none"> <li>– results of copula analysis of Moody's default database</li> <li>– calibration of a credit rating model with event data</li> </ul> </li> </ul> <p><b>Jessica James</b>  <b>First Vice President</b>  <b>London Head Strategic Risk Management Advisory</b>  <b>BANK ONE</b>  <b>Nick Webber</b>  <b>WARWICK UNIVERSITY</b>  Extended Session</p>	<p><b>2.00</b>  <b>An examination of the ALM of pay-as-you-go systems</b></p> <ul style="list-style-type: none"> <li>• Assessing the big gaps in European pension funding</li> <li>• How to deal with insufficient contributions in the coming years</li> <li>• The capitalisation solution <ul style="list-style-type: none"> <li>– An ALM approach to strategic asset allocation</li> </ul> </li> </ul> <p><b>Jean-Francois Boulier</b>  <b>Chief Investment Officer</b>  <b>SINOPIA ASSET MANAGEMENT</b>  <b>President</b>  <b>AFGAP</b></p> <p><b>2.40</b>  <b>Modelling customer behaviour and the optionality in the French retail market</b></p> <ul style="list-style-type: none"> <li>• A Case Study: the Plan d'Epargne Logement</li> <li>• The importance of PELs in the total balance-sheet of French banks</li> <li>• Modeling the various embedded options</li> <li>• Statistical results on customer behavior</li> <li>• How to design a simple, tractable and operational hedging strategy</li> </ul> <p><b>Antoine Frachot</b>  <b>Head of Operational Research Group</b>  <b>CREDIT LYONNAIS</b></p>
<p><b>3.20</b> Afternoon Break</p>		
<p><b>3.50</b>  <b>Moving from an accrued interest to market value approach to risk management</b></p> <ul style="list-style-type: none"> <li>• Is MVE the value of the balance sheet?</li> <li>• Can NII and MVE be aligned?</li> <li>• What are the indicators?</li> </ul> <p><b>Michiel Alleda</b>  <b>Senior Analyst Group ALM</b>  <b>ABN AMRO NL</b></p>	<p><b>3.50</b>  <b>Trends in credit derivatives usage</b></p> <ul style="list-style-type: none"> <li>• Stripping risk efficiently</li> <li>• What is the right benchmark for the stripped risk exposure?</li> <li>• How to combine a (re)insurance pricing approach with capital market valuation models, using arbitrage-free pricing</li> <li>• Case study</li> </ul> <p><b>Pius Sprenger</b>  <b>Vice President, GCD Structured Products</b>  <b>DEUTSCHE BANK</b></p>	<p><b>3.50</b>  <b>Developing effective data management and analytics systems</b></p> <ul style="list-style-type: none"> <li>• Diverse source system issues</li> <li>• Warehouse and transaction platforms</li> <li>• Real-time or batch collection?</li> <li>• Risk integration across platforms</li> <li>• Integration of trading &amp; new systems (CRM, PC Banking etc...)</li> <li>• Sandwich platforms driving analytical tools</li> </ul> <p><b>David N. Shaw</b>  <b>Director of ALM and Profitability Solutions</b>  <b>BANCWARE, SUNGARD TRADING AND RISK SYSTEMS</b></p>
<p><b>4.30</b> Closing remarks from the chair</p>		
<p><b>4.40</b> Close of Conference</p>		

## Seminar 1

### Effective Integration of Market Risk and Credit Risk Methodologies

Wednesday 26 September 2001 Paris

#### Seminar Leader:

**David Lawrence, Head of Risk Analytics, CITIBANK**

#### 8.30 am Registration

#### 9.00 am

##### INTRODUCTION

- Comparison of market risk and credit risk
- Organisational structures to enhance integration
- Analytical similarities in risk measurement techniques
  - mathematical and statistical requirements
  - skills and knowledge of personnel
- Systems design to incorporate common systems
- Contrasting requirements for assessing credit risk and market risk

#### 9.45 am

##### DATA REQUIREMENTS AND BASIC STATISTICS

- Appropriate data for market risk and credit risk calculations
- Some elementary statistics
  - estimation of volatility over different time horizons
  - assumption of normal distributions for market rates
  - combining statistical information with subjective judgment
  - matrix inversion failures
- Overview of Monte Carlo simulation methodology

#### 10.30 am Morning break

#### 11.00 am

##### VALUE AT RISK FOR MARKET RISK

- Factor sensitivity analysis
  - foreign exchange
  - bonds
  - options

- swaps
- VaR using variance / covariance method
- VaR using historic simulation
- VaR using Monte Carlo simulation
- VaR measurement versus stress testing
- Conditional VaR and Component VaR
- Economic capital for market risk

#### 12.00 pm Lunch

#### 1.30 pm

##### CREDIT RISK / ECONOMIC CAPITAL FOR A SINGLE COUNTERPARTY

- Early methods
- Transaction approach
- Portfolio approach
  - trader level information
  - incremental transactions
  - effect of margin
- Stress Testing
  - changing current market rates
  - changing the simulation of potential exposure
  - simulating rates over very long time horizons
- Economic capital for credit risk

#### 3.00 pm Afternoon break

#### 3.30 pm

##### CREDIT RISK / ECONOMIC CAPITAL FOR THE COMPLETE PORTFOLIO

- Independent Counterparties
- Correlated Counterparties
- Correlation between default probabilities
- KMV Portfolio Manager
- CreditMetrics™
- Credit Risk Plus
- CreditPortfolioView™
- Correlation between exposure and probability of default

#### 5.00 pm End of seminar

## Seminar 2

### The Latest Developments in Liquidity Risk Measurement and Management

Wednesday 26 September 2001 Paris

1.30 pm

**8.30 am Registration and breakfast**

**9.00 am**

#### A masterclass in advanced liquidity risk management

- Liquidity ratios and peer group comparisons
- Measuring basic surplus / deficit
- Measuring liquidity gaps
- Relating measures, needs and sources to scenarios
- Pricing structural, normal or mismatch liquidity risk
- Pricing contingent needs and standby sources
- Problems with current liquidity pricing methodologies
- Requirements for rigorous liquidity transfer pricing
- Unresolved issues and haunting questions for liquidity risk managers

*(Including Morning Break at 10:45)*

**Leonard Matz**

**Principal**

**NESHANNOCK FINANCIAL**

**12.00 pm** Lunch

#### Afternoon session

The afternoon session will be hosted by QRM and Bank One. They will guide you through a master class on the latest techniques for measuring and managing liquidity risk, drawing upon their wealth of experience and unparalleled breadth of knowledge of participants in the market. At the time of going to press the details for this cutting-edge session were still being finalised. Interested delegates will be able to see the finalised timetable for the afternoon session on the ALM Europe 2001 website at:

**[www.risk-conferences.com/alm2001euro](http://www.risk-conferences.com/alm2001euro)**

ALM Europe 2001 will showcase the latest developments and research in Asset / Liability management and enterprise-wide risk management at a time when the industry is anticipating major change as the impact of the New Basel Capital Accord is first felt. This will be a unique opportunity to learn from the world's leading financial institutions as they share their experiences to date and their plans going forward.

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- Abbey National
- West LB
- Credit Lyonnais
- Financial Services Authority
- Royal Bank of Canada
- Tokai Bank Europe
- Merrill Lynch
- Standard Life
- Lehman Brothers
- ABN AMRO
- HSBC
- Deutsche Bank
- Sinopia Asset Management
- Halifax
- Barclays

# Risk

## CONFERENCES

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