

## **International Programme on Asset-Liability Management in Banks and Financial Institutions**

**Duration :** 12 Days (two weeks ) – 40 hours

**Dates :** September 18 – 29, 2023

**Coordinator(s) :** Prof. Sanjay Basu and Dr. Kedar nath Mukherjee

**Level of participation:** Middle, Senior and Top Management

### **Introduction:**

Recent financial crises have showed how difficult Asset-Liability Management (ALM) can be in a competitive world. With focus on short-term liabilities and long-term assets, for profit maximization, banks and financial institutions were hit by sudden spikes in interest rates and liquidity crunch in money markets. To pre-empt such issues, stringent Interest Rate Risk and Liquidity Risk Standards were introduced under Basel III. National regulators have also urged banks and FIs to address ALM concerns, in normal and stressed markets, through their recent guidelines.

The demands on ALM are now manifold. With persistent inflation, it is necessary to assess the impact of sustained interest rate shocks on NII and net worth. In such an environment, banks will also face a number of liquidity risk management problems due to volatility of demand deposits, drawdown of unutilized credit lines and exercise of options embedded in loans and deposits. Finally, the introduction of CBDC will have important implications for financial stability and ALM. In order to address such challenges, this Programme will equip bankers with advanced tools and concepts for ALM.

### **Objectives:**

Awareness of ALM problems: Measurement and management of Interest Rate Risk in Banking Book and Liquidity Risk; Product Pricing and fixation of limits; Estimation of capital and liquidity Buffers under normal and stressed conditions.

### **Participation / Pedagogy:**

Middle and senior management Executives who are involved in the management of ALM system/funds/treasury etc. of commercial banks or similar functions in financial institutions and investment banks with minimum 5 years' experience. Participants should have adequate working knowledge of the English language.

Lectures, case studies, group projects and bank visits.

### **Course Contents:**

#### **1. Overview of Asset-Liability Management**

- Evolution of ALM
- ALM Challenges in Banks and NBFCs

#### **2. Interest Rate Risk in the Banking Book**

- NII Approach and Earnings-At-Risk
- Duration Gap Model and EVE Analysis
- Stress tests: Yield curve, Basis and Options risks
- Limits for IRRBB

### **3. *Liquidity Risk Management***

- Structural Liquidity Statements and Gap Limits
- Behavioural Analysis
- Scenario analysis and stress tests
- Basel III Standards

### **4. *Recent Developments***

- Funds Transfer Pricing for Loans and Deposits
  - Pricing of Loans and Deposits

### **Faculty :**

The sessions will be handled by senior bankers and NIBM faculty