TREASURY RISK MANAGEMENT
(8 hours)

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PROGRAM AND AIM OF THE COURSE
The aim of the course is to introduce some basic concepts related to Asset Liability Management (ALM) in banking institutions, with particular focus on the typical risks managed within the Treasury department, such as Interest Rate Risk in the Banking Book, FX, Liquidity and Funding Risk.

The course is divided into four parts:

Part I: Overview of Interest Rate Risk in the Banking Book (IRRBB)
The first part provides an overview of IRRBB main concepts, both from a regulatory (BCBS and EBA) and managerial point of view

- **Dimensions of IRRBB: current regulatory framework and industry best practices**
- **Introduction to IRRBB methodologies: products modelling and risk metrics**

Part II: Overview of Liquidity and Funding Risk
The second part provides an overview of Liquidity Risk main concepts, both from a regulatory (BCBS and EBA) and managerial point of view

- **Dimensions of Liquidity Risk. current regulatory framework and industry best practices**
- **Introduction to Liquidity Risk methodologies: products modelling and risk metrics**

Part III: Behavioral Modelling
The third part provides an overview of the statistical methodologies normally used to estimate the behavioral profile of Balance Sheet products:

- **Run-off models: estimation of attrition profiles, roll-overs and prepayment dynamics**
- **Rates correlation models: estimation of pass-through dependencies, stickiness and time lags**

Part IV: Operational ALM and Treasury Risk governance
The fourth part provides an overview of the standard approaches implemented by Treasury departments to steer key Balance Sheet Risk, within a consistent ALCO policy and a sanctioned Risk Appetite Framework (RAF)

- **The Fund Transfer Pricing (FTP) process for the pooling of Interest, FX and Liquidity Risk within the Treasury portfolio / virtual ALM Center**
- **The Risk Warehousing approach to support natural hedging of balance sheet exposures and active portfolio management via derivatives**
- **The Hedge Accounting constrains to ALM strategies in the new IFRS9 scenario**