



ALMA
ASSET & LIABILITY MANAGEMENT ASSOCIATION

IRRBB

Interest Rate in the
Banking Book
COURSE GUIDE

December 2023



Introduction to IRRBB is a two day classroom-based course.

Day 1 covers the basics of IRRBB – what it is and how typically it is managed and controlled. No prior knowledge is required or assumed. Day 2 then looks at some more advanced topics including behavioural risk, what constitutes best practice in respect of internal IRRBB governance and then considers the recently announced changes to the regulatory requirements and the impact these may have on banks.

The course is designed so that delegates may opt to attend either both days or just one of the two days on a stand-alone basis. Delegates, however, considering attending only Day 2 should review the Day 1 course outline in detail to ensure that they are fully conversant with the subject matter as knowledge of this will be assumed.

Who should attend?

The course is aimed both at those new to a role within IRRBB management itself and at those working in other functions who seek a general overview of IRRBB. It may be of particular interest to those working in other areas of Treasury management, Finance, Planning, Audit and IT as well as to more senior colleagues with a governance responsibility for overall balance sheet management.

Students will find the course a solid foundation for attending further ALMA events and training courses, including the Certificate in Bank ALM (CertBALM®).

Course Outline

Day 1

Day 1 will assume no prior knowledge although questioning and discussion will be actively encouraged throughout both from those new to the subject and from those who might already have some knowledge or experience. The structure of the day will be as follows:

Background Concepts

- The nature of a bank's balance sheet
- Net Interest Margin
- The yield curve
- Discounted Cash Flow
- Key differences between accrual and MTM accounting
- Distinction between the Banking and the Trading Book



IRRBB Measurement and Management

- The interest rate gap and the value measures (EV, EVE and VaR)
- Income sensitivity measures
- Both approaches contrasted – pros and cons of each
- Managing and hedging IRRBB in practice
- The importance of behavioural assumptions
- The role of the Treasury function

Day 2

Day 2 will build on the basic principles covered on Day 1 but will cover more advanced topics including:

- Treatment of Equity
- Treatment of Non Maturing Deposits
- Structural Hedging
- Re-margining and assumption risk
- Non-performing loans
- Pipeline and Pre-payment Risk
- Credit Spread Risk in the Banking Book
- What constitutes good governance of IRRBB

The final session of Day 2 will consider the changing regulatory regime for IRRBB including:

- The Final Basel Standards issued in April 2016
- The EBA Guidelines issued in July 2018 and subsequent modifications
- UK PRA rules and guidance issued in December 2021

This will lead to discussion around more advanced topics such as whether interest flows and margin should be included in EV/EVE calculations, what exactly is “embedded value” and what, in essence, is the fundamental difference between income and value approaches.

Active group participation will be encouraged throughout with the objective of giving some insight and sharing experiences as to what constitutes best practice with regard to the management of IRRBB. The agenda will be driven as much by the delegates as by the course leaders.

How do you study?

The course is classroom-based. Class size is limited to facilitate active discussion and group exercises, as well as networking.



Course Leader – Paul Newson

Paul lectures extensively on IRRBB both in the UK and internationally and has recently written a book entitled Interest Rate Risk in the Banking Book published by Risk Books. He also works closely with UK ALMA having helped develop their new professional ALM qualification, the Certificate of Banking Asset and Liability Management (CertBALM®).

Until 2014 Paul was Head of Non-Traded Risk at Lloyds Banking Group and prior to that held a similar position at HBOS from 2005. From 1999 to 2005 Paul worked at the UK Financial Services Authority where he headed the traded risk specialist team. Prior to that he worked for over 20 years in National Westminster Bank in various roles encompassing finance, IT and market risk management.

Paul is a graduate of Oxford University where he studied Modern History. He is also a qualified teacher and an Associate of the Chartered Institute of Bankers.

Course Fee

Member Prices:

One Day: £600 + VAT

Both Days: £1,140 + VAT

Non-member Prices

One Day: £750 + VAT

Both Days: £1,465 + VAT

Course material can be downloaded in advance from the ALMA website but no printed material will be provided.

Venue

Etc. Venues, Bonhill House, 1-3 Bonhill St, London EC2A 4BX

Booking

Please email to info@ukalma.org.uk or visit the UK ALMA website, www.ukalma.org.uk