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FIDE ELECTIVE PROGRAM



UNDERSTANDING LIQUIDITY RISK MANAGEMENT IN BANKING

Faculty
Dato' Philip Tan Puay Koon



6 June 2024
9:00am – 5:00pm



RM 3,000
before SST

Program Overview

Liquidity risk management is an often overlooked and misunderstood aspect of risk management, despite being fundamental to a company's day-to-day survival. For banks, liquidity risk management is all the more critical, as the bank's main business lies within asset and liability management, which inevitably links to liquidity risk management. The program will begin by establishing the definitions and practical applications of what we mean by "liquidity." This includes managing liquidity for survival, liquidity for growth, trading liquidity as well as structural liquidity.

The program will then cover managing balance sheet liquidity, which involves developing the conceptual framework and skill sets needed to identify, measure, control and monitor liquidity risk. As the regulator plays an indispensable role in the functioning of any country's banking system, we will also review liquidity risk management with specific reference to current regulatory requirements as well as the tools availed by the central bank to manage liquidity in the market.

As liquidity risk management is a highly specialized field, the program will include specific real-life examples to illustrate concepts shared including episodes and case studies gleaned from both local and foreign banks. The session will be interactive, with ample opportunities for participant engagement and discussion.

At the end of the program, directors will gain a big-picture view of liquidity risk management and will be equipped with the knowledge and tools necessary to assess and analyze liquidity risk management in a banking context.

Who Should Attend?

- Directors
- Senior Management
- Anyone who might find this program helpful

Program Outline

Session 1

This session introduces the concept of liquidity risk in banks and the types of liquidity risks. It explains the relationship between the shape of the yield curve and how the bank takes advantage of the shape to undertake interest rate gapping strategies within acceptable liquidity risk parameters. Management of liquidity risk is of paramount importance to value creation, sustainability and growth of the bank — and is the main theme of this session.

Session 2

This session looks at the relationship between liquidity risk management and asset-liability management. It explains what is involved in liability management and the management of the liquidity of assets on the balance sheet. It introduces the concept of contractual maturities and behavioral maturities. It puts forward the view that diversification and the avoidance of concentration is the key to liability management while the structuring of assets with liquidity characteristics is gaining momentum in banks.

Session 3

This is an open session to address current issues and questions in liquidity risk management that may be of concern or are currently faced by bank boards. This session allows participants to discuss relevant issues and share common concerns, and seek clarification on what has been shared in Sessions 1 and 2.

Session 4

This session provides a framework for the management of liquidity risk. It looks at the structure of the liquidity risk management organization — the process, the identification, measurement, controls and monitoring of liquidity risk. In particular, it explains the various tools of liquidity risk management and how these tools can be applied in managing liquidity risk in banks.

Session 5

This session traces the development of liquidity risk management of banks in Malaysia and the regulatory environment over the years. It explains the circumstances surrounding the 1998 Asian Financial Crisis with regards to Malaysia then, the introduction of the New Liquidity Framework by BNM and the Basel III Liquidity Requirements following the 2008 Global Financial Crisis. It explains why an understanding of Sessions 1-4 aids in understanding the Liquidity Coverage Ratio and the Net Stable Funding Ratio under Basel III liquidity compliance requirements. The session concludes with the suggestion that banks should pay particular attention to reputational risk in the management of liquidity risk management.

Faculty



Dato' Philip Tan Puay Koon is a Professional Board Director and Treasury Training Consultant with close to four decades of experience in Banking and Finance and more than 15 years of experience in Board Governance and Oversight.

Dato' Tan has served in various regional and local leadership roles as a Managing Director in Citigroup. He was a mid-career hire at Citibank Berhad, Malaysia where he served as Financial Markets Head and Country Treasurer of Citibank Berhad as well as Director of Citibank (L) Limited. In 2001, Dato' Tan joined the Citigroup Regional Office in Singapore as Director of Asia-Pacific Risk Treasury before being

appointed as Chief Financial Officer of the Asia-Pacific Emerging Market (EM) Sales & Trading Business Group of Citibank NA in 2004.

Dato' Tan currently serves as an Independent Director of Citibank Berhad and AIG Malaysia Insurance Berhad. He is also the Senior Independent Director of public listed SP Setia Berhad and is a Director of China-Malaysia Qinzhou Industrial Park (GuangXi) Development Co. Ltd., a One Belt One Road project in Southern China. Dato' Tan is the current Chairman of the Corporate Debt Restructuring Committee (CDRC) established by Bank Negara Malaysia and is also an External Member of the Financial Market Infrastructure Committee of Bank Negara Malaysia.

Prior to 1995, Dato' Tan spent 14 years with the MUI Group of companies in Malaysia where he served in various senior management capacities in MUI Bank and MUI Finance. He also previously served as an Independent Director in MIDF Amanah Investment Bank, Cagamas Berhad, Danajamin Nasional Berhad, Payments Network Malaysia Sdn Bhd (PayNet) as well as a Non-Public Interest Director in Private Pension Administrator (PPA) Malaysia.

He is an Adjunct Faculty of the Iclif Executive Education Centre under the Asia School of Business (ABS) and teaches the FIDE Core Program as well as other elective programs.



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