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FIDE ELECTIVE PROGRAM



# MARKET RISK MANAGEMENT – BANKING SECTOR

Faculty  
**Anthony Lim**



6 – 7 August 2024  
9:00am – 5:00pm



RM 5,000  
before SST

## Program Overview

This program is designed to equip directors of banks especially those who sit on Risk Management Committees and senior management with risk functions with a clear understanding of their respective roles and responsibilities. It will provide an overview of the governance and an understanding of market risk management in both the traded and non-traded market risk exposures in banks. It will also explore the Bank Negara Malaysia's (BNM) regulatory requirements and supervisory expectations by examining recent case studies and Basel Pillar 3 reports of select financial institutions to flesh out real-life risk management, capital and risk-weighted asset allocation strategies while comparing and contrasting best-practice governance and risk management actions.

The program allows for an in-depth discourse on both current and forward-looking action plans in managing market risks on the back of a volatile and constantly evolving operating landscape.

## Learning Outcomes

At the end of the program, participants will be able to:

- Identify and understand the different market risk exposures faced by the banking industry;
- Articulate key elements of respective risk exposures and their impact on overall profitability, soundness and solvency;
- Gain understanding to enable forward-looking strategic and tactical actions in addressing risk exposures and their inter-connection with the overall enterprise risk management framework;
- Learn how to review risk reports, interpret dashboard indicators and ask the right questions of management.

## Who Should Attend?

- Members of Bank Board Risk Management Committees
- Board of Directors
- Senior Management
- Anyone who may find this program helpful.

## Program Outline

### Day 1

#### **Session 1: Regulatory Guidelines on Market Risk Management**

The session will begin with a review the regulatory expectations and the role of directors in the management of exposures, both inherent risks – arising from the normal course of banking business and the traded risks from the optimization of returns undertaken by treasury dealing activities. In addition to control, monitor, management and reporting of risks, we will also identify the respective Key Risk Areas (KRAs) and the related Key Risk Indicators (KRIs) in addressing market risks and the resulting enterprise-wide value proposition from a cohesive risk management framework.

#### **Session 2: Bank Capital Management**

In this session, we will discuss the constituents and characteristics of various bank capital instruments and how market risks impact the overall soundness and solvency of the bank. We will examine the BNM regulatory Risk Management Control Framework with in-depth discussion on the identification and treatment of specific market risks in the bank balance sheet. We end with an understanding of the quality and subordination ranking of different capital instruments in the unlikely event of default of the bank.

#### **Session 3: Risk Weighted Assets in Bank Capital Management**

In this session, we examine both the traded and non-traded market risks inherent in banks' balance sheets. We will examine and discuss this asset class to review and contrast regulatory capital allocations based on Standardised Approach (SA) versus Internal Models Approach (IMA). We will juxtapose the measure of bank profitability versus management of risk to provide a holistic understanding of the incentive for a robust capital and risk management framework.

#### **Session 4: New Regulatory Framework Post Asian Financial Crisis**

This session brings to bear the results from the banking and financial reforms, aftermath of the Asian Financial Crisis in 2008. In the main, it will discuss the ramifications and added regulatory responsibilities entrusted upon independent board members and members of the risk management committee with the reform from Rule-based to Risk Disclosure-based regulatory framework.

## Day 2

### **Session 1: Bank Profitability versus Management of Risk**

In this session, we will explore the benefits of a robust strategy for the management of interest rate and liquidity risks. In addition to the impact on net interest income and overall enterprise profitability, we will contrast the corresponding trade-offs under the current risk-weighted regulatory capital charge and the impact on prudential risk capital allocation. The session will examine the impact on loans; fixed income and treasury-related products; and derivatives including interest-rate forwards, swaps and underwritten bonds and Sukuk.

### **Session 2: Market Risk Management Techniques – Part I**

We will examine the differing regulatory reporting standards for interest rate risk and liquidity risk. Following which, we will validate our theoretical understanding from our earlier discussions in Session 1 by presenting and examining case studies from banking debacles arising from the default of Sime Bank in 1997 and Silicon Valley Bank in 2022 versus other well-managed banks.

### **Session 3: Market Risk Management Techniques – Part II**

In this session, we will discuss more volatile financial instruments including FX, interest rate and FX forwards, interest rates and currency swaps and options. The session will focus on an examination of BNM regulatory reporting standards and market risk-weighted capital adequacy requirements and their impact as well as the cost of compliance.

### **Session 4: Leverage and Latent Risks from On- and Off-Balance Sheet Derivatives**

In the final session, we will discuss prudential trade-offs between regulatory adherence versus value-addition from the latent risks arising from both on- and off-balance sheet derivatives. We will explore case studies that utilised complex structured derivatives including collateralised debt and loan obligations that forced the closure of Lehman Brothers and the slew of banking failures that eventually triggered the Global Financial Crisis in 2008.

## Faculty



**Anthony Lim** has over 35 years' experience in the banking and finance industry, serving in key management positions covering treasury, business banking, investment banking and risk management. Up until 2020, he was Deputy CEO of Sumitomo Mitsui Banking Corporation Berhad and prior to that, an independent director and chairman of the Risk Management Committee for the same bank. He was with Maybank Berhad for almost 20 years, serving in several senior management positions. Prior to that, he worked in ANZ Bank Limited and St. George Bank in Sydney, Australia.

Anthony is a Chartered Banker with the Asian Institute of Chartered Bankers and a Fellow of the Australian Institute of Banking and Finance. He attended both the Senior Management and the Advanced Management Programs in Wharton School of Business at the University of Pennsylvania, USA.

Anthony graduated with a Master Degree in Applied Finance from the Macquarie University, Australia and was a registered securities dealer under the Australian Financial Markets Association.



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