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IRRBB AND ICAAP: BRIDGING RISK ASSESSMENT & CAPITAL PLANNING

10-12 NOVEMBER 2024
MILLENNIUM HOTEL AND CONVENTION CENTRE SALMIYAH

| KUWAIT

IRRBB AND ICAAP:

BRIDGING RISK ASSESSMENT & CAPITAL PLANNING

BACKGROUND

Interest Rate Risk in the Banking Book (IRRBB) has emerged as a critical area of focus for financial institutions worldwide, especially in the wake of ongoing economic fluctuations and shifts in monetary policy. IRRBB covers the long-term exposures arising from the institution's banking operations and it involves the risk of adverse changes in interest rates affecting the bank's earnings and economic value. This risk is inherently linked to the bank's core activities, and can significantly impact profitability and capital adequacy. Banks worldwide are now facing daily decisions of hedging their balance sheet mismatches while defending their profitability and deposits market share in such a very competitive market.

From a technical standpoint, IRRBB requires robust measurement and management techniques to safeguard the institution's financial health. Regulators are increasingly emphasizing the need for banks to develop comprehensive frameworks to assess and manage IRRBB, particularly in light of evolving standards set forth by the Basel Committee on Banking Supervision which present significant challenges with respect to measurement, calculation and hedging of IRR, and this whole area is the subject of intense focus from the regulatory authorities, external auditors and rating agencies.

This course places a particular emphasis on the Internal Capital Adequacy Assessment Process (ICAAP), which serves as a crucial mechanism for banks to evaluate their capital needs relative to the risks they face. Effective ICAAP should not only comply with regulatory expectations but also reflect the institution's internal risk appetite and strategic goals. Integrating IRRBB into the ICAAP framework is essential, as it allows banks to holistically assess their capital adequacy in the context of interest rate fluctuations and potential adverse scenarios.

OBJECTIVES:

By understanding the interplay between IRRBB and ICAAP, participants will be better equipped to make informed decisions regarding capital allocation and risk management, ultimately enhancing the bank's resilience against market shifts. This workshop will cover a range of key topic areas including approaches to implementing a measurement and reporting solution and addressing key challenges in view of the current interest rate environment.

TARGETTED PARTICIPANTS:

- Financial Controllers and Financial Managers and their main assistants;
- Treasurers and Capital Markets Managers and their main assistants;
- Risk Managers and their main assistants;
- Other Risk Management staff with Senior experience;
- Internal Auditors and their main assistants.



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MAIN TOPICS:

DAY 1:

- Definition and significance of IRRBB
- Key components of IRRBB: re-pricing risk, yield curve risk, basis risk
- Impact of interest rate changes on bank profitability
- Overview of Basel III and its implications for IRRBB
- Regulatory expectations for IRRBB management
- The Basel Committee Standards on IRRBB
- Internal governance
- Enhanced disclosure requirements
- Pillar 2 guidance

DAY 2:

- Introduction to ICAAP: objectives and requirements
- Internal Capital versus regulatory Capital
- Interaction between the ICAAP and the Basel III buffers
- The relationship between IRRBB and ICAAP
- Key components of ICAAP affected by IRRBB
- Best practices for incorporating IRRBB into capital adequacy assessments
- Stress testing (Selection process of shock and stress scenarios and addressing key challenges of running stress testing exercises)
- Designing stress scenarios and sensitivity analysis
- Interpreting results and implications for ICAAP
- Asset-liability management (ALM) techniques for mitigating IRRBB

DAY 3:

- Quantitative methods for measuring interest rate risk
- Duration, convexity, and gap analysis
- Value-at-Risk (VaR) models specific to IRRBB
- Implementing IRRBB measurement solution
- Hedging strategies: instruments and approaches
- The Standardized IRR Framework
- IRRBB link to capital
- Successful integration of IRRBB into ICAAP
- Behavioral approach
- Approaches to modelling deposits
- Data requirements
- Successful integration of IRRBB into ICAAP
- Behavioral approach
- Approaches to modelling deposits

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SPEAKER MR. SHADI B. RIACHI

Mr. Riachi is a Senior Manager at EY Advisory Services in Luxembourg, where he specializes in Financial Services Risk Management (FSRM). With over 20 years of experience in the financial sector, he has established himself as an expert in banking regulations and analysis, risk management and capital adequacy. Prior to joining EY, Mr. Riachi held managerial positions at the Lebanese Banking Supervisory Authority, where he honed his skills in regulatory compliance and risk assessment. His extensive knowledge in these areas has made him a sought-after speaker in the fields of Risk Management and Banking Regulations. He regularly conducts seminars and workshops for industry professionals in Lebanon and Saudi Arabia, covering a wide range of topics including banking regulations, capital adequacy, lending practices and financial statement analysis.

In addition to his advisory role, Mr. Riachi has shared his expertise as a lecturer at several universities, focusing on accounting, finance, and risk management. He has also served as a trainer for various banking certification programs and has been an instructor at the Finance and Risk Institute (FRI), where he teaches the CFA program.

Kindly note that the Union of Arab Banks (UAB) has the pleasure to grant the operating banks in Kuwait a special rate:

- **UAB Members: 1000\$**
- **Non Members: 1200\$**

MEANS OF PAYMENT

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Shmeisani Branch

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