

LIQUIDITY AND CAPITAL MANAGEMENT FOR ISLAMIC FINANCIAL INSTITUTIONS

A one-day course providing an understanding of important liquidity and capital management issues faced by Islamic financial institutions



4th September 2018, LONDON

In Q3 2017, the Bank of England announced it will be developing and adopting a Wakalah fund-based deposit facility backed by Sukuk to allow UK Islamic banks to hold central bank assets as part of their liquid assets buffer. This recent development will help UK Islamic banks to comply with the Basel III LCR requirement to hold sufficient high-quality liquid assets. However, there is a continuing need for Islamic banks to access enhanced-yield Shariah compliant liquid instruments for liquidity management purposes. Additionally, Islamic banks continue to face a structural liquidity imbalance in their balance sheets due in part to the short-dated nature of Islamic capital market instruments, which makes regulatory NSFR (Net Stable Funding Ratio) compliance challenging.

This one-day course provides delegates with an understanding of issues and solutions to important liquidity and capital management issues faced by Islamic banks. The course approaches liquidity and capital management from an economic, and also a regulatory reporting, perspective. Basel III liquidity and capital regulatory compliance is examined, along with ILAAP (Internal Liquidity Adequacy Assessment Process) and ICAAP (Internal Capital Adequacy Assessment Process) preparation. Analytic solution methodologies for the internal management of liquidity and capital are then explored, including how value-at-risk is practically applied and implemented to manage liquidity and capital.

The course will include a high level of interactive discussion, analysis of examples / case studies, and thorough instruction in the treatment of liquidity and capital for Islamic banks. Knowledge gained from the course is directly applicable in practice.

KEY HIGHLIGHTS

- Understand key capital management issues pertinent to Islamic financial institutions
- Understand the essentials of ILAAP and ICAAP
- Apply analytic methodologies for the internal management of liquidity and capital for Islamic financial institutions

AGENDA

Session One: Basel III and ILAAP

- Introduction:
 - The Basel III overarching framework
 - Changes to the regulation of liquidity brought about by Basel III
 - Objectives of the ILAAP and overview of the ILAAP approach
- Essential components and challenges in building an ILAAP
 - Liquidity risk strategy
 - Liquidity buffers and collateral management
 - Liquidity monitoring
 - Liquidity risk tolerance
 - Liquidity stress-testing and choice of scenarios
 - Market access & Contingency funding plan
- The ILAAP Process

Session Two: IFSB and ICAAP

- What is the difference between economic and regulatory capital?
- What were the changes in eligible capital and capital requirements brought about by Basel III?
- How does IFSB-15 determine the capital adequacy of Islamic banks?
 - Capital requirements by risk type
 - Capital requirements by Islamic financial instrument
- What are the objectives and structure of the ICAAP?
- Essential components and challenges in building an ICAAP

Session Three: Liquidity Management

- Challenges faced by Islamic banks in complying with LCR and NSFR requirements
- The Bank of England's liquidity facility for Islamic banks
- Review of traditional analytic tools for liquidity risk measurement
 - Static liquidity gap analysis
 - Dynamic liquidity gap analysis
- Review of advanced measurement techniques for liquidity risk measurement
 - Monte-Carlo simulation
 - Liquidity at risk
- Liquidity stress-testing

Session Four: Capital Management

- What is economic capital and why measure it?
- Application of the value-at-risk methodology to economic capital
- How to determine which lines of business or products utilize the most economic capital
- Stress-testing economic capital
- What management actions are needed if capital is deemed insufficient?

Final Group Discussion and Wrap-Up

COURSE LEADER



Dr Ken Baldwin
Former Director
Financial Policies &
Planning, Islamic
Development Bank

Dr. Ken Baldwin has worked as a practitioner in banking and finance for over 25 years in senior positions spanning the front and middle offices. Having graduated from Oxford University with a first-class honors degree in Physics in 1989, he qualified as a Chartered Accountant with PWC, before joining UBS, and then later Credit Suisse, in derivatives risk and control functions based in London. He gained a PhD in the microeconomic theory of risk sharing in Islamic contracts, and worked in the GCC for 15 years in Islamic retail and Islamic investment banks. Whilst at Abu Dhabi Islamic Bank, Dr. Ken built an ALM analytic technology platform capable of capturing liquidity and interest rate risks inherent in the many varied Islamic financing products used at retail and corporate levels. He then moved to take up the position of MENA Regional Head of Quantitative Analysis for Citigroup. At Citicorp, Dr. Ken worked on structuring complex products used by Gulf-regional corporations to hedge FX and interest risks. Still residing in Bahrain, Dr. Ken then joined Investcorp, where he worked on the risk due diligence of corporate private equity and real estate private equity transactions and portfolio management. After leaving Investcorp, he set up the risk management department for venture capital bank, providing Basel III compliance and deal analysis for the bank. He then operationalized a new Islamic investment bank as its Chief Operating Officer for 3 years, before his most recent industry role at the Islamic Development Bank, where he set up and ran a new department tasked with developing Financial Policies and Planning underpinned by robust financial analytic tools and methodologies designed specifically for the IDB. Dr. Ken is currently a senior university lecturer in finance in the UK. He has published quantitative finance articles in peer-reviewed academic journals including the Journal of Risk, and during his earlier career, taught CFA and FRM professional certifications as a pastime for the Bahrain Institute of Banking and Finance.

Who Will Benefit?

- Chief financial officers, heads of finance, and finance officers
- Chief risk officers, risk managers, and risk analysts
- Treasurers and treasury managers
- Ratings agency analysts
- Regulators
- Internal auditors

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REDmoney Group is the foremost global provider of specialized Islamic financial media services across three core divisions of events, publishing and training. Established in 2004, the firm has offices in Dubai and Kuala Lumpur: offering an unrivalled multi-channel service across the full spectrum of the global financial markets. The outward-facing arms of the REDmoney publishing and events portfolio are supported by REDmoney Training, which provides access to industry-leading expertise from the best in the field.

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I am booking:	Price per Delegate	Total Price	Early Bird (10% Discount)
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<input type="checkbox"/> 2 delegates (5% Discount)	£760	£1,520	£1,368
<input type="checkbox"/> 3 delegates (15% Discount)	£680	£2,040	£1,836
<input type="checkbox"/> 4 delegates (25% Discount)	£640	£2,560	£2,304
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*Further attractive packages are available for groups of more than five. Please contact us directly.

Available Discounts

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