

## Managing Interest Rate Risk

*Issues and Approach to Managing Value at Risk (NEV, EVE, MVPE)*

May 15, 2012

2:00 pm – 3:40 pm Central

### Overview

Since the 2010 FFIEC release of the Interagency Guidance on Interest Rate Risk Management, pressure is mounting on Asset/Liability Management teams looking for ways to managing margins while ensuring long-term stable profitability and capital adequacy. The new guidance raises expectations on all institutions for an effective measurement system and process. For many, this means changes in traditional approaches to comply with new expectations.

In this program we explore basic concept of measuring long term risks within the balance sheet using the tool known as Market Value Analysis. This measurement is referred to as Economic Value of Equity (EVE) or Net Economic Value (NEV) and is often misunderstood as a “liquidation value”. In this session we will reexamine the intent and approach of this measurement and develop a better understanding of the long-term earning potential within a balance sheet in a variety of interest rate scenarios. During the session we will explore the primary measurement requirements from data to assumptions. The program will compare the traditional regulatory analysis to the emerging use of EVE as a forecast tool.

### Learning Objectives

- Define Value at Risk
- Differentiate between the various measurement systems used to assess value at risk
- List 3 key variables involved in accurate measurement of equity volatility
- Explain the different between static and dynamic value at risk measurements
- Describe how dynamic value at risk is used in ALCO decision making
- Outline basic policy limit framework for value at risk policy

### CPE Credit Hours



Earn up to 2 hours of CPE credit.

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- Level: Basic to Intermediate
- Prerequisites: None
- Advance preparation: Basic ALCO Foundations or equivalent knowledge of ALCO process
- Field of Study: Specialized Knowledge
- Instructional Method: Group Internet Based

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#### Who Should Attend

This session is designed for any member of an Asset/Liability team that has a fundamental knowledge of interest rate risk management and wants a greater understanding of how to calculate, interpret and make decisions using value at risk (VAR) reporting. This includes: CFOs, CEOs, Controllers, Risk Managers, ALCO Team Members

#### Faculty

David Koch

*Chief Operating Officer, Farin & Associates*

Dave Koch is an industry lecturer and consultant for the financial institution industry. He has delivered educational programs for national and state industry trade groups, in addition to several Federal Home Loan Banks and Corporate Credit Unions. He serves on the faculty of the Graduate School of Banking at the University of Wisconsin and has served as faculty of the CUNA Management School in Madison WI. Since joining Farin in 1993, Mr. Koch has been a frequent speaker on asset/liability and interest rate risk management to financial executives across the country. In addition to the speaking roles, Mr. Koch consults with financial executives to help find creative solutions to their business challenges.

#### Fees:

\$295.00 which includes:

- One phone and one internet connection for the live presentation.
- Handouts and other resource material for attendees.
- Unlimited access for your organization to the recording of the seminar presentation for 90 days after the conclusion of the program.

#### Register

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