



TRAINING COURSE

STRESS TESTING METHODS

Organised by: The Florence School of Banking and Finance

Course Instructor: **Til Schuermann** | Oliver Wyman Group, Management Consultants

Conference Room

Villa La Fonte, Via delle Fontanelle, 18 - San Domenico di Fiesole

26 - 27 APRIL 2016

■ INTRODUCTION

Stress testing has been a successful crisis response tool to provide insight into bank capitalisation. As countries emerge from the financial crisis, stress testing is becoming part of banks' own risk management as well as part of the toolkit of bank supervisors. This course will cover the history, the main policy issues and the tools needed to address them. We will draw from European and US experience and from private and public sector experience.

■ PROGRAMME

26 APRIL

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|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 08.30 - 08.40 | Welcome by Fabio Canova Head of Training Florence School of Banking and Finance |
| 08.40 - 09.00 | Ice-breaker |
| 09.00 - 10.30 | Introduction and history <ul style="list-style-type: none">• US• Europe Migrating from crisis response to stress testing in peacetime <ul style="list-style-type: none">• EBA and ECB-SSM |

- CCAR
- Stress testing for ongoing supervision

The mechanics and the process

- Overall
- At bank
- At regulator

10.30 - 11.00	<i>Coffee break</i>
11.00 - 12.30	Risk foundations: risk ID, vulnerabilities; scenario development Balance sheet: losses (overview) <ul style="list-style-type: none"> • Banking book (different asset classes)
12.30 - 13.30	<i>Lunch break</i>
13.30 - 14.30	Trading shock Counterparty default Balance sheet: funding Income statement: revenues, costs [PPNR] <ul style="list-style-type: none"> • Net interest income (NII) • Non interest income: fees, commissions, etc.
14.30 - 14.45	<i>Coffee break</i>
14.45 - 15.15	Introduction to the case, group work: develop scenario which stresses the bank Formation of groups <ul style="list-style-type: none"> • 6 groups of 6 • 3 banks in 3 countries; 2 groups do 1 bank (so we have some compare/contrast)
15.15 - 17.30	Develop scenario Develop slides/talking points
17.30 - 19.00	Report back: 6 groups @15min each
19.00	<i>Cocktail at the course venue</i>

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- 09.00 - 10.30 What did you learn from the case? What surprised you?
Review of major highlights from Day 1 material
More in depth discussion of scenario design
- From risk identification to scenario design
 - Macro scenario and scenario expansion
 - Other issues for bank internal scenario design (used for ICAAP)
- 10.30 - 11.00 *Coffee break*
- 11.00 - 12.30 More in depth discussion of modelling
- Financial losses (credit)
 - Consumer / retail: mortgages, other secured, unsecured
 - Commercial / wholesale: CRE, commercial & industrial lending, SME
 - Non-financial losses (ops risk)
 - PPNR modelling for capital markets businesses: sales & trading, investment banking, investment/asset management
- 12.30 - 14.00 *Lunch Break*
- 14.00 - 15.30 Panel Debate
Moderator: **Til Schuermann**
Piers Haben | European Banking Authority
Patrick Honohan | Trinity College Dublin and CEPR
Karl Whelan | University College Dublin
- 15.30 - 16.00 *Coffee break*
- 16.00 - 17.30 De-brief on panel debate
Model risk management
BAU applications: stress testing in peacetime
- Budgeting
 - Performance measurement
 - Strategic planning

17.30

Shuttle to the city centre

18.00 - 20.00

Guided Tour on historic origins of banking and finance in Florence for those staying