

Stress Testing

Implementing stress tests into the risk management process

Washington DC, USA

March 1 & 2, 2007

“Discussing the implementation of stress tests and exploring effective modeling of credit portfolio stress testing”

With the new Basel framework setting specific stress testing requirements, especially for credit risk, now is the time for financial institutions to develop and improve their stress testing methodologies. This unique event will focus on how to create effective scenarios for stress testing, examining modeling challenges, the integration of credit and market risk and how to integrate stress tests into the risk management process. The conference will provide essential guidance from supervisors to help clarify the regulatory requirements as well as an opportunity to benchmark against leading financial institutions.



Gain insights into vital issues:

- Assess the general approach to stress testing and gain insights into industry best practices
- Gain specific guidance and recommendations from the regulators and supervisors
- Examine how to create effective scenarios for stress tests
- Discuss different approaches to stress testing for credit risk
- Discover how to implement integrated stress testing for market and credit risk
- Explore how to incorporate stress tests into risk management processes
- Learn how to construct successful stress scenarios for credit portfolios
- Examine how to implement aggregated stress testing across business lines and the possibility of holistic stress testing in the future

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In the Chair:

Michael Carhill
Director, Risk Analysis,
The Office of the Comptroller of the Currency
US Treasury Department

Your Expert Speaker Panel:

Philip K. Chamberlain
Managing Director, Head of Credit Modeling
The Bank of New York

Jorge Sobehart
Managing Director, Global Risk Architecture
Citigroup

Brian Peters
Senior Vice President, Risk Management Function,
Bank Supervision Group
Federal Reserve Bank of New York

Jimmy Yang
Vice President, Credit Risk Analytic
Wachovia Corporation

Brent D. Hoyer
Senior Examination Specialist
Federal Deposit Insurance Corporation

Tally Ferguson
Senior Vice President, Head
of Risk Management
Bank of Oklahoma

Jonathan G. Harris
Vice President, Business Analysis
and Decisions Research
Fannie Mae

Mario Konrad
Senior Vice President, Credit Analytics
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Gregory P. DeVany
Senior Vice President, Consumer
Risk Management
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James Weatherly
Vice President, Credit Risk Management
Capital One

Ranga Rangarajan
Senior Vice President, Risk Strategy
and Quantitative Analysis
Citizens Financial Group

Michael Carhill
Director, Risk Analysis,
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Donna Howe
Chief Risk Officer
Angelo, Gordon & Co

Joseph L. Breeden, PhD
President and Chief Operations Officer
Strategic Analytics

Corina Deaconu
Senior Manager, Stress Testing
and Scenario Analysis
BMO Financial Group

Timothy Cuddihy
Director, Market Risk Management
WestLB AG

Richard Ferguson
Treasurer, Americas
Deutsche Bank AG

March 1, 2007**Booking Line**

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8:30 Registration and Coffee

9:00 Opening Address from the Chair

Michael Carhill

Director, Risk Analysis

The Office of the Comptroller of the Currency

US Treasury Department**REGULATORY REQUIREMENTS**9:15 **The supervisory perspective**

- Learn about the expectations and considerations from the supervisory side
- Providing specific recommendations for stress testing
- How can financial institutions improve?

Michael Carhill

Director, Risk Analysis, The Office of the Comptroller of the Currency

US Treasury Department10:00 **Regulatory requirements for stress testing**

- Updating on the Basel II framework
- Discussing and interpreting Pillar II requirements
- Examine the relationship between Pillar I and Pillar II stress testing

Brian Peters

Senior Vice President, Risk Management Function,

Bank Supervision Group

Federal Reserve Bank of New York

10:45 Networking Break

11:00 **Implementation of stress tests**

- Embedding stress testing in credit risk management
- How to methodologically approach Pillar I and Pillar II components
- Varieties of stress testing: Firm specific vs. market driven scenarios
- Sensitivity and scenario methods

Jimmy Yang

Vice President, Credit Risk Analytic

Wachovia Corporation**PRACTICAL AND STRATEGIC USES FOR STRESS TESTING**11:45 **Considerations for stress testing and best practices**

- Examining the benefits from stress testing
- Insight into industry best practices
- Combining VaR and stress testing
- To which level do we stress test?

Brent D. Hoyer

Senior Examination Specialist

Federal Deposit Insurance Corporation

12:30 Lunch

2:00 **Incorporating stress tests into the risk management process**

- Interpreting stress testing results
- How senior management can make use of results
- Discover ways to incorporate stress testing results into the risk management system

Philip K. Chamberlain

Managing Director, Head of Credit Modeling

The Bank of New York**MODELING AND SCENARIO ANALYSIS**2:45 **Stress testing retail portfolios: Capturing the unique dynamics**

- Dynamic features of retail portfolios: vintages, consumer lifecycles, credit quality, seasonality, management actions and macroeconomic impacts
- How to extract those dynamics from historical data
- How to integrate macroeconomic and marketing scenarios with the predictable model elements

Joseph L Breeden, PhD

President and Chief Operations Officer

Strategic Analytics

3:30 Networking Break

3:45 **Creating effective scenarios for stress testing**

- The construction and use of economic stress scenarios
- Considering probability and possibility of events
- Sensitivity analysis
- Understanding importance of consequent and standardised stress tests

Timothy Cuddihy

Director, Market Risk Management

WestLB AG4:30 **Challenges and pitfalls of scenario analysis**

- Deciding on what scenarios to choose and why
- Stressing covariance
- Watching out for cross-correlation

Jonathan G. Harris

Vice President, Business Analysis and Decisions Research

Fannie Mae

5:15 Closing Remarks from the Chair

5:20 End of Day One

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8:30 Re-Registration and Coffee

9:00 Opening Address from the Chair

Michael Carhill

Director, Risk Analysis

The Office of the Comptroller of the Currency

US Treasury Department**CREDIT RISK**9:15 **Case Study****Step by step construction of stress scenarios for credit portfolios**

- Deciding on what you stress test and what scenarios to choose
- Scenario consistency: What are the assumptions? What data do you use?
- Credit migration, credit cycles and estimation uncertainty
- Impact analysis of stress scenarios

Jorge Sobehart

Managing Director, Global Risk Architecture

Citigroup10:00 **Developing stress test methodologies for credit risk**

- Defining modeling challenges for credit risk
- How to stress test on a portfolio level
- Impact of counterparty credit risk
- Developing and implementing a stress test methodology

Gregory P. DeVany

Senior Vice President, Consumer Risk Management

JPMorgan Chase

10:45 Networking Break

11:00 **Panel Discussion****Different approaches to stress testing for credit risk**

- Scenario and sensitivity analysis specifically for credit risk
- Exploring models used and their successes
- Assessing practical difficulties

James Weatherly

Vice President, Credit Risk Management

Capital One**Philip K. Chamberlain**

Managing Director, Head of Credit Modeling

The Bank of New York**Gregory P. DeVany**

Senior Vice President, Consumer Risk Management

JPMorgan Chase**Tally Ferguson**

Senior Vice President, Head of Risk Management

Bank of Oklahoma**INTEGRATION OF CREDIT RISK AND MARKET RISK**11:45 **Integration of credit and market risk stress testing**

- Need for integrated credit and market risk stress testing
- Developing integrated stress tests
- Industry challenges: Procyclicality
- Industry practices

Corina Deaconu

Senior Manager, Stress Testing and Scenario Analysis

BMO Financial Group

12:30 Lunch

2:00 **Case Study****Implementing integrated stress testing models for credit risk and market risk**

- Defining integrated credit and market risk stress testing system
- Procyclical stress tests
- Challenges for the integration process

Mario Konrad

Senior Vice President, Credit Analytics

Bank of America**HOLISTIC VIEW OF STRESS TESTING**2:45 **Stress testing for liquidity risk management**

- Defining requirements for liquidity stress testing
- Choosing an effective scenario: Systemic vs firm-specific
- Specific challenges for liquidity stress tests
- Integration of liquidity stress testing

Richard Ferguson

Treasurer, Americas

Deutsche Bank AG

3:30 Networking Break

3:45 **Implementing aggregated stress tests across business lines**

- Achieving a holistic stress testing approach
- Aggregating risk types across business lines
- Integrating stress testing to business strategies including economic capital

Ranga Rangarajan

Senior Vice President, Risk Strategy and Quantitative Analysis

Citizens Financial Group4:30 **Aggregating non-traditional investments into firm-wide stress tests**

- Stressing alternative investments individually: Real estate, private placements, CDO/CLO tranches
- Assessing calibration to the market versus relative value
- Examine methods of aggregating different distribution curves
 - Simple sum and the role of independence
 - Functional relationships between different distribution types
 - Joint-normal transformation

Donna Howe

Chief Risk Officer

Angelo, Gordon & Co

5:15 Closing Remarks from the Chair

5:20 Close of Conference

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With increasing pressure from the regulatory side to implement and improve stress testing, it is vital for financial institutions to fully understand these requirements and learn how to successfully incorporate stress tests into the risk management processes. Pillar II of the Basel framework is placing more emphasis on stress testing, not only with new guidelines for market risk, but more importantly specific requirements to include stress tests in the credit risk management process. Stress testing for credit risk is still a new field and sets new challenges for banks and financial institutions to create effective methodologies. This event will provide regulatory and practical guidance for stress testing, especially focusing on the credit risk side. An expert speaker panel will discuss the practical uses for stress testing, the integration between market risk and credit risk and how to implement aggregated stress tests across business lines.

With its practical case studies and interactive panel discussions this **marcus evans** conference will provide a great opportunity to benchmark against other leading financial institutions.

For further information on this conference and special discounts please contact **Karolina Persson** on +44 (0) 20 3002 3274 or email karolinape@marcusevansuk.com

Who Should Attend?

From the Banking Industry / Financial Services Providers:
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