Capital Allocation

Empowering executives to lead their organization towards increased efficiency, advanced competitiveness and solid corporate governance

New York City, USA

May 18 & 19, 2006

“Discover how to effectively link economic capital allocation to business strategy”

This key industry conference will examine the direct impacts of regulation on capital management practices, focusing on key strategic issues as well as specific risk considerations.

In the Chair:

Jonathan Greenman
Director, Capital Allocation
Citigroup Corporate & Investment Bank

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

Your expert speaker panel:

Michel Araten
Managing Director
JPMorgan Chase

Atoosa Guity
Vice President, Basel II Project
Bank of New York

Alejandro Latorre
Risk Management Officer, Market and Liquidity Risk
Federal Reserve Bank of New York

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

Jonathan Greenman
Director, Capital Allocation
Citigroup Corporate & Investment Bank

Samir Nangea
Principal, Global Financial Services
Ernst & Young

Keith Heyen
Vice President, Treasury
Wachovia Corporation

Guoqiang Li
Principal Quantitative Analyst
American International Group Inc.

Dr. Joseph L. Breeden
President and Chief Operating Officer
Strategic Analytics Inc.

Geoffrey Rubin
Director, Economic Capital Group
Capital One

Peter Hirsch
Chief, Large Bank Supervision
FDIC

John Stewart
First Vice President, Manager Economic Capital Group
Washington Mutual

Peter Miu
Assistant Professor of Finance, DeGroote School of Business
McMaster University

Bogie Ozdemir
Director, Risk Assessment and Modeling Group
Standard & Poor’s

Mary Frances Monroe
Manager, Supervisory and Risk Policy
US Federal Reserve Board of Governors

Matthew Foss
Senior Technical Team Leader, Quantification and Modeling Group, Supervision and Regulation
Federal Reserve Bank of Chicago

Hans Helbekkmo
Managing Director, ERisk
Sungard BancWare

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9:15 Capital Allocation and Basel II – The Regulatory Horizon
- Understanding the current state and anticipating policy plans for implementation from the regional US regulatory agencies
- Determining the critical steps for effective implementation of Basel IA
- How to integrate regulatory compliance, risk management and business strategy into coherent bank governance structure
- Maximizing the transformation potential – The interaction between the regulatory framework and industry practices
- Implementing the appropriate practices for linking risks to capital allocation

Peter Hirsch
Chief, Large Bank Supervision
FDIC

10:00 Internal Capital Adequacy and the Risk Profile
- Differences in risk perception and objectives among stakeholders
- What is an internal capital adequacy assessment program?
- Supervisory expectations of “ICAAP”
- “Distribution wide risk management” and how it can help

Matthew Foss
Senior Technical Team Leader, Quantification and Modeling Group, Supervision and Regulation
Federal Reserve Bank of Chicago

11:15 Case Study
Optimization of Economic Capital Allocation and Comparison to the New Regulatory Constraints – Basel IA and Basel II
- Understanding how the new regulations will impact your company’s capital management approach
- Selecting the appropriate methods for assessing regulatory capital for credit, market and operational risks
- Complementing your risk assessments by developing internal economic capital models
- Considering how to determine an optimal capital level and structure for your bank
- Developing risk-adjusted performance measures, capital allocation and risk management schemes to improve performance

John Stewart
First Vice President, Manager Economic Capital Group
Washington Mutual

12:00 Case Study
Developing the Internal Ratings Based Approach
- Examining the internal ratings based approach
- Anticipating the regulators examination of the internal risk rating procedures
- Developing a comprehensive, coordinated, independent review process to ensure that ratings are accurate and that the rating system is performing as intended
- The essential control and management oversight mechanisms for a reliable internal ratings system

Atoosa Guity
Vice President, Basel II Project
Bank of New York

THE RATING AGENCY PERSPECTIVE
2:00 The Impact of Basel II on Capital Management Practices
- A look at the inputs to Basel capital: PDs, LGDs, correlations
- The role of correlations: Correlations are specific to the risk rating philosophy
- PD and LGD correlations: Downturn correlations, how much do we need to increase the expected LGD to account for the correlation effect?
- The philosophical differences: Basel capital is likely to be a-cyclical, whereas economic capital is more cyclical
- How are we going to manage the difference: Gap allocation, performance management – Sending the right incentive
- The role of stress testing and validation

Bogie Ozdemir
Director, Risk Assessment and Modeling Group
Standard & Poor’s

CAPITAL ALLOCATION AND BUSINESS STRATEGY
2:45 Case Study
Strategy and Business Decisions – The Link to Effective Capital Allocation
- Questioning the management – The limits of statistical analysis in risk management and strategic decision making
- Qualifying the promises and the potential of quantitative analysis for effective risk management across the enterprise
- Basel and strategic decision making – Implications for economic capital
- Organizational approach – Embedding an economic capital culture into firm strategy

Jonathan Greenman
Director, Capital Allocation
Citigroup Corporate & Investment Bank

3:30 Networking Break

3:45 Bank Shareholder Value and Competitiveness Basel IA and Basel II
- Effect of Basel IA on the current risk modeling and measurement structure
- Anticipated effect on shareholder value and stock markets response to Basel IA adoption
- Ensuring that capital is effectively allocated among different activities in a bank to maximize shareholder value
- Regulatory valuation of transparency and risk architecture of these banks

Geoffrey Rubin
Director, Economic Capital Group
Capital One

4:30 Driving Economic Value: The Link Between Capital Allocation and Returns
- Observing the link between accounting and capital allocation measurements and risk architecture
- Basel II and IAS – the new world order for capital allocation
- Impact of emerging and more stringent standards and possible issues in implementation of transparent risk architectures
- Determining the conflicts of IAS with Basel and creating a flexible risk structure for the future

Samir Nangea
Principal, Global Financial Services
Ernst & Young

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Estimating Key Credit Risk Parameters
- Ratings and PDs
- Validation strategies for PDs
- LGD measurement issues
- Economic vs regulatory considerations

Michel Araten
Managing Director
JPMorgan Chase

9:50
Unique Aspects of Economic Capital for Retail Lending
- Challenges in measuring PD, LGD, and EAD on actively managed portfolios
- Simulation-based approaches to computing capital for retail portfolios
- Scaling relationships learned from industry portfolios regarding:
  - Loss rate versus volatility
  - Lifetime capital calculation
  - Computing incremental capital

Dr. Joseph L. Breeden
President and Chief Operating Officer
Strategic Analytics Inc.

10:30
Networking Break

10:50
Issues in the Allocation of Operational Risk Capital
- Allocation at the group level
- Allocation below the group level
- Regulatory constraints
- Insurance and EL considerations

Keith Heyen
Vice President, Treasury
Wachovia Corporation

11:30
Effective Strategies and Modeling for Market Risk: Integration Across Business Lines
- Applying the appropriate models for market risk and strategies for integration through business lines and across geographic regions
- Identification of market risk drivers and approaches to related economic capital allocation
- Examining the efficient calculation and allocation of diversification benefits to overcome the practical implementation
  - Aggregation and correlations of risk drivers in relation to regulatory capital

Alejandro Latorre
Risk Management Officer, Market and Liquidity Risk
Federal Reserve Bank of New York

12:10
Case Study
Correlation, Aggregation and Capital Allocation at a Global Financial Conglomerate
- Motivations for economic capital model and capital allocation
- Multi facets of risk: Credit risk, market risk, insurance risk, operational risk
- Firm-wide capital versus business unit stand-alone capital:
  - The role of diversification
  - Correlation and diversification within risk categories
  - Correlation and diversification across risk categories
  - Correlation and diversification between different business units
- Case studies

Guoquang Li
Principal Quantitative Analyst
American International Group Inc.

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Gareth Banks on +44 (0) 20 7647 2210, email: garethb@marcusevansuk.com
Brad Dodson on 1 312 540 6525, email: braddodson@marcusevansch.com
The impact of Basel II is largely dependent on the environment where the bank is regulated, as it is different for each region. In the US, regulatory pressures have raised the status of the risk group and these pressures can distract from strategic business projects. It is true that regulatory compliance is a significant driver, but most banks’ capital allocation management aspirations span beyond this. Key players also seek to gain competitive advantage through an effective enterprise-wide capital allocation management structure.

This timely marcus evans conference creates an interactive forum to improve the capital allocation knowledge needed to stay ahead of the curve of current and future banking regulations and optimize the capital allocation architecture with the ultimate goal of creating solid corporate governance and optimal returns on capital.

For special discounts on multiple bookings, please contact: Jacquelyne Muhati on +44 (0) 20 7647 2304 or email jacquelynem@marcusevansuk.com

Who should attend?

**From the Banking Industry / From Financial Services Providers:**
- Capital Management
- Economic Capital
- Group Risk Management
- Risk Management
- Risk Analysis / Risk Analytics
- Risk Modelling
- Regulatory Reporting
- Regulatory Capital
- Planning, Control and Finance
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- Credit Risk
- Credit Risk Portfolio Management and Analysis
- Operational Risk
- Quantitative Analysis
- Quantitative Research

**From Consultancies:**
- Risk Management
- Investment Management
- Financial Services

**From Software Providers:**
- Managing Directors
- Head of Business Development
- Head of Sales and Marketing

**Plus:** Representatives from Regulatory Bodies and Rating Agencies

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Venue confirmation will be forwarded to you one month prior to the conference.