

# Counterparty Risk & Liquidity Risk

*Effectively meeting the challenge*

FREE SEMINAR, LONDON, 30<sup>TH</sup> APRIL 2009, 9 AM TO 1 PM

## Event Details

Also available as an in-house workshop

**Counterparty risk management** has in the last number of months become an increasingly significant part of firms' business operations as concerns increase about the negative impact of default by key counterparties. As regards **Liquidity Risk**, the FSA has warned firms that fund suspensions are a last resort for exceptional circumstances only and that the FSA expects managers to carefully consider on an ongoing basis the liquidity profile of both their current and potential future underlying investments.

At this event, we consider the steps firms can be taking to ensure they have standardised, well documented and reliable approaches to analysing counterparty risk and fund liquidity to ensure that critical information flows in a coherent and timely manner to Risk Managers.

### **Session 1: Counterparty Exposure – where it arises and practical risk management, by Darren Burrows**

We commence with a consideration of where counterparty risk arises in trading, settlement and custody processes. We look across asset classes from equities and bonds, to derivatives, money market instruments, cash and deposits and also to stock lending transactions. We consider the key operational and compliance process controls that organisations should have in place to ensure that counterparty risk is properly managed and not unduly assumed.

### **Session 2: Counterparty risk and the benefits of centrally cleared derivative, by Byron Baldwin**

In this session, Byron considers where counterparty exposure arises in OTC derivatives and he reviews the background to and likely success of the recent recommendations by the G20 Working group in respect of the development of central counterparties and clearing arrangements for OTC credit default swaps and other OTC derivatives

### **Session 3: Accurate assessment of counterparty exposure, by Steve Martin**

In this session, we consider how to measure counterparty exposure on particular transactions. We consider the challenges posed by illiquid and difficult to value instruments, responses taken and the role and approach of third-party independent valuation providers to valuing such instruments. We consider approaches to calculating counterparty risk exposure, including the 3-step Banking Consolidation Directive approach.

### **Session 4: Liquidity Management, by Darren Burrows**

Current levels of market illiquidity and investor redemptions are posing fresh operational challenges and fund liquidity management challenges which have not been on Managers' agenda for some time. In this session we consider the FSA's expectations, the operational policies that Managers can introduce to help manage unitholder redemptions and we also consider how Managers can effectively monitor fund liquidity levels, compare fund liquidity to forecast redemption levels, and perform impact analysis of the effect of redemptions on the on-going fund liquidity / remaining investors.

### **Session 5: Effectively automating the calculation, monitoring and reporting of counterparty risk, by Princeton Financial Systems**

We consider how pre- and post-trade investment monitoring systems should be able to provide a fully automated approach to conducting consistent counterparty risk monitoring. At its best, this can encompass the aggregation of positions from across the organisation, data enrichment, counterparty exposure calculation using the 3 stage BCD approach, and the taking into account of collateral and netting.