

Module Outline
Certified Banker (CB Stage)
Bank Asset and Liability Management

Benchmarked HKQF Level:	6
No. of Credits:	30
Total Notional Learning Hours:	300
a) Class contact hours:	30 hours (3-hour per session x 10)
b) Self-study hours:	267 hours
c) Assessment hours:	3 hours
Pre-requisite:	NA

Module Objective

This module contributes to the achievement of the knowledge and skills embedded in the Programme Intended Outcomes by setting a scene for the learners to extend critical thinking over the practical areas of asset-liability management. By making thorough application of their accounting and professional knowledge, the learners are expected to demonstrate the ability to consider external factors and risks when strategizing over a range of internal problem areas.

Module Intended Outcomes (MIOs) and Units of Competencies (UoCs)

Upon completion of the Module, candidates should be able to:

MIOs	Intended Outcomes / Competence	*Unit of Competencies (UoCs)
MIO-1	Identify and critically evaluate how market factors impact the profitability of banks.	107550L6 / 109533L6 107551L6 / 109534L6
MIO-2	Compare and select different approaches of bank asset and liability management from ALCO's perspectives and evaluate the appropriateness of particular strategies in fulfilling the bank's stated objectives.	109262L6 109295L6 109304L6 109305L6 109555L6
MIO-3	Demonstrate how market risks and liquidity risks overlap to exert pressure on banks' capital and identify strategic considerations in capital planning.	
MIO-4	Identify how interest rate risks threaten banks' financial stability and evaluate critically the effectiveness of technical strategies in providing immunization against such risks.	

**Note: For the details of the UoCs, please refer to the Specification of Competency Standards (SCS) of [Retail Banking](#) and [Corporate & Commercial Banking](#) which were developed by HKCAAVQ.*

Assessment

Examination duration:	3 hours
Examination format:	5 out of 7 essay questions
Pass mark:	50%

Syllabus

Chapter 1: Managing Bank Profitability	
1.1	Banking regulations
1.2	Financial statement
1.2.1	- Market risk
1.2.2	- Leverage ration
1.2.3	- Capital buffer
1.2.4	- Countercyclical Capital Buffer
1.2.5	- Large exposure
1.3	Loan-loss provision
1.4	Regulatory updates
Chapter 2: Asset and Liability Management Committee (ALCO)	
2.1	Role and functions of ALCO
2.1.1	- Asset and liability management
2.1.2	- Liquidity and funding risk management
2.1.3	- Formulating capital planning policy
2.2	The application of Fund Transfer Pricing (FTP) in ALM
2.3	Bank asset allocation decisions
2.4	The use of securitization in balance sheet management
2.5	China banking/capital market reform and ALM decisions
Chapter 3: Managing Bank Assets and Liabilities	
3.1	Managing bank assets
3.1.1	- The loan portfolio
3.1.2	- The investment portfolio



3.1.3	- Liquidity management - assets
3.2	Managing bank liabilities
3.2.1	- Source of funds
3.2.2	- Deposit structure
3.2.3	- Impact of interest rate changes on net interest spread
3.2.4	- Liquidity management – liabilities
3.3	Liquidity transfer pricing
3.4	Capital planning
Chapter 4: Liquidity Management	
4.1	Definitions and measures of liquidity
4.2	Capital and liquidity management
4.3	Stress test
4.4	Case study of liquidity risk management
Chapter 5: Managing Interest Rate Risk	
5.1	Definition and measures of liquidity risk
5.2	Basel and HKMA Principles
5.3	ALM and hedging policies
5.4	Use of interest rate swap to hedge interest rate risk
5.5	Fundamentals of derivatives and interest rate swap (IRS)
5.6	Regulatory updates on derivatives and interest rate swap (IRS)
5.7	Dynamic approach to Asset and Liability Management
5.8	ALM Compliance
5.9	Liquidity Stress Test
5.10	Interest Rate Stress Test
Chapter 6: Asset and Liability Management Strategies in Changing Market Conditions	
6.1	Lessons from the 2008 global financial crisis
6.2	From stress testing to contingency plan execution
6.3	ALM strategy and interest rate cycle
Chapter 7: Case Studies	
7.1	Liquidity Risk: Lehman Brothers (2008)
7.2	Liquidity Risk: Royal Bank of Scotland Fails Stress Test (2016)



7.3

Liquidity Risk: Silicon Valley Bank (2023)

Recommended Readings

Essential Readings:

1. HKIB Study Guide of CB Stage – BALM: Bank Asset and Liability Management (1st ed.). Wiley. (2018).
2. HKIB Supplementary Note Pack of CB Stage – BALM: Bank Asset and Liability Management HKIB. (2024).
3. Koch & MacDonald, S. (2015). Bank Management (8th ed.). Scott Cengage Learning.

Supplementary Readings

1. Choudhry, M. (2009). The Principles of Banking (1st ed.). South-Western Pub.
2. Choudhry, M. (2011). An Introduction to Banking: Liquidity Risk and Asset-liability Management (1st ed.). Wiley.
3. Koch & MacDonald, S. (2015). Bank Management (8th ed.). Scott Cengage Learning.
4. Dermine, J., & Bissada, Y. (2007). Asset and Liability Management, The Banker's Guide to Value Creation and Risk Control (8th ed.). Prentice Hall.

Further Readings

1. Choudhry, M. (2010). The Future of Finance: A New Model for Banking and Investment (1st ed.). Wiley.
2. Saunders, A., and Cornett, M. (2010). Financial Institutions Management: A Risk Management Approach (7th ed.). McGraw-Hill (SC).
3. Sinkey, J. (2002). Commercial Bank Financial Management (6th ed.). Prentice Hall.
4. Managing and Reporting Liquidity Risks: Silicon Valley Bank Case (<https://dergipark.org.tr/en/download/article-file/3162494>)

For more details, please refer to further reading session at end of each chapter.