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Lessons of the crisis for ALM.

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Failures in ALM practice.

- Narrow definition of ALM: focus on interest rate risk.
- Overconfidence in liquidity of markets: retail versus wholesale funding.
- Overconfidence in risk models.
- Underestimating systemic risk (excessive leverage).
- Risk management/ALM as a process, not a mindset.
- Underestimating the impact of fair value accounting.
- Can banks really be serious about risk management?



Future of ALM.

- Towards a holistic approach of risk.
- Scenario analysis and stress tests instead of backwards looking models.
- Better understanding of systemic and funding risk.
- Internalising the cost of complexity.
- Finding a new balanced approach of risk appetite.





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Thank you.