

# Stress Testing

ASPECT ADVISORY ACADEMY  
TECHNICAL SEMINAR



## OVERVIEW:

Stress testing has closed the gap to pure statistics-based risk models. Some regulators assign higher importance to stress tests than to analytical models. However, this workshop argues that analytical models and stress tests are not mutually exclusive but mutually complementary. The seminar starts with a taxonomy of stress tests moves on to the regulatory requirements on methods, systems, and consequences and finishes of linking stress testing with capital allocation.

## AGENDA OUTLINE:

### 1 Day Seminar:

Risk-type and group-wide stress tests

## WHO SHOULD ATTEND:

We believe that this seminar is most useful for participants from:

- Supervisors
- Treasury
- Risk management
- Regulatory reporting
- Risk controlling
- Internal audit

## SEMINAR FORMAT:

- This seminar will be conducted in English
- This session will be conducted via Microsoft Teams. On completion of your registration you will receive a link to the meeting

## COURSE MATERIAL:

- Sessions are recorded and could be obtained on request at the end of the seminar
- Trainers presentation slide decks could be obtained on request at the end of the seminar
- Certificates will be awarded at the completion of the seminar

## CERTIFICATE:

- Certificates will be emailed to the participants on completion of the seminar

Have a question? Send us a mail to:  
[aaa.aspectadvisory.eu](mailto:aaa.aspectadvisory.eu)

**1 DAY**

	Risk-type and group-wide stress tests
	<p><b>1. Taxonomy of stress tests</b></p> <p>1.1 Types and purposes of stress tests 1.2 Definitions</p>
09:00	<p><b>2. Regulatory requirements and thoughts</b></p> <p>2.1 EBA stress test guidelines (07/ 2018)</p>
10:30	<p>2.2 Principles for sound stress testing practices and supervision Solvency stress tests (BCBS Working Paper No 29, 11/2015), Liquidity stress tests (BCBS Working Paper No 24, 10/2013)</p> <p>2.3 Supervisory stress tests: EBA Stress test 2020, ECB: AQR 2.3 SREP, stress tests and setting capital requirements</p>
	Morning coffee break
10:45	<p><b>3. Stress testing market risk</b></p> <p>3.1 Portfolio Risk Measures 3.2 Historical simulation versus Monte Carlo simulation 3.3 Historical and hypothetical scenarios, incl. Maximum Loss Approach</p>
12:15	<p>3.4 Important risk drivers 3.5 Principal Component Analysis 3.5 Copulas</p>

**Please note:**  
This is a sample schedule and the session topics is illustrative and subject to change.

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**1 DAY**

Lunch Break

13:30

**4. Stress testing credit risk**

- 4.1 Stressing PD, LGD, EAD via macroeconomic factors
- 4.2 Regulatory stress tests
- 4.3 Reverse Stress Testing
- 4.4 Concentration Risk

15:00

Afternoon Coffee Break

**5. Stress tests and capital allocation**

- 5.1 Group-wide stress testing
- 5.2 Impact on capital planning, allocation and limit setting

15:15

**6. Stress testing liquidity risk**

- 6.1 Liquidity maturity ladders and survival time
- 6.2 Buffer allocation and risk drivers
- 6.3 A particular stress test: LCR
- 6.4 Steps for designing stress scenarios
- 6.5 Extreme Value Theory

17:00

**7. Stress testing funding risk**

- 7.1 Balance sheet forecasts and funding plans
- 7.2 Risk drivers (rating sensitivity, investor's risk appetite)
- 7.3 Increased funding cost

Close of Session