

Risk & return

South Africa 2012

■ 28 February – 2 March 2012
■ Cape Town and Johannesburg

Effective strategies to maximise growth and minimise risk in a low rate and changing environment


Unique conference highlights:

- Prominent CIOs and CROs discuss the current risk and investment climate
- Special keynote address from the South African Reserve Bank
- Unrivalled networking opportunities with international and local experts
- Exclusive updates on liquidity and capital regulations from industry professionals
- Interactive sessions offering practical advice on asset allocation and risk management

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Expert analysis ■ **Live debate** ■ **Practical advice** ■ **Meeting point**

Risk & return

South Africa 2012



Dear Executive,

I am delighted to introduce *Risk* magazine's 6th annual Risk & Return South Africa conference.

As *Risk* magazine celebrates its 25th anniversary next year, it is ideally positioned to bring you the latest developments and initiatives taking place within the risk, derivatives and investment management areas.

With firmer regulations being implemented globally, a slowdown in economic growth and a stricter risk premia, it is imperative that risk and investment managers are up-to-date on the latest market developments and the impact they could potentially have on financial institutions.

Tough challenges will be faced over the next 12 months, including implementation of the global liquidity requirements and effective management of capital inflows. How will South African banks meet the new liquidity requirements and what does this mean for the current structure of the South African financial market?

Risk and Return South Africa will address these pressing issues and more by outlining some of the most innovative investment strategies to maximise yields and showcasing effective techniques to manage new regulations and risks.

The practical advice that you will receive from our outstanding line-up of local and international experts will equip you with the knowledge and contacts to tackle the challenging times ahead. You will walk away having explored new opportunities, discussed the current changes and identified best practices going forward.

I look forward to welcoming you to the event this March.

Yours faithfully,

A handwritten signature in black ink that reads "Duncan Wood". The signature is written in a cursive, flowing style.

Duncan Wood, Editor
Risk magazine

Key topics addressed by experts

Keynote addresses



Monde Mnyande,
Chief Economist and
Advisor to the Governor,
SOUTH AFRICAN
RESERVE BANK



Paul Hartwell,
Group Chief Risk Officer,
STANDARD BANK

Learning outcomes:

- Explore the contagion risks of the Eurozone and implications for South Africa
- Understand the correlations between global events and risk profiles of South African banks
- Identify effective techniques to manage and minimise risk exposures

Credit/liquidity/ market risks



Federico Galizia,
Head, Risk Management
and Monitoring,
EUROPEAN INVESTMENT
FUND



Claudio Albanese,
Visiting Professor of
Mathematical Finance,
KING'S COLLEGE
LONDON and
Independent Consultant

Learning outcomes:

- Best practices in managing and modelling counterparty credit risks
- Consider new models in practice to integrate credit and liquidity management
- Learn new methodologies in risk management from a European perspective

Risk management



Jan Lubbe,
Chief Risk Officer,
ABSA



Jaco Grobler,
Chief Risk Officer,
FIRSTRAND

Learning outcomes:

- Discover the latest thinking from top Chief Risk Officers
- Examine current risk appetite in the market today
- Analyse new ways to manage market volatility and inflation risk

Investment strategies



Heather Jackson,
Head of Socially
Responsible Investing,
CADIZ ASSET
MANAGEMENT



Pieter Viljoen,
Chief Investment Officer,
EDGE INVESTMENTS

Learning outcomes:

- Recognise innovative investment opportunities in light of Regulation 28
- Assess robust asset allocation strategies to withstand volatile markets
- Evaluate the risk and return profiles of different asset classes

Pre-conference seminar one

28th February 2012, Johannesburg, South Africa

Liquidity risk management

An essential one day course developed to enable attendees to identify new methodologies to effectively manage liquidity risks and funding in light of the new Basel III standards with a particular focus on South Africa.

The course is relevant for those working in the following areas:

Liquidity Risk, Treasury, Capital, Risk Management, Credit Risk and Basel III implementation.

8.30	Registration and coffee
8.50	Welcome address: <i>Risk magazine</i>
9.00	Overview: Defining liquidity and liquidity risk <ul style="list-style-type: none">• Making the distinction between liquidity and other risks• Maintaining sufficient liquidity funding• The common challenges to managing liquidity risks• Key components of sound liquidity risk management• The drivers behind regulatory changes to global liquidity requirements Arno Dahnke , Head of Treasury and Capital Management, STANDARD BANK
10.30	Break
11.00	South African specific focus: Liquidity standards and implementation under Basel III <ul style="list-style-type: none">• Liquidity Coverage Ratio (LCR)• Net Stable Funding Ratio (NSFR)• Detailed breakdown of acceptable liquid assets• Implementation of Basel III in South Africa: governance and market structure• Challenges for South Africa Paul Bowes , Head of Group Funding and Strategic Liquidity Management, NEDBANK
12.30	Lunch
13.30	Techniques for measuring and managing liquidity risk <ul style="list-style-type: none">• The importance of knowing how stressed economic conditions affect liquidity• Preventing liquidity risks: the benefits of implementing Basel III• Designing a contingency plan• Generating scenarios for liquidity stress testing Phillip Olivier , Head of Liquidity Management, ABSA GROUP TREASURY
15.00	Break
15.30	Liquidity stress testing <ul style="list-style-type: none">• Defining appropriate stress scenarios• Modelling scenarios• Stress tests reporting: setting the appropriate frameworks• Incorporating stress testing into the business model and ensuring effective communication Nicholas Jay , Head of Liquidity Risk, FIRSTRAND
17.00	End of conference

What delegates had to say about other recent Risk events

'The conference was outstanding with respect to the content of information presented and discussed' – Portfolio Manager, Nestle Pension Fund
'The most concentrated and consistently useful conference for risk professionals' – Chief Risk Officer, Deutsche Bank
'A wonderful opportunity to meet with fellow senior risk professionals and compare risk technique and best practices' Senior Economist, European Investment Bank
'Cutting-edge exchange of ideas and industry trends' – Head of Model Analytics, Intesa San Paolo

Pre-conference seminar two

29th February 2012, Cape Town, South Africa

Counterparty Credit Risk

An essential one day course developed: To enable attendees to identify the key categories and drivers of transaction credit risk, and to apply a consistent approach to the quantification of these risks. Specifically, participants will be equipped to:

- Assess in detail the counterparty credit risks in interest rate, foreign exchange, credit derivatives and equity derivatives
- Apply lessons learned from the current crisis to restructure, transfer and mitigate counterparty risk
- Quantify counterparty credit risk of a portfolio of transactions in terms of expected exposure, expected loss and loss distributions

The course is relevant for:

Risk managers, CVA traders, CDO managers, analysts, controllers and regulators who need to understand how derivative credit risk is measured, mitigated and accounted for.

8.30	Registration and breakfast
8.50	Welcome address Risk magazine
9.00	Overview <ul style="list-style-type: none">• Differentiating counterparty credit risk from other forms of credit risk• Embedded default protection options and accounting treatments• Collateral policies• Central Counterparty Clearing Houses (CCPs) Claudio Albanese , Visiting Professor of Mathematical Finance, KING'S COLLEGE LONDON and Independent Consultant
9.45	Measures for Counterparty Credit Risk <ul style="list-style-type: none">• Linear metrics: Peak Exposure, Expected Exposure, and the Credit Valuation Adjustment (CVA)• Metrics sensitive to correlations: Point in time and cumulative loss distributions• CVA volatility versus risk quantiles• Margin Lending• Securitisation Claudio Albanese , Visiting Professor of Mathematical Finance, KING'S COLLEGE LONDON and Independent Consultant
11.15	Morning break
11.45	Modelling Strategies <ul style="list-style-type: none">• Consistent modeling of derivative portfolios• Local valuation and desk models• Global valuation and model libraries• Global market simulations Claudio Albanese , Visiting Professor of Mathematical Finance, KING'S COLLEGE LONDON and Independent Consultant
13.15	Lunch
14.15	Managing Counterparty Credit Risk (CCR) from a South African perspective <ul style="list-style-type: none">• Key documents: ISDA agreement ("ISDA") and credit support annex ("CSA")• Key credit issues to be considered in negotiating an ISDA and a CSA<ul style="list-style-type: none">• Funding liquidity• FX risk• Basel III regulations concerning CVA related capital charges• Collateral management• Margin methodologies Gareth Buchner , Head of Portfolio and Crossover Risk, RAND MERCHANT BANK
15.45	Afternoon break
16.15	Central Counterparty Clearing Houses (CCP) in South Africa <ul style="list-style-type: none">• Counterparty credit risk management from the CCP standpoint• Capital for CCP exposures• Market stability: margin and default fund arrangements• Macro-economic benefits of central clearing Gareth Buchner , Head of Portfolio and Crossover Risk, RAND MERCHANT BANK
17.45	End of seminar

Programme

1 March 2012

DAY ONE - MORNING

8.10	Registration and refreshments	
8.50	Welcome address	
9.00	KEYNOTE ADDRESS: South Africa's macroeconomic outlook in the wake of the sovereign debt crisis and reforms to the financial sector and regulations <ul style="list-style-type: none"> • International financial crisis • Assessment of sovereign debt crisis • The risks of South Africa • South Africa's policy response • South Africa's macroeconomic outlook Monde Mnyande , Chief Economist and Advisor to the Governor, SOUTH AFRICAN RESERVE BANK	
9.40	PLENARY ADDRESS: Assessing regulatory change and implications for South Africa's financial markets <ul style="list-style-type: none"> • Examining market volatility as a result of increased capital inflow • Best practices to absorb foreign investment • What investment opportunities will be created by this flow of capital? Cas Coovadia , Managing Director, THE BANKING ASSOCIATION OF SOUTH AFRICA	
10.20	Morning break	
	STREAM ONE: Regulation and capital management	STREAM TWO: Innovations in asset allocation and portfolio management
10.50	Chairman's opening remarks	Chairman's opening remarks
11.00	MASTERCLASS: Credit portfolio management Part one: Integrating credit and liquidity management: new models in practice <ul style="list-style-type: none"> • Integrating credit portfolio management with ALM treasury • Organisational structures • Impact of Basel III • Implementing funds transfer pricing approaches • Future issues Pieter van der Merwe , Head of Credit Portfolio Management, ABSA CAPITAL	PANEL DISCUSSION: Asset allocation strategies in a new financial environment <ul style="list-style-type: none"> • What is driving asset allocation decisions today? • Risk management: low volatility and risk free assets • Reconsidering assets that were once perceived as 'too risky' • The hunt for high yield • How is regulation impacting asset allocation approaches? Daniel Broby , Chief Investment Officer, SILK INVEST Neil Crowder , Chief Executive Officer, CHAYTON AFRICA Pieter Viljoen , Chief Investment Officer, EDGE INVESTMENTS Carl Isernhinke , Chief Investment Officer, SASFIN ASSET MANAGEMENT
11.40	MASTERCLASS: Credit portfolio management Part two: Risk appetite frameworks and limit setting <ul style="list-style-type: none"> • Integrating risk appetite into the planning process • Aligning strategy, risk and available capital resources • Modelling, setting and enforcing limits frameworks Rautie Nel , Head of Wholesale Credit Portfolio Management, RAND MERCHANT BANK	Gold: for risk management or return enhancement? <ul style="list-style-type: none"> • How much value does gold add to a portfolio? • Is it becoming too expensive? • What is the infrastructure and political risk? • Gold as a hedging tool • Beyond gold: silver and mining Carl Isernhinke , Chief Investment Officer, SASFIN ASSET MANAGEMENT
12.20	Lunch	
13.20	Effective capital management under Basel III <ul style="list-style-type: none"> • Evaluating the role of CoCos • What is the view from the investor and the regulator? • How are CoCos structured? • Are they applicable in South Africa? Ashley Pillay , Director, Group Capital Management, STANDARD BANK	Exploring unlisted investment opportunities <ul style="list-style-type: none"> • Are there relatively unexploited investment opportunities out there that our listed economy is not capturing? • How do regulatory changes influence developments? • How should business be engaging with the changes and opportunities? • Are we equipped to deal with the risks in an underdeveloped area of our economy? • Examining the international lessons Heather Jackson , Head of Socially Responsible Investments, CADIZ ASSET MANAGEMENT

Programme

1 March 2012

DAY ONE - AFTERNOON

14.00	<p>Margin lending and securitisation of counterparty credit risk</p> <ul style="list-style-type: none"> • The regulatory push for full collateralisation • Margin lending and securitisation • Global valuation • Communication by means of loss of distributions <p>Claudio Albanese, Visiting Professor of Mathematical Finance, KING'S COLLEGE LONDON and Independent Consultant</p>	<p>Absolute return funds: the case for (and against) them</p> <ul style="list-style-type: none"> • Revisiting asset class returns • An objective assessment of return expectations • Multi asset class portfolios, diversification and multiple investment objectives • What is our understanding of risk? • Assessing risk of multi-asset class portfolios with multiple objectives • When is diversification not enough? • Linking assets across the capital structure spectrum <p>Eben Mare, Portfolio Manager, STANLIB</p>
14.40	Afternoon break	
15.10	<p>Dealing with derivatives: OTC vs. traded derivatives from a South African perspective</p> <ul style="list-style-type: none"> • Market overview • Current analysis • Future outlook <p>Senior Executive, PEREGRINE</p>	<p>Emerging markets post-crisis: potential growth or unnecessary risk?</p> <ul style="list-style-type: none"> • Overview: how are emerging markets managing post-crisis? • Understanding the broader dynamics of emerging markets • Risk in emerging markets versus risk in developed markets • Where to invest for higher growth: Asia, Latin America and Africa <p>David Mohr, Chief Investment Strategist, CITADEL</p>
15.50	<p>Where is the derivatives market heading? Implications for South Africa</p> <ul style="list-style-type: none"> • Latest updates on the regulation post-crisis • How is South Africa adapting to the regulatory changes? • Is the market heading towards a cash/futures market? • Will a standardised market work? <p><i>Speaker to be confirmed, please visit website for updates</i></p>	<p>The case for fixed income</p> <ul style="list-style-type: none"> • Are bonds in a bubble? • Does investing in bonds today make any sense at all? • Where is the world and is there value in bonds? <p>Arno Lawrenz, Chief Investment Officer, ATLANTIC ASSET MANAGEMENT</p>
16.30	<p>PANEL DISCUSSION: The changing financial landscape: challenges and opportunities facing South Africa's market participants</p> <ul style="list-style-type: none"> • How has the financial crisis impacted relationships between financial institutions? • Implications of new regulations, in particular Reg. 28 • Where will new growth opportunities come from? • The importance of environmental, social and governance factors • Future outlook: 2012 and beyond <p>Moderator: Heidi Raubenheimer, Faculty Member, UNIVERSITY OF CAPE TOWN Heather Jackson, Head of Socially Responsible Investments, CADIZ ASSET MANAGEMENT Jean-Pierre Matthews, Chief Executive Officer, PSG ABSOLUTE INVESTMENTS Ayanda Gaqa, Risk and Compliance Manager, ESKOM PENSION AND PROVIDENT FUND</p> <p><i>Final panellist to be confirmed, please visit website for updates</i></p>	
17.20	Chairman's closing remarks	
17.30	Cocktail reception	
18.30	End of day one	

Programme

2 March 2012

DAY TWO

8.20	Registration and refreshments
8.50	Chairman's opening remarks
9.00	<p>KEYNOTE ADDRESS: Adapting risk strategies to meet the evolving landscape</p> <ul style="list-style-type: none"> • The importance of integrated risk management • Re-enforcing the 'three lines of defense' • The closer integration of credit and market risk • The growing importance of operational risk management • Correlations between global events and the risk profile/risk tendency of South African banks <p>Paul Hartwell, Group Chief Risk Officer, STANDARD BANK</p>
9.40	<p>CHIEF RISK OFFICER ROUNDTABLE: Developing a sustainable risk culture</p> <ul style="list-style-type: none"> • The CRO's role in implementing an effective and strong risk culture • Risk response and creating risk urgency within a company • How to use risk reporting methods that increase accountability and ownership to the ERM culture • How to implement a risk management DNA throughout the organisation <p>Jaco Grobler, Chief Risk Officer, FIRSTRAND Hesham Hamdy, Chief Risk Officer, ARAB INTERNATIONAL BANK Paul Hartwell, Group Chief Risk Officer, STANDARD BANK Jan Lubbe, Chief Risk Officer, ABSA</p>
10.20	<p>South Africa's misunderstood inflation transmission mechanism</p> <ul style="list-style-type: none"> • South Africa's inflation forecasting failure • Inflation is dominated by monetary rather than supply vs. demand dynamics • Understanding the drivers of inflation and the link to currency • Global structural developments and the effect on South African inflation • Long-term implications of this alternative view on inflation, interest rates and growth <p>George Glynos, Head of Research Tradition Data Analytics Services, TRADITION</p>
11.00	Morning break
11.30	<p>Taking account of liquidity as part of the risk spectrum</p> <ul style="list-style-type: none"> • The importance of effective liquidity risk management: what has the financial crisis highlighted? • Managing the liquidity supply • New measures to reduce liquidity risk in a portfolio <p>Wynand van Niekerk, Chief Investment Officer, HUYSAMER CAPITAL INVESTMENTS</p>
12.10	<p>Achieving true diversification to reduce risk exposures</p> <ul style="list-style-type: none"> • Diversification by asset, country, and company • Meeting risk/return objectives • Risks to consider: volatility, illiquidity, currency, political risk • Conducting effective due diligence <p>Graham Tucker, Quantitative Strategist, Macros Strategy Investments, OLD MUTUAL INVESTMENT GROUP</p>
12.50	<p>Managing foreign currency risk</p> <ul style="list-style-type: none"> • The EUR/USD basis swap • The RAND Eurobond market • Rand volatility <p>Federico Galizia, Head, Risk Management and Monitoring, EUROPEAN INVESTMENT FUND</p>
13.30	Lunch
15.00	End of Risk & Return South Africa

Panel Sponsor



Standard Bank Group is the largest African bank by assets and earnings. We aim to build the leading African financial services organisation using all our competitive advantages to the full. We will focus on delivering superior sustainable shareholder value by serving the needs of our customers through first-class, on-the-ground operations in chosen countries in Africa. We will also connect other selected emerging markets to Africa and to each other, applying our sector expertise, particularly in natural resources, globally. We operate in 17 countries on the African continent, including South Africa, and 13 countries outside Africa with an emerging market focus. Our customers benefit from our knowledge and expertise in emerging markets, especially in areas of our sectoral expertise, being mining and metals, oil and gas, power and infrastructure, and telecoms and media.

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The IACPM is an industry association established in 2001 to further the practice of credit exposure management by providing an active forum for its member institutions to exchange ideas on topics of common interest.

Membership in the IACPM is open to all financial institutions that manage portfolios of corporate loans, bonds or similar credit sensitive financial instruments.

The Association represents its members before legislative and administrative bodies in the US and internationally, holds annual conferences and regional meetings, conducts research on the credit portfolio management field, and works with other organizations on issues of mutual interest relating to the measurement and management of portfolio risk. Currently, there are 94 financial institutions worldwide that are members of the IACPM. These institutions are based in 17 countries and include many of the world's largest commercial wholesale banks, investment banks and insurance companies, as well as a number of asset managers.

Today, the credit crisis is reshaping the environment for financial institutions globally. Measuring and managing credit risk is assuming ever greater importance, and credit portfolio management – across loan, bond and credit derivative markets – is increasingly complex. As active participants in each of these markets, credit portfolio managers today are frequently facing a variety of issues for the first time. These include the challenges of structuring transactions that involve all three markets, as well as the challenges of managing less liquid or illiquid risks.

The IACPM recognizes the unique and evolving role of credit portfolio managers in today's financial markets, and offers an excellent forum through which these issues can be identified, understood and addressed.

IACPM.org

Venue

Table Bay Hotel
Quay 6
Victoria & Alfred Waterfront
Cape Town
8001
South Africa
T: +27 21 406 5000
E: tbhres@za.suninternational.com

Accommodation

Please contact the hotel directly for a reservation.

For details of alternative accommodation please visit the event website:

risksouthafrica.com

