



GENERAL BULLETIN

CONNECTICUT
BANKERS
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2021 – 054

July 20, 2021

SENT TO:

TO THE CHIEF EXECUTIVE OFFICER
OR INDIVIDUAL ADDRESSED

CEO, CEO+, CFO,
CRO, CLO & ALCO

RE: Best Practices in Asset/Liability Management Seminar 2021

We are pleased to announce our annual, half-day program, **Best Practices in Asset/Liability Management 2021** facilitated by Dr. Jim Clarke, to be held on **Tuesday, September 21, 2021**, at the **Courtyard by Marriott, Cromwell, CT**. Please [CLICK HERE](#) to register.

This annual program will focus on the critical issues bank ALCOs are facing in the 3rd Quarter of 2021, and what we anticipate for 2022. Economic data was positive entering 2021, the economy turned positive in the 3rd quarter of 2020 after two quarters of recession tied to the Pandemic. We will review economic forecasts for the rest of 2021 and 2022. The central issue for most ALCOs is the surge in deposits tied to the government relief policies and the forgiveness of the PPP loans. A major concern for community bank ALCOs is excess liquidity and margin compression.

The second issue important for the ALCOs in 2021 is the trend in market interest rates. The yield curve collapsed in March 2020 with the Fed dropping short-term rates 150 basis points. Simultaneously the bond market rates collapsed. As bankers we had experienced a Fed Funds rate of 25 basis points from 2008 through 2015, but no one had experienced capital market interest rates at the level seen in the second half of 2020 through the first six months of 2021. The 10-year Treasury is a key reference for ALCOs, and the rate rebounded in the 1st quarter of 2021, but declined significantly in the 3rd quarter. The yield curve is also impacting the residential mortgage market through historically low rates which has resulted in record high origination activity.

The seminar will focus on liquidity management in the 4th quarter of 2021 into 2022. Excess liquidity is a major issue for most community banks and with short-term interest rates close to zero it is impacting asset yields and net interest margins. How do we reduce excess liquidity? This will be the major theme of the seminar. We will focus on liquidity management on both sides of the balance sheet.

SPEAKER

Dr. James Clarke is the Principal of Clarke Consulting, a Villanova, Pennsylvania firm specializing in ALCO issues and strategic planning for community banks. Jim has lectured on asset/liability management at the Stonier National School of Banking sponsored by ABA, the Southwest Graduate School of Banking, the New England School of Banking and Connecticut School of Banking. He conducts ALM seminars for many state associations, and for the Risk Management Association (RMA) and Financial Managers Society (FMS). Jim also conducts board education programs on ALM for a number of state associations. In 2019 through 2021, Jim spoke at the Connecticut, and Pennsylvania Association of Community Bankers conventions and several director conferences. Dr. Clarke is on the Board of a community bank and was a director of an investment company headquartered in Connecticut. Jim is also on the Editorial Board of the RMA Journal.



SCHEDULE

8:30 a.m. – 10:00 a.m.

Current Environment

- Economic Forecast & the Impact on Connecticut Banks – focus on commercial loan demand.
- Interest Rate Forecast and Implications for Balance Sheet Management.
- Liquidity Management – What is driving excess liquidity? What is the trend entering 2022?
- Regulatory focus on financial risk on bank balance sheets.

10:00 a.m. – 10:15 a.m. **Break**

10:15 a.m. – 12:30 p.m. **Hold a Mock ALCO**

Managing Assets in the Current Environment

- Liquidity Management – Choices on both sides of Balance Sheet.
- Investment Options: Yield options versus Duration Risk.
- Lending
 - Commercial Pipeline and Credit Risk post Pandemic.
 - Residential Mortgage Lending – Rationalizing holding loans in portfolio.

Managing Liabilities in the Current Environment

- FHLB Advance Line and options for reducing liquidity.
- Deposit Strategies:
 - Liquidity management – Shrinking deposits.
 - Non-maturity deposits – be careful with legacy and customer loyalty.
 - Certificates may be best option for reducing liquidity and lowering the cost of funds.

12:30 p.m. **Adjourn**

CONTINUING EDUCATION CREDITS

In accordance with the rules and guidelines of the Connecticut State Board of Public Accountancy, Best Practices in Asset/Liability Management may be worth 3 ½ hours of Continuing Education Credit. ***The program has not been pre-approved for credit.*** The field of study for this course is Banking. Attendees interested in receiving a confirmation of attendance memo from the CBA should leave their business cards with staff at the registration desk.

INCLEMENT WEATHER POLICY

While we do not know if weather will impact this program, you may check on the status of this program simply by visiting the CBA website www.ctbank.com. When at the site, click on **Seminar Status** located at the top left of the page.

REGISTRATION

The ***Best Practices in Asset/Liability Management 2021*** seminar will be held on Tuesday, September 21, 2021, at the Courtyard by Marriott in Cromwell, CT from 8:30 a.m. until 12:30 p.m. Please [CLICK HERE](#) to register. The fee for this event will be \$195. All registrants will be billed regardless of their attendance.

The fee includes all program materials, refreshments, and Connecticut State sales tax. Should you have any questions regarding the program or registration procedures, please do not hesitate to contact me at the Association office.

Sincerely,

KIMBERLY M. TUTTLE
Director of Education