

Bank of belgium risk management techniques

[Finance](#), [Banks](#)



Role of central banks in the economy of belgium - national. The Banking system depends upon the maintenance of interest rate. Hence various techniques are used by the banks to measure the exposure of earnings and economic value to changes in the interest rates. The techniques may start from calculations on simple maturity, repricing tables, simulations and modeling techniques. The simple methods meant fro to capture the risks, which arise from maturity repricing mismatches while the sophisticated methods meant for to capture the full range of risk exposures. Repricing Schedules.

It is simple technique for measuring bank's interest rate, which begins with maturity/repricing schedule. It is also contribution to interest sensitive assets, liabilities and off-balance sheet positions to the required predefined time bands according to the maturity, because the maturity depends upon the fixed or floating rate. If fixed rate it is on time remaining and if it is floating it is calculated on next repricing. The simple maturity/repricing schedules used to generate simple indicators of the interest risk sensitivity of both earnings and economic value to changing interest rates. When this approached is used to assess the interest rate risk of current earnings, it is a gap analysis.

Hence the banks use the gap analysis technique also. The gap analysis is one of the first methods developed to measure bank's interest rate risk exposure. And banks are continually using it. Simulation approach The simulation technique involved deadline assessments of the potential effects of changes in interest rates on earnings and economic value. The simulation

method is nothing but it is exposure with present structure to expected values. The method is used is till the expectations reach.

It is more time consuming and detailed breakdown details required. In these method specific assumptions about the interest and principal payments and non-interest income and expense arising from each type of position can be incorporated. Besides the simulation techniques incorporate all changes in the interest rate. BANCASSURANCE It is a provision of insurance and such insurance products by the banks.

It is an internal link between insurance companies and banks and literally banks market the insurance products on behalf of insurance agencies. With this banks may also have great control over the financial industry. Selling of insurance through the bank's established distributional channels. Hence it can be resulted that the bank can offer banking, lending, investment products besides insurance products to the customer.

The financial service which now can offer banking and insurance needs at the same time. REFERENCE: 1. Interest rate risk management (online)

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