JZ Partners

Basel II, Risk & Compliance

The Journey From Basel II to Basel III

Understand the Basel II & Basel III regulations and discover the implications of the financial crisis on the direction of capital adequacy.

2 day course – now scheduled in Hong Kong, Singapore, Beijing and London

Check www.jzpartners.com.hk/training/ for schedule and price

- What is Basel II? Understand the origins of the Basel Accord and its place in modern risk management and capital adequacy
- Why the need to revise Basel II? Learn what impact the financial crisis had on the regulations that led us to Basel III
- Understand how to comply at minimum cost and how to use compliance as a competitive advantage
- Discuss the challenges in implementing Basel II, and in integrating with senior management and board decision-making and oversight
- A detailed look at modern operational risk management, including quantification, loss modelling, key risk indicators and risk assessment
- Latest thinking on approaches to stress testing and the pillar 2 obligations under Basel II
- Learn the different regional approaches for implementing Basel II, and the timetable and rollout for adoption of Basel III
- Where next? Understand the recent changes and industry thinking for financial regulation

This course will take you step by step through the new Basel Capital Accord, commonly referred to as Basel II, examining the new risk management approaches introduced as a result of the regulations, and looking into the latest techniques used to achieve compliance.

The course tutor is an active practitioner with many years experience working with banks throughout their Basel programme. Practical examples and real life experience will be used to put the Accord requirements into context and show how real business benefit can be achieved through more than just meeting minimum regulatory requirements.

The course will begin by putting Basel II in context, examining the journey from the original capital requirement directive to the development of the risk-sensitive framework that is Basel II, and finally through to the recent Basel III proposals. The different approaches allowed under Basel II will be examined in detail, focusing on the areas which are receiving most attention from regulators.

The measurement of credit risk, market risk and operational risk will be explained. The differences and considerations for different methods will be discussed and examples given. The credit risk framework of Basel contains many sets of rules for different areas – the treatment of specialised lending, equity exposures, OTC derivatives and securitised products, and the rules for credit risk mitigation will all be introduced and put in context.

Practical techniques for the management of operational risks within an organisation will be given and set against the Basel II requirements. Strategies for risk assessment and development of key risk indicators will be introduced.

A critical factor in adoption of Basel is ensuring integration into bank operations and senior level board involvement. Experience of programme setup and governance and oversight strategies will be given.

The expert tutor will look at the recent enhancements to Basel II and explore the new Basel III rules to be implemented in 2013. The tutor will discuss the latest thinking in risk management and share his, and wider industry and regulator views, about the future direction of the Basel regulations.

Course Syllabus

PART A: WHAT IS BASEL II?

- ☐ Capital Adequacy
- ☐ Role of the BIS AND the Basel Committee
- ☐ History of the Basel Capital Accord
- ☐ Basel II – better reflecting risk in capital calculation
- ☐ Timeline for implementation of Basel II in different jurisdictions
- ☐ New Basel III Guidelines – Summary

PART B: BASEL II – THE 3 PILLARS

- ☐ The structure of the Basel Accord
- ☐ Pillar 1 – measuring capital adequacy
- ☐ Minimum capital requirements
- ☐ Pillar 2 – supervisory review
- ☐ Pillar 3 – market discipline
- ☐ What does Basel II mean for Banks

PART C: MEASURING CREDIT RISK UNDER BASEL II

- ☐ The different approaches under Basel II
- ☐ Standardised approach
- ☐ Asset classes, risk weights and issues with external credit ratings
- ☐ IRB approach and internal ratings systems
- ☐ Differences between the Foundation and Advanced IRB approaches
- ☐ Definition and use of PD, LGD and EAD
- ☐ Modelling techniques and approaches for PD, LGD and EAD
- ☐ Maturity (M) and effective maturity under the Foundation and Advanced approaches
- ☐ The concept of Expected Loss
- ☐ Credit risk mitigation under Basel II
- ☐ Approaches for dealing with equity exposures and OTC derivatives
- ☐ Securitisation exposures, Supervisory Formula (SF) and the Internal Assessment Approach (IAA)
- ☐ Basel II provisioning rules

PART D: MEASURING OPERATIONAL RISK UNDER BASEL II

- ☐ Introduction to Operational Risk and management techniques
- ☐ Operational Risk – motivations and strategies

- ☐ Basic Indicator approach (BIA)
- ☐ The Standardised Approach (TSA)
- ☐ Alternative Standardised Approach (ASA) for retail and commercial business lines
- ☐ Advanced measurement approach (AMA)
- ☐ Risk and control self assessment (RCSA) methods and loss data collection

PART E: PRACTICAL APPLICATION OF BASEL II FOR BANKS, AND ICAAP

- ☐ The broad ranging implications of Basel II for the whole business
- ☐ Governance and oversight, and meeting the Basel objectives
- ☐ Sound credit processes
- ☐ Appropriate administration, measurement and monitoring of credit
- ☐ Appropriate systems and technologies
- ☐ The layers of IT architecture necessary for a successful Basel implementation
- ☐ A sample Basel Programme for a bank
- ☐ Practical application of Basel Pillar II and ICAAP
- ☐ Application of Pillar 2 requirements, including stress testing and capital add-ons
- ☐ Stress tests and scenario tests
- ☐ Best practice implementation of stress testing
- ☐ What is required from the Internal Capital Adequacy Assessment Process (ICAAP)
- ☐ Development of an effective ICAAP framework
- ☐ The importance of consideration of all risks under ICAAP
- ☐ Measurement of risk appetite
- ☐ Developing ICAAP documentation

PART F: BASEL III AND BEYOND

- ☐ Overview of the new Basel III regulations
- ☐ Improving the capital base
- ☐ Enhancing risk coverage
- ☐ The treatment of counterparty credit risk (CCR)
- ☐ The Leverage Ratio, and key elements for calculation
- ☐ Reducing procyclicality
- ☐ Treatment of systemic risk
- ☐ Basel III: A new framework for management of liquidity risk
- ☐ The Liquidity Coverage Ratio (LCR)
- ☐ The Net Stable Funding Ratio (NSF)
- ☐ Review of latest regulatory documentation, BIS releases and G20 agreements
- ☐ Timeline for international adoption
- ☐ Impact on the banking sector
- ☐ What next for capital regulations?