

Two-day Course Outline on Basle II

DAY 1: Building blocks of Basle II

Session 1: Basics of Basle II

- Introduction to Basle II – evolution
- Comparison with Basle I
- Problems and shortcomings of Basle I
- Applicability and implementation
- How it assists regulators in creating a more efficient and controlled market environment
- Three Pillars: Minimum Capital Requirement, Supervisory Review Process, Market Discipline

Session 2: Basics of Basle II

- Economic capital and regulatory capital - relevance of capital to the bankruptcy risk and probability distribution of losses
- Scope of applicability of the standard
- Tier 1 and Tier II capital
- Hair cuts from capital
- Capital for credit risk, market risk and operational risk – meaning of each

Session 3: Credit Risk Standardised Approach

- Concept of ratings in credit risk assessment
- Claims on sovereigns, central banks, banks, securities firms, corporate and retail portfolio
- Credit risk mitigation
- Securitisation framework

Session 4: Credit risk – IRB approach

- Credit Risk
 - Modelling for IRB approaches
 - PD, EAD, LGD, RAROC etc
 - How is capital requirement for credit risk calculated
 - Capital Calculation under CreditMetrics and Credit Plus framework
- Capital computation under securitisation framework

DAY 2: Managing of the risks and implementation

Session 1: Market Risk

- Market Risk in Trading portfolio

- Measuring and managing market risk
- Use of VaR and other limits
- Capital requirement
- Calculation of LER to measure credit risk in treasury products
- Market Risk in Banking Book
 - Measuring and managing liquidity & interest rate risk
 - Various approaches & Limit structures for control

Session 2: Operational Risk

- Measuring and managing operational risk
- Selection of KRIs for monitoring performance
- Calculating capital requirements for Operational Risk

Session 3: Supervisory Regulation

- Supervisory review and market discipline under Basel II
 - key aspects of supervisory review and adoption of best practices
- capital implications of supervisory control
- elements of market discipline
 - corporate governance requirements
 - audit committee and reporting requirements

Session 4: Implementation of Basel II

- organizational development around Basle II
- Basle II as an approach to lending
- Step by step guide to implementation of Basel II