Basel II & Basel III Training

As a specialised risk management consultancy, JZ Partners has a deep understanding of the Basel II and Basel III requirements, and significant experience working with financial institutions to implement regulatory capital regulations, overcome the challenges and ensure real business benefit.

This intensive training is led by highly experienced industry practitioners. Our trainers are professional risk managers and consultants who are actively involved in Basel and risk work. They can not only explain the regulations and the latest thinking in changes and direction, but can also provide many practical examples and case studies to aid understanding of the rules and how to implement for best advantage.

We will take you step by step through the Basel Capital Accord regulations, covering both the live Basel II regulations and the new requirements for Basel III, due to go live in 2013. Our training is fully up to date with the recent enhancements to Basel that went live in 2011 and existing proposals for future changes.

Summary Course Syllabus

The duration, content and focus of our training can be tailored based on the requirements of the audience. A good introductory course to Basel II and Basel III, implementation of the regulations, and future direction can be given in 3 days. Tailored courses focussing on some of the more advanced topics, or recent changes can also be offered.

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

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- ☐ 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: RECENT ENHANCEMENTS TO BASEL II

- ☐ Timeline of recent changes to Basel regulations
- ☐ Summary of the new ‘Basel III’ regulations – what has been changed?
- ☐ Improving the capital base – Flaws in definition of capital
- ☐ Changes to the Pillar 1 requirements
- ☐ Strengthening the treatment of securitisation and resecuritisation exposures
- ☐ Increased importance of Pillar 2
- ☐ Firm-wide governance and risk management

- ☐ Capturing the risk of off-balance sheet exposures and securitisation activities
- ☐ Incentives to manage risk and returns over the long-term
- ☐ Managing risk concentrations
- ☐ A stronger focus on stress tests and the introduction of reverse stress testing
- ☐ Enhanced Pillar 3 disclosure
- ☐ Helping market participants better understand a bank's overall risk profile

PART G: 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
- ☐ 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?