

Basel II: Best Practices for Pillar 1, 2 & 3 Implementation by Algorithmics

A two-day workshop for senior management or Basel project teams/managers initiating Basel II projects or transitioning from Standardised to IRB approaches.

TARGET AUDIENCE

Those responsible for (a) executive or senior management of regulatory or economic capital Pillar 1 and / or Pillar 2 projects (b) financial reporting, regulatory supervision or project management of regulatory or economic capital based projects (c) credit and IT advisory services (d) IT managers tasked with data warehousing, systems integration or business requirement development for regulatory or economic capital projects.

Participants should have an understanding of basic banking book and trading book products and services.

Participants seeking an in depth calculation of Pillar 1 Credit RWA approaches across both the banking and trading books should also take the Basel II: Calculating Credit RWA in the Banking & Trading Book.

COURSE OBJECTIVES

Specifically participants will be equipped to:

- Apply a structured analytical approach to implementing Pillar 1, 2 and 3 requirements based on best practices within the industry
- Identify National Discretions across multiple jurisdictions that will impact the banks Capital Adequacy Requirements and their data requirements
- Select the appropriate undrawn allocation and mitigant optimisation approaches
- Identify data warehousing requirements for end-to-end data processing of critical risk components for regulatory capital calculations and reporting requirements
- Apply stress testing and scenario analysis for Pillar 1 and non-Pillar 1 risks, compliant with current ICAAP and SRP requirements for Pillar 2 reporting
- Leverage the massive investment in Regulatory Capital reporting requirements into sustainable competitive advantage.

CONTENT

This course provides practical knowledge for implementing Basel II Pillar 1, 2 and 3 requirements from the view of the Financial Institution tasked with meeting them. The course emphasis is on the applied practical issues of meeting the requirements as well as a firm grounding in the theoretical concepts from which the requirements are derived and their limitations. With a firm understanding of both the practical and theoretical issues of implementation, participants will be armed with the knowledge to meet future challenges of regulatory capital requirements, in a global setting. The workshop is taught through a combination of lectures, exercises, and analysis. A laptop with a recent version of excel is recommended and can be provided upon request.

OVERVIEW OF BASEL II:

- Comparing Basel I to Basel II, moving from regulation to supervision
- Global implementations, an update of current industry progress
- National Discretion – Home versus Host reporting and implications
- Reporting results – defining what the Supervisors want
- Top 3 implementation challenges.

PILLAR 1 – OVERVIEW:

- Defining capital – a comparison from the stakeholders perspective
- Defining risk from the perspective of the Bank
- Exposure and asset classification, defining the rules for classification
- Overview of risks defining Standardised, Foundation and Advanced approaches.

CREDIT RWA APPROACHES:

- Wholesale, key differences and data elements required to calculate exposures
- Retail, key differences and data elements required to correctly pool accounts for Retail and Securitized exposures
- Counterparty Credit Risk, defining OTC and SFT
- Securitization, classifying exposures and the data elements required to calculate them.

MARKET RWA – WHAT'S NEW?

- Advanced Approaches – VaR, EEPE, Supervisory Beta and Alpha for OTC and SFT exposures
- Incremental Risk Charge – understanding the challenges to implementation.

OPERATIONAL RISK:

- Basic Indicator and Standardised Approaches, an overview
- AMA Approach – methodology and expected data requirements.

REPORTING REQUIREMENTS, A COMPARISON OF FSA, CEBS, OSFI AND FED:

- A brief comparison of Canadian, USA, UK and EU reporting requirements.

PILLAR 2 – OVERVIEW:

- Why Pillar 2? The move from regulation to supervision
- Stress Testing and Scenario Analysis– a structured approach
- Reconciliation and Economic Capital, a critique of the ASRF approach
- ICAAP and SRP methodology – translating requirements into policy
- Reporting requirements for Pillar 2 results.

PILLAR 3 – OVERVIEW:

- Why Pillar 3? Building competitive advantage by getting disclosure right
- Market disclosure methodology – a structured approach.

IMPLEMENTING THE BASEL II ACCORD – BEST PRACTICES:

- Achieving measurable ROI by building competitive advantage.

