



## Basel II University - Online

This is a comprehensive course that covers the requirements for Basel II as per the revised framework 'International Convergence of Capital Measurement and Capital Standards'. It covers in detail the primary components, or pillars, i.e., minimum capital requirements, supervisory review process and market discipline.

This is an online self study course that can be globally accessed from any internet enabled computer. Access is for 91 days. Certificates with earned credits will be awarded upon successful completion.

### Targeted Audience

Every professional involved in the global financial services industry (as a provider, user, regulator or advisor of product/services, marketplace/exchange) would benefit from this course.

### Advance Preparation

No advance preparation required.

### Prerequisites

Familiarity with basic financial concepts

### Learning Objectives

Students will be able to:

- . Understand the requirements of Basel II and its background
- . Specify the data requirements for the key calculations involved in various approaches
- . Perform the basic calculations for both the Standardized and IRB approaches
- . Understand the advanced approaches for credit risk as well as operational risk

- . Identify the specific issues to be addressed under supervisory review process (Pillar II)
- . Understand the general considerations with regard to disclosure requirements (Pillar III)

**Level: Intermediate**

**icpas Credits: 6**

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**ser Credits: 57.5**

## **Detailed Outline**

### **Basel II - An Overview**

**Topics covered include:**

- . The objectives of the International convergence of capital measurement and capital standards . (Also known as Basel II)
  - . The substance of minimum capital requirements (Pillar I)
  - . The role of supervision as an essential complement to minimum capital requirement
  - . The broad qualitative and quantitative disclosures which banks have to disclose under new Basel Capital accord
- Duration: 1 hour

### **Scope of Application**

**Topics covered include:**

- . General considerations with regard to disclosure requirements
  - . Scope of application
- Duration: 1 hour

### **Credit Risk - Standardized Approach**

- . Risk components and risk weights for corporate, bank, equity and sovereign exposures
- . Approaches used to estimate the risk components
- . Minimum requirements for corporate, bank, equity and sovereign exposures

### **Standardized Approach - Credit Risk Mitigation**

**Topics covered include:**

- . Techniques that banks use to mitigate credit risk
- . Treatment of risk mitigation

Duration: 1 hour

techniques in standardised approach

Duration: 1 hour

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### **Simplified Standardized Approach**

#### **Topics covered include:**

- . Simplified Standardised approach for credit risk
- . Treatment of credit risk mitigation techniques under simplified standardised approach
- . Treatment securitization transactions
- . Simplified Standardised approach for operational risk

Duration: 1 hour

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### **IRB Approach - Overview**

#### **Topics covered include:**

- . The mechanism of IRB approach
- . Different categories of exposures
- . Risk components involved
- . Sub-approaches in IRB approach
- . The procedure for adopting IRB approach across asset classes
- . Transition arrangements under the IRB approach

Duration: 1 hour

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### **IRB Approach - Rules for Exposures**

#### **Topics covered include:**

- . Risk weight for corporate exposure
- . Risk weight for Specialized Lending portfolio
- . Risk weight for IRB Sovereign portfolio
- . Risk weight for IRB Bank exposures Portfolio
- . Risk weight for qualifying revolving retail exposures portfolio
- . Risk weight for Other Retail exposures Portfolio
- . Risk weights for equity exposures
- . Risk weights for Purchased receivables

Duration: 2 hours

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### **IRB Approach - Minimum Requirements**

#### **Topics covered include:**

- . Minimum requirements under each exposures to be eligible for the IRB approach

Duration: 1 hour

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### **Credit Risk - Securitization Framework**

### **Operation Risk Measurement Approaches**

**Topics covered include:**

- . IRB approach for securitization exposures
- . Credit Risk Securitization framework

Duration: 1 hour

**Topics covered include:**

- . Principles for management and supervision of operational risk
- . Framework for evaluating operational risk management policies and practices
- . Role of supervisors and the utility of disclosure
- . Qualifying criteria for operational risk measurement approaches

Duration: 1 hour

**Qualifying Criteria For Operational Risk****Topics covered include:**

- . Qualifying criteria for operational risk measurement approaches

Duration: 30 minutes

**Market Risk - Measurement Framework****Topics included:**

- . Methods to measure market risk capital
- . Capital Ratio

Duration: 1 hour

**Market Risk - Standardized Measurement Approach****Topics covered include:**

- . Treatment of Interest rate risk
- . Treatment of equity position risk
- . Treatment of Foreign Exchange Risk
- . Treatment of Commodity Risk
- . Treatment of options

Duration: 1 hour

**Market Risk - Internal Models Approach****Topics covered include:**

- . 'General' and 'Qualitative' requirements banks need to fulfill to be eligible to use the internal models approach
- . Quantitative standards that banks have to keep in mind for calculating their capital charge
- . Specification of market risk factor
- . Back Testing

- . Stress Testing
- Duration: 1 hour
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## **Key Principles of Supervisory Review Process      Specific Issues**

### **Topics included:**

- . Key principles of Supervisory review process
- Duration: 30 minutes

### **Topics covered include:**

- . Specific issues to be addressed under supervisory review process
  - . Principles for the management and supervision of Interest Rate risk management
- Duration: 1 hour
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## **Supervisory Review Process for Securitization**

### **Topics covered include:**

- . Significance Of Risk Transfer
  - . Market innovations
  - . Provision Of Implicit Support and the supervisory action
  - . Residual risks
  - . Early amortization
  - . Call Provisions
- Duration: 2 hours
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## **Market Discipline**

### **Topics covered include:**

- . General considerations with regard to disclosure requirements
  - . Scope and applications
  - . Disclosure requirements for various risk exposures
- Duration: 1 hour
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## **An Overview of IRB Systems for Corporate Credit**

### **Topics covered include:**

- . Concepts and requirements for an IRB framework for corporate credit.

## **Ratings for IRB Systems**

### **Topics covered include:**

- . Supervisory guidance on ratings of IRB systems for corporate credit risk
- Duration: 1 hour

Duration: 1 hour

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### **Quantification of IRB Systems - PD**

**Topics covered include:**

- . Supervisory guidance on quantification of probability of default of IRB systems for corporate credit risk.

Duration: 1 hour

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### **Quantification of IRB Systems - LGD**

**Topics covered include:**

- . Supervisory guidance on quantification of loss given default of IRB systems for corporate credit risk.

Duration: 1 hour

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### **Quantification of IRB Systems - EAD and Maturity**

**Topics covered include:**

- . Supervisory guidance on quantification of exposure at default of IRB systems for corporate credit risk
- . Supervisory guidance on quantification of maturity of IRB systems for corporate credit risk

Duration: 1 hour

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### **Data Maintenance Framework**

**Topics covered include:**

- . Supervisory guidance on data maintenance of IRB systems for corporate credit risk.

Duration: 1 hour

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### **Control and Oversight Mechanisms**

**Topics covered include:**

- . Supervisory guidance on Control and Oversight Mechanisms of IRB systems for corporate credit risk.

Duration: 1 hour

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### **An Overview of IRB Systems for Retail Credit**

**Topics covered include:**

- . Concepts and requirements for an IRB framework for retail credit.

Duration: 1 hour

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## **Retail Risk Segmentation Systems for IRB**

### **Topics covered include:**

. Supervisory guidance on retail risk segmentation.

Duration: 1 hour

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## **Quantification of IRB Systems - PD**

### **Topics covered include:**

. Supervisory guidance on quantification of IRB systems Probability of Default.

Duration: 1 hour

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## **Quantification of IRB Systems - LGD**

### **Topics covered include:**

. Supervisory guidance on quantification of IRB systems Loss Given Default.

Duration: 1 hour

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## **Quantification of IRB Systems - EAD and Maturity**

### **Topics covered include:**

. Supervisory guidance on quantification of IRB systems Exposure at Default.

Duration: 1 hour

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## **Quantification - Special Cases**

### **Topics covered include:**

. Supervisory guidance on quantification of special cases and applications.

Duration: 1 hour

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## **Validation**

### **Topics covered include:**

. Supervisory guidance on validation of IRB systems for retail credit risk.

Duration: 1 hour

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## **Data Maintenance Framework**

### **Topics covered include:**

. Supervisory guidance on data maintenance of IRB systems for retail credit risk.

Duration: 1 hour

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## **Control and Oversight Mechanisms**

### **Topics covered include:**

. Supervisory guidance on control and oversight mechanisms of IRB systems for retail credit risk.

Duration: 1 hour

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## **Operational Risk - AMA and Corporate Governance**

### **Topics covered include:**

- . Supervisory guidance on operational risk to implement Advanced Measurement Approach (AMA) with reference to corporate governance.

Duration: 1 hour

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## **Operational Risk Management Framework**

### **Topics covered include:**

- . Supervisory guidance on the operational risk management framework for implementing advanced measurement approach.

Duration: 1 hour

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## **Elements of an AMA Framework**

### **Topics covered include:**

- . Supervisory guidance on the elements of an AMA framework.

Duration: 1 hour

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## **Risk Quantification and Mitigation**

### **Topics covered include:**

- . Supervisory guidance on risk quantification and mitigation for implementing advanced measurement approach.

Duration: 1 hour

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## **Data Maintenance and Testing**

### **Topics covered include:**

- . Supervisory guidance on data maintenance and testing requirements for implementing advanced measurement approach.

Duration: 1 hour

## **Job Aids & Calculators**

### **Job Aids and Take Aways**

- . Benchmarking Template
- . Disclosures
- . Global Best Practices
- . Measurement Tools
- . Regulations

### **Calculators**

- . Capital Ratio Calculator
- . Comprehensive Basel II Calculator
- . Risk Weighted Assets for Retail Exposures - IRB Approach

- . Exposure for Collateralized Transaction After CRM
  - . Capital Charge for Operational Risk Under Standardized Approach
  - . Effective Maturity for Advanced IRB approach
  - . Currency Mismatch and Maturity Mismatch
  - . Capital Charge for Operational Risk Under Alternative Standardized Approach
  - . Capital Charge for Operational Risk Under BIA
  - . Internal Measurement Approach (Foundation Model)
  - . Maturity Ladder Approach for Commodities Risk
  - . Capital charge Under Delta-Plus Method for Options
  - . Capital Charge for Credit Risk Under Standardized Approach
  - . IRB Approach for Risk-weights of Corporate, Sovereign, and Bank exposures
  - . IRB Approach for Risk-weights of SME Borrowers
  - . Supervisory Formula Approach
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For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.