

## Basel II and Basel III: introduction to the regulations



FT-40 2 Days (14 Hours)

### Description

Understanding the fundamental elements of Basel II regulation and its impacts on banking activity is the main objective of this internship. At the end of this training, you will understand the regulatory constraints and you will identify the different parameters for calculating capital requirements for credit and operational risk.

### Who is this training for ?

#### For whom

Any employee required to operationally apply the texts of the Basel II and Basel III regulations.

#### Prerequisites

Aucune

### Training objectives

- Understand the fundamental elements of Basel II regulation and its impacts on banking activity
- Understand the issues of Basel 3 and its consequences on the professions.
- Acquire the methods for measuring credit, market and operational risks
- Explain the reasons of the transition to Basel III and the main elements of this reform.

### Training program

#### Quelques définitions et points de repère réglementaires

- Know the typologies of risks: risk in finance.
- Define credit, market, operational and systemic risks.
- Understand the role of the Management Committee Basel on banking supervision (Basel Committee on Banking Supervision).
- Establish the regulatory overview: authorization, regulation and supervision.
- Identify the different bodies and the main regulatory developments.
- Analyze the overall calendar.
- Exercise: Classification of different types of risk situations in the four Basel categories.

## Origines et objectifs de Bâle II

- Why a regulatory change from Basel I to Basel II? Finer and more complete coverage of banking risks.
- Understand the main issues and limits of the Basel II reform : From Cooke to Mc Donough.
- The Basel I agreements and the COOKE ratio.
- Sought objectives, the Cooke ratio.
- Reflections on the reform of the "Basel I" solvency ratio.
- Understanding the Basel II agreements and the McDonough Ratio.
- Main innovations of the Basel II agreements.
- Respect the implementation schedule.
- Exercise: Exchanges and reflection around the Basel II system.

## Principales exigences de Bâle II : présentation des piliers

- Pillar 1: minimum capital requirement.
- Identify the three risk categories.
- The Basel parameters, the concept of default, economic loss, loss parameters.
- Pillar 2: a reinforced prudential supervision process.
- The procedure for monitoring capital management.
- Pillar 3: implementation in place of market discipline.
- Rules of financial transparency, standardization of good banking practices.
- The arrangement of the three pillars.
- Exercise : Critical review of a bank's communication on pillar 3.

## Maîtriser le fonctionnement et la méthode Bâle II : zoom sur le pilier 1

- The Standard approach.
- The Internal Rating (IRB) approach.
- The default parameters.
- The loss rate and exposure in the event of failure.
- The main calculation formulas: economic losses and equity, average loss, unexpected loss.
- Principles of calculating the 'capital requirement.
- Credit risk.
- Market risk.
- Operational risk.
- Algorithm determining the RWA and of the EFP.
- Determine the weighting coefficient.
- Impacts on the banks' IS and procedures.
- Points of vigilance in the implementation of pillar 1.
- Exercise: Simple calculation of RWA.

## Bâle III - Enjeux et perspectives

- General context: consequences of the 2008 financial crisis.
- Review of prudential standards by the Basel committee in 2009.
- Why a regulatory evolution of Basel II to Basel III? The main issues of Basel III.
- The main axes of the reform.
- Basel III implementation planning.
- Transitional provisions.
- Overview of the reform timetable.
- Exercise: Sharing around the reform timetable.

## Les principales exigences de Bâle III

- Strengthening capital requirements.
- Improving the quality and level of core capital.
- Significant increase in capital requirements.
- SOLVA from Basel II to Basel III.
- Current levels of SOLVA ratios.
- Establish a leverage ratio: definition and objectives of this ratio.
- Adequacy ratio between own funds and total commitments.
- Panorama of the Basel III reform: the heart lies in liquidity.
- Establish a control framework short-term and long-term liquidity: French framework, Basel III, LCR, NSFR.
- Liquidity coverage Ratio: main stresses implemented in the calculation of the ratio.
- LCR: points of attention and outstanding points.
- Concept of "stable deposit".
- Customer segmentation.
- Strengthening funding requirements specific to certain activities: securitization, trading, derivatives.
- Position of the FBF on liquidity.
- The reform of the capital requirement directive - Focus on CRD III.
- Increase in trading book equity.
- Exercise: Calculation of an LCR from a simplified balance sheet.