



**BIZENIUS**  
Connecting Business Worldwide!

# BASEL III, RISK ASSESSMENT AND STRESS TESTING MASTERCLASS

LIVE ONLINE / CLASSROOM PROGRAM



# Course Overview

As Basle II, supplemented by Basle III, becomes the globally acceptable way financial intermediaries manage their risks, economic capital, and sensitivity to changes in the external environment, regulators insist that banks have internal capital adequacy assessment procedures (ICAAP), which is reported to regulators as a part of Pillar 2 of Basel II. One of the important requirements of ICAAP is stress testing. Stressing testing is not just regulatory compliance: banks internally need to evaluate the adequacy of their capital to absorb the stressful external environments. Stress testing and capital planning are increasingly linked to many risk management processes that require coordination across risk, treasury, and financial planning and analysis functions.

Regulatory stress tests like CCAR, DFAST, ECB/EBA/SSM, and PRA have pushed banks toward the implementation of robust stress testing frameworks. This masterclass addresses the deep understanding of concepts associated with it based on our deep domain expertise that assures you to accelerate your knowledge domain to the key facets of Basel Implementation.

Upon completion, participants will have a comprehensive understanding of internal risk assessment as required under Basel III and especially with reference to the ICAAP process. In this practical 2-day masterclass we distinguish between different types of stress tests, between the useful ones and the costly ones, the regulatory and management ones, and run through the processes of selection, application, communication, and learning from those scenarios. You will have a chance to analyze different real-life challenges and explore the ways to overcome them.





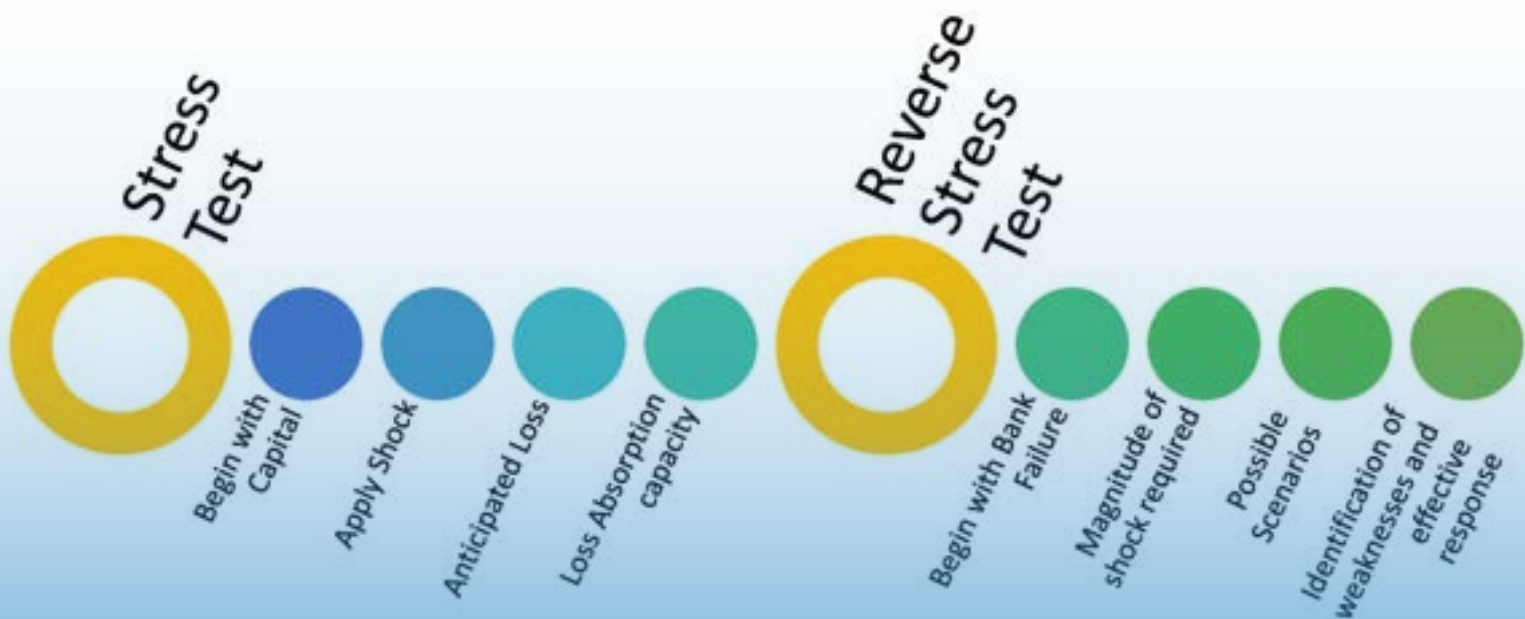
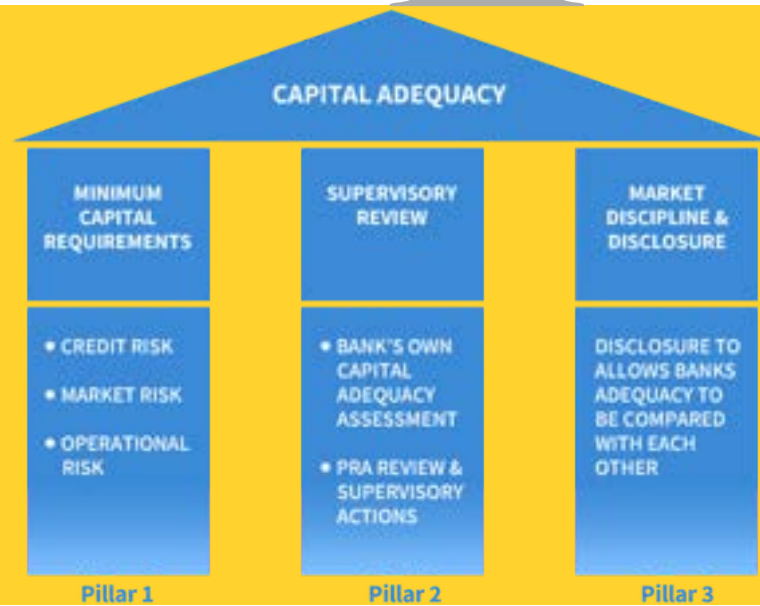
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## BECOME AN EXPERT

# Benefits of Attending



- Stress-testing under Basel requirements
- Understanding The Role Of Regulatory Bank Capital
- Requirements for Qualifying Capital under Basel III
- Credit Concentration Risk and Large Exposures
- Credit Value Adjustment (CVA) and collateral
- Impact of Basel III on the Business Model of Banking
- Implementation and Reporting Systems for Basel
- BASEL Treatment of Market Risk
- Drivers of Counter-party Risk (CCR)



## Who Should Attend :

The in-house training version may be tailored to your specific industry need. This course is suitable for novice and experienced participants. It is designed robustly to give you both basic concepts and principles for novice participants as well as ample opportunity for experienced participants to amplify the principles and concepts through reflection on your own work experience.

- Market Risk Management
- Credit Risk Management
- Operational Risk Management
- Risk Methodology
- Risk Analysis
- Model Validation
- Regulatory and Economic Capital Basel III
- Counterparty Risk
- Treasury Team
- ICAAP and ILAAP
- Stress Testing
- Internal Audit
- Finance and Treasury
- Regulation Compliance
- Financial Institutions Advisory
- Bank Supervision
- Bank Regulation
- Financial Stability and Economic
- Risk team
- Reporting Team



## After Attending This Course You Will Be Able To:

- Develop a deep understanding of the key elements within the Basel III regulatory framework
- Understand the key metrics and procedures for assessing credit risk, market risk and operational risk
- Understand the vital importance of stress testing as the cornerstone of risk management
- Apply analytical skills for the identification of concentration of credit risk, concentration of funding risk, and systemic liquidity risk
- Develop and formulate procedures and policies with respect to the best practice implementation of stress modelling and associated risk management protocols
- Learn how to develop stress-testing models
- Understand Basel II & III requirements for stress-testing
- Learn how to carry out stress testing on an enterprise wide scale
- Understand how stress tests can be used as an effective risk management tool
- Understanding of the data demands of stress testing
- Learn how to identify weaknesses in stress testing models
- Be able to apply the stress-testing and scenario analysis: methodologies and structures

# AGENDA

## **Understanding The Role Of Regulatory Bank Capital:**

- Overview of financial statements of banks – accounting principles
- Composition of the balance sheet – types of assets and liabilities
- Understanding the key elements of the P&L - statement of income
- Review of the distinction between the banking book and the trading book
- Illustration of the contrast between liquidity and solvency issues
- Distinguish between going concern and gone concern capital
- Treatment of goodwill, intangibles, deferred tax assets
- Treatment of securitizations and off-balance sheet exposures

## **Basel Treatment of Market Risk:**

- Value at Risk (VaR) – rationale, theory and methods of calculation
- Limitations of parametric VaR
- What about tail risk – does VaR capture this adequately?
- Expected Shortfall and FRTB
- Risk weightings for market risk
- Standardized approach
- Interest rate risk in both the trading book and banking book
- Overview of Internal Models Approach (IMA)
- Impact of market risk on instruments in the trading book
- Volatility and market stress
- Incremental Risk Charge
- Off Balance Sheet items

## **Requirements for Qualifying Capital under Basel III:**

- Definitions of Regulatory Capital – Core Tier 1, Tier 2
- Core Tier 1 – equity capital and disclosed reserves
- Supplementary Capital – Tier 2 – subject to discretion of supervisor/central bank
- Hybrid capital – Contingent Capital Instruments (CoCo's)
- Subordinated debt - bail-in instruments
- Short-term subordinated debt covering market risk (Tier 3)
- Loss absorbency requirements
- Deductions from capital – goodwill and subsidiaries

## **Operational Risk under Basel :**

- Definition of Operational Risk introduced into the Basel II framework
- The life cycle of Operational Risk
- Basel measurement approaches to be phased out by 2023
- Risk weightings under each approach
- Loss Distribution Approach (LDA) and Scenario Based Analysis (SBA)
- Application of VaR techniques to operational risk (Op VaR)
- Loss identification – measurement, management, monitoring, reporting

# AGENDA

## **Credit Concentration Risk and Large Exposures:**

- Concentration risk - not adequately captured under the Pillar One approaches
- Brief summary of the Supervisory Review and Evaluation Process (SREP)
- Treatment of Concentration Risk within the Pillar II ICAAP framework
- Identifying sectoral concentration risk – general principles

## **Credit Value Adjustment (CVA) and collateral :**

- Definition of Credit Value Adjustment (CVA)
- Defining credit exposure in relation to market risk impact on derivatives
- Expected positive exposure and worst case exposure
- Nature of collateralization – ISDA treatment
- Benefits of effective collateral management
- Impact of netting on CVA
- Impact of collateral on CVA
- Hedging and credit default swaps
- Eligible hedging instruments
- Bilateral counterparty risk and collateral
- Over-collateralized positions and risk of counterparty default



## **Modelling and Stress Testing:**

- Explanation of the techniques for conducting stress tests
- Back testing using historical returns
- Scenario generation - stress testing using hypothetical returns
- Explanation of Stressed Expected Shortfall methods

## **Impact of Basel III on the Business Model of Banking :**

- Impact of the Basel III LCR on balance sheet exposures to non HQLA assets
- Hoarding of Level 1 HQLA assets
- Unintended consequences for macro liquidity from Basel III regulations
- Explanation of Contingent Capital instruments (CoCo's)
- Impact of TLAC on G-SIB banks

## **Implementation and Reporting**

### **Systems for Basel Compliance :**

- Efficacy of the monitoring and reporting mechanisms within banks and how they interface with overall risk management
- Avoiding silos
- Accounting, surveillance, IT systems and data storage back-up systems
- Monitoring of controls – quality and integrity of the procedures
- Development of contingency scenarios
- Role of the Chief Risk Officer
- Role of the Internal Auditor





## **ABOUT BIZENIUS**

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Our Live online Training feature international thought leaders presenting insight, ideas, and advice. The sessions provide timely and strategic information about the business of learning, current trends impacting workforce development, Digital Innovation, Financial and Risk management, healthy safety, best practices for the industry, and practical information on the latest tools and technology. All our programs are interactive, flexible, and timely, our online training opportunities deliver the content you need to advance your career in a format that works for today's changing industry.

## **WHY CHOOSE US**

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- **Return on Investment (ROI)** - Delegates can transform the learning into their day to day work
- **Customized and Tailed Program** - Our programs are tailored to the needs of the client and their participants.
- **Cost Effective Program** - Quality training with competitive pricing – helping you achieve results within your budget.
- **Flexible Scheduling** - Select your own dates and timing or go with a pre-scheduled session.
- **Learn from Leaders** - All our program is conceptualized developed and delivered by the market leaders.

## **BECOME A MEMBER**

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- Members save on every course they nominate
- Post training support by our experts
- Higher return on investment
- Perfectly balance long term learning program
- Carry forward the credit amount to next year
- Use membership for in house , classroom & live online training

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# Happy Clients



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- ABSA Bank
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- Nedbank
- LCB Bank
- BCH Bank
- UMB Bank
- Bank of Kigali
- Safwa Islamic Bank
- Bank Windhoek
- National Bank of Kenya
- Bloom Bank
- The United Bank
- Capital Bank
- Bank Audi
- QNB
- Fidelity
- DBN
- Alizz Islamic Bank
- National Bank of Malawi
- MoniPlus
- NFC Bank
- BPR
- CABS
- Steward Bank
- PRASAC
- Central bank Oman
- Alliance Bank Malaysia
- Pride Microfinance Ltd
- MyBucks
- BNP Paribas
- Nedbank
- Ahli United Bank
- Keystone Bank
- Saib Bank
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- Raw Bank
- FBN Bank
- Bred Bank
- Union Bank
- Credit Bank
- Ly Hour
- SABB
- BANK ABC
- NBS Bank
- Commercial Bank of Kuwait
- Centenary Bank
- National Trust Bank
- National Bank of Egypt
- Rand Merchant Bank
- Capricorn Group Limited
- Egyptian Arab Land Bank
- Coronation Merchant Bank
- Arab Africa International Bank
- Safwa Islamic Bank
- United Development Bank
- Foreign Trade Bank - FTB
- Suez Canal Bank
- Lombard Odier
- Heritage Bank
- Trade & Development Bank



# Safety - Covid 19 ( For Classroom Program)

Our number one priority is the safety of our delegates and colleagues, especially in the light of recent health concerns across the world. In addition to this, BIZENIUS adds a further layer of health and safety best practice standards and guidelines, that will be followed at our events wherever applicable and possible. These measures will focus around four key areas: cleaning and hygiene, communications, protect and detect and physical distancing. They're designed to provide you with confidence that at any of our event around the world, we're striving to provide the highest standards of safety, hygiene, cleanliness and quality.

## CLASSROOM PROGRAM DELIVERY POST COVID 19:

- BIZENIUS would be providing a face mask for all the delegates and staff
- Sanitized Venue – We would getting the meeting room sanitized on all the training days
- Thermal check of the delegates and staff before the start of the program on all the days
- Contact less provision of delivery material
- Social distancing - Limited number of delegates for classroom program



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