

# BASEL II AND III, ERM, STRESS TESTING AND ICAAP MASTERCLASS



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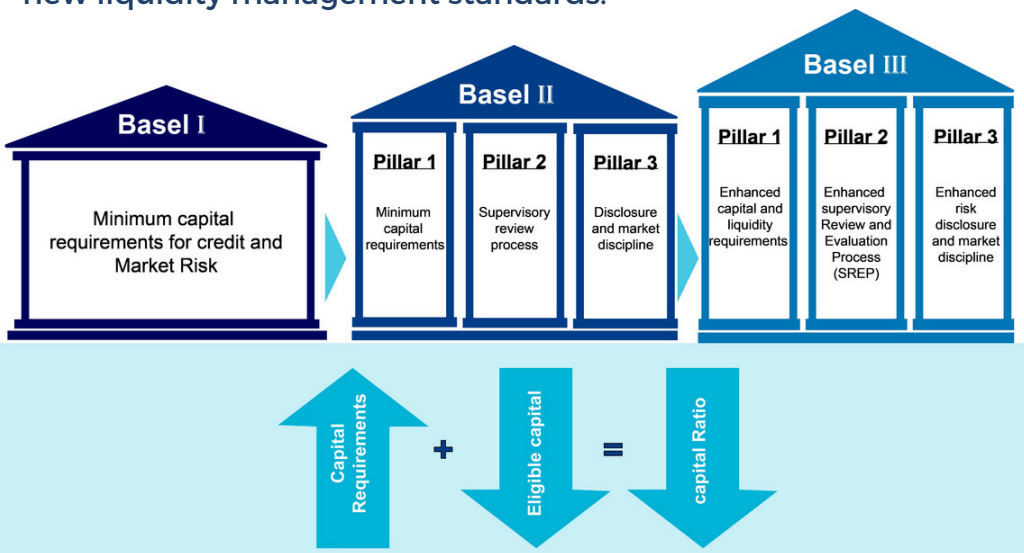


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# Course Overview

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. Basel II elevated the profile of capital adequacy namely with the introduction of the famous Pillar II (and ICAAP) this being followed by the Basel III requirements on liquidity and stability of funding and, subsequently, ICAAP. One of the important requirements of ICAAP is stress testing.

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. The masterclass is designed to equip banking professionals, risk managers, regulators, and industry stakeholders with in-depth knowledge and practical insights into BASEL II, BASEL III, and ICAAP/ILAAP. The regulatory response to recent events is contained in Basel III which sets out to make capital requirements more risk-sensitive, enhance risk coverage and strengthen the loss absorbency of available capital. It introduces the concept of building capital buffers during good times so that banks are better positioned to absorb the losses that occur during periods of stress. Basel III further introduces new liquidity management standards.



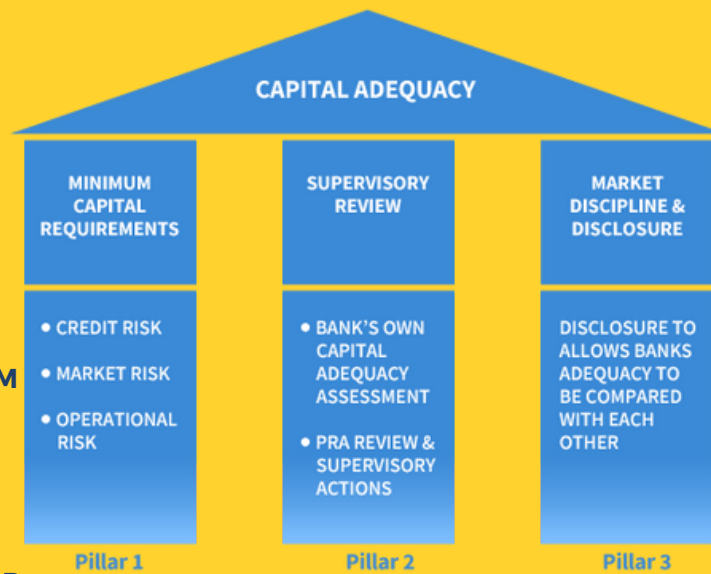
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# BECOME AN EXPERT

## Benefits of Attending



- Objectives and Structure of Pillar 2
- Stress-testing under Basel requirements
- Understanding The Role Of Regulatory Bank Capital
- Requirements for Qualifying Capital under Basel III
- Impact of Basel III on the Business Model of Banking
- Implementation and Reporting Systems for Basel
- Help participants get started and actually implement ERM
- Understanding the updated COSO ERM framework
- Stress Testing - Scenario Design and Models
- SREP and its relationship to the ICAAP, ILAAP, and ICLAAP



### Governance and Culture

1. Risk oversight across the board.
2. Operating Models is established.
3. Organizational Behaviour is defined
4. Commitment to Integrity and Ethics
5. Accountability
6. Commitment on Talented Individuals

### Strategy

7. Industry Analysis and Context Analysis
8. Risk Boundaries are Defined
9. Evaluates Alternative Strategies
10. Consider Risk in the Objectives and their impact
11. Performance Margins are Defined.
12. Iterates over time for New Risks.

### Execution

13. Identifies Risk
14. Evaluates Risks and assigns Severity.
15. Prioritizes Risks
16. Creates Risk Mitigation
17. Assesses Risk Response

### Information, Communication, Reporting

18. One version of truth
19. Automatic against information systems.
20. Communicates Risk Information
21. Comprehensive Dashboards

### Monitoring ERM Performance

22. Monitoring Change
23. Monitor EMR Process
24. Adapt against reality.

# 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
- Enterprise Risk Management
- 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 II & III regulatory framework
- Understand the key metrics and procedures for assessing credit risk, market risk and operational risk
- Explain the various risks to which banks are exposed and how those risks are measured.
- Understand the basis of the regulatory capital charge.
- Communicate the use of RAROC in banks.
- 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

## ICAAP and ILAAP Risk inventory :

- From business model to material risks
- Quantification requirements and materiality
- Prioritisation and standardising
- Implementation options and challenges
- Methodological approach to risk mapping

## ICAAP and ILAAP: Risk models

- Requirements, implementation options and challenges
- Requirements on validation
- Interplay between statistical & non-statistical modelling approaches
- Integration and use of the risk appetite framework

# AGENDA

## Discussion of Implementing ERM Homework:

- Agreeing on the business model
- Creating risk categories with owners & users
- Identification of risks in categories
- Develop a Standard Management Process
- Implement the process manually
- Build the ERM Knowledge warehouse

## Aligning ERM and the Business Model

### Roles and Responsibilities in ERM:

- Board oversight and the risk appetite
- Executive management use of ERM for Navigation
- CRO responsibilities

## The ERM Roadmap:

- Review the Current ERM Environment
- VaR and Tail loss measure Risk-adjusted performance measurement (RAPM)
- Aligning ERM and the Business Model
- Discussion of Implementing ERM
- Hurdles to ERM Establishment

## ICAAP Report Structure :

- Main sections of an ICAAP report
- General information common to ILAAP
- ICAAP specific information

## Liquidity Governance, Forecasting and Stress Testing :

- Liquidity risk tolerance
- Liquidity costs, benefits and risks
- ALM: Balance sheet matching
- Forecasting liquidity needs
- Contingency funding plan
- Early warning signals of unacceptable risk appetite
- Case study and exercises

## Integrated Stress Testing :

- Supervisory guidelines: Stress Testing and Reverse Stress Testing
- Interaction between ICAAP&ILAAP stress tests
- Linking stress tests and the capital plan
- An integrated approach to Stress Testing
- Scenario definition and selection
- Structural modelling approach
- Setup of risk type specific stress tests

## 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



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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.

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- ABSA Bank
- Capital Bank
- Stanbic Bank
- Bank of Africa
- Standard Bank
- Burgan Bank
- Credit Agricole
- Bank of Maldives
- Banque du Caire
- Saudi Fransi Capital
- Afriland First Bank
- First Atlantic bank
- Diamond Bank
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- 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
- FDH Financial Holdings
- Exim Bank
- MyBucks
- BNP Paribas
- Land and Houses Bank Public
- Grenada Co-operative Bank Ltd
- St. Kitts Nevis Anguilla National Bank Ltd
- Ahli United Bank
- Keystone Bank
- Saib Bank
- Bank Muscat
- Afreximbank
- Raw Bank
- FBN Bank
- Bred Bank
- Union Bank
- Credit Bank
- Ly Hour
- SABB
- BANK ABC
- NBS Bank
- BCI
- 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
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