

COURSE OUTLINE:

# Bank Regulation: Impact and Implications of Basel and CRR/CRD IV

2 days  
16 CPE Credits

## Overview

The financial crisis has prompted the Basel Committee on Banking Supervision to design a new framework for banking regulation that strengthens capital rules and introduces new liquidity requirements. This seminar will teach participants the framework of the combined Basel II and Basel III, the enhanced capital and liquidity requirements and will consider the impact that the implementation of the new rules will have on banks' business models. Although implementation is subject to transitional arrangements the impact on banks' risk profiles and business plans will be rapid and significant. The impact of implementation of CRD IV in Europe will also be analysed. The course will offer a combination of short presentations, discussions, exercises, and case studies.

## Learning Objectives

Upon completion of this seminar, delegates will be able to:

- » Upon completion of this seminar, delegates will be able to:
- » Understand the background to Basel bank regulation
- » Have a detailed understanding of the proposed timetable for the implementation and the likelihood of firms being able to meet these deadlines
- » Distinguish inputs to Pillars I, II and III and how they differ from Basel II
- » Appreciate implementation issues and challenges
- » Evaluate different forms of capital: Common Equity Tier 1, Tier 1, Additional Tier 1 and Tier 2
- » Evaluate calculation of risk-weighted asset calculations for credit, market and operational risks
- » Recognise the relationship between Basel and Economic capital models: similarities and differences
- » Appraise bank liquidity in the context of the Liquidity Coverage Ratio and Net Stable Funding Ratio
- » Recognise and evaluate the components of the Leverage Ratio
- » Understand the background and the current state of regulatory developments with the Fundamental Review of the Trading Book
- » Comment on the adequacy of banks' ICAAP (Individual Capital Adequacy Assessment) processes and how to understand with the SREP (Supervisory Review and Evaluation Process)
- » Analyse the adequacy of bank Pillar III disclosures
- » Identify the differences between Basel and European Union rules in the Capital Adequacy Directive IV and Capital Requirements Regulation
- » Consider the implications on new regulation on bank business models, products, pricing and strategy

## Program Level

**Program Level:** Intermediate & Advanced

**Pre-requisites:** Suggested one to two years' experience in a financial institutions analysis function. Delegates should have attended the Fundamentals of Bank Credit Risk Analysis course.

## Accreditation

Moody's Analytics is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: [www.nasbaregistry.org](http://www.nasbaregistry.org).

## WHY MOODY'S ANALYTICS?

### Current and Consultative

Our seminars are created and updated utilizing the extensive experience, skills and research of Moody's Analytics. For in-house training, we work with you to understand the distinct needs of your organization and design, implement, and track the performance of your learning programs from end-to-end, including skills assessment, program design, implementation, evaluation, and enhancement.

### Comprehensive Coverage

We offer a broad set of technical and soft skills programs that can be combined and adapted to the needs of your staff. Our areas of expertise include banking, finance, sales negotiation and leadership development:

### Unparalleled Expertise

Our training solutions leverage over a century of experience in risk assessment and the comprehensive tools, data, and analysis of Moody's Analytics to deliver timely, in-depth, and comprehensive knowledge. In delivery, our people make the difference – they combine deep experiences as financial practitioners, intellectual passion for the content, and superior academic credentials with a commitment to delivering outstanding quality.

# Bank Regulation: Impact and Implications of Basel and CRR/CRD IV – Agenda

## DAY ONE

### Session 1: Introduction and Basel II Framework

- » Introduction
- » Why are we here?
- » Structural approaches to bank reform
- » Three Pillars
- » Pillar 1
  - Approaches for Credit Risk
  - Approaches for Market Risk
    - Approaches for Operational Risk
- » Pillar 2
- » Pillar 3
- » Exercise and Group Discussion: Review of Pillar 1 disclosures

### Session 2: Basel III Framework

- » Timetable and transitional arrangements
- » Revised definition of capital
- » Contingent capital, convertible capital, bail-in capital
- » Capital buffers and capital conservation
- » Quantitative and qualitative regulatory requirements
- » Capital requirements for trading, securities and derivatives
- » Internal models, VaR, stress testing, scenario analysis, back-testing, enhancements
- » Stressed VaR
- » Incremental Risk Charge
- » Counterparty credit risk charge
- » Central counterparties (CCPs)
- » Capital charge for systemically important banks
- » Exercise and Group Discussion: Review capital disclosures for quantity and quality

### Session 3: Leverage and Liquidity

- » Objectives of leverage ratio
- » Calculation of leverage
- » Impact of leverage ratio on banks' business lines
- » Why has liquidity regulation been so controversial?
- » What does liquidity really mean?
- » Liquidity Coverage Ratio: function and calculation
- » Net Stable Funding Ratio: function and calculation
- » Exercise and Group Discussion: Review of leverage and liquidity disclosures

## DAY TWO

### Session 4: Overview of Supervisory Review plus Stress Testing Under Basel III

- » European implementation of Basel: Capital Requirements Regulation and Directive IV
- » Capital allocation and aggregation, diversification effects, reconciliation
- » How will the Pillar 2 supervisory review process impact board and senior management?
- » ICAAP and SREP
- » Expectations of supervisors
- » Corporate governance
- » Stress testing
- » Exercise and Group Discussion: Review of stress testing

### Session 5: Economic Capital: Calculation, Benefits and Relationship to Basel

- » Risk appetite: definition, importance and issues
- » Impact of economic capital on product pricing and customer relationships and implications for performance measurement
- » Expected and Unexpected Loss in the Economic Capital framework
- » How are credit economic risk capital requirements calculated? PD, LGD, EAD, M, Expected Loss
- » Use of quantitative and qualitative inputs, frequency and severity of loss, risk and control, self-assessments
- » Exercise and Group Discussion: Review of economic capital disclosures

# Bank Regulation: Impact and Implications of Basel and CRR/CRD IV – Agenda (Cont...)

## Session 6: Implications of the new regulatory approaches

- » Extraterritoriality
- » How will the new definition of capital affect funding?
- » Which business lines will be more/less attractive under the new approaches?
- » Will certain product lines cease to be sufficiently profitable?
- » Where does this leave the economic capital models?
- » Globally and locally systemically important financial institutions – how are they affected?
- » How do the new bank capital rules interact with the new insurance industry regulations?
- » Is there any good news? Are there benefits the bank can achieve?
- » How will the new rules affect management, the board and employees?
- » What are the major implementation challenges?
- » Exercise and Group Discussion: What will the future of banks be in the current regulatory environment?
- » Exercise and Group Discussion: Do we need Basel IV?

### Tailor Any Seminar for Your Organization

Moody's Analytics offers customized training and eLearning solutions to help you maximize your training investment. Our hands-on approach benefits companies of all sizes and requirements – from those with just a few local employees to those with staff dispersed around the globe. Contact us to learn more and to work with one of our training consultants to design the right program for your organization.

### Multiple Bookings

Special rates may be available for multiple seminar or group bookings. Please contact us for details.

### Fees & Cancellations

The fee listed is per participant and includes refreshments, lunches and seminar materials. Seminar fees do not include tax, transportation or hotel accommodations. Payment must be received in full prior to the start of the seminar. Registrations may be cancelled in writing via letter or email at least 30 days before the first date of the training for a full refund. Cancellations received less than 30 days in advance are eligible for substitution with another seminar, but fees will not be refunded. We reserve the right to cancel or reschedule seminars at any time. For further information on our refund and complaint policy, please contact us.

### CONTACT US

#### AMERICAS

TrainingAmericas@moody's.com

+1.212.553.4387

#### EMEA

TrainingEMEA@moody's.com

+44.207.772.1569

#### ASIA

TrainingAsiaPac@moody's.com

+852.3551.3131

Copyright © 2018, Moody's Analytics, Inc. and/or its licensors and affiliates.