

## Basel III Masterclass

### 3-Day Professional Development Workshop

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**East Asia Training & Consultancy Pte Ltd** invites you to attend a three-day professional development workshop on Basel III Masterclass.

This intensive, three-day workshop will review relevant details of Basel III implementation in context with robust credit/portfolio analytics. We employ the most appropriate optimization method to loan portfolios: discrete, dynamic or stochastic optimization, and how methodology improves capital allocation under the new Basel III accords. We also learn to build and use interactive corporate and specialized lending risk rating systems, determine value-at-risk capital allocation and utilize RAROC pricing models. Finally, we will apply advanced cash flow, stochastic forecasting, and industry analysis within the context of new Basel III capital accords.

This program is highly intensive, interactive and encourages participation. Hands-on exercises, deal analysis, examples and case studies reinforce concepts and ensure delegates have a thorough, real-world understanding of the material covered. Participants will use laptops during the workshop. Laptops should have recent versions of Microsoft Excel and Risk Simulator 2010. The course does not require more than basic math skills.

### Course Outline

#### Introduction: Review of Basel III

- Differences between Basel II and Basel III
- Tier 1 (core) capital ratio
- Other capital ratios

- Purpose of capital conservation buffer
- Supplemental capital
- Discussion of the countercyclical buffer range
- Regulatory capital ratio
- Resolution of differences between total capital requirements and tier 1 requirement
- Dealing with excessive credit growth and acceleration of the build-up of the conservation buffer

## **Overview of Capital Adequacy Assessment Process (ICAAP)**

- Regulatory background
- ICAAP overview
- Risk identification and assessment
- Capital planning
- Governance
- Stress and scenario tests
- The ICAAP document

## **Advanced Cash Flow Workshop and Why Crucial in Context of Basel III**

- Developing a bankers cash flow statement
- The art of merging cash flow and ratio analysis
- How does cash flow know-how help bankers build up value drivers
- Tie in to new capital accords

## **Standard Projections vs. Stochastic Analysis**

- Adjusting critical assumptions and value drivers
- Understanding an obligor's financial needs

- Introduction to Monte Carlo computer simulation
- Sensitivity analysis versus stochastic (simulations) projections
- Defining assumptions and forecasts
- Working with confidence levels
- Determining default frequencies

## **Portfolio Optimization and Management of Default Risk**

- Optimization procedures
- Continuous optimization procedure
- Results interpretation
- Efficient frontier and advanced optimization settings
- Creating an optimal portfolio mix given allocation of loan exposures across multiple industries
- Illustrative example: portfolio optimization and the effects on portfolio value at risk
- Running static, dynamic, and stochastic optimization with continuous decision variables
- Case analysis: portfolio linked note

## **Constructing Robust Corporate and Specialized Lending Risk Rating Systems**

- Interactive corporate risk rating systems
- Supervisor slotting criteria for specialized lending
- Basic structure ,specialized lending:: project finance, object finance commodity finance
- Income-producing real estate, high-volatility commercial real estate exposures, and real estate projects under construction
- Determining loss given default (LGD) and loss provisions

## **Option Theory to Reduce FX Risk, Extract Credit Information Embedded in the Equity Markets, and Employ Options Analysis in Determination of EDF**

- Analyzing commodity price risk and hedging
- Factoring volatility estimates into loan pricing
- Volatility & debt/equity values
- Deriving a riskless hedge
- Finding probabilities options finish 'in the money
- Employing options in pricing and valuation decisions
- Quantifying the tradeoff between risk & pricing

## **Framework for Developing Stochastic Computerized RAROC Pricing Models**

- Incorporating computerized risk rating systems into the pricing matrix to determine hurdle ROE, ROA and RAROC (the loan area requires)
- How the facility's "expected loss frequency" affects the pricing of the facility
- Credit VaR and risk-adjusted performance measurement
- Loan servicing and activity costs
- The "fee-in-lieu-of-balances" calculation
- Determining probabilities loan pricing falls below RAROC mandated by the bank/profit center

### **Who should attend**

Bank Regulators and Examiners, Credit Managers, Accountants, Corporate and Financial Consultants, Credit Analysts, Treasury Managers, Risk Analysts, Financial Analysts, Corporate Bankers, Investment Bankers, Corporate Lending Officers, Research and Ratings Personnel, Portfolio Managers, Venture Capital Executives, Consultants or anyone who is interested to answer two basic questions: Am I confident the tools and concepts I use to measure risks – capital allocation, portfolio and individual exposures are conceptually sound, unequivocally current and empirically validated? What are the opportunity costs both institutionally and professionally if I lag behind?

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## Fee

The fee covers extensive course materials and databases, luncheons, receptions and the opportunity to meet and network with banking, finance, risk, compliance professionals from various industries around the world.

**Hours: 9:00** am - **5:00** pm.

Lunch will be served (12:00 noon).

## Registration

**The number of participants is restricted.** Please register early to guarantee your place. Please complete the official registration form and email it to us at [administrator@eastasiatc.com.sg](mailto:administrator@eastasiatc.com.sg) to reserve your place. Further instructions will be sent to confirmed participants.

## MAS Financial Sector Development Fund (FTS)

The Monetary Authority of Singapore (MAS) administers Financial Training Scheme (FTS) grants to financial sector organisations that sponsor eligible Singapore based participants to training programmes that meet qualifying criteria. For more details, please visit [www.mas.gov.sg](http://www.mas.gov.sg), or contact the MAS via [fsdf@mas.gov.sg](mailto:fsdf@mas.gov.sg).