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## **Basel II Implementation Training**

*Six Comprehensive Practical Workshops*

**DSL Consultants Ltd.**

*Consultancy & Project Management*

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## **Basel II Implementation Training**

**Six Comprehensive Practical Workshops over 18 days**

**06 - 25 May 2006**

**Crown Plaza Hotel, Dubai, UAE**



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## 1 Overview

This Basel II Implementation Workshop Training consists of Six Comprehensive Practical Workshops over a period of 18 days

The workshop will take place between 06 - 25 May 2006 at the Crown Plaza Hotel, Dubai, UAE

Delegates will learn how to implement Basel II requirements using simulation models, prototype databases and sample calculations, among other tools on their own laptops or on PCs.

The six Workshops cover Credit, Market and Operational Risks under Pillar I, Liquidity, Assets and Liabilities Management, Counterparty Credit Risk, Internal Capital Adequacy Assessment Process and Other Risks under Pillar II and the fourteen required disclosures under Pillar III.

The Workshops are hands-on with worked examples and case studies. Delegates need to be able to use PCs and Excel™.

Delegates are encouraged to bring laptops with them and to read the updated (November 2005) Basel II Accord prior to attending the workshops.

Each Workshop is THREE FULL DAYS.

### The Workshops

WS No.	Workshop Subject	Workshop Date	Days per Workshop
1	Credit Risk - Part 1: SA	06 - 08 May 2006	3
2	Credit risk - Part 2: IRB	09 - 11 May 2006	3
3	Operational Risk	13 - 15 May 2006	3
4	Market Risk	16 - 18 May 2006	3
5	Pillar II	20 - 22 May 2006	3
6	Pillar III Disclosures	23 - 25 May 2006	3

The Workshops will be delivered by Dr. Faisal Ayoub

For more information see our website at [www.dslconsultants.com](http://www.dslconsultants.com) or [www.dslc.co.uk](http://www.dslc.co.uk) or

Contact by E-Mail: [b2dbx@dslc.co.uk](mailto:b2dbx@dslc.co.uk) Tel.: +44 77 8524 2826 or +44 20 7448 5060



## **2 Who will benefit from the Workshops:**

- Auditors
- Basel II Project Managers
- Basel II Team Members
- Business Analysts
- Capital Planning Analysts
- Compliance Officers
- Credit Administrators
- Credit Officers
- Credit Risk Analysts
- Credit Risk Controllers
- Credit Risk Managers
- Data Warehousing Specialists
- Finance Analysts
- Financial Controllers
- IT Managers
- Liquidity Analysts
- Market Risk Analysts
- Market Risk Managers
- Operational Risk Analysts
- Operations Staff
- Portfolio Managers
- Risk IT Staff
- System Analysts
- Treasury Staff

### **2.1 Investment:**

#### **Workshops:**

Each workshop consists of 3 full days. The fee is GBP 1,250 per workshop per delegate (includes documentation, refreshments and lunch for each of the three days)



### **3 Workshop One - Credit Risk - Part 1:**

#### **3.1 Subject: The Standardised Approach**

#### **3.2 Date: Saturday 6 May to Monday 8 May - 9 am to 5 pm**

#### **3.3 Workshop Outline:**

- Basel II Introduction
- Capital Ratio
- Trading and Banking Books
- Application of B2
- Basel Default Definition
- Standardised Approach Basics
- Concepts of RW and RWA
- Risk Weights (RW) for Sovereigns
- RW for Banks
- Corporate RW
- Regulatory Retail
- Other Retail
- Defaulted Exposures under SA
- Equity under SA
- Investments in the Banking Book
- SA and Ratings
- SA and External Ratings
- The Ratings Mapping Process
- CRM Basics
- Treatment of Collaterals
- CRM: Comprehensive Approach
- Financial Collaterals
- CRM: Simple Approach
- Guarantees
- Substitution Approach
- Eligible Guarantors
- Credit Derivatives
- Haircuts
- SSH
- Netting
- CRM: Repos
- Credit Conversion Factors
- Off Balance Sheet Items
- Trade Finance
- Credit Risk in the Trading Book
- Central Banks Choices under SA
- SA Examples
- QIS: SA
- SA Summary



## **4 Workshop Two - Credit Risk – Part 2 :**

### **4.1 Subject: Internal Rating Based Approaches**

### **4.2 Date: Tuesday 9 May to Thursday 11 May - 9 am to 5 pm**

### **4.3 Workshop Outline:**

- Introduction to IRB
- IRB Exposure Definitions
- IRB Framework
- Adopting IRB
- Transitional Period
- Risk Weighted Assets under IRB
- Small and Medium Enterprises Adjustment
- Specialised Lending (SL)
- Project Finance: Supervisory Slotting Criteria
- Other SL
- HDR
- Probability of Default
- Loss Given Default
- Exposure at Default
- Maturity
- RWA for Retail
- RWA for Equity
- Purchased Receivables
- RWs for Defaulted Exposures
- Provisions
- IRB Requirements
- Rating System Design
- Ratings Structure
- Rating Criteria
- Rating Horizon
- Rating Models
- Point In Time and Through The Cycles Models
- Stressed and un-stressed PDs
- Documentation of the Rating System
- Rating System Operation



Continue Workshop Two Outline:

- Using Historical PDs
- Moving from HDR to PDs: The Four Stages
- Introduction to Credit Risk Quantification
- Risk Quantification: PD
- Risk Quantification: LGD
- Risk Quantification: EAD
- Risk Quantification: Guarantees
- Risk Quantification: Credit Derivatives
- Risk Quantification: Purchased Receivables
- Validation of Internal Estimates
- Supervisory LGD
- Supervisory EAD
- Equity Requirements
- IRB Summary



## **5 Workshop Three - Operational Risk**

### **5.1 Subject: Operational Risk**

### **5.2 Date: Saturday 13 May to Monday 15 May - 9 am to 5 pm**

### **5.3 Workshop Outline:**

- Introduction to **Operational Risk**
- 'Operations' Risk
- Internal Loss Events
- Basel II Loss Events
- Loss Events Mapping
- Basel II Business Lines
- Business Lines (BL) Mapping
- Losses by BL
- Basic Indicator Approach
- Standardised Approach
- Alternative Standardised Approach
- Advanced Measurement Approach
- Choosing an Approach
- Internal Loss Database
- Enhancing Internal Data
- Threshold Issues
- External Loss Databases
- Relevancy of External Loss Data
- Frequency Models
- Severity Models
- Risk Mapping
- Key Risk Indicators
- Exposure Reporting
- Internal Control
- Business Environment
- Modelling Basics
- Loss Data Approach: Basics
- LDA Scenarios
- LDA



Continue Workshop Three Outline:

- Scenario Based AMA
- Scorecards
- Sell Assessments
- Mitigation Techniques
- Disclosures
- OP Risk Management
- Implementation Issues
- Internal Fraud
- External Fraud
- Boundary Issues with Other Risks
- Operational Risk Summary



## **6 Workshop Four - Market Risk**

### **6.1 Subject: Market Risk**

### **6.2 Date: Tuesday 16 May to Thursday 18 May - 9 am to 5 pm**

### **6.3 Workshop Outline:**

- Introduction to Market Risk
- Market Risk Update: November 2005
- Major Markets
- Instruments
- Foreign Exchange
- Equities
- Yield Curves
- Money Markets
- Capital Markets
- Commodities
- Derivatives
- Options
- Pricing
- Standard Method (SM)
- Specific and General Risks
- SM: Interest Rate Instruments
- SM: Interest Rate Derivatives
- Maturity Ladder
- Duration Method
- SM: Equity
- SM: Foreign Exchange
- SM: Commodities
- SM: Options
- Delta Plus Method
- Scenario Method
- Introduction to Internal Models (IM)
- Value at Risk
- Confidence Level
- Holding Period
- IM: Qualitative Requirements



Continue Workshop Four Outline:

- IM: Risk Factors
- IM: Quantitative Requirements
- IM: Stress Testing
- IM: External Validation
- Using Mixed Approaches
- Specific Risk under Internal Models
- Trading Book Issues
- Prudent Valuation of Positions
- Credit Risk in the Trading Book
- MR Summary



## **7 Workshop Five - Pillar II**

### **7.1 Subject: Pillar II**

### **7.2 Date: Saturday 20 May to Monday 22 May - 9 am to 5 pm**

### **7.3 Workshop Outline:**

- Introduction to Pillar II
- Supervisory Review Process
- Principles of Supervisory Review
- ICAAC
- ICAAP
- SREP
- CAR under ICCAP
- Credit Risk and Supervisory Review
- Op Risk and Supervisory Review
- Market Risk and Supervisory Review
- Home-Host Issues
- Interest Rate Risk Measurement
- Interest Rate Risk in the Banking Book
- Funding Gap
- Duration Gap
- Simulation Techniques
- Static Simulation
- Dynamic Simulation
- Standard Interest Rate Shock
- Liquidity Risk
- Reputational Risk
- Business and Strategic Risks
- Residual Risks (CRM)
- Concentration Risks
- Outsourcing Risk
- Earning Risk
- Islamic Product Risks
- Transfer Risk
- Underwriting Risk
- External Risks
- Settlement Risk
- Macroeconomic Risks
- Capital for Stress Testing
- Additional Capital for Pillar II Risks
- Capital Risk
- Target Ratio
- Monitoring Ratio
- Pillar II Summary



## **8 Workshop Six - Basel II Disclosures**

### **8.1 Subject: Basel II Disclosures**

### **8.2 Date: Tuesday 23 May to Thursday 25 May - 9 am to 5 pm**

### **8.3 Workshop Outline:**

- Introduction to PIII
- Disclosure Requirements
- The Concept of Market Discipline
- Risk or Accounting Disclosures?
- The Materiality Concept
- Qualitative Disclosures
- Quantitative Disclosures
- Qualifying Disclosures
- Frequency
- Medium
- Interaction with Accounting Disclosures
- Auditing
- Validation
- Proprietary Information
- Confidential Information
- Summary of Requirements
- Example Best Practice Disclosures
- **Details of Required Disclosures:**
  1. Scope of Basel II Application
  2. Bank's Capital Structure
  3. Bank's Capital Adequacy
  4. Credit Risk: Part 1
  5. Credit Risk: Part 2
  6. Credit Risk: Part 3
  7. Credit Risk Mitigation
  8. CCR
  9. Securitisation
  10. Market Risk: Standardised Method
  11. Market Risk: Internal Models
  12. Operational Risk
  13. Banking Book: Equity Holdings
  14. Interest Rate Risk in the Banking Book
- Implementation Issues
- Interfaces
- MIS Requirements
- Pillar II and Domestic Disclosures
- Summary of Pillar II



## **9 Course Instructor Profile:**

Dr Ayoub is a senior risk consultant specializing in developing and delivering programmes in the area of Basel II and Risk Management, Derivatives, Credit Risk, Market Risk and Operational Risk. He has worked in locations across Europe and the Middle East.

Prior to consultancy, Dr Ayoub began his career 1984 with Hewlett Packard as a researcher on Software Engineering and Artificial Intelligence applications in Finance.

Through a series of roles working with Reuters, Smith NewCourt (acquired by Merrill Lynch), Ceres Trading System and FTT Alphametric, Dr Ayoub was responsible for developing equity arbitrage strategies and front office dealing system applications. He developed an understanding of the range of derivatives products in use to hedge and trade in today's markets.

He is familiar in many of the widely accepted methods on managing, valuing, pricing and accounting for these instruments.

In 1990, Dr Ayoub embarked on an 11 year career with Midas-Kapiti International (part of the Misys Group). As a Senior Consultant, he was responsible for a number of high-profile client relationships focusing on development and implementation projects involving systems as diverse as Straight Through Processing, Treasury, Analytical Credit Risk Assessment, SWIFT Payments, Fixed Income Product Analytics and Pricing, Value at Risk, Hedging effectiveness, Basel II readiness and Derivative Modelling.

Since leaving Misys in 2001 to become a Consultant, Dr Ayoub has adapted a number of pc based models and tools which play an integral part in his consultancy style. His extensive experience in a variety of banking environments gives an invaluable perspective to bring to any banking organization.

Dr Ayoub delivered more than 60 Basel II implementation and Risk Management training courses and Workshops over the last 4 years to Central, Investment and Commercial Banks.

He is assisting various Banks with implementing the new Accord and performing diagnostic compliance assessments using his own specially designed software tools covering credit, market and operational risks.

He has been retained by a number of Banks as an external Basel II consultant for the duration of the implementation phase of the new Accord.

Dr Ayoub holds a Master degree from Kent University at Canterbury and Ph.D. from Hertfordshire University in UK.