

Workshop on Credit Risk Modelling Under Basel II/III IRB Approach

**November
20 – 24, 2017**



**Coordinator
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**National Institute of
Bank Management
Pune, India**

Workshop on Credit Risk Modelling Under Basel II/III IRB Approach

Background

Credit Risk is the largest element of risk in the books of most banks and financial institutions. Effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization. On the other hand, failures in the management of credit risk have contributed to episodes of financial instability and bad loan crisis. Consequently, capital adequacy of a bank has become an important benchmark to assess its financial soundness and strength.

The Reserve Bank of India, in its guidelines, has urged banks to adopt internal rating based frameworks (IRB) for credit risk management, which will ensure a more proactive approach in accurately identifying, quantifying and controlling credit risks. The organizations that have chosen to aim for an IRB approach need to build more than what is required from a regulatory perspective and should treat the work as being more about improving the risk management capability of the organization than only complying with regulations. Credit risk models help banks to assess precisely the level of economic capital to be allocated to individual credit assets and the credit portfolio as a whole.

Objective

This workshop is designed to assist banks in developing internal tools and techniques which would identify, measure the risks in their entire credit portfolio and also comply with the Basel IRB requirements. We will also explain the general rules of applying the IRB approach and hence create the roadmap for successful implementation of the system.

Method/Pedagogy

The workshop module will include classroom teaching, discussions, hands on exercises, experience sharing by risk experts and regulator.

Coverage

The broad topics covered during the course of the Workshop are:

- **Credit Risk Management Framework under Basel II/III IRB Approach**
- **Concepts of Credit Risk**
 - (a) Credit Rating/Scoring Models: Design and Architecture, Risk Drivers, Data Need and Validation (Qualitative & Quantitative) Techniques
 - (b) Default and Transition Probabilities
 - (c) Exposure at Default (EAD)

- (d) Loss Given Default (LGD)
- (e) Correlations – Default and Asset Correlation
- **Tools and Techniques for Quantifying Credit Risk**
 - (a) Use of Statistical Techniques in Modelling Credit Risk
 - (b) Historical and Market Based Models for Measuring Stand-alone Risk
 - (c) Data Implications and Systems Implementation
 - (d) Modelling PD, LGD, EAD and Correlation
 - (e) Forward Looking and Lifetime PD Estimation Techniques
 - (f) Model Validation, Calibration and Benchmarking Techniques
 - (g) Stress Testing IRB Parameters
 - (h) TTC vs PIT PD – Conversion Methods
- **Portfolio Approach in Managing Credit Risk**
 - (a) Default Correlations and Implications for Credit Portfolio Risk
 - (b) Portfolio Credit Risk Models
 - (c) Retail Pooling Techniques
 - (d) Economic Capital Estimation for Credit Portfolios
 - (e) RAROC for Credit Portfolios
 - (f) Risk Return Optimization
- **Risk Based Pricing Models**
- **Expected Credit Loss (ECL) Models**
- **Basel IRB Risk Weight Functions and their Explanations**
- **Estimation of Regulatory Capital and Stress Testing Capital to Counter Pro-Cyclicality Problems**
- **Regulatory Requirements for IRB Approach**
- **Minimum Requirements and Disclosure Requirements by Banks Adopting the IRB Approach**

Target Group

This Workshop is meant for Credit Analysts and Officers of the Credit Risk Management Department of banks and financial institutions who are concerned with designing, developing and validating internal credit scoring models, pricing models and credit portfolio simulation models, and are key persons in achieving Basel IRB compliance for their banks. Risk management professionals also can attend.

Teaching Methodology

Rigorous hands-on training with real-life models, case exercises and applications will be done every day. The focus will be in identifying the major hurdles that will be faced by banks in implementing credit risk models and discussing the ways to overcome them.

Dates

November 20 – 24, 2017

The Workshop will begin at 9.00 am on November 20 and will conclude by 4.00 pm on November 24, 2017.

Venue

NIBM Campus, Kondhwe Khurd, Pune, India.

Hostel Accommodation

The programme is fully residential. Participants will be provided well furnished single room AC accommodation in the Institute's hostel complex on the Campus. However, they will not be permitted to bring their family members to stay on the campus. In case any Officer / Executive with physical/medical disability is being nominated, kindly inform us in advance with particulars of disability to facilitate necessary arrangements.

The Institute has facilities for outdoor and indoor games and a large walking/jogging trail for physical fitness besides a yoga centre. Participants are, therefore, encouraged to bring the appropriate clothes/gears.

Workshop Coordinator

Dr Arindam Bandyopadhyay

Associate Professor

Associate Dean

(Research & Consultancy)

(Finance Area Group)

Nominations and Enquiries

Please address your enquiries and nominations to:

Dr Arindam Bandyopadhyay

Workshop Coordinator

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Last Date for

Receiving Nominations:

November 10, 2017

Last Date for

Availing Early Bird Incentive of 5%

November 4, 2017

Workshop Fee (per participant)

US \$ 2000 for foreign participant

(See fee structure on home page of the website for incentive)

	Fee	CGST	SGST	Fee+ CGST+SGST	TDS
Mem. Banks	: 42000	3780	3780	49560	4200
Non-Mem. Banks	: 49200	4428	4428	58056	4920

The fee includes the cost of tuition, board and lodging facilities, teaching material, etc. (Central Goods and Services Tax (CGST) @ 9%, State Goods and Services Tax (SGST) @ 9% and TDS @ 10%. Kindly send the TDS Certificate on priority to NIBM).

Mode of Payment for Indian Participants

- The fee may preferably be transferred by RTGS/NEFT/ECS to our A/c No. 20002400021 with Bank of Maharashtra, NIBM Branch, Pune (IFSC Code MAHB0001124). NIBM PAN No. AAATN0040P and NIBM GSTIN No. 27AAATN0040P1ZJ.
- National Institute of Bank Management
NIBM Post Office, Kondhwe Khurd, Pune 411 048, INDIA.

Mode of Payment for Foreign Participants

Mode of Remittance: SWIFT*

1. Name & Address of our Bankers : Oriental Bank of Commerce
C-2, Shop No. 4-5, Bramha Estate
Kondhwe Khurd, Pune 411 048
Maharashtra, India
2. Name of the Account : National Institute of Bank Management
3. NIBM's Bank Account No. with Oriental Bank of Commerce : Current A/C 11281131004402
4. Bank's Swift Code : ORBCINBBFCP
5. Oriental Bank of Commerce A/c No. with Correspondent Bank : 36152559
6. Preferred currency : USD
7. Correspondent Bank : CITIBANK N.A.
8. Swift code for Citi Bank : CITIUS33

*** The Foreign Bank Charges/ SWIFT charges/Commission is to be borne by the remitter. The fees mentioned in the invoice/brochure is to be paid to NIBM, net of all bank charges.**

***Payments will be accepted only through electronic mode. Cheques/DDs/Pay Orders will not be accepted.**

- For all electronic remittances, kindly send a confirmatory e-mail at: accounts@nibmindia.org giving details of the remitter and participant, name and dates of programme, etc.

Please see programme fee structure on home page of the website for early bird incentive, incentives for SAARC and other developing countries, mode of remittance, Pune City route map and local conveyance.