

September 21 – 26, 2020
(Online course duration 20 hours)

**Online Workshop on
Internal Credit Risk
Modelling and
Portfolio Management
under the
Basel III IRB Approach**

Coordinators

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(Finance Area Group)



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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 for credit risk management, which will ensure a more proactive approach in accurately identifying, quantifying and controlling credit risks. The final Basel III guidelines (December 2017 & finalized & consolidated in 2019) by BCBS also highlights the importance of risk sensitivity in regulatory capital framework. The organizations that have chosen to aim for an Internal Rating Based Approach (IRB) 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. They can also be used for calculation of expected credit loss (ECL) in a more prudent manner.

Objective

This online workshop is designed to assist banks in developing and refining their internal credit risk management systems and implement tools and techniques which would identify, measure the risks in their entire credit portfolio and also comply with the Basel 3 IRB requirements. It will also explain the economic capital and RAROC based approaches and demonstrate benefits of portfolio diversification effects.

Content

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

- Credit Risk Management Framework under Basel II/III IRB Approach
- Credit Rating/Scoring Models: Design and Architecture, Risk Drivers, Data Need and Model Validation Tests
- Estimation of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) and Default Correlations
- 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) Forward Looking and Lifetime PD Estimation Techniques
 - (e) Model Validation, Calibration and Benchmarking Techniques
 - (f) Credit Risk Stress Testing
 - (g) 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) Economic Capital Estimation for Credit Portfolios (Credit VaR) & VaR limits
 - (d) RAROC for Credit Portfolios
 - (e) Risk Return Optimization
- Risk Based Pricing Models
- Expected Credit Loss (ECL) Models under IFRS 9
- Model Validation Techniques (Qualitative & Quantitative)
- Basel III IRB Risk Weight Functions for Various Credit Exposures and their Explanations
- Estimation of Regulatory Capital and Stress Testing Capital
- Regulatory Requirements for 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

The Workshop module will include live sessions, interactive discussions, hands on exercises by faculty members as well as experience sharing by risk experts and regulator.

Discussions and live demonstration of various credit risk models and validation techniques & credit loss provision & capital estimation models, case exercises and applications in various loan portfolios. Discussions on Basel III Standardized & IRB Approaches, Portfolio Credit Risk Estimation and RAROC based pricing and capital allocation strategies will be demonstrated in the training.

Dates: September 21 – 26, 2020

The Workshop will start at 10.00 am on September 21 and will conclude by 5.00 pm on September 26, 2020. The online learning system window will be opened from Sunday (September 20) and will be closed on Sunday mid night (September 27). The detailed schedule will be given on September 21, 2020.

Pedagogy

This online course will have 20 hours of engagement time delivered via online mode, over 6 days. The courseware will comprise of:

- i. Reading material for self-study, Case study or exercise material and Online references
- ii. Video sessions comprising of:
 - a. Pre-recorded video sessions on several topics including hands on sessions
 - b. Live, interactive video sessions by faculty and guest speakers
- iii. Excel based Templates and Econometric Packages to demonstrate hands on exercises
- iv. Self-assessment quizzes and assignments to track progress in the course

Modalities

Participants enrolled to the Workshop will be provided login ID and password to their registered email ids (please clearly specify on which email id it will be sent during enrollment time). Using the log in ID and password, the participant will be able to log into the learning management platform of the institute. The detailed Workshop schedule will be shared with the participants as soon as we open the Workshop window (it will be opened from Sunday, September 20, 2020). Guidance will be provided for navigating through various activities in the platform such as accessing the courseware, viewing video sessions, participating in live sessions, taking quizzes, etc. The Workshop window will be kept open for maximum 7 days to access the material, live videos etc.

Completion Certificate

A completion certificate will be given to the participant at the end of the Workshop. Participant has to remain logged in for at least the total number of engagement hours within the duration of the Workshop for being considered to have completed the same. Feedback should be submitted before the conclusion of Workshop (i.e. before 5:30 PM, September 26, 2020).

Nominations and Enquiries

Nominations are invited from both Institutions and Individuals from India and Abroad. Executives working in Banks/Financial Institutions/Consulting Firms/Technology Firms in the Banking and Financial Services Domain and Academicians in Universities/Management Institutions can apply for the workshop in their individual capacity.

Please address your enquiries and nominations to:

Dr Arindam Bandyopadhyay

Dr Tasneem Chherawala

Workshop Coordinators

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Last Date for Receiving Nominations: September 19, 2020

Programme Fee (per participant) for 20 hours programme

US \$ 800 for foreign participant

	Fee	GST	Fee+GST	TDS
Member Banks :	18000	3240	21240	1800
Non-Member Banks :	21000	3780	24780	2100
Individual Nominee :	21000	3780	24780	----

The fee includes the cost of tuition, access to reading material and recorded videos, etc. (Central Goods and Services Tax (GST) @ 18%, 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 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
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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
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- **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.**