



## *Why this course?*

This course would provide an overview of objectives and principles of ICAAP framework prescribed under Pillar II of Basel standard with a specific focus on sensitivity and scenario test cases under stress testing framework under regulatory guidelines and best practices.

As Basle II, supplemented by Basle III, becomes the globally acceptable way financial intermediaries manage their risks, economic capital, and sensitivity to changes in external environment, regulators insist that banks have internal capital adequacy assessment procedures (ICAAP), which is reported to regulators as a part of Pillar 2 of Basel II. One of the important requirements of ICAAP is stress testing. Stressing testing is not just a regulatory compliance: banks internally need to evaluate the adequacy of their capital to absorb stressful external environment.

Stress testing is also required for several other investments of banks – such as investments in asset-backed securities.

This training program would not only provide perspective of ICAAP framework in the regulatory context but also provide the usage of advance techniques of stress testing and economic capital requirements offering benefits in business expansion and diversification, counterparty exposure, trading exposure etc.

It would also enable the participants to have an in-depth knowledge on various Stress Testing Components such as Credit Risk, ALM, Business Risk and Model Risk.

## *For whom?*

- Banking and financial service industry executive management
- Capital Market and institutional investors and planners
- Risk, compliance and internal audit within the finance industry
- Treasury, regulatory reporting, and strategy advisers
- Economists, professional services to the finance industry, accountants
- Academics in economics, finance or business

# Course Outline

## **Day 1:**

### Session 1: ICAAP Framework:

- Objectives and Principles of ICAAP
- Regulatory Guidelines on ICAAP
- Quantitative and Qualitative Assessment
- Capital Planning Programme
- Risk Appetite Estimation
- Business Benefits of ICAAP Framework
- Development of ICAAP Document

### Session 2: Stress Testing Framework:

- Principles of Stress Testing
- Stress Test Categories (i.e. Sensitivity Test and Scenario Test)
- Estimation of Risk Factors in Stress Testing
- Projection Estimation (including estimated capital requirements)
- Designing Risk Appetite Statement
- Economic Capital Estimation
- Stress Testing of various components of risk elements

### Session 3: Credit Risk Stress Testing Components:

- Credit Portfolio Scenario Analysis (including counterparty, industry, stressed asset scenarios)
- Stressed PD and LGD impact on Credit Portfolio
- HHI and Ginni Coefficient for Credit Concentration Credit Value at Risk Components (only theoretical)

## ***Day 2:***

### **Session 4: ALM Stress Testing Components (including Market Risk components):**

- Liquidity Scenario Analysis (including impact on Bank's Contingency Funding Plan)
- Interest Rate Scenario Analysis under NII and NEV approach
- Foreign Currency Exposure Scenario Analysis (including Forex Trading Exposure)
- Worst Case MTM Test on Trading Portfolio (including derivative exposure)
- Stress Testing of Value at Risk Components

### **Session 5: Business Risk Stress Testing Components:**

- Strategy Evaluation
- Credit Portfolio Growth Stress Testing
- Profitability Assessment Stress Test
- Regulatory Risk on existing and projected credit portfolio

### **Session 6: Model Risk Stress Testing Components:**

- Data Feed
- Model Hypothesis

### **Session 7: Stress Testing in India:**

- Guidelines to Banks on Stress Testing
- Single Factor Stress Tests to be carried out by banks
- Classification of banks for the purpose of stress testing
- RBI's stress testing requirements

# Faculty



**Vaidya Nathan**

## Brief ProfileQualifications:

- *B.Tech (Electrical Engineering), Indian Institute of Technology (IIT), Kanpur*
- *PGDM, Indian Institute of Management (IIM), Ahmedabad*
- *Chartered Financial Analyst (CFA), CFA Institute, Charlottesville*
- *FRM, Global Association of Risk Professionals (GARP), New York*
- *Ph.D (Finance), EDHEC Risk Institute, Singapore*
- *Post-Doctoral Fellow, Santa Clara University, California*

## Achievements and Specialisations:

- *Vice President, Global Capital Markets, JPMorgan, New York & Singapore: Trading and structuring of Interest Rate, Foreign Exchange & Credit Derivatives for Financial Institutions and Corporates*
- *Associate, Investment Banking, JPMorgan, Hong Kong: Investment Banking advisory for companies in Telecom, Media & Technology (TMT) space in Asia Pacific on Equity Capital Markets, Acquisition Financing and Debt Restructuring*
- *Consultant: International Finance Corporation, World Bank Group*

## Author:

- *Credit Risk Management for Indian Banks, Sage Publications, ISBN: 978-81-321-1102-3*
- *Credit Derivatives, McGrawHill Education, ISBN: 978-1-25-902841-0*
- *Columnist, Financial Express:*  
<http://www.financialexpress.com/columnist/kvaidyanathan/1>

## Teaching:

- *Visiting Professor, University of Connecticut*
- *Visiting Faculty, IIM Calcutta*

# Registration Form

**Cancellations made prior up to 5 days before the event will be entitled to a refund of 75% of the fee paid. No refund will be made for cancellations post that or for no show.**

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Organization: \_\_\_\_\_

Approving Manager: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Pin Code: \_\_\_\_\_

- Please keep me informed via email about this and other related events.
- I cannot attend, but please keep me informed of all future events.

Please send your cheque for the participation fees along with the following details to the address mentioned above. Registration shall be confirmed on the realization of the cheque.

For more details please drop a mail to [pooja@vinodkothari.com](mailto:pooja@vinodkothari.com) or [abhirup@vinodkothari.com](mailto:abhirup@vinodkothari.com) or [fintrain@vinodkothari.com](mailto:fintrain@vinodkothari.com)

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