

Course Outline

Stress Testing under the Basel II framework



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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



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- 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