

## Developing an effective ICAAP framework



### Understand the Internal Capital Adequacy Process and realise the benefits of Economic Capital and Stress Testing

**1 day course – now scheduled in Hong Kong, Singapore, New Delhi, Lahore and Taipei**

Check [www.jzpartners.com.hk/training/](http://www.jzpartners.com.hk/training/) for schedule and price

- Gain a comprehensive, practical understanding of the ICAAP
- Understand how the ICAAP fits in with risk and capital management, and the Basel II regulations
- Understand how to best use the more advanced techniques of economic capital and stress testing, and current approaches being introduced
- Appreciate the business benefits of producing an ICAAP, beyond achieving regulatory compliance
- Understand how best to structure necessary documentation, and what the regulator expects to see

This course is designed for anyone needing to understand the fundamentals of the Internal Capital Adequacy Assessment Process. It will give participants an understanding of the components required for an effective ICAAP, the best way to carry out within an organisation and what results the regulator is looking for.

An overview of risk and capital management will be given, explaining how ICAAP should fit alongside risk management practices and how it integrates with the Basel II capital regulations. The need to assess risks of all types that may be material to an institution, in addition to those specified in Basel Pillar 1, is critical. The course will look at areas such as concentration risk, interest rate risk and liquidity risk.

The course director will share industry best practice and regulatory views on preparation and adoption of ICAAP, including how to ensure integration with senior management and decision making, and how this can be demonstrated. A key outcome of ICAAP is preparation of documentation for the regulator. The best approaches to this, and descriptions of what must be included will be discussed.

The course will also look at some of the more advanced techniques being used alongside ICAAP for better risk and capital management. This includes the use of economic capital and how this can bring business benefit. The use of stress testing techniques has come under scrutiny following the recent economic events. The importance of stress testing, both for ICAAP and wider risk management, will be highlighted and the latest techniques in testing and scenario selection will be reviewed.

## Course Syllabus

### **PART A: THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)**

- ICAAP aims and definitions
- ICAAP principles
- Embedding into management processes and decision making
- Global regulation for ICAAP

## **PART B: BASEL II AND ICAAP**

- Overview of the Basel II capital regulations
- Basel structure and Pillar 1,2 and 3
- Pillar 2 supervisory review and ICAAP
- Pillar 2 as a holistic view of capital, not just an "add-on"
- Business benefits of ICAAP and Basel Pillar 2

## **PART C: ALL RISKS TO BE CONSIDERED**

- Overview of key risks
- The importance of inclusion of risks beyond Basel Pillar 1
- Interest rate risk
- Credit concentration risk
- Liquidity Risk
- Strategic Risk
- Regulatory and Compliance Risk
- Qualitative and quantitative measures for risk assessment Basel II provisioning rules

## **PART D: SETTING RISK APPETITE**

- Setting risk appetite
- Quantitative and qualitative measures,
- Setting risk appetite in terms of earning volatility

## **PART E: ECONOMIC CAPITAL**

- Economic capital and regulatory capital
- The growing importance in the use of economic capital measures
- Economic Capital modelling

## **PART F: STRESS TESTING**

- What should be stress tested?
- Scenario analysis
- The introduction of reverse stress testing
- Linking stress tests and the capital plan

## **PART F: DOCUMENTING THE ICAAP PROCESS**

- Regulatory requirements
- What is the ICAAP document
- Regulatory guidance on document structure, contents and ownership
- Components of an ICAAP document:
  1. Executive summary
  2. Background
  3. Summary of current and projected financial and capital positions
  4. Capital adequacy
  5. Capital planning
  6. Liquidity planning
  7. Aggregation and diversification
  8. Challenge and adoption of the ICAAP
  9. Use of the ICAAP within the Bank