

## ICAAP and Economic Capital training



JZ Partners is a specialised risk management consultancy. We offer training in the latest industry and regulatory approaches to ICAAP and economic capital, led by experienced risk practitioners.

In today's financial environment, it is critical for finance and risk professionals to keep up to date with new developments and best practices in risk management. This training looks at the best way to approach the development of the ICAAP, and the effective use of economic capital and stress testing techniques.

This training is designed for anyone needing to understand the fundamentals of the ICAAP 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.

The expert trainer 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.

### Summary Course Syllabus

The duration, content and focus of our training can be tailored based on the requirements of the audience. Coverage of the ICAAP principles, requirements and best approach to adopting would be covered in a 1 day course. To allow further discussions of approaches and more detailed coverage of economic capital and stress testing, 2 or 3 days is more appropriate. The following syllabus is indicative of what would normally be covered, but can be tailored:

#### **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