

## **Implementing Basel 2**

### **Training Course for ASEAN Banking Regulators**

#### **BANK RISK MANAGEMENT AND THE NEW BASEL ACCORD**

##### **WWW Resources**

This document contains a list of www resources relevant to the topics of the course. Some are Basel Committee papers, some are of more general content, and some are more “academic” in nature. They are provided to enable participants who wish to do so, to read more broadly on the topics covered, and as supplementary material to presentations made in the course.

This list will be updated as additional material comes to hand.

The articles highlighted by a side-bar are suggested as relevant initial reading on the topic.

##### **Pre reading**

“Overview of The New Basel Capital Accord Third Consultative Paper” 29 April 2003  
<http://www.bis.org/bcbs/cp3ov.pdf>

“Basel II: Significant Progress on Major Issues” 11 Oct 2003  
<http://www.bis.org/press/p031011.htm>

“Continued progress toward Basel II” 15 January 2004  
<http://www.bis.org/press/p040115.htm>

##### **1-1 Current Trends in Bank Regulation**

FDIC Update "Basel and the Evolution of Capital Regulation: Moving Forward, Looking Back" January 14, 2003 <http://www.fdic.gov/bank/analytical/fyi/2003/011403fyi.html>

"An Overall Perspective on Banking Regulation" By Xavier Freixas and Anthony M. Santomero <http://www.phil.frb.org/files/wps/2002/wp02-1.pdf>

“Bank Regulation and Supervision: What Works Best,” by James R. Barth, Gerard Caprio, Jr., and Ross Levine  
[http://www.worldbank.org/research/interest/prr\\_stuff/wwb\\_122001.pdf](http://www.worldbank.org/research/interest/prr_stuff/wwb_122001.pdf)

## **1-2 Current Trends in Bank Regulation**

“The Regulation and Supervision of Banks Around the World: A New Database”, by James R. Barth, Gerard Caprio, Jr. and Ross Levine. May 2001  
[http://www.worldbank.org/research/interest/worddocs/Database%20WP\\_050701\\_all.pdf](http://www.worldbank.org/research/interest/worddocs/Database%20WP_050701_all.pdf)

## **1-3 The Original Basel Accord: effects and problems**

Basle Committee on Banking Supervision “Capital Requirements and Bank Behaviour: The Impact of the Basle Accord” *Working Paper No. 1*, April 1999  
[http://www.bis.org/publ/bcbs\\_wp1.htm](http://www.bis.org/publ/bcbs_wp1.htm)

"Changing of the Guard" by Chris Matten:  
<http://www.pwcglobal.com/extweb/ncinthenews.nsf/docid/7E1181E4265A6C64CA256D2E00083D3D>

## **1-4 A Director's Perspective on Governance and Risk**

"Detecting Red Flags in Board Reports: A Guide for Directors”, Office of the Comptroller of the Currency, Washington, D.C. Oct 2003  
[http://www.occ.treas.gov/RF\\_Book.pdf](http://www.occ.treas.gov/RF_Book.pdf)

“Internal Controls: A Guide for Directors” Office of the Comptroller of the Currency, Washington, D.C. Sept 2000 <http://www.occ.treas.gov/toolkit.htm>

## **2-1 An Introduction to Basel 2**

Federal Reserve Bank of Philadelphia, “Supervision, Regulation and Credit” (a web page of links to Basel 2 material) <http://www.phil.frb.org/src/basel.html>

"Basel II: Implications for Hong Kong" Banking Policy Department, HKMA Quarterly Bulletin, September 2003, <http://www.info.gov.hk/hkma/eng/public/qb200309/fa5.pdf>

“Overview of The New Basel Capital Accord Third Consultative Paper” 29 April 2003  
<http://www.bis.org/bcbs/cp3ov.pdf>

“Basel II: Significant Progress on Major Issues” 11 Oct 2003  
<http://www.bis.org/press/p031011.htm>

“Continued progress toward Basel II” 15 January 2004  
<http://www.bis.org/press/p040115.htm>

## **2-2 Basel 2 v Basel 1**

Implementing the New Basel Accord by William L Rutledge:

<http://www.bis.org/review/r030325f.pdf>

Implementing the New Basel Accord by William J McDonough

<http://www.bis.org/review/r030217a.pdf>

Roger W Ferguson, Jr: Basel II - a realist's perspective:

<http://www.bis.org/review/r030416d.pdf>

Roger W Ferguson, Jr: "Concerns and considerations for the practical implementation of the New Basel Accord", Switzerland, 2 December 2003.

<http://www.bis.org/review/r031215e.pdf>

"The impact of the new Basel Accord on the supply of capital to emerging market economies" Simon Hayes and Victoria Saporta, International Finance Division, and David Lodge, Financial Industry and Regulation Division, Bank of England, *Financial Stability Review*, December 2002

<http://www.bankofengland.co.uk/fsr/fsr13art4.pdf>

"Emerging Issues in Banking Regulation" Chami, Ralph, Khan, Mohsin S, Sharma, Sunil, IMF Institute <http://www.imf.org/external/pubs/ft/wp/2003/wp03101.pdf>

*The following statements of US bankers before a Senate Hearing provide some interesting perspectives*

Blakely, Kevin (2003) "Statement of Kevin Blakely" *U.S. Senate Committee on Banking, Housing, and Urban Affairs "A Review of the New Basel Capital Accord"* June, 18

<http://www.senate.gov/~banking/files/blakely.pdf>

D. Wilson Ervin (2003) "Statement of D. Wilson Ervin" *U.S. Senate Committee on Banking, Housing, and Urban Affairs "A Review of the New Basel Capital Accord"* June, 18

<http://www.senate.gov/~banking/files/erwin.pdf>

Petrou Karen Shaw (2003) "Statement of Karen Shaw Petrou" *U.S. Senate Committee on Banking, Housing, and Urban Affairs "A Review of the New Basel Capital Accord"* June, 18

<http://www.senate.gov/~banking/files/petrou.pdf>

## **2-3 Basel 2 Implementation Issues: Credit Ratings**

Basel Committee On Banking Supervision Working Papers No. 3 – August 2000

"Credit Ratings And Complementary Sources Of Credit Quality Information" by a working group led by: Arturo Estrella [http://www.bis.org/publ/bcbs\\_wp3.pdf](http://www.bis.org/publ/bcbs_wp3.pdf)

"Basel II, Sovereign Ratings and Transfer Risk: External versus Internal Ratings" Stijn Claessens and Geert Embrechts 07 May 2002

<http://www.bis.org/bcbs/events/b2eacla.pdf>

“Fact Sheet - Understanding Credit Ratings” Standard and Poors

[http://www2.standardandpoors.com/NASApp/cs/ContentServer?pagename=sp/sp\\_article/ArticleTemplate&c=sp\\_article&cid=1028668470274&r=1&b=5&s=&f=](http://www2.standardandpoors.com/NASApp/cs/ContentServer?pagename=sp/sp_article/ArticleTemplate&c=sp_article&cid=1028668470274&r=1&b=5&s=&f=)

*Corporate Ratings Criteria* Standard and Poors

<http://www2.standardandpoors.com/spf/pdf/fixedincome/CorpCrit2003r-jun.pdf>

## **2-4 IRB data requirements and cooperative arrangements**

“Some Evidence on the Consistency of Banks’ Internal Credit Ratings” Mark Carey  
Federal Reserve Board

<http://www.bis.org/bcbs/events/b2eacar.pdf>

“Data hurdles” Dwight Cass, Editor *Risk Magazine* November 2002/Volume 15 / No 11

<http://db.riskwaters.com/public/showPage.html?page=7818>

## **2-5 What are the benefits of Advanced IRB Status?**

“Much ado about nothing? an alternative view of the Basel II rules for calculating regulatory capital” Tim Giles and Alistair Milne 4th December 2003.

<http://www.cass.city.ac.uk/ecr/Files/Much%20ado%20about%20nothing.pdf>

## **2-6 Achieving IRB status - a Bank perspective**

## **2-7 Regulatory Expectations for IRB Status**

## **2-8 Achieving IRB status**

“Range of Practice in Banks’ Internal Ratings Systems” A discussion paper by the Basel Committee on Banking Supervision January 2000 <http://www.bis.org/publ/bcbs66.pdf>

William Tracey and Mark Carey “Credit Risk Rating at Large U.S. Banks” Federal Reserve Bulletin, November 1998, pages 897-921

<http://www.federalreserve.gov/pubs/bulletin/1998/1198leadw.pdf>

## **2-9 IRB Credit Risk Modelling**

“MAS Technical Paper on Credit Stress Testing” MAS Information Paper 1-2003

<http://www.mas.gov.sg/resource/download/CSTTechnicalPaper.pdf>

“Modeling Default Risk” Peter J. Crosbie and Jeffrey R. Bohn, of Moody's KMV

December 18, 2003

<http://www.moodyiskmv.com/research/whitepaper/ModelingDefaultRisk.pdf>

”Credit risk modeling” Patricia Jackson, Pamela Nickell and William Perraudin,  
Regulatory Policy Division, Bank of England

<http://www.bankofengland.co.uk/fsr/fsr06art5.pdf>

“Of Moody’s and Merton: A Structural Model of Bond Rating Transitions” Michael  
Gordy and Erik Heitfield:

<http://www.bis.org/bcbs/oslo/gordyheit.pdf#xml=http://search.atomz.com/search/pdfhelper.tk?sp-o=1,100000,0>

Credit Risk Modelling: Current Practices and Applications, Basle committee on Banking  
Supervision, April 1999. <http://www.bis.org/publ/bcbs49.pdf>

“Issues in the Credit Risk Modeling of Retail Markets” Linda Allen, Gayle DeLong,  
Anthony Saunders

<http://www.phil.frb.org/econ/conf/retailcreditrisk/AllenDeLongSaunders.pdf>

BIS Working Papers No 126 “A survey of cyclical effects in credit risk measurement  
Models” by Linda Allen and Anthony Saunders <http://www.bis.org/publ/work126.pdf>

”Procyclicality and the new Basel Accord – banks’ choice of loan rating system”

Eva Catarineu-Rabell Patricia Jackson and Dimitrios P Tsomocos

Working Paper no. 181 <http://www.bankofengland.co.uk/workingpapers/wp181.pdf>

Credit Risk Management: Models and Judgment, Roger W Ferguson:

<http://www.bis.org/review/r011016b.pdf>

## **2-10 Quantitative Impact Studies**

”QIS 3 - Third Quantitative Impact Study” 5May 2003

<http://www.bis.org/bcbs/qis/qis3results.pdf>

”Supplementary Information on QIS 3” 27 May 2003

<http://www.bis.org/bcbs/qis/qis3sup.pdf>

## **3-1 Provisions and Expected Losses**

”Dynamic provisioning: issues and application” Fiona Mann and Ian Michael, Financial  
Industry and Regulation Division, Bank of England

<http://www.bankofengland.co.uk/fsr/fsr13art6.pdf>

”Bank provisioning: the UK experience”

Glenn Hoggarth and Darren Pain, Financial Industry and Regulation Division, Bank of England <http://www.bankofengland.co.uk/fsr/fsr12art3.pdf>

”Sound Practices for Loan Accounting, Credit Risk Disclosure and Related Matters”  
Basel Committee Publications No. 43 (October 1998)  
<http://www.bis.org/publ/bcbs43.htm>

”Bank Loan-Loss Accounting: A Review of Theoretical and Empirical Evidence”  
Economic Review Second Quarter 2000/Volume 85, Number 2 Larry D. Wall and  
Timothy W. Koch [http://www.frbatlanta.org/invoke.cfm?objectid=227E9B23-9568-11D5-898300609459DBE6&method=display\\_body](http://www.frbatlanta.org/invoke.cfm?objectid=227E9B23-9568-11D5-898300609459DBE6&method=display_body)

World Bank Working Paper No 1 “Bank Loan Classification and Provisioning Practices  
in Selected Developed and Emerging Countries” Edited by Alain Laurin Giovanni  
Majnoni <http://www1.worldbank.org/publications/pdfs/15397frontmat.pdf>

C Borio and P Lowe "To Provision or Not to Provision" BIS Quarterly Review  
September 2001 [http://www.bis.org/publ/r\\_qt0109e.pdf](http://www.bis.org/publ/r_qt0109e.pdf)

### **3-2 Basel 2 and Provisions**

“Modifications to the capital treatment for expected and unexpected credit losses”  
Basel Committee Publications No. 104 January 2004  
<http://www.bis.org/publ/bcbs104.pdf>

### **3-3 Basel 2 and Credit Risk Mitigation**

Basel Committee, *The New Basel Capital Accord, Part 2: The First Pillar - Minimum  
Capital Requirements* <http://www.bis.org/bcbs/cp3part2.pdf>

“Changes to the securitisation framework” Basel Committee Publications No. 105  
January 2004 <http://www.bis.org/publ/bcbs105.pdf>

### **3-4 Using Securitisation and Credit Derivatives**

‘Credit Risk Transfer Markets: An Australian Perspective’ May 2003 *Reserve Bank of  
Australia Bulletin*  
[http://www.rba.gov.au/PublicationsAndResearch/Bulletin/bu\\_may03/bu\\_0503\\_2.pdf](http://www.rba.gov.au/PublicationsAndResearch/Bulletin/bu_may03/bu_0503_2.pdf)

“New Measures of Credit Risk” *Reserve Bank of Australia Bulletin* July 2003  
[http://www.rba.gov.au/PublicationsAndResearch/Bulletin/bu\\_jul03/bu\\_0703\\_2.pdf](http://www.rba.gov.au/PublicationsAndResearch/Bulletin/bu_jul03/bu_0703_2.pdf)

“Securitization” .O Emre Ergungor Federal Reserve Bank Of Cleveland. Economic  
Commentary. Aug 15, 2003 <http://www.clevelandfed.org/research/com2003/0815.pdf>

"Credit Risk Transfers using Derivatives and Implications for Financial Market Functioning" Ada Lee and Eve Law December 2003, Hong Kong Monetary Authority  
<http://www.info.gov.hk/hkma/eng/research/index.htm>

"Credit Risk Transfer" by BIS Committee on the Global Financial System January 2003  
<http://www.bis.org/publ/cgfs20.pdf>

Federal Reserve Bank of Philadelphia Working Paper No. 03-7 "Credit Card Securitization And Regulatory Arbitrage" Charles W. Calomiris and Joseph R. Mason April 2003  
<http://www.phil.frb.org/files/wps/2003/wp03-7.pdf>

### **3-5 Basel 2 and Operational Risk**

"Sound Practices for the Management and Supervision of Operational Risk" Basel Committee Publications No. 96 February 2003  
<http://www.bis.org/publ/bcbs96.htm#pgtop>

Basel Committee on Banking Supervision *Working Paper on the Regulatory Treatment of Operational Risk* September 2001  
[http://www.bis.org/publ/bcbs\\_wp8.pdf](http://www.bis.org/publ/bcbs_wp8.pdf)

Basel Committee on Banking Supervision, The Joint Forum "Operational risk transfer across financial sectors" August 2003  
<http://www.bis.org/publ/joint06.pdf>

Federal Reserve Bank of Boston, *Capital Allocation for Operational Risk Conference*,  
<http://www.bos.frb.org/bankinfo/conevent/oprisk/>

### **3-6 Case Study - Allied Irish Banks**

Allied Irish Bank *Ludwig Report* – report into fraudulent trading activities available at  
[http://www.aib.ie/servlet/ContentServer?pagename=AIB\\_Ireland/IHPHomepage](http://www.aib.ie/servlet/ContentServer?pagename=AIB_Ireland/IHPHomepage) (via investor relations, investor news subfolders)

### **3-7 Moving towards Advanced Measurement Approaches**

### **3-8 Managing Operational Risk**

"Using Loss Data to Quantify Operational Risk" Patrick de Fontnouvelle Virginia DeJesus-Rueff John Jordan Eric Rosengren Federal Reserve Bank of Boston April, 2003  
<http://www.bis.org/bcbs/events/wkshop0303/p04deforose.pdf>

Risk Management Group (RMG) of the Basel Committee on Banking Supervision Risk March 2003 "The 2002 Loss Data Collection Exercise for Operational Risk: Summary of the Data Collected" <http://www.bis.org/bcbs/qis/ldce2002.pdf>

"No. 96 Sound Practices for the Management and Supervision of Operational Risk", (E), February 2003 <http://www.bis.org/publ/bcbs96.pdf>

#### **4-2 Basel 2 and Risk Management Arrangements**

"Calculated Risk: How banks make sure they stay off the Barings path" Neil Hereford, Senior Analyst, Market Risk, Reserve Bank of Australia  
<http://www.garp.com/library/Articles/calcrisk.doc>

#### **4-3 The Organisation of Risk Management**

Basel Committee on Banking Supervision, The Joint Forum "Trends in risk integration and aggregation" August 2003 <http://www.bis.org/publ/joint07.pdf>

Christine M. Cumming and Beverly J. Hirtle "The Challenges of Risk Management in Diversified Financial Companies" Economic Policy Review FRBNY March 2001 Volume 7, Number 1 <http://www.ny.frb.org/research/epr/01v07n1/0103cumm.html>

"Risk management in the Reserve Bank: a 2003 perspective" Steve Anderson, Risk Assessment and Assurance Reserve Bank of New Zealand Bulletin: September 2003 (Vol 66, no 3)  
[http://www.rbnz.govt.nz/research/bulletin/2002\\_2006/2003sep66\\_3anderson.pdf](http://www.rbnz.govt.nz/research/bulletin/2002_2006/2003sep66_3anderson.pdf)

"Failures in Risk Management" Ralph C. Kimball FRBB New England Economic Review January/February 2000  
<http://www.bos.frb.org/economic/neer/neer2000/neer100a.pdf>

Adrian E. Tschoegl "The Key to Risk Management: Management", Wharton Financial Institutions Center <http://fic.wharton.upenn.edu/fic/papers/99/9942.pdf>

Oliver Wyman "The Evolving Role of the Chief Financial Officer and the Chief Risk Officer - Exec Summary" Joint Research Study 2002-11-01  
[http://www.merceroliverwyman.com/perspectives/articles/owc\\_nov\\_02\\_the\\_evolution\\_of\\_the\\_cfo\\_and\\_cro-executive%20summary.pdf](http://www.merceroliverwyman.com/perspectives/articles/owc_nov_02_the_evolution_of_the_cfo_and_cro-executive%20summary.pdf)

"Risk Measurement Within Financial Conglomerates: Best Practice By Risk Type" De Nederlandsche Bank, Working group on Economic Capital Models Research Series Supervision no. 51, February 2003  
<http://www.gloriamundi.org/picsresources/rmfi.pdf>

#### **4-4 Setting Risk Tolerance Parameters**

#### **4-5 Introduction to VAR**

Darryll Hendricks “Evaluation of Value-at-Risk Models Using Historical Data” FRBNY Economic Policy Review April 1996 Volume 2, Number 1  
<http://www.ny.frb.org/research/epr/96v02n1/9604hend.pdf>

Philippe Jorion’s Orange County Case: Using Value at Risk to Control Financial Risk:  
<http://www.gsm.uci.edu/~jorion/oc/case.html>

Don Chance’s Teaching Note 97-07 on Value at Risk:  
<http://www.bus.lsu.edu/academics/finance/faculty/dchance/Instructional/TN97-07.pdf>

All About Value at Risk (a web-site with links to other VaR information sites):  
<http://www.gloriamundi.org/>

#### **4-6 Market Risk and Internal Models**

Colleen Cassidy and Marianne Gizycki “Measuring Traded Market Risk: Value-At-Risk And Backtesting Techniques” *Research Discussion Paper 9708* November 1997  
Bank Supervision Department Reserve Bank of Australia  
<http://www.rba.gov.au/PublicationsAndResearch/RDP/RDP9708.html>

"Fallacies about the effects of market risk management systems"  
Philippe Jorion, Professor of Finance, University of California at Irvine  
<http://www.bankofengland.co.uk/fsr/fsr13art5.pdf>

“The Development of Internal Models Approaches to Bank Regulation & Supervision: Lessons from the Market Risk Amendment”  
Jose A. Lopez and Marc R. Saidenberg  
<http://www.frbsf.org/economics/economists/saidenberg.pdf>

#### **4-7 VAR uses and weaknesses**

Ingo Fender and Michael Gibson “Stress testing in practice: a survey of 43 major financial institutions” *Quarterly Review: International Banking and Financial Market Developments*, 18 June 2001, Bank for International Settlements,  
[http://www.bis.org/publ/r\\_qt0106g.pdf](http://www.bis.org/publ/r_qt0106g.pdf)

### **5-1 Capital Adequacy Standards: The Role of Bank Capital**

The New Basel Capital Accord Third Consultative Paper 29 April 2003 Part 2: The First Pillar - Minimum Capital Requirements <http://www.bis.org/bcbs/cp3part2.pdf>

“Bank capital regulation in contemporary banking theory: a review of the literature”  
BIS Working Papers No. 90 by João A C Santos (September 2000)  
<http://www.bis.org/publ/work90.htm>

Capital Allocation [http://www.riskglossary.com/articles/capital\\_allocation.htm](http://www.riskglossary.com/articles/capital_allocation.htm)

“CMRA Releases Economic Capital Survey” Financial Engineering News  
<http://www.fenews.com/fen22/survey.html>

Lehman Brothers, Insurance: Property & Casualty, *Risk-Adjusted Capital: An Emerging Positive Secular Trend*  
September 6, 2000 [http://www.rms.com/Publications/Risk\\_Adjusted\\_Cap.pdf](http://www.rms.com/Publications/Risk_Adjusted_Cap.pdf)

### **5-2 Bank Capital Planning**

Basel Committee on Banking Supervision, The Joint Forum “Trends in risk integration and aggregation” August 2003 Annex 2 <http://www.bis.org/publ/joint07.pdf>

“Bank Capital and Risk Management” Kenneth A. Froot Harvard University and NBER  
June 2001 IFCI RISK INSTITUTE <http://riskinstitute.ch/147470.htm>

### **5-3 The Cost of Bank Capital**

Edward J. Green, Jose A. Lopez, and Zhenyu Wang, “Formulating the Imputed Cost of Equity Capital for Priced Services at Federal Reserve Banks” Economic Policy Review September 2003 Volume 9, Number 3  
<http://www.newyorkfed.org/research/epr/03v09n3/0309gree.pdf>

Tom Wilson, Oliver, Wyman & Company, “Overcoming the Hurdle: Integrating the Shareholder/Debtholder Perspective” 2003, PRMIA Summit Award Winning Paper  
<http://www.erisk.com/ResourceCenter/ERM/Listing.asp> (to access this part of the erisk site a (free) subscriber id and password is required).

“PSAF, Economic Capital and the New Basel Accord” Federal Reserve Bank of Cleveland working paper 0111 James B. Thomson  
<http://www.clev.frb.org/Research/workpaper/2001/Wp0111.pdf>

### **5-4 Bank Capital Innovations**

“The choice of capital instruments” Larry D. Wall and Pamela P. Peterson Federal Reserve Bank Of Atlanta. Economic Review. 2 Q, 1998 - p. 4-17.

[http://www.frbatlanta.org/frbatlanta/invoke.cfm?objectid=227E9B7D-9568-11D5-898300609459DBE6&method=display\\_body](http://www.frbatlanta.org/frbatlanta/invoke.cfm?objectid=227E9B7D-9568-11D5-898300609459DBE6&method=display_body)

“Pooled trust preferred stock - a new twist on an older product” Paul Jordan Federal Reserve Bank Of Chicago. Emerging Issues. S&R-00-2. Mar, 2000

<http://www.chicagofed.org/publications/publicpolicystudies/emergingissues/pdf/S&R-2000-2.pdf>

## **5-5 Ratings and Bank Capital Raisings**

“Rating Banks: Risk and Uncertainty in an Opaque Industry” Donald P. Morgan

<http://www.newyorkfed.org/research/economists/morgan/draft9.pdf>

“Capital Ratios and Credit Ratings as Predictors of Bank Failures” Arturo Estrella, Sangkyun Park, and Stavros Peristiani Federal Reserve Bank of New York September 1999

<http://www.ny.frb.org/research/economists/peristiani/RATIO62.PDF>

## **5-6 Regulatory Capital Charges and Product Pricing**

“Regulatory and economic solvency standards for internationally active banks” Patricia Jackson, William Perraudin and Victoria Saporta

<http://www.bis.org/bcbs/events/b2eajps.pdf>

Basel Committee, *The New Basel Capital Accord, Part 2: The First Pillar - Minimum Capital Requirements* <http://www.bis.org/bcbs/cp3part2.pdf>

“The impact of the new Basel Accord on the supply of capital to emerging market economies” Simon Hayes and Victoria Saporta, International Finance Division, and David Lodge, Financial Industry and Regulation Division, Bank of England Financial Stability Review: December 2002 <http://www.bankofengland.co.uk/fsr/fsr13art4.pdf>

“Credit Attributes of Project Finance” The Journal of Structured and Project Finance, Fall 2002 Chris Beale, Michel Chatain, Nathan Fox, Sandra Bell, James Berner, Robert Preminger, And Jan Prins

[http://www2.standardandpoors.com/NASApp/cs/ContentServer?pagename=sp/sp\\_product/ProductBodyTemplate&cid=1021984025955&s=138&b=11&f=1&r=7&ig=&l=EN](http://www2.standardandpoors.com/NASApp/cs/ContentServer?pagename=sp/sp_product/ProductBodyTemplate&cid=1021984025955&s=138&b=11&f=1&r=7&ig=&l=EN)

## **5-7 Capital Allocation**

“Economic profit and performance measurement in banking”. Ralph C. Kimball Federal Reserve Bank Of Boston. New England Economic Review. Jul, 1998 - p. 35-53.

<http://www.bos.frb.org/economic/neer/neer1998/neer498c.htm>

Andrew Kuritzkes, Til Schuermann, Scott M. Weiner "Risk Measurement, Risk Management and Capital Adequacy in Financial Conglomerates", Wharton Financial Institutions Center 03-02

<http://fic.wharton.upenn.edu/fic/KSW%20Financial%20Conglomerates%201.3.pdf>

Society of Actuaries, Risk Management Task Force Economic Capital Calculation and Allocation Subgroup *Speciality Guide VI.4* (June 2003)

[http://www.soa.org/sections/rmtf/rmtf\\_ecca.html](http://www.soa.org/sections/rmtf/rmtf_ecca.html)

## **5-8 Asset Liability Management**

Office of Thrift Supervision, "The OTS Net Portfolio Value Model Manual"

<http://www.ots.treas.gov/pagehtml.cfm?catNumber=85&an=3>

APRA technical paper - Interest rate risk in the banking book (May 2003)

<http://www.apra.gov.au/ADI/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=5983>

APRA Insight 2<sup>nd</sup> Quarter 2003 "Interest rate risk in the banking book"

<http://www.apra.gov.au/Insight/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=5970>

HKMA, Supervisory Policy Manual (SPM) 13 December 2002

IR-1 "Interest Rate Risk Management"

"Return of Interest Rate Risk Exposures" (IRR return)

<http://www.info.gov.hk/hkma/eng/bank/spma/attach/IR-1.pdf>

<http://www.info.gov.hk/hkma/eng/bank/spma/attach/IR-1-return.pdf>

"Principles for the Management and Supervision of Interest Rate Risk

Basel Committee Publications No. 102 September 2003

<http://www.bis.org/publ/bcbs102.pdf>

## **5-9 Funds Transfer Pricing**

"Innovations in performance measurement in banking". Ralph C. Kimball Federal Reserve Bank Of Boston. New England Economic Review. May, 1997 - p. 23-38

<http://www.bos.frb.org/economic/neer/neer1997/neer397b.htm>

## **6-1 Current Bank Disclosure Practices**

"Disclosure - Let there be light" APRA Insight, 2003 First Quarter,

<http://www.apra.gov.au/Insight/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=5506>

"Public Disclosures by Banks: Results of the 2001 Disclosure Survey" Basel Committee Publications No. 97 May 2003 <http://www.bis.org/publ/bcbs97.htm>

Ursel Baumann and Erlend Nier "Disclosure in Banking: What matters Most?" 25 Sept 2003

[http://www-gsb.columbia.edu/chazen/conferences/valuation/PDF/Baumann\\_and\\_Nier.pdf](http://www-gsb.columbia.edu/chazen/conferences/valuation/PDF/Baumann_and_Nier.pdf)

Reserve Bank of New Zealand "Your Bank's Disclosure Statement What's In It For You?" November 1998

[http://www.rbnz.govt.nz/banking/supervision/disclosure\\_pamphlet.pdf](http://www.rbnz.govt.nz/banking/supervision/disclosure_pamphlet.pdf)

"The Role of Disclosure in Bank Supervision" Brian Gray, Chief Manager, Bank Supervision Department Seventh Melbourne Money & Finance Conference Ballarat, Victoria - 29 & 30 November 1996

[http://www.rba.gov.au/Speeches/1996/sp\\_so\\_291196.html](http://www.rba.gov.au/Speeches/1996/sp_so_291196.html)

"Web-Enabled Business Reporting For The Banking Industry" Morgan Stanley September 2002 <http://www.inman.com.au/collateral/EY-Whitepaper.pdf>

Exposure Draft ED 113, May 2003 "Request for Comment on IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions Exposure Draft ED 113" Australian Accounting Standards Board

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## **6-2 Basel 2, Disclosures and Market Discipline**

Jaime Caruana "The importance of transparency and market discipline approaches in the New Capital Accord" Chicago, 1 November 2003

<http://www.bis.org/review/r031112b.pdf>

"Disclosure as a Supervisory Tool: Pillar 3 of Basel II" FRBSF Economic Letter Number 2003-22, August 1, 2003

<http://www.sf.frb.org/publications/economics/letter/2003/el2003-22.pdf>

"Strengthening market disciplines in the financial sector" Geof Mortlock, Economics Department RBNZ,

[http://www.rbnz.govt.nz/research/bulletin/2002\\_2006/2002sep65\\_3mortlock.pdf](http://www.rbnz.govt.nz/research/bulletin/2002_2006/2002sep65_3mortlock.pdf)

Malcolm D Knight: "Three observations on market discipline"

Speech delivered by Malcolm D Knight, General Manager of the BIS, at the BIS-Federal Reserve Bank of Chicago Conference on "Market Discipline" in Chicago on 30 October 2003. <http://www.bis.org/speeches/sp031030.htm>

"Best Practices for Credit Risk Disclosure" Basel Committee on Banking Supervision

<http://www.bis.org/publ/bcbs74.pdf>

## **6-3 Market Discipline, Banks and Prudential regulation**

The New Basel Capital Accord Third Consultative Paper 29 April 2003 Part 4: The Third Pillar – Market Discipline <http://www.bis.org/bcbs/cp3part4.pdf>

#### **6-4 Dealing with Bank Supervisors**

The New Basel Capital Accord Third Consultative Paper 29 April 2003 Part 3: The Second Pillar – Supervisory Review Process <http://www.bis.org/bcbs/cp3part3.pdf>

#### **6-5 Basel 2 and Bank Governance**

"Corporate governance in the financial sector", Allan Bollard, Governor, RBNZ, [http://www.rbnz.govt.nz/research/bulletin/2002\\_2006/2003jun66\\_2bollard7Apr.pdf](http://www.rbnz.govt.nz/research/bulletin/2002_2006/2003jun66_2bollard7Apr.pdf)

"The corporate governance of banks" Jonathan R. Macey and Maureen O'Hara Federal Reserve Bank Of New York. Economic Policy Review. v.9, no.1. Apr, 2003 p. 91-107. <http://www.newyorkfed.org/research/epr/03v09n1/0304mace.html>

"Corporate Governance: A Mandate for Risk Management?" Lynn T Drennan and Matthias Beck <http://www.nottingham.ac.uk/business/cris/uhec/2001paper4.doc>

#### **6-6 Bank Planning for Basel 2**

PWC Global "Challenges of the new Basel Accord - Actions for senior management" [http://www.pwcglobal.com/uk/eng/ins-sol/survey-rep/pwc\\_Basel\\_Accord\\_booklet.pdf](http://www.pwcglobal.com/uk/eng/ins-sol/survey-rep/pwc_Basel_Accord_booklet.pdf)

"Reaping the Rewards of Improved Risk Management in Retail Banking" Mercer, Oliver, Wyman, Perspectives, June 2003  
[http://www.oliverwyman.com/perspectives/articles/owc\\_jun\\_03\\_-\\_reaping\\_the\\_rewards\\_of\\_improved\\_risk\\_management\\_in\\_retail\\_banking.pdf](http://www.oliverwyman.com/perspectives/articles/owc_jun_03_-_reaping_the_rewards_of_improved_risk_management_in_retail_banking.pdf)

#### **6-7 Key challenges for Bank Management/ Moving Forward**

#### **Other Relevant Materials**

*The following contains much information on bank management practices including case studies of credit management*

Report of The Auditor-General On An Investigation Into The State Bank Of South Australia <http://www.audit.sa.gov.au/sbsa93>

*The following paper provides a review of Australia's experience with financial deregulation and review of some relevant issues*  
Australian Treasury, "Globalisation: the role of institution building in the financial sector. G-20 Case study: an Australian perspective"  
[http://www.treasury.gov.au/documents/780/HTML/docshell.asp?URL=05\\_Case\\_Study.asp](http://www.treasury.gov.au/documents/780/HTML/docshell.asp?URL=05_Case_Study.asp)