

# *Credit Risk Portfolio and Capital Adequacy Management (ICAAP and Pillar II)*

New York

April 20-21, 2009

June 24-25, 2009



The Credit Risk Portfolio and Capital Adequacy Management course is a two-day, instructor-led offering that leverages Standard & Poor's Risk Solutions' experience in helping financial institutions manage credit risk portfolios and their capital adequacy methodologies. This course outlines the key aspects of active credit portfolio management, and its use in effective risk management systems to help better align economic risk assessment with strategic business decisions. It also addresses the principal components for designing a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) framework to measure and manage capital adequacy while addressing Pillar II requirements under the Basel II regulatory regime. Separately, we summarize the perspective taken by Standard & Poor's in its ratings criteria for financial institutions when dealing with capital adequacy and risk management topics.

## Who Should Attend:

This course is designed to bring valuable insights to all practitioners including:

EVP/SVP/VP/Head/Director/Manager of –

- ◆ Credit Portfolio Managers
- ◆ Capital Adequacy and Capital Allocation
- ◆ Risk Management/Risk Analytics
- ◆ Basel II, ICAAP Pillar implementation
- ◆ Economic Capital
- ◆ Stress Testing/Treasury or Finance
- ◆ Treasury/Treasury Managers
- ◆ Regulatory Capital

## COURSE AGENDA

### DAY ONE - CREDIT RISK PORTFOLIO MANAGEMENT

#### Introduction to Credit Portfolio Management

- Review of common terminology and concepts
- Alternative measures of risk: EL, UL, Loss Distribution
- Risk vs. Return

#### Strategic uses of Economic Capital

- The intuition behind Economic Capital; what do we measure?
- Uses of Economic Capital
  - Deal Acceptance, RAROC and Differentiated Hurdle Rate
  - Business Mix Optimization
  - Limit management

#### Basel II and Credit Capital

- Managing Economic Capital and Capital Allocation over Business Cycles
- Impact of Basel II / Pillar II implementation

#### Credit Instrument Valuation and Market Data

- Pricing Credit-Risky Cash Flows with Default Probabilities, Recoveries and Credit Spreads
- Relating Credit Valuation and Credit Ratings
- Valuation Choices in Credit Portfolio Economic Capital Calculations
- Credit Migration: Impact on Portfolio Risk and Valuation of Credit Options

#### Instrument Coverage – Special Features and Challenges of Various Asset Classes

#### Active Credit Portfolio Management Case Studies

### DAY TWO – CAPITAL ADEQUACY MANAGEMENT – ICAAP AND PILLAR II

#### Pillar I - Making Reliable Estimations Of The Key Risk Parameters Reflecting Organizations' Specificities.

- Long-Run PD, Downturn LGD Estimation
- LGD, EAD Estimation

#### Pillar II and ICAAP - Designing a Comprehensive ICAAP Framework

- The purpose and necessary inputs
- Current practices, common shortcomings
- The Role of Economic Capital
- Stress Testing PDs, LGDs, EADs and Migration Rates
- Integration of Liquidity Risk
- Risk Appetite
- Governance
- Capital Allocation
- Dynamic Risk and Capital Management
- Basel II: What went wrong; what needs fixing?

#### Rating Agency Perspective

- Assessment of The Quality of Internal Capital Adequacy
- Liquidity and Risk Management Capabilities During The Rating Process

#### Case Studies

#### Standard & Poor's Wrap-Up and Q&A

## PRINCIPAL FACULTY

### ***Tanya Azarchs***

Managing Director, Standard & Poor's

Tanya Azarchs is a Managing Director in Financial Institutions Ratings, and the criteria officer for North American financial institutions, with responsibility for spearheading research on ratings criteria and other issues affecting North American financial institutions, and for helping coordinating those efforts globally. She is also involved with the effort to assess risk management at financial institutions. She is responsible for the ratings of large, complex banks in the U.S. and Canada, and participates in the ratings of large global financial institutions.

In addition, she provides guidance on ratings for alternative asset managers. Tanya joined the Financial Institutions Ratings group in 1989, after following the largest U.S. banks as an equity analyst for Standard & Poor's since 1984. Prior to that, she was involved in securities analysis as a generalist at Oppenheimer & Co. since 1980.

Tanya holds an M.A. and B.A. in English literature, and has done graduate work in finance and comparative literature at New York University. She is a Chartered Financial Analyst.

### ***Rocky Ieraci***

Director, Standard & Poor's Risk Solutions

Rocky is a Director in the Credit Risk Services area of Standard & Poor's Risk Solutions. In his role he is responsible for advising clients on a variety of credit risk management topics and delivering comprehensive risk solutions that help clients manage the credit risk exposure in their organizations.

Rocky has worked in various areas of risk management and banking for the past ten years. Prior to joining Risk Solutions, Rocky was a Vice President in the Portfolio Research and Strategy group at the Bank of Montreal, where he was responsible for the development and validation of credit risk methodologies.

Standard & Poor's has one of the most highly experienced team of analysts and industry professionals worldwide.

The company's senior analysts offer course participants a mix of academic excellence, real-world experience, and practical applications. The faculty conducts courses using a variety of methods including lecture, case study, small group discussion and stimulations in a multimedia environment to enhance the learning experience.

He played a lead role in the bank-wide preparation for Basel II for corporate/commercial lending, OTC derivative, and retail portfolios.

Rocky has an MBA in Finance and Investment Management from the Schulich School of Business and a Specialized Honors BA in Economics from York University. He is also a CFA charter holder and a certified risk manager by Schulich School of Business.

### ***Bogje Ozdemir***

Vice President, Standard & Poor's Risk Solutions

Bogje Ozdemir is a senior director in Standard & Poor's Credit Risk Services group. In this role, he is globally responsible for engineering new products and solutions, business development and project management, specializing in Basel II implementation and validation.

Bogje has worked in different areas of risk management for over 10 years. Most recently, as a senior director in the Risk Analytics group of the Bank of Montreal, he led teams in Economic Capital and Model Validation groups. Bogje led the bank-wide implementation and validation activities for Basel II. With Standard & Poor's Risk Solutions, Bogje developed and implemented credit risk solutions for numerous Financial Institutions and regulators globally.

Bogje is an active researcher in the field. He co-authored a papers titled "Practical and Theoretical Challenges in Validating Basel Parameters: Key Learnings from the Experience of a Canadian Bank" and "Basel Requirement of Downturn LGD: Modeling and Estimating PD & LGD Correlations" both published in *The Journal of Credit Risk*. Topics of more recent papers include *Discount Rate for Workout Recoveries, Long-Run Probability of Default and Stress Testing*. Bogje is also co-authored a book on Basel Implementation, which was published in October 2008.

Bogje holds MSc. and MBA degrees and is a financial risk manager by GARP and a certified risk manager by Schulich School of Business.

### ***William J. Morokoff, Ph.D.***

Managing Director, Global Head of Standard & Poor's Quantitative Analytics

William Morokoff is a managing director and global head of Quantitative Analytics at Standard & Poor's. Bill is responsible for leading the development and application of quantitative methodologies for all of Standard & Poor's Credit Market Services. In partnership with Risk Solutions, Structured Finance Ratings and Corporate Ratings, his team is also responsible for research support of the quantitative models and criteria used in Standard & Poor's products and services. Bill has worked extensively in credit and market risk modeling, with a research focus on numerical analysis for portfolio risk management problems.

Bill is a frequent participant at industry and academic conferences, presenting new research in quantitative finance. He is also active in the academic community, serving as an associate editor for the SIAM Journal on Applied Mathematics, as well as an advisor on an NSF grant in mathematics and an adjunct professor of mathematical finance at Columbia University.

Prior to joining Standard & Poor's, Bill was a senior member of the credit research group at Moody's KMV, leading the new product research group and ultimately heading the research team. Before that, he worked in quantitative market risk management as a vice president at Goldman Sachs.

Bill holds a Ph.D. in mathematics from the Courant Institute at New York University, where he specialized in Monte Carlo methods and numerical analysis. He also received a B.S. in chemical engineering from Purdue University.

# STANDARD & POOR'S

**DATE:**  
April 20-21, 2009  
June 24-25, 2009

**LOCATION:**  
New York City

**PRICE:**  
US\$2,500

**VENUE:**  
Standard & Poor's  
Conference Center  
55 Water Street  
37th Floor  
New York, NY 10041  
**Registration/Questions/**

**Inquiries may be sent to:**  
Melissa Jao  
212.438.4041  
Dale Jennings  
212.438.4099  
Daphne Pena (Latin America)  
212.438.2774

55 Water Street  
46 Floor  
New York, NY 10041;  
USA

**FAX:**  
1.212.438.6515

**E-MAIL:**  
credit\_training@  
standardandpoors.com

**MAIN**  
212.438.2060

**MAIL:**

## COURSE DETAILS

### To Register:

Please complete and fax the registration form included to 1.212.438.6515 or if you prefer to register online visit [www.credittraining.standardandpoors.com](http://www.credittraining.standardandpoors.com).

### Venue Procedure:

All participants are required to present two forms of identification (i.e. driver's license, corporation, passport) in order to gain access to the 55 Water Street location. At least one of these two identifications must include a current photo. Upon arrival please enter through the visitor's entrance nearest the Vietnam Veteran's Plaza (Coentis Slip). All participants will be screened for identification by Standard & Poor's Security who will then direct you to the Standard & Poor's concierge desk in the lobby.

### Course Schedule:

Registration on Day 1 will begin at 8:30 a.m. and instruction will commence at 9:00 a.m. On Day 2 instruction will commence at 9:00 a.m. Class will end at 5:00 p.m. daily. A continental breakfast, lunch, and morning and afternoon refreshments are provided daily.

### Course Materials:

Course materials will be distributed on the day of the program.

### Attire:

Participants are encouraged to wear business casual attire.

### Accommodations:

Participants are responsible for making their own hotel reservations and other accommodation arrangements. For a list of suggested hotels within close proximity of our 55 Water Street office contact Standard & Poor's at 1.212.438.2060.

### Discounts:

Participants may qualify for a 10% discount if they meet any of the following (discounts can not be combined with any other offer):

- Three or more attendees from the same organization will receive the discount off the listed course fees, provided registration for all individuals is done at one time and for the same course on the same date.
- Individuals registering for two or more different topics will also receive the discount, provided registration for all courses are done at the same time.
- Credit & Risk Training alumni will receive the discount for any future course attended within one year from the 1st course completion date.

### Cancellations:

**Please Note:** Course fees must be received in full prior to the start of the course.

Fees will be fully refunded (less a \$350 administration fee) for cancellations received at least 30 days prior to the course start date. A refund of 50% will be given for cancellations received 16-29 days prior to the course start date. We regret no refunds will be given for cancellations received after that time, and all cancellations must be made in writing. Participants unable to attend a course for which they are registered are welcome to send a substitute in their place. Standard & Poor's reserves the right without further liability to cancel a program at any time, in which case all course fees will be refunded.





# Credit & Risk Training COURSE REGISTRATION FORM

**STANDARD  
& POOR'S**

**TO REGISTER PLEASE COMPLETE THIS REGISTRATION FORM AND FAX TO NEW YORK: 212.438.6515**

*I wish to attend the following course (Please check the appropriate box):*

## Credit Risk Portfolio and Capital Adequacy Management

April 20-21, 2009       June 24-25, 2009      New York      \$2,500

### How did you hear about the course?

Advertisement       Colleague       Manager       Email       S&P Web site       3<sup>rd</sup> Party Web site  
 Global Sales Rep.       CreditWeek       RatingsDirect       Standard & Poor's event       Other – please specify \_\_\_\_\_

### Delegate Details (Please print)

First name (Mr/Ms/Mrs/Miss): \_\_\_\_\_ Surname: \_\_\_\_\_

Job title: \_\_\_\_\_ Job function: \_\_\_\_\_

Department: \_\_\_\_\_ Company type: \_\_\_\_\_

Company name: \_\_\_\_\_ Company address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Post/zipcode: \_\_\_\_\_ Country: \_\_\_\_\_

E-mail: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

### Payment Details (Please print)

Please invoice my company       Please charge my credit card       American Express       MasterCard       Visa

Card number: \_\_\_\_\_ Expiration date (MM/YY): \_\_\_\_\_

Name as on card: \_\_\_\_\_ \*Per transaction limit: \_\_\_\_\_

Billing address: \_\_\_\_\_ City/state: \_\_\_\_\_ Postcode/zipcode: \_\_\_\_\_ Country: \_\_\_\_\_

Telephone: \_\_\_\_\_

Cardholder signature: \_\_\_\_\_ Date: \_\_\_\_\_

*\*Please check that the course fee and applicable tax does not exceed your credit card per transaction limit.*

#### Check and Wire Transfers

- ◆ Payment required in US\$ bank check for all courses; made payable to Standard & Poor's.
- ◆ Please indicate attendee's name and course date on the back of the check.
- ◆ Please contact Standard & Poor's for wire transfer details

**Please note:** Course fees must be received in full prior to the start of the course

#### Cancellation Policy

Course fees will be fully refunded (less a US\$350 administration fee for cancellations received at least 30 days prior to the course start date. A refund of 50% will be given for cancellations received 16-29 days prior to the course start date. We regret no refunds can be given for cancellations received after that time, and all cancellations must be made in writing (see e-mail and fax details). Participants unable to attend a course for which they are registered are welcome to send a substitute in their place. Standard & Poor's does not accept responsibility for covering airfare, hotel or other expenses incurred by the registrants. Standard & Poor's reserves the right without further liability to cancel a program at any time, in which case all course fees will be refunded.

For more information regarding administrative policies such as registration, complaint and refund, please contact John Newcomb at [credit\\_training@standardandpoors.com](mailto:credit_training@standardandpoors.com).

#### Discount Policy

Attendees may qualify for a 10% discount if they meet any of the following (*discounts can not be combined with any other offer*):

- ◆ Three or more attendees from the same organization will receive 10% discount off the listed course fees, provided registration for all individuals are done at one time and for the same course on the same date.
- ◆ Individuals registering for two or more different topics will receive a 10% discount, provided registration for all courses are done at the same time.
- ◆ Credit & Risk Training alumni will receive a 10% discount for any future course attended within one year from the 1st course completion date.

#### Transfer Policy

Attendees who wish to change their originally registered course to another course date or topic area will be allowed to do so, room permitting. Every course change will incur a US\$350 fee. Excluded from this fee are attendee substitutions, from the same company for the same course and date.

A list of course participants' contact information will be distributed to all attendees at each course.

- Please check this box if you don't want to be included on this class contact list and would like to limit access to your contact data to the McGraw-Hill companies.

#### Privacy Notice

We use billing and contact data collected from you for billing and order fulfillment purposes, for product development and/or enhancement purposes, and to inform you about products or services from Standard & Poor's and other reputable companies within The McGraw-Hill Companies, that may be of interest to you. All information is processed and stored in a secure database within the U.S. If you would prefer not to have your information shared as outlined in this notice, or if you wish to review your information for accuracy, or for more information on our privacy practices, please contact us at [credit\\_training@standardandpoors.com](mailto:credit_training@standardandpoors.com)

If you do not wish to receive further solicitations of this type from Standard & Poor's, send an e-mail to [credit\\_training@standardandpoors.com](mailto:credit_training@standardandpoors.com), write: Standard & Poor's Credit & Risk Training, 55 Water Street, 39th Floor, New York, NY 10041, or call 212-438-6512. View our Corporate Privacy Policy at [www.mcgraw-hill.com/privacy.html](http://www.mcgraw-hill.com/privacy.html). To learn more about how Standard & Poor's applies this policy, you can contact Deirdre Gregg at [credit\\_training@standardandpoors.com](mailto:credit_training@standardandpoors.com).

Early course registration is strongly encouraged, as interest in these classes is extremely high and class size is limited. We will continually post new course schedule information as details become available.

**To view our schedule of course and curriculum log on to [www.credittraining.standardandpoors.com](http://www.credittraining.standardandpoors.com)**



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Prerequisite: Knowledge of business and financial analysis. **CPE Credit Awarded: 14**