

# Basel III Capital – Regulatory Calculations and Accounting Implications

## Case Studies in Calculating Capital Ratios and Understanding the Accounting Issues Affecting Regulatory Capital

November 21 - 22, 2016 • Toronto

### *Course Overview*

This two-day seminar will give you a deep understanding of the Basel III capital ratios framework. Two are the features that make this seminar different to other similar seminars: Firstly, it provides an understanding of the accounting treatment of the items affecting regulatory capital and, secondly, it uses real life cases to explain the complex Basel III rules.

The first day covers the components of capital and its multiple deductions (intangibles, deferred tax assets, investments in financial institutions, additional valuation adjustments and so on), with special emphasis on the accounting recognition of these items. The second day covers the calculation of risk-weighted assets for all major risks, with special emphasis on the new regulatory standards on credit, market, counterparty credit and securitizations.

Learning is based on a heavy use of real case studies that are dissected in detail to analyze their accounting and regulatory capital impacts.

### *Course Leader*



**Juan Ramirez** is a senior professional at Deloitte in London, working on complex IFRS accounting and Basel III capital situations.

With an MBA from University of Chicago, Mr. Ramirez moved to London to work at JPMorgan and later Lehman Brothers, Barclays Capital, Banco Santander and BNP Paribas. He has devoted more than 20 years to marketing structured derivatives solutions, including commodity, credit, equity, fixed income and FX. Since the implementation of IFRS Mr. Ramirez has witnessed the practical accounting issues related to these markets.

Mr. Ramirez is the author of “Accounting for Derivatives”, “Handbook of Corporate Derivatives and Equity Capital Markets” and the upcoming “Handbook of Basel III Capital” published by Wiley.

# *Course Agenda*

## *Day 1 - The Numerator: Own Funds*

### **Introduction**

- Basel III – Pillar 1, Pillar 2 and Pillar 3
- Minimum capital requirements
- The capital conservation buffer
- The countercyclical buffer
- The systemic risk buffer(s)

### **Components of CET1 Capital**

- Eligibility requirements
- Major components of CET1 capital
- Deductions from CET1 capital

### **Additional Tier 1 and Tier 2 Capital**

- Eligibility requirements
- Write-down vs. convertible CoCos
- Maximum distributable amount (MDA)
- Case study: Deutsche Bank's write-down CoCo

### **Goodwill and Intangibles**

- How is goodwill generated from an accounting perspective
- CET1 capital and intangibles. Implications of goodwill impairments
- Case study: capital implications of Danske Bank's goodwill impairment charges

### **Minority Interests**

- How are minority interests recognised from an accounting perspective
- Implications for CET1 capital
- Case study: Banco Santander's repurchase of minority interests in Santander Brasil

### **Investments in Capital Instruments of Financial Institutions**

- Accounting vs. regulatory consolidation
- Treatment of insurance subsidiaries
- Significant vs. non-significant equity investments in financial institutions

- Worked example of calculation of investments in capital instruments of financial institutions
- Case study: BBVA's acquisition of Garanti. Impact on capital of changes in consolidation method

## **Equity Investments in Non-Financial Entities**

- Standardised approach vs. IRB approach
- Treatment of expected losses
- Case study: Mitsubishi UFG's corporate equity stakes

## **Additional Valuation Adjustments (AVAs)**

- Accounting fair value vs. regulatory AVAs
- EBA's methodology for calculation of AVAs
- Practical challenges regarding the estimation of AVAs

## **Other**

- Case study: Cooperative Bank's liability management exercise
- Cash flow hedges exclusion
- Case study: Lloyds' de-risking defined benefit plans

## ***Day 2 - The Denominator – Risk-weighted Assets***

### **Introduction**

- Basel III's risk weighted assets framework
- The upcoming agenda
- Case study: Canadian banks regulatory capital disclosures

### **Credit Risk**

- Standardized Approach
- Foundation IRB and Advanced IRB Approaches
- Credit risk mitigation
- Current revisions to Standardized approach
- Link with IFRS 9's treatment of impairment

### **Securitizations**

- Significant risk transfer

- Treatment of traditional securitizations
- Treatment of synthetic securitizations
- Case study: Commerzbank's synthetic securitization

## **Market Risk**

- Trading book vs. banking book
- Standardized Approach
- Model Approach
- Fundamental review of the trading book (FRTB): Standardized vs. Internal Model Approaches

## **Counterparty Credit Risk (CCR)**

- Current IMM and CEM Approaches
- New Standardized Approach
- Cleared transactions

## **Operational Risk**

- Operational Risk
- Standardized Approach
- Advanced Measurement Approach (AMA)

*Note: The accounting and regulatory capital considerations set out in this seminar are based on the teacher's interpretation of IFRS and Basel III. Institutions that the author is affiliated to can therefore by no means be associated with his interpretation.*

**This Seminar runs from 9:00 a.m. – 4:30 p.m. including lunch as well as morning and afternoon breaks.**

### ***Supplementary Text Included in Course Fees***

All participants receive a copy of the upcoming book "Handbook of Basel III Capital" by Juan Ramirez



**Basel III Capital  
Financial Instrument Recognition and  
Impairment for Banks**  
November 21 - 23, 2016 • Toronto

Reserve your place **now!** Fax us this pre-registration form by **August 12, 2016** and we will invoice you later.

**Registration Fees**

Registration Options	Before July 29, 2016	Before August 12, 2016	After August 12, 2016
Basel III Capital Course	\$1,799.00 + HST	\$1,899.00 + HST	\$2,299.00 + HST
Both Course & Seminar	\$2,699.00 + HST	\$2,799.00 + HST	\$3,299.00 + HST
F.I. Recognition/Impairment	\$ 949.00 + HST	\$1,049.00 + HST	\$1,199.00 + HST

Pre-registration fees include all documentation, continental breakfasts, lunches and refreshments. Parking and accommodation are not included. Please make all cheques payable to **Acumen Information Services**.

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**Location and Timing**

The conference will be held at a convenient location in downtown Toronto. Venue information and special conference pricing details will be provided upon confirmation of the venue.

Delegates can register at the Acumen service desk beginning at 8:00 a.m. on the morning of the first day of the conference.

Registration fees do not include hotel accommodation.

**Cancellations**

**Substitutions may be made at any time.** If you are unable to attend, please make cancellations in writing and fax to (416) 504-6978 **prior to 5 p.m. on November 7, 2016.** A credit voucher will be issued to you for the full amount, redeemable against any other Acumen conference. You may request a refund of fees paid less an administration fee of \$250.00.

Registrants who cancel after the above date will not be eligible to receive any credits or refunds and are liable for the entire registration fees.

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