



A Practitioner's Guide to The Basel Accord

Consultant Editor: John Tattersall, Chairman, Financial Services Regulatory Practice PricewaterhouseCoopers LLP

The Basel framework is based on three pillars:

The First Pillar The determination of eligible capital and minimum capital requirements in relation to the credit risk, operational risk and market risk taken by the bank

The Second Pillar The supervisory review process, designed to ensure that other risks are taken into account in supervisory interaction with banks; and

The Third Pillar Market discipline, achieved through disclosure of information to its peers in respect of the risks taken by a bank.

The FSA has set its implementation date as 31st December 2006 but regulated firms are currently required to have started work on their implementation of advanced measurement (operational) or internal ratings (credit) approaches.

For EC institutions, the focus has shifted to the current Risk Based Capital Directive, which mirrors the Accord. For Europe, it is the EU that will have legal effect and that will apply Basel to all banks and credit institutions.

Commentators anticipate that the implementation of Basel in the UK is likely to be fraught with difficulty. A Practitioner's Guide to the Basel Accord will give compliance professionals and their advisors an easy-to-navigate reference tool that provides clear, unambiguous interpretation of the accord.

Why read this book?

A Practitioner's Guide to the Basel Accord will enable you to examine each of the three pillars of the Accord with straightforward interpretation and commentary on each.

It will also cover the wider application of Basel and an analysis of the quality of risk management in banks.

Who should read this book

- Compliance officers
- In-house counsel
- Lawyers in professional practice
- Operational risk managers
- Credit risk managers
- Accountants
- Senior managers in financial institutions
- Advisors

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"The Basel II framework is the biggest single step towards convergence of prudential requirements for banks there has ever been.

The publication by the Basel Committee on Banking Supervision in June 2004 of "International Convergence of Capital Measurement and Capital Standards: a Revised Framework" was never intended to be the definitive agreement determining the capital adequacy of internationally active banks. It is, however, a further significant milestone in the process of international convergence, and has been endorsed by the Central Bank Governors and Heads of Banking Supervision of the "Group of Ten" countries.

This book provides a practitioner's guide to the regime as it stands at the end of 2004 and to the European Commission's proposed Capital Requirements Directive, which implements the essence of the revised Basel framework.

A Practitioner's Guide to the Basel Accord is written to assist practitioners in understanding Basel and how it works. It is not intended to be an alternative to study of the framework and its appendices themselves, nor as a substitute to the draft or final regulations implementing the new structures into national legislation. It does provide, however, a thorough explanation of the Basel framework and the Capital Requirements Directive thereby avoiding unnecessary frustration for those who look at the rules without understanding their intent."

**John Tattersall, Chairman, Financial Services Regulatory Practice
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Foreword by

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