Basel III Capital Adequacy: Mastering Bank Risk Management

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Milan (Italy)

UK Traininig
PARTNER



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Why This Course

Capital adequacy is one of the most important foundations of banking stability, regulatory compliance, and effective risk management. Under Basel III, banks are required to maintain stronger capital positions, manage risk-weighted assets carefully, meet liquidity and leverage requirements, and demonstrate resilience under stress.

For banking professionals, understanding Basel III is essential for interpreting capital ratios, assessing risk exposure, supporting regulatory reporting, and aligning capital planning with business strategy. The framework affects lending decisions, product pricing, balance sheet structure, liquidity management, stress testing, and overall risk governance.

This intensive 1-week course provides a comprehensive understanding of Basel III capital adequacy requirements and their impact on bank risk management. Through practical examples, calculation exercises, case studies, and implementation discussions, participants will learn how to apply Basel III concepts, calculate key ratios, interpret regulatory expectations, and develop strategies for capital optimization and compliance.

What You'll Learn and Practice

By joining this program, you will:

- Understand the evolution of the Basel Accords from Basel I to Basel III.
- Explore the core principles and components of the Basel III capital framework.
- Understand CET1, Additional Tier 1, Tier 2 capital, and capital buffers.
- Interpret capital conservation, countercyclical, G-SIB, and D-SIB requirements.
- Calculate risk-weighted assets and capital ratios.
- Apply standardized and internal ratings-based approaches for credit risk.
- Understand market risk and operational risk capital requirements.
- Calculate and interpret leverage ratio requirements.
- Understand Liquidity Coverage Ratio and Net Stable Funding Ratio principles.
- Analyze the interaction between capital, liquidity, leverage, and risk management.
- Develop capital planning, stress testing, and optimization strategies.
- Understand regulatory reporting and Pillar 3 disclosure requirements.
- Explore future developments, climate risk, digital banking, and Basel III reforms.



The Program Flow

Day 1: Introduction to Basel III and Capital Components

- Evolution of Basel Accords: from Basel I to Basel III.
- Purpose and structure of the Basel III framework.
- Basel III capital structure: Common Equity Tier 1, Additional Tier 1, and Tier 2 capital.
- Capital conservation buffer and countercyclical capital buffer.
- G-SIB and D-SIB additional requirements.
- Role of capital adequacy in banking resilience and regulatory supervision.
- Practical exercise: Identifying capital components and buffer requirements.

Day 2: Risk-Weighted Assets and Capital Ratios

- Understanding risk-weighted assets and their role in capital adequacy.
- Standardized approach for credit risk.
- Internal ratings-based approach for credit risk.
- Market risk capital requirements.
- Operational risk capital requirements.
- Calculation of capital ratios and minimum requirements.
- Workshop: Calculating capital ratios and interpreting adequacy levels.

Day 3: Leverage Ratio and Liquidity Standards

- Non-risk-based leverage ratio calculation and requirements.
- Purpose of leverage ratio as a backstop measure.
- Liquidity Coverage Ratio framework.
- Net Stable Funding Ratio principles.
- Interaction between capital and liquidity requirements.
- Impact of liquidity and leverage standards on balance sheet management.
- Practical exercise: Reviewing leverage and liquidity indicators in a banking scenario.

Day 4: Implementation Challenges and Strategies

- Capital planning under Basel III.
- Stress testing and scenario analysis for capital adequacy.
- Balance sheet optimization and capital allocation.
- Impact on business models, lending strategy, and product pricing.
- Regulatory reporting requirements.
- Pillar 3 disclosure standards and transparency expectations.
- Workshop: Developing a capital planning and optimization strategy.



Day 5: Advanced Topics and Future Developments

- Basel III reforms and the “Basel IV” agenda.
- Evolving capital framework expectations and implementation challenges.
- Integration of climate risk into capital frameworks.
- Regulatory developments in digital banking and fintech.
- Case studies on Basel III implementation challenges.
- Group discussions on strategic and operational implications.
- Final activity: Presenting a Basel III capital adequacy and risk alignment plan.

Individual Impact

- Strengthen your understanding of Basel III capital adequacy requirements.
- Improve confidence in calculating and interpreting capital ratios.
- Build practical knowledge of risk-weighted assets and regulatory capital components.
- Enhance your ability to connect capital adequacy with risk management decisions.
- Improve awareness of reporting, disclosure, stress testing, and compliance requirements.
- Develop stronger capability to support capital planning and regulatory discussions.

Work Impact

- Improve compliance with Basel III capital, leverage, liquidity, and disclosure requirements.
- Strengthen capital planning and risk-based decision-making.
- Support better management of risk-weighted assets and balance sheet optimization.
- Improve stress testing, scenario planning, and capital resilience.
- Enhance alignment between business strategy, risk appetite, and capital adequacy.
- Build stronger institutional readiness for future regulatory developments.

Training Methodology

This program uses a practical and banking-focused approach to help participants apply Basel III concepts in real financial institution contexts. Learning methods include:

- Interactive discussions and guided facilitation.
- Basel III framework reviews and practical examples.
- Capital ratio and risk-weighted asset calculation exercises.
- Credit, market, and operational risk capital case studies.
- Leverage ratio, LCR, and NSFR interpretation activities.
- Stress testing and capital planning workshops.
- Regulatory reporting and Pillar 3 disclosure discussions.
- Group work, peer feedback, and practical implementation planning.



Beyond the Course

Upon completion, participants will be prepared to interpret and apply Basel III capital adequacy requirements with greater confidence and technical clarity. They will return ready to:

- Calculate and interpret Basel III capital ratios accurately.
- Assess risk-weighted assets and capital requirements.
- Develop capital planning and optimization strategies.
- Support regulatory reporting and Pillar 3 disclosure processes.
- Align risk management practices with capital adequacy objectives.
- Respond more effectively to Basel III reforms and future banking regulatory developments.

