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- IFRS 9 - Financial Instruments: Impairment *
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- IFRS 9 and Expected Loss Provisioning - Executive Summary *
- IFRS 17 Insurance Contracts - Overview *
- IFRS 17 Insurance Contracts - Scope, Classification and Components *
- IFRS 17 Insurance Contracts - Recognition and Accounting Models *
- IFRS 17 Insurance Contracts - Financial Statements and Disclosure *
- IFRS 17 Insurance Contracts - Worked Example *
- IFRS 17 Insurance Contracts - Test Yourself *
- Insurance - Disclosure
- Supervisory Implications of IFRS 17 Insurance Contracts - Executive Summary *
Products, Markets and Infrastructure

Fintech

Bitcoin & Blockchain

Tutorial Overview
This tutorial provides an overview of bitcoin - the precursor of cryptocurrencies - and, using a board game analogy, explores the fundamentals of blockchain and the difference between a centralized and a decentralized system. While this simplified model does not mirror the inner workings of a blockchain exactly, examining the assumptions used in this process aids understanding of the inherent challenges of decentralized systems and helps to develop an appreciation for the fundamental building blocks of blockchain.

Prerequisite Knowledge
None

Tutorial Level: Fundamental
Tutorial Duration: 20 mins
Published: February 2019

Blockchain Structure & Security

Tutorial Overview
This tutorial develops the model first introduced in the tutorial “Bitcoin & Blockchain” by relaxing assumptions made previously to see how the blockchain system really works. It outlines the key challenges involved in building a distributed database, namely transaction authorization and network consensus. The tutorial describes how public key cryptography is one potential solution to the authorization problem and how bitcoin’s proof of work functions as a consensus algorithm.

Prerequisite Knowledge
• Bitcoin & Blockchain

Tutorial Level: Intermediate
Tutorial Duration: 30 mins
Published: February 2019

Smart Contracts & Blockchain Applications

Tutorial Overview
This tutorial introduces the concept of smart contracts and their use on the blockchain. It also looks at how to build a blockchain product and outlines some of the many potential applications of blockchain, particularly in relation to the financial sector.

Prerequisite Knowledge
• Blockchain Structure & Security

Tutorial Level: Intermediate
Tutorial Duration: 25 mins
Published: February 2019

Cryptocurrencies & Initial Coin Offerings (ICOs)

Tutorial Overview
Cryptocurrencies have emerged in recent times as a potential new asset class for investors to consider for their portfolios. This tutorial introduces the different types of crypto asset and outlines some of the evolving issues and challenges the asset class is facing. The tutorial also looks at the controversial topic of initial coin offerings (ICOs), the name given to the funding process used by firms in the crypto space and which has attracted a lot of investor attention.

Prerequisite Knowledge
• Smart Contracts & Blockchain Applications

Tutorial Level: Intermediate
Tutorial Duration: 25 mins
Published: February 2019

Data Analytics

Tutorial Overview
Data analytics refers to the qualitative and quantitative techniques used to generate insights from existing data so that productivity can be enhanced. This tutorial provides a high-level overview of the use of data analytics and big data, with particular focus on machine learning techniques that have reinvigorated the field of data science.

Prerequisite Knowledge
None

Tutorial Level: Fundamental
Tutorial Duration: 20 mins
Published: February 2019

If you are new to regulation or supervision or would like to update your knowledge of key products and markets, you should take the relevant tutorials here before proceeding to the Risk Management learning area.
Digital Technology in Inclusive Insurance - Background

**Objectives**
On completion of this tutorial, you should be able to recognise how digital technologies are being applied in inclusive insurance markets, their potential benefits and risks, and the implications for supervisors.

**Tutorial Overview**
Digital technologies are presenting new opportunities for making the provision of insurance more inclusive. However, with the advances comes risks for consumers and new challenges for insurance supervisors.

This tutorial is part of a suite that includes the following:
- Digital Technology in Inclusive Insurance - Background
- Digital Technology in Inclusive Insurance - Use and Impact
- Digital Technology in Inclusive Insurance - Application of ICPs
- Digital Technology in Inclusive Insurance - Test Yourself

**Prerequisite Knowledge**
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Regulation and Supervision Supporting Inclusive Insurance Markets
- Microinsurance
- Insurance Core Principles - Supervisory System
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Markets and Consumers

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** August 2019

Digital Technology in Inclusive Insurance - Use and Impact

**Objectives**
On completion of this tutorial, you should be able to identify the features that make inclusive insurance markets different from conventional insurance markets and that influence the impact of digital technologies in this type of market.

**Tutorial Overview**
Digital technologies are presenting new opportunities for making the provision of insurance more inclusive. However, with the advances comes risks for consumers and new challenges for insurance supervisors.

In this tutorial, we provide an overview of the features of inclusive insurance markets, with specific focus on the profile of typical inclusive insurance customers, the country specific context and conditions, and the product life cycle challenges specific to these markets.

This tutorial is part of a suite that includes the following:
- Digital Technology in Inclusive Insurance - Background
- Digital Technology in Inclusive Insurance - Use and Impact
- Digital Technology in Inclusive Insurance - Application of ICPs
- Digital Technology in Inclusive Insurance - Test Yourself

**Prerequisite Knowledge**
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Regulation and Supervision Supporting Inclusive Insurance Markets
- Microinsurance
- Insurance Core Principles - Supervisory System
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Markets and Consumers

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 20 mins  
**Published:** August 2019

Digital Technology in Inclusive Insurance - Application of ICPs

**Objectives**
On completion of this tutorial, you should be able to recognise how to apply, from a proportionate perspective, the Insurance Core Principles (ICPs) to the use of digital technologies in inclusive insurance markets.

**Tutorial Overview**
Digital technologies are presenting new opportunities for making the provision of insurance more inclusive. However, with the advances comes risks for consumers and new challenges for insurance supervisors.

In this tutorial, we provide an overview of the proportionate application of the ICPs, published by the International Association of Insurance Supervisors (IAIS), with regard to the use of digital technology in inclusive insurance.

This tutorial is part of a suite that includes the following:
- Digital Technology in Inclusive Insurance - Background
- Digital Technology in Inclusive Insurance - Use and Impact
- Digital Technology in Inclusive Insurance - Application of ICPs
- Digital Technology in Inclusive Insurance - Test Yourself

**Prerequisite Knowledge**
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Regulation and Supervision Supporting Inclusive Insurance Markets
- Microinsurance
- Insurance Core Principles - Supervisory System
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Markets and Consumers

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 20 mins  
**Published:** August 2019

Digital Technology in Inclusive Insurance - Test Yourself

Try these questions to evaluate your knowledge of digital technology in inclusive insurance.

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 10 mins  
**Published:** August 2019

Facilitating Innovation in Financial Services - The Inside Track - Video

Fintech innovations are reshaping the provision of financial services and posing new opportunities and challenges for both the financial sector and supervisors. In some jurisdictions, authorities have decided to take an active approach in facilitating financial innovation. This brief video presents the rationale behind the different approaches that authorities have taken towards fintech innovations as well as the initiatives established to facilitate innovations, such as innovation hubs, sandboxes and accelerators.

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 4 mins  
**Published:** August 2019
Fintech Innovation Facilitators - Introduction

Objectives
On completion of this tutorial, you will be able to identify the drivers and types of fintech innovations, their potential implications and the general approach that supervisors can use to evaluate such innovations.

Tutorial Overview
Fintech innovations are reshaping the provision of financial services and posing new opportunities and challenges for both the financial sector and supervisors. In this tutorial, we provide an overview of fintech innovations, their drivers, potential implications and the frameworks that authorities can apply to evaluate these innovations.

This tutorial is part of a suite that includes the following:
• Fintech Innovation Facilitators - Introduction
• Fintech Innovation Facilitators - Hubs, Sandboxes and Accelerators

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Published: March 2019

Fintech Innovation Facilitators - Test Yourself

Try these questions to evaluate your knowledge of fintech innovation facilitators.

Objectives
On completion of this tutorial you will be able to:
• distinguish the different types of claims on banks
• identify the risks presented by these claims
• describe the types of claims on securities firms
• identify the different types of claims on banks

Tutorial Overview
In some jurisdictions, agriculture is the main contributor to the economy in terms of both production and employment. In others, it is a significant business activity. Given its importance and the fact that agricultural activity is subject to the vagaries of climatic conditions and nature, the availability of timely and adequate finance is crucial. In this tutorial, you will learn about the important role banks play in agricultural finance as well as the special risks and features of agricultural lending of which banks and supervisors should be aware.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the fundamentals of credit risk. You can study topics related to this in the following tutorials:
• Credit Risk - An Introduction
• Credit Risk Appetite - An Introduction
• Credit Granting & Administration

Published: March 2019

Lending Products

Accounts Receivable & Inventory Financing

Objectives
On completion of this tutorial you will be able to:
• outline the types of accounts receivable and inventory financing (ARIF) typically provided by banks
• distinguish the different types of risks that ARIF entails
• identify issues that supervisors should be aware of when evaluating ARIF loans

Tutorial Overview
ARIF is a financing technique used by firms with short-term liquidity problems. Under ARIF, accounts receivable or inventory are pledged as collateral for a short-term loan. This tutorial looks at the types of ARIF structures used, risks to bank lenders and how these risks are controlled, and evaluation of ARIF loans by the bank supervisor.

Prerequisite Knowledge
• Credit Risk - An Introduction
• Credit Risk Appetite - An Introduction
• Credit Granting & Administration

Published: March 2019

Agricultural Loans

Objectives
On completion of this tutorial, you will be able to:
• describe the special features related to agricultural lending
• identify the underwriting and monitoring procedures for agricultural loans
• outline issues relevant to the supervisory assessment of agricultural loans

Tutorial Overview
In some jurisdictions, agriculture is the main contributor to the economy in terms of both production and employment. In others, it is a significant business activity. Given its importance and the fact that agricultural activity is subject to the vagaries of climatic conditions and nature, the availability of timely and adequate finance is crucial. In this tutorial, you will learn about the important role banks play in agricultural finance as well as the special risks and features of agricultural lending of which banks and supervisors should be aware.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the fundamentals of credit risk. You can study topics related to this in the following tutorials:
• Credit Risk - An Introduction
• Credit Risk Appetite - An Introduction
• Credit Granting & Administration

Published: March 2019

Claims on Banks & Securities Firms

Objectives
On completion of this tutorial, you will be able to:
• identify the different types of claims on banks
• identify the risks presented by these claims

Tutorial Overview
The interbank market is a means of transferring liquidity from banks with a cash surplus to other banks with a cash deficit. To facilitate the transfer of funds, banks often maintain deposits in other banks and this gives rise to various risks, including credit risk. The significance of these risks is that if a bank defaults on its obligations to another bank a chain reaction of other failures may result and the impact on the market as a whole can be substantial. This tutorial reviews the different types of claims on banks and securities firms and evaluates the risks posed by such exposures.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the fundamentals of credit risk. You can study these concepts in the following tutorials:
• Credit Risk in the Loan Portfolio - An Introduction
• The Credit Risk Environment
• Credit Granting & Administration

Published: March 2019
Claims on Sovereigns & Government Entities

Objectives
On completion of this tutorial you will be able to:
- explain what is meant by claims on sovereigns and government entities and the reasons for such borrowings
- describe the types of loans associated with these types of claims
- understand the types of financing structures typically used to lend to sovereigns and government entities
- detail the risks associated with this category of loans

Tutorial Overview
This tutorial will introduce you to the most important aspects of sovereign lending. It is important that you understand the factors and risks involved in this process so that you can identify whether a bank has incorporated the sound elements necessary to effectively manage these risks.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should understand the fundamentals of credit risk, sound credit risk granting and management practices, and country risk. We recommend you read the following tutorials:
- Credit Risk - An Introduction
- Credit Risk Appetite - An Introduction
- Credit Granting & Administration
- Country Risk

Tutorial Duration: 60 mins

Corporate Banking Products - Trade Finance

Objectives
On completion of this tutorial, you will be able to:
- Identify the different stages of the trade transaction lifecycle and the parties involved in the provision of various trade finance products and services
- Recognize the features of trade finance services as well as funded and unfunded credit products
- Identify the key risks associated with trade finance and how these risks can be managed

Tutorial Overview
This tutorial focuses on trade finance products and services. It describes trade transactions and the business needs they give rise to, along with various services and funded/unfunded products that are available to meet these needs. This is followed by an explanation of issues and risks that can occur with these products and the ways that these risks can be managed. Note that, while the tutorial concentrates on cross-border (international) trade, some of the products and services, such as bonds/guarantees, are also used domestically.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Duration: 75 mins

Leveraged Lending

Leveraged lending is commonly used to describe the business of lending to highly leveraged — and therefore higher risk — borrowers. Because of its high-risk nature, leveraged lending has historically attracted the interest of supervisory authorities. In the middle of the first decade following the turn of the century, leveraged lending markets experienced significant growth, declining underwriting standards and other major shifts. These developments have not gone unnoticed in the supervisory community.

This insights module provides a brief overview of leveraged loans, how the market for leveraged loans has evolved since the 1980s, and some of the related supervisory issues.

Duration: 30 mins

Real Estate Loans

Objectives
On completion of this tutorial you will be able to:
- describe the characteristics of real estate
- list the types of real estate loans and their associated risks
- explain how banks value real estate in order to grant loans

Tutorial Overview
Real estate lending is one of the oldest banking activities. Banks play an important role in real estate markets through a variety of channels, such as financing the development, construction and purchase of real estate. At the same time, real estate loans have historically been the cause of severe losses for banks across all jurisdictions. This tutorial analyses the fundamentals of real estate lending and highlights the main features of using real estate property as collateral.

Prerequisite Knowledge
In order to get the maximum benefit from this tutorial, you should be familiar with basic banking and credit risk concepts, which can be reviewed in the following tutorials:
- Credit Risk - An Introduction
- Credit Risk Appetite - An Introduction
- Credit Granting & Administration

Tutorial Duration: 90 mins
Subprime Mortgage Lending

Subprime mortgage lending in the United States grew at a rapid pace in the decade beginning in the mid-1990s. This strong growth was facilitated by various factors, including financial innovation, which allowed subprime mortgages to be transformed into structured investment products, many of which were highly rated and thus seemed to be low risk.

Problems arose in the mid-2000s when subprime borrowers started to default in great numbers. It became clear then that mortgage-backed securities and other structured products based on such mortgages were not the safe investment their high credit rating implied. This set in motion a series of events that ultimately caused massive losses for major banks and other investors.

This Insights module provides a quick overview of subprime mortgage lending in the United States, the problems that developed and the ensuing credit crunch.

Duration: 30 mins

Insurance Products

Life Insurance - Business and Risks

Objectives
On completion of this tutorial, you will be able to:
- describe the life insurance business
- explain the main insurance/underwriting risks and how insurers’ manage these risks
- discuss investment and other risks and insurers’ management of those risks

Tutorial Overview
The life insurance industry plays an important role in providing insurance protection, wealth management and other financial services. Life insurers face a variety of risks which are typically categorised in four main types: underwriting, market, credit and operational. The effective management of these risks is critical to the long-term well-being of life insurers and the protection of policyholders.

Prerequisite Knowledge
In order to gain full advantage of this tutorial, you should be generally familiar with the business of insurance. We suggest that you review the material in the tutorial:
- Types of Insurance

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Non-life Insurance - Business and Risks

Objectives
On completion of this tutorial, you will be able to:
- define microinsurance and inclusive insurance and identify the types of products available
- identify microinsurance issues and challenges
- describe market conduct and prudential supervisory issues relating to microinsurance

Tutorial Overview
Microinsurance is designed to meet the needs of low-income persons so that households of modest means can benefit from life, health, property and other types of insurance coverage. Microinsurance is provided through various institutional arrangements and gives rise to challenges for insurance providers and policymakers alike.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with issues relating to an insurer’s business and risks. You can study topics related to this in the following tutorials:
- Types of Insurance
- Life Insurance - Business and Risks
- Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Microinsurance

Objectives
On completion of this tutorial, you will be able to:
- explain the main insurance/underwriting risks and how insurers’ manage these risks
- discuss investment and other risks and insurers’ management of those risks

Tutorial Overview
The life insurance industry plays an important role in providing insurance protection, wealth management and other financial services. Life insurers face a variety of risks which are typically categorised in four main types: underwriting, market, credit and operational. The effective management of these risks is critical to the long-term well-being of life insurers and the protection of policyholders.

Prerequisite Knowledge
In order to gain full advantage of this tutorial, you should be generally familiar with the business of insurance. We suggest that you review the material in the tutorial:
- Types of Insurance

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Reinsurance - Purpose and Principles

Objectives
On completion of this tutorial, you will be able to recognise the principles and purposes of reinsurance.

Tutorial Overview
Reinsurance is an essential part of the insurance market that needs to be understood to effectively supervise and regulate insurance firms. This tutorial examines the reasons for reinsurance, the major reinsurance markets and the principles of reinsurance.

This tutorial is part of a suite comprised of the following:
- Reinsurance - Purpose and Principles
- Reinsurance - Types of Reinsurance
- Reinsurance - Contracts
- Reinsurance - Regulation
- Reinsurance - Connect
- Reinsurance - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: August 2017

Reinsurance - Types of Reinsurance

Objectives
On completion of this tutorial, you will be able to recognise the different types of reinsurance.

Tutorial Overview
This tutorial provides an overview of the main types of reinsurance, focusing on how each type of reinsurance works, the key terminology and the effects of reinsurance on cedants and reinsurers.

This tutorial is part of a suite comprised of the following:
- Reinsurance - Purpose and Principles
- Reinsurance - Types of Reinsurance
- Reinsurance - Contracts
- Reinsurance - Regulation
- Reinsurance - Connect
- Reinsurance - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: August 2017
Reinsurance - Contracts

Objectives
On completion of this tutorial, you will be able to recognise how reinsurance contracts work.

Tutorial Overview
This tutorial explains the arrangement and functionality of reinsurance contracts and reinsurance programmes.

This tutorial is part of a suite comprised of the following:
- Reinsurance - Purpose and Principles
- Reinsurance - Types of Reinsurance
- Reinsurance - Contracts
- Reinsurance - Regulation
- Reinsurance - Connect
- Reinsurance - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: August 2017

Reinsurance - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Reinsurance - Purpose and Principles
- Reinsurance - Types of Reinsurance
- Reinsurance - Contracts
- Reinsurance - Regulation

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: August 2017

Reinsurance - Test Yourself

Try these questions to evaluate your knowledge of reinsurance.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: August 2017

Types of Insurance

Objectives
On completion of this tutorial you will be able to:
- describe some basic concepts that underpin the business of insurance
- outline the main features of life insurance products
- identify the primary types of non-life insurance

Tutorial Overview
The role of insurance has expanded over the years and insurance features at all stages in the lives of individuals and their families, and for all types of business enterprises. Insurance services and products can be classed in many different ways, but typically they are grouped in two broad types: life and non-life.

Prerequisite Knowledge
This fundamental level tutorial does not require prior knowledge of the subject.

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Variable Annuities

Objectives
On completion of this tutorial, you will be able to:
- recognise the product features of variable annuities and the risks they pose to insurers
- determine how variable annuities are priced
- identify techniques that can be used to value the technical provisions for variable annuities
- recognise the regulatory capital requirements for variable annuities

Tutorial Overview
Variable annuities are investment-linked life insurance policies that offer various optional investment guarantees to policyholders. This tutorial explains why these products are receiving heightened supervisory attention and outlines the supervisory measures that can be implemented to address the risks posed by these and other similar products.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Valuation of Technical Provisions - Life Insurance (Investment Products) - Concepts
- Valuation of Technical Provisions - Life Insurance (Investment Products) - Techniques
- Life Insurance - Business and Risks

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Financial Products

Financial products are used by regulated entities for portfolio investment, trading or to manage risk. Completing these tutorials allows you to understand how entities use these products and to find out about their underlying risk characteristics. Tutorials included in this category are divided into three subcategories:

- **Bonds and Equities** contains tutorials on the key features of these instruments, both of which are commonly held by many financial institutions.

- **Derivatives** includes tutorials on the types of derivatives used by many financial institutions, including forwards, futures, swaps, options and credit derivatives.

- **Securitisation and Covered Bonds** comprises tutorials on the fundamentals of the securitisation process as well as on specific securitisation products and structures. Also included is a tutorial on covered bonds.

### Financial Products

#### Bonds and Equities

**Bond Markets - An Introduction**

**Objectives**

On completion of this tutorial, you will be able to:

- Recognize the key features associated with bonds
- Identify the main issuers and investors in the global bond markets and their respective motivations for issuing/investing

**Tutorial Overview**

While stock markets are more familiar to the general public, far more capital is raised by issuing debt rather than equity. Bond markets are a critical source of finance for governments, banks, corporations, and other borrowers. In the provision of such finance, these markets offer investors a practically unlimited array of risk and reward profiles.

This tutorial will introduce you to the fundamentals of bonds as a fixed income instrument, covering the key features and terminology associated with these securities in addition to outlining the role of the major players in the market.

**Prerequisite Knowledge**

- Financial Markets - An Introduction

**Tutorial Level:** Fundamental

**Tutorial Duration:** 75 mins

**Published:** June 2017

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#### Equity Markets - An Introduction

**Objectives**

On completion of this tutorial, you will be able to:

- Distinguish between the different types of equity security that are traded
- Identify some of the key stock valuation metrics used by fundamental analysts
- Recognize the key drivers of the changing structure and nature of global equity trading

**Tutorial Overview**

Equity markets have undergone profound changes in recent years. The majority of trading still takes place on stock exchanges, with the bulk of business concentrated in a small number of countries. But there has been consolidation among traditional exchanges, while the market has also seen fragmentation with the emergence of new trading venues. Alongside these developments, equity trading has been completely transformed by high frequency trading firms.

This tutorial describes these structural changes in addition to providing an overview of some basic equity market concepts, such as the different types of equity security and fundamental stock valuation metrics.
This tutorial outlines the appetite for the growth of ‘exotic’ options. Rather than attempting to describe an exhaustive list of structures (almost an impossible task due to the fecundity of non-standard, ‘exotic’ areas where rewards might be greater).

### Objectives
- outline the key ways in which an option can differ from the ‘vanilla’ standard of European and American calls and puts
- describe the most common forms of non-standard option
- explain how the non-standard nature of the product affects the ease with which it can be priced and managed
- explain how options are found in many different markets and many different forms
- describe the most common forms of non-standard option
- outline the key ways in which an option can differ from the ‘vanilla’ standard of European and American calls and puts
- describe the most common forms of non-standard option
- explain how the non-standard nature of the product affects the ease with which it can be priced and managed
- explain how options are found in many different markets and many different forms
- describe how options are fundamental building blocks for financial practitioners
- demonstrate how options are building blocks in finance. A combination of options with other products allows almost infinite customization possibilities.

### Tutorial Overview
Options have an ancient history; they can be found in ancient Babylon and Greece, and more recently in Holland and Chicago. The long history can be attributed to the fact that the uses of options are both straightforward and fundamental, options are building blocks in finance. A combination of options with other products allows almost infinite customization possibilities.

This tutorial provides a basic overview of options. It covers the defining properties of options, the role of options in the panoply of financial instruments, the widespread nature of option use, and the many differing forms that options can take. It will also touch upon the complex issue of option valuation; more advanced concepts on option valuation can be found in subsequent tutorials.

### Prerequisite Knowledge
- No prior knowledge is assumed for this tutorial.

### Tutorial Duration: 60 mins

### Options - An Introduction

#### Objectives
- outline the key ways in which an option can differ from the ‘vanilla’ standard of European and American calls and puts
- describe the most common forms of non-standard option
- explain how the non-standard nature of the product affects the ease with which it can be priced and managed

#### Tutorial Overview
The widespread acceptance of the Black-Scholes pricing formulas in the 1970s led to the beginnings of a growth trend in option products that has continued to the present day. New markets and products represent new profit opportunities, and instruments were quickly developed covering a wide number of asset classes. However, the natural commoditization of products quickly reduced profit margins, with the result that financial intermediaries sought non-standard, ‘exotic’ areas where rewards might be greater.

This tutorial outlines the appetite for the growth of ‘exotic’ options. Rather than attempting to analyze the full scope of these options, the tutorial illustrates the non-standard ways in which an instrument can be developed. Some of the pricing and risk management issues are also examined.

### Prerequisite Knowledge
- Options - An Introduction
- Options - Introduction to Option Valuation
- Options - Future Asset Prices & Volatility
- Options - Replication, Risk-Neutrality, & Black-Scholes
- Options - Beyond Black-Scholes

### Tutorial Level: Advanced

### Tutorial Duration: 90 mins
Securitization - Asset-Backed Securities (ABS)

Objectives
On completion of this tutorial, you will be able to:
- explain how the securitization technique has extended beyond its roots in the US residential mortgage market
- describe the various asset-independent structures of securitization
- identify the key factors in a securitization that are examined by investors, rating agencies, or other analysts
- explain how measurements of value have evolved beyond simple fixed interest paradigms

Tutorial Overview
Although the residential mortgage-backed securities (RMBS) market accounts for more securitized transactions than any other sector, both in the United States and elsewhere, the basic securitization technique is asset-independent. This tutorial looks at how securitization has evolved to face the challenges presented by different asset classes. In addition to descriptions of some of the major classes outside of RMBS, the tutorial also examines how the markets for the associated securities operate and how valuation techniques have been developed to cope with the idiosyncrasies associated with securitization.

Prerequisite Knowledge
- Securitization - An Introduction
- Securitization - Mortgage-Backed Securities (MBS)

Tutorial Level: Intermediate
Tutorial Duration: 75 mins

Securitization - Commercial Mortgage-Backed Securities

Objectives
On completion of this tutorial, you will be able to:
- outline the structure of commercial mortgage-backed securities and describe the dynamics of the commercial mortgage-backed securities market
- analyze the collateral characteristics of a commercial mortgage-backed security (CMBS)
- outline the rating process for CMBS transactions

Tutorial Overview
Mortgage-backed securities can be classified as residential or commercial mortgage-backed securities (CMBS). This tutorial focuses on the CMBS market, which is more varied and complex than its residential mortgage-backed equivalent. The CMBS market grew tremendously in the years leading up to the global financial crisis, as investor appetite for real estate products increased and interest rates remained relatively low. CMBS products were pivotal in distributing risk across a wide variety of investors.

This tutorial will cover the mechanics and structures of CMBSs, the analysis of CMBS collateral, and the rating of CMBSs. As with the RMBS market, the CMBS market in the US developed much earlier, and has traditionally been the innovator of new products. In this tutorial, descriptions refer to the US CMBS market, unless otherwise stated.

Prerequisite Knowledge
- Securitization - Mortgage-Backed Securities (MBS)
- Securitization - European Mortgage-Backed Securities

Tutorial Level: Intermediate
Tutorial Duration: 75 mins

Securitization - Credit Card ABS

Objectives
On completion of this tutorial, you will be able to:
- explain the mechanics of credit cards and credit card ABS
- identify the importance of credit enhancement in credit card ABS
- describe how credit card ABS performance is rated and analyzed

Tutorial Overview
Asset-backed securities (ABS) are bonds backed by a pool of financial assets that cannot easily be traded individually. Since 1987, when credit card asset-backed securities were first issued, the credit card ABS market has become the primary funding vehicle of unsecured loans to consumers within the credit card industry.

The ABS market is a growing segment of the global capital markets. As of June 2005, nearly USD 1.85 trillion in ABS issues was outstanding - approximately 20% of this market is represented by securities backed by credit card receivables.

This tutorial focuses on the functioning, importance, and performance evaluation of credit card ABS.

Prerequisite Knowledge
- Securitization - Asset-Backed Securities (ABS)

Tutorial Level: Intermediate
Tutorial Duration: 75 mins

Securitization - European Mortgage-Backed Securities

Objectives
On completion of this tutorial, you will be able to:
- define the structure and mechanics of a European mortgage-backed security (MBS)
- identify the criteria used to analyze and rate a European MBS
- describe how the European MBS market evolved

Tutorial Overview
This tutorial focuses on European mortgage-backed securities (MBS). It is important to analyze MBS in Europe, as distinct from the United States, as there are important differences.

The European MBS market originated in the UK in 1987, whereas the first MBS securitization in the US was way back in the 1960s. Despite significant progress in European integration, Europe still has different legal, political and economic country frameworks, whereas the MBS framework in the US is homogenous across all states.

Prerequisite Knowledge
- Securitization - Mortgage-Backed Securities (MBS)

Tutorial Level: Intermediate
Tutorial Duration: 75 mins

Securitization - CDOs - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- identify the main features of collateralized debt obligations
- differentiate between the variants of collateralized debt obligations
- explain issuer and investor motivations in relation to collateralized debt obligations

Tutorial Overview
A collateralized debt obligation (CDO) is an investment grade security backed by a pool of loans, bonds or other securities. A CDO deal is broken into multiple tranches, each with separate maturity and credit risk, appealing to different classes of investors. Various forms of credit enhancement are used and CDO tranches are rated by the main credit rating agencies.

This tutorial explains how CDOs are issued and structured, and outlines the common issuer and investor motivations for entering CDO deals.

Prerequisite Knowledge
- Securitization - An Introduction

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Markets and Infrastructure

Well functioning financial markets and sound payment system infrastructure are critical for the smooth functioning of the financial system. In this category you will find a range of tutorials dealing with markets and infrastructure that support financial products. Learn more about these aspects in the tutorials contained under the Financial Markets and Payment Systems subcategories.

Securitization - Mortgage-Backed Securities (MBS)

Objectives
On completion of this tutorial, you will be able to:
• identify the major features of mortgage-backed security markets in the United States and across the globe
• explain the characteristics of mortgage collateral pools
• describe how subsequent securities are differentially structured in order to balance investor appetite with collateral risk

Tutorial Overview
This tutorial focuses on mortgage-backed securities, both in the United States and elsewhere on the globe. It examines the scale of the markets and the key characteristics as regards the underlying collateral and the construction of the subsequent securities. In particular, it highlights the areas of prepayment risk and the sequential repayment of different classes of mortgage-backed securities.

Prerequisite Knowledge
• Securitization - An Introduction

Tutorial Level: Intermediate
Tutorial Duration: 90 mins

Markets and Infrastructure

Financial Markets

Banks and Bank Risks - The Role of Banks

Objectives
On completion of this tutorial, you will be able to recognise the role of banks in the economy, the services they offer and the main risks they face.

Tutorial Overview
Banks play a critical role in the economies of most countries. Consequently, sound banking systems are a crucial element of global financial stability. While risk-taking is inherent to the business of banking, excessive, poorly managed risk can lead to losses and, in the extreme, cause a bank to fail, endangering the safety of its deposits and potentially subjecting the financial system to stress.

This tutorial describes the functions banks perform and the main products and services they provide.

This tutorial is part of a suite that includes the following:
• Banks and Bank Risks - The Role of Banks
• Banks and Bank Risks - Credit Risk
• Banks and Bank Risks - Operational and Liquidity Risks
• Banks and Bank Risks - Market Risk
• Banks and Bank Risks - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2017
Banks and Bank Risks - Credit Risk

Objectives
On completion of this tutorial, you will be able to define and give examples of credit risk in banks.

Tutorial Overview
Risk-taking is inherent to the business of banking. But excessive, poorly managed risk can lead to losses and, in the extreme, cause a bank to fail, endangering the safety of its deposits and subjecting the financial system to stress.

This tutorial describes the nature of credit risk in banks, including where and how this risk arises.

This tutorial is a part of a suite that includes the following:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk
- Banks and Bank Risks - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2017

Banks and Bank Risks - Market Risk

Objectives
On completion of this tutorial, you will be able to list and define the types of market risk that banks face and identify their sources.

Tutorial Overview
Risk-taking is inherent to the business of banking. But excessive, poorly managed risk can lead to losses and, in the extreme, cause a bank to fail, endangering the safety of its deposits and subjecting the financial system to stress.

This tutorial discusses market risk in its various forms, including how each type of market risk is defined and the banking products and activities that generate it.

This tutorial is a part of a suite that includes the following:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk
- Banks and Bank Risks - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2017

Banks and Bank Risks - Operational and Liquidity Risks

Objectives
On completion of this tutorial, you will be able to define and give examples of operational and liquidity risks in banks.

Tutorial Overview
Risk-taking is inherent to the business of banking. But excessive, poorly managed risk can lead to losses and, in the extreme, cause a bank to fail, endangering the safety of its deposits and subjecting the financial system to stress.

This tutorial describes the nature of operational and liquidity risks in banks, including where and how these risks arise.

This tutorial is a part of a suite that includes the following:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk
- Banks and Bank Risks - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2017

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2017

Banks and Bank Risks - Test Yourself

Try these questions to evaluate your knowledge of banks and bank risks.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: October 2017

Cyber Risk - Financial Market Infrastructures: Cyber Resilience

Objectives
On completion of this tutorial, you will be able to define cyber resilience and identify the key features of cyber resilience frameworks for financial market infrastructures (FMIs).

Tutorial Overview
This tutorial introduces the concept of cyber resilience and the cyber resilience framework for FMIs based on a guidance paper published by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) in June 2016. This tutorial is part of a suite that includes the following:
- Cyber Risk - Nature of Risk
- Cyber Risk - Insurance Regulatory Approach
- Cyber Risk - Financial Market Infrastructures: Cyber Resilience
- Cyber Risk - Financial Market Infrastructures: Enhancing Cyber Resilience

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: February 2018

Cyber Risk - Financial Market Infrastructures: Enhancing Cyber Resilience

Objectives
On completion of this tutorial, you will be able to identify strategies for addressing cyber risks and enhancing the cyber resilience framework of financial market infrastructures (FMIs).

Tutorial Overview
This tutorial explains how FMIs can enhance their cyber resilience based on a guidance paper published by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) in June 2016. This tutorial is part of a suite that includes the following:
- Cyber Risk - Nature of Risk
- Cyber Risk - Insurance Regulatory Approach
- Cyber Risk - Financial Market Infrastructures: Cyber Resilience
- Cyber Risk - Financial Market Infrastructures: Enhancing Cyber Resilience

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: February 2018

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: February 2018
Financial Markets - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- recognize the advantages of transferring ownership of late stage problem credits to the recovery team and the actions required immediately following transfer
- identify the account strategies that may be adopted for managing late stage problem credit customers
- recognize the types of decision that may need to be made by recovery staff

Tutorial Overview
This tutorial focuses on late stage problem credit management. This encompasses customers classified as problem (late stage) and nonperforming as well as defaulted customers. The first topic covers the actions to be taken following transfer of ownership to the recovery team, possible account strategies and the factors that influence the assessment, and the account planning and implementation process. The second topic describes the various account strategies—including providing support, restructuring, and debt forgiveness—in more detail. The final topic sets out some of the decisions, credit and noncredit, that must be made during the recovery process and the factors that influence decision-making.

Prerequisite Knowledge
- Problem Credit Management - Early Stage Problem Credits

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: June 2017

Payment Systems

Large-value Payment Systems

Objectives
On completion of this tutorial, you will be able to:
- describe the basic differences between large-value and retail payment systems
- outline the various steps in processing large-value payments
- understand the key settlement mechanisms used in these systems
- describe recent developments in large-value payment systems

Tutorial Overview
Large-value payment systems (LVPSs) play a key role in the financial infrastructure because they enable large-value transactions to be settled safely and efficiently. The purpose of this tutorial is to familiarize you with the basic characteristics of large-value payment systems and their recent developments. You will also be introduced to the life cycle of a large-value payment and the key settlement methods.

Prerequisite Knowledge
To get the maximum benefit from this tutorial you should have an understanding of basic concepts in payments and settlement and how payment systems operate, which you could review in the tutorial:
- Payment Systems - An Introduction

Tutorial Level: Fundamental
Tutorial Duration: 75 mins

Payment Systems - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- describe payment systems - their purpose and how they function - and provide some key examples
- outline the reasons why payment systems are so important to economies and identify the risks associated with them
- understand the links that exist between payment systems and central bank activities

Tutorial Overview
Payment systems facilitate trade and ensure the circulation of money. As such they are an essential part of financial infrastructure. Their safe and efficient functioning is a crucial element of financial stability. This tutorial will introduce you to the main elements of the payment process and the features of interbank payment systems. You will also learn about the key types of risk inherent to payment systems and the role of central banks in relation to these systems.

Prerequisite Knowledge
This tutorial assumes no prior knowledge of the subject.

Tutorial Level: Fundamental
Tutorial Duration: 75 mins

Payment Systems - Liquidity

Objectives
On completion of this tutorial, you will be able to:
- understand the key elements of intraday liquidity
- describe the sources of intraday liquidity for payment system participants
- outline different central bank intraday credit policies
- explain various techniques to avoid the risk of gridlock

Tutorial Overview
Liquidity is the oil that greases the wheels of payment systems. Many large-value payment systems (LVPSs) process payments in real time or by the end of the day at the latest. Therefore, participants’ needs for liquid funds arise intraday. This tutorial will introduce you to intraday liquidity. You will learn how intraday liquidity needs arise in payment systems and how they are funded. You will also be introduced to different intraday liquidity management approaches and will learn about central bank intraday credit policy to facilitate payments in LVPSs.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the following tutorials:
- Payment Systems - An Introduction
- Large-value Payment Systems

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Futures Markets

Objectives
On completion of this tutorial, you will be able to:
- describe the development of the futures markets, both in multiple locations and in different products
- identify the key features of futures contracts, and how they are margined and cleared
- describe the evolution of the different trading methods in the futures markets

Tutorial Overview
The futures market is perhaps the most visible of derivatives markets, and although volumes stailed in many major markets in the 1990s, this has changed in more recent years. This tutorial outlines the distinctive features of the futures market. It gives a snapshot of a rapidly evolving marketplace; products change, exchanges multiply and consolidate, and the very essence of trading is constantly in flux. A view of the current ‘state of the game’ is given, together with a more general description of the foundations of the futures industry.

Prerequisite Knowledge
- Forwards & Futures - Pricing

Tutorial Level: Intermediate
Tutorial Duration: 75 mins
Principles for Financial Market Infrastructures - Overview

Objectives
On completion of this tutorial, you will be able to recognise the key features of principles 1-12 of the Principles for Financial Market Infrastructures (PFMI), which cover general organisation, credit and liquidity risk management, settlement and central securities depositories, and exchange-of-value settlement systems.

Tutorial Overview
This tutorial explains and presents examples of how financial market infrastructures (FMIs) can enhance safety and efficiency, limit systemic risk, foster transparency and contribute to financial stability based on the PFMI published by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) in April 2012. This tutorial also examines the risks posed and faced by FMIs and the general guiding philosophy in applying the principles.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2019

Principles for Financial Market Infrastructures - Principles 1 to 12

Objectives
On completion of this tutorial, you will be able to recognise the key features of principles 1-12 of the Principles for Financial Market Infrastructures (PFMI), which cover general organisation, credit and liquidity risk management, settlement and central securities depositories, and exchange-of-value settlement systems.

Tutorial Overview
This tutorial explains and presents examples of how financial market infrastructures (FMIs) can enhance safety and efficiency, limit systemic risk, foster transparency and contribute to financial stability based on the PFMI published by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) in April 2012.

This tutorial is part of a suite that includes the following:
- Principles for Financial Market Infrastructures - Overview
- Principles for Financial Market Infrastructures - Principles 1 to 12
- Principles for Financial Market Infrastructures - Principles 13 to 24
- Principles for Financial Market Infrastructures - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2019

Principles for Financial Market Infrastructures - Principles 13 to 24

Objectives
On completion of this tutorial, you will be able to recognise key features of principles 13-24 of the Principles for Financial Market Infrastructures (PFMI), which cover default management, general business and operational risk, access, efficiency and transparency.

Tutorial Overview
This tutorial explains and presents examples of how financial market infrastructures (FMIs) can enhance safety and efficiency, limit systemic risk, foster transparency and contribute to financial stability based on the PFMI published by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) in April 2012.

This tutorial is part of a suite that includes the following:
- Principles for Financial Market Infrastructures - Overview
- Principles for Financial Market Infrastructures - Principles 1 to 12
- Principles for Financial Market Infrastructures - Principles 13 to 24
- Principles for Financial Market Infrastructures - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2019

Principles for Financial Market Infrastructures - Test Yourself

Try these questions to evaluate your knowledge of the Principles for Financial Market Infrastructures.

Securities Settlement Systems - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- describe the key participants in the clearing and settlement process
- identify key steps in the settlement of securities
- describe key elements in the clearing and settlement of derivatives
- identify the risks associated with the settlement of securities transactions

Tutorial Overview
Securities settlement systems (SSSs) are critical components of the financial markets' infrastructure. They provide a means of transferring ownership of securities from one investor to another. SSSs can create significant risks for their participants if exposures between participants are not managed properly. It is important to identify, understand and appropriately manage these risks. This tutorial looks at the participants, key steps and risks associated with the clearing and settlement of securities.

Prerequisite Knowledge
You can study topics related to this in the following tutorials:
- Payment Systems - Risks
- Payment Systems - Liquidity
- Payment Systems - Oversight

Tutorial Level: Fundamental
Tutorial Duration: 90 mins
Settlement of FX Transactions

Objectives
On completion of this tutorial, you will be able to:
- understand the sources of foreign exchange settlement risk and its elements
- explain different tools for managing FX settlement risk
- describe Continuous Linked Settlement (CLS)

Tutorial Overview
To meet the challenges posed by the liberalization and globalization of financial markets, an important task of central banks, regulators and market participants is to enhance cross-border payment and settlement arrangements. Given the size of the FX market, FX settlement naturally raises significant concerns for individual banks and both national and international financial systems.

This tutorial introduces you to the concept of FX settlement risk and examines the various FX settlement methods currently in use - from traditional correspondent banking and bilateral netting, to the Payment-versus-Payment (PVP) settlement mechanism. It also outlines a range of tools for measuring and managing FX settlement exposures.

Wholesale Payments Fraud - Test Yourself

Try these questions to evaluate your knowledge of wholesale payments fraud.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: November 2018

Wholesale Payments Fraud - Strategy

Objectives
On completion of this tutorial, you will be able to identify the key features of the strategy to reduce the risk of wholesale payments fraud related to endpoint security.

Tutorial Overview
Given the interconnectedness of various stakeholders in the wholesale payments ecosystem, fraud may not only result in financial losses and reputational risk to individual financial institutions targeted by the fraud. In extreme cases and in the absence of appropriate arrangements, it may also undermine confidence in the integrity of the entire system. This tutorial provides an introduction to the strategy set out by the Committee on Payments and Market Infrastructures (CPMI) in May 2018 with a view to improving the security of wholesale payments that involve banks, financial market infrastructures and other financial institutions.

This tutorial is part of a suite that includes the following:
- Wholesale Payments Fraud - Overview
- Wholesale Payments Fraud - Strategy
- Wholesale Payments Fraud - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with the material in the following tutorials:
- Large-value Payment Systems
- Cyber Risk - Financial Market Infrastructures: Cyber Resilience
- Cyber Risk - Financial Market Infrastructures: Enhancing Cyber Resilience

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: November 2018

Wholesale Payments Fraud - Overview

Objectives
On completion of this tutorial, you will be able to recognise how vulnerabilities to fraud in the wholesale payments system can pose risks to the integrity of the payments system itself and financial stability more broadly.

Tutorial Overview
On average every day, wholesale payment systems process trillions of US dollars. Given this massive scale, these systems have become a target for fraud. The wholesale payments ecosystem is made up of a wide variety of highly interconnected public and private stakeholders. The weakest link in a payments process may introduce vulnerability to the system, undermining confidence in its integrity. As a result, effective coordination among all relevant stakeholders is essential to reducing vulnerability and ensuring that the payments system is safe, reliable and secure. This tutorial explains the importance of addressing wholesale payments fraud related to endpoint security, as described in a document published by the Committee on Payments and Market Infrastructures (CPMI) in May 2018.

This tutorial is part of a suite that includes the following:
- Wholesale Payments Fraud - Overview
- Wholesale Payments Fraud - Strategy
- Wholesale Payments Fraud - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with the material in the following tutorials:
- Large-value Payment Systems
- Cyber Risk - Financial Market Infrastructures: Cyber Resilience
- Cyber Risk - Financial Market Infrastructures: Enhancing Cyber Resilience

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: November 2018

Wholesale Payments Fraud - Test Yourself

Try these questions to evaluate your knowledge of wholesale payments fraud.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: November 2018
Risk Management

This learning area includes tutorials on fundamental risk management concepts and practices on Credit Risk, Market Risk, Insurance Risk and Other Material Risks. In this learning area, we also cover Quantitative Tools that underpin various risk measurement techniques and Capital Management from a financial institution perspective. The tutorials covered here, together with those included in the Products, Markets and Infrastructure learning area, provide the building blocks you need to proceed to the more specialised suite of tutorials on Banking and Insurance Supervision.

Quantitative Tools

Basel II - IRB - Underlying Math and Theory

Objectives
On completion of this tutorial, you will be able to:
• describe how the underpinnings for the Internal Ratings-Based (IRB) approaches for determining regulatory capital requirements relate to banks’ credit risk models
• explain the theoretical foundations of Basel II’s IRB approach for determining regulatory capital requirements for credit exposures
• describe the IRB risk weight function (RWF)

Tutorial Overview
Banks that meet qualifying minimum requirements may be approved to use the IRB approach for capital adequacy purposes. The IRB approach allows banks to use their own internal measures of credit risk as primary inputs to the capital calculation, subject to meeting certain conditions and to explicit supervisory approval. This tutorial explains the Basel II risk weight function (RWF) by describing its economic foundations as well as the underlying mathematical model and its input parameters.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with banks’ economic capital models, the Basel II capital adequacy framework and the IRB approach. You can study topics related to this in the following tutorials:
• Basel II - An Overview
• Basel II - IRB An Introduction
• Economic Capital & RAROC

Tutorial Level: Advanced
Tutorial Duration: 60 mins

Convexity Analysis

Objectives
On completion of this tutorial, you will be able to:
• Recognize the importance of convexity in approximating the change in bond price that isn’t explained by duration
• Identify the different types of convexity
• Calculate the convexity number for a fixed income portfolio

Tutorial Overview
Convexity helps to approximate the change in the price of a bond that is not explained by duration. This tutorial shows how convexity is calculated for a single security or a fixed income portfolio. The different types of portfolio, such as positive and negative duration, approximate portfolio, and effective duration are also discussed in detail.

Prerequisite Knowledge
• Duration Analysis

Tutorial Level: Intermediate
Tutorial Duration: 50 mins

Calculus

Objectives
On completion of this tutorial, you will be able to:
• determine the derivatives of various functions by applying different calculation rules
• apply some basic rules to calculate the integral of a function and understand that integration is the reverse of differentiation

Tutorial Overview
An important topic in finance and economics is the study of the speed of change of different economic quantities over time, such as GDP, unemployment, investment, and so on. Further, risk management instruments rely heavily on the speed of change of the underlying assets’ values and prices. The mathematical concept that deals with these issues is the rate of change, otherwise known as the derivative.

This tutorial introduces the concept of differentiation and its counterpart, integration. Simple economic applications of the two concepts are also described.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.
Distributions & Hypothesis Testing

Objectives
On completion of this tutorial, you will be able to:
• describe how a random variable is distributed, and compute the expected value and standard deviation/variance of a random variable
• test hypotheses about the expected value of a variable and evaluate the likelihood of a certain event with a specified probability

Tutorial Overview
During our everyday life we frequently conduct random experiments, without necessarily being aware of it. For example, if we are buying a new car, we might test drive say five cars, and judge each car as ‘suitable’ or ‘unsuitable’. When an experiment has a quantitative feature, we can associate a number with each outcome of the experiment. The outcome of the experiment defines a random variable.

This tutorial is about random variables, probability distributions, the testing of hypotheses, and confidence levels. Understanding these concepts is essential in the financial world, particularly in option pricing and risk measurement. The tutorial covers the types of random variable and the probability distributions that each follows. It also provides information about the parameters of the distributions. It introduces the concept of hypothesis testing and confidence levels, and also looks at situations where the use of one-tailed or two-tailed confidence levels must be determined.

Prerequisite Knowledge
• Probability

Tutorial Level: Intermediate
Tutorial Duration: 75 mins

Duration Analysis

Objectives
On completion of this tutorial, you will be able to:
• Recall how bond prices are sensitive to movements in yield
• Calculate the Macaulay duration and modified duration on a bond
• Identify adjustments to duration numbers to account for convexity
• Recognize how duration can be used to hedge and immunize a single bond or bond portfolio
• Identify rate sensitivity numbers for other types of fixed income instrument such as floating rate notes, swaps, and inflation-linked securities.

Tutorial Overview
Duration is a measure of the sensitivity of bond prices to changes in yield. This tutorial looks at the key types of duration figure, including Macaulay duration, modified duration, money duration, and spread duration. It also examines the use of duration in hedging and immunizing fixed income portfolios as well as looking at rate sensitivity measures for other types of fixed rate instrument such as floating rate notes, swaps, and inflation-linked securities.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Intermediate
Tutorial Duration: 75 mins

Interest Calculations

Objectives
On completion of this tutorial, you will be able to:
• Identify the key factors that affect the calculation of simple interest
• Calculate compound interest using a stated interest rate, compounding frequency, and investment
• Decompose an interest rate and compare investment opportunities with different compounding bases

Tutorial Overview
Although the calculation of interest might seem straightforward, there are a number of factors that can make a significant difference to the growth of an asset or liability under different interest rate environments.

This tutorial looks at the subject of interest calculations in detail, beginning with simple and compound interest before moving on to more difficult calculations involving the comparison of investments with different compounding bases.

Prerequisite Knowledge
• Financial Markets - An Introduction

Tutorial Level: Fundamental
Tutorial Duration: 45 mins

NPV & IRR

Objectives
On completion of this tutorial, you will be able to:
• Recognize the importance of the net present value rule in identifying investments that increase shareholder wealth
• Calculate the internal rate of return (IRR) on an investment and use this in conjunction with NPV to decide between investment alternatives

Tutorial Overview
This tutorial provides a framework for analyzing different investments using the fundamental concepts of present value and discounting, and the decision rules of NPV and IRR.

Prerequisite Knowledge
• Present Value & Future Value

Tutorial Level: Fundamental
Tutorial Duration: 45 mns

Present Value & Future Value

Objectives
On completion of this tutorial, you will be able to:
• Recognize the relationship between the present value, future value, and the discount factor
• Calculate the future value of an investment for a given present value and a given interest rate

Tutorial Overview
In financial markets, there are many examples of cash flows that occur at some point in the future but which need to be evaluated today. A cash flow in the future has a value today called the present value. This tutorial describes the concepts of present value and future value, and the relationship between them.

Prerequisite Knowledge
• Interest Calculations

Tutorial Level: Fundamental
Tutorial Duration: 45 mins

Probability

Objectives
On completion of this tutorial, you will be able to:
• define the concept of probability
• describe and calculate different types of probability
• assess the expected value of a random variable based on the probability of its possible outcomes, and explain how different risk preferences are combined with expected values to make investment decisions
• recognize the effect of inflation on the present value of a future sum of money and explain how the existence of inflation can influence investment decisions

Tutorial Overview
Every day we make judgments based on probability. The weather forecaster announces that there is a 90% chance of a thunderstorm this evening. The gambler feels there is a 50% chance that his horse will win the race. These chances, termed probabilities, measure the likelihood of certain events occurring. In the financial world, probability is applied in measuring the risks involved in trading and investing and their effect on the rate of return.

This tutorial outlines the fundamentals of probability, and covers the key terminology associated with probability theory. It describes the different types of probability and their calculation, and explains how probability theory facilitates investor decisions.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Credit Risk
Credit risk is often the most significant risk faced by credit institutions and is also an important risk for insurers. As a supervisor, it is essential that you understand the key credit risk drivers and the techniques that financial institutions use to monitor, measure and control credit risk. The tutorials covered in this category are divided into four sub-categories:

- **Overview and Loan Loss Provisioning** introduce you to the core components of credit risk and how it is managed, assessed and quantified.

- **Credit Ratings and Risk Modeling** and **Credit Risk Transfer** contain more advanced tutorials on various risk modelling and risk transfer techniques and are intended for supervisors who specialise in credit risk or generalist supervisors who want more in-depth knowledge of credit risk management. Some of the techniques covered in these tutorials form the basis of the internal models-based approaches to determining regulatory capital for credit risk.

Statistics for Credit Rating Models

**Objectives**
On completion of this tutorial you will be able to:
- explain the role and benefits of statistical approaches to credit analysis
- describe discriminant analysis and linear regression
- describe logit and probit models

**Tutorial Overview**
The credit analysis process often entails banks assigning credit risk ratings to obligors or facilities. Statistical methods have become more extensively used when generating credit risk ratings. These include discriminant analysis, linear regression and logit and probit models. This tutorial explains the intuition behind these techniques and gives examples of their use. A number of the benefits and pitfalls of using these techniques are also discussed.

**Prerequisite Knowledge**
To get the maximum benefit from this tutorial, you should be familiar with some of the concepts underlying mathematical statistics and the credit risk assessment process. You can review these concepts in the following tutorials:
- Credit Analysis - An Introduction
- Banks’ Internal Rating Systems
- Distributions & Hypothesis Testing

**Tutorial Level:** Advanced  
**Tutorial Duration:** 75 mins
Credit Analysis - An Introduction

Objectives
On completion of this tutorial, you will be able to:
• Define the process of credit analysis and recognize what it is used for
• Identify the basic structure of the main financial statements and how they interact with each other
• Recognize some of the potential issues and pitfalls associated with the use of financial statements, including differing international accounting standards and the flexibility afforded to company accounting policies

Tutorial Overview
This tutorial introduces the concept of credit analysis and sets out the details of a structured approach that will help credit analysts and other interest parties to extract meaningful information from the key sources of financial data and information – the balance sheet, the income statement, and the statement of cash flows.

Prerequisite Knowledge
• Credit Risk - An Introduction

Tutorial Level: Fundamental
Tutorial Duration: 90 mins
Published: June 2017

Credit Risk - An Introduction

Objectives
On completion of this tutorial, you will be able to:
• Identify how credit risk arises and the key factors that influence the size of credit risk exposures
• Distinguish between the different stages of the credit risk lifecycle for all customer relationships or transactions
• Recognize why credit decisions should be taken after assessing and taking into account relevant non-credit risk

Tutorial Overview
Despite all the innovation and complexity of recent decades, the fundamental business of banks remains the lending of money. The major risk is that of default when the money does not get repaid by customers.

This tutorial outlines how credit risk is generated by the business of financial institutions, as well as the structures these institutions should have in place to manage this risk. It describes in detail the entire credit risk lifecycle, from risk assessment through to ongoing risk reporting and monitoring. The tutorial also explains why it is important for banks to look beyond credit risk and take into account other risks such as market and operational risk when making credit decisions.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 75 mins
Published: June 2017

Credit Granting & Administration

Objectives
On completion of this tutorial, you will be able to:
• Describe how an appropriate credit granting process works
• Provide guidance on sound credit administration practices
• Explain how to monitor credit risk effectively
• Better understand your role as a supervisor in evaluating a bank’s credit risk administration process

Tutorial Overview
The checks and balances provided by sound credit granting and credit administration practices help banks manage their exposure to credit risk and often make the difference between a bank’s success or failure.

In this tutorial, you will discover what you should look for when evaluating a bank’s credit risk management and administration practices and what action you should take to help a bank correct any deficiencies.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the fundamentals of credit risk and the elements of a sound credit risk environment. You can study these concepts in the following tutorials:
• Credit Risk - An Introduction
• Credit Risk Appetite - An Introduction

Published: June 2017

Credit Risk Measurement - An Introduction

Objectives
On completion of this tutorial, you will be able to:
• Recognize why credit decisions should be taken after assessing and taking into account relevant non-credit risk
• Distinguish between the different stages of the credit risk lifecycle for all customer relationships or transactions
• Recognize the importance of credit risk appetite for banking organizations
• Determine how banks can identify and manage concentration risks

Tutorial Overview
This tutorial explains the various measures that enable banks and other institutions to estimate or measure the level of credit risk to which they are exposed. These measures include absolute currency amounts for products such as term loans and estimated currency amounts for products where credit risk varies due to market price/rate movements, in addition to risk-weighted assets (RWAs) and measures of expected loss (EL). The tutorial also outlines some of the limitations and complexities associated with these credit risk measures.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Intermediate
Tutorial Duration: 40 mins
Published: June 2017
Problem Credit Management - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- Identify the customer classifications applied to performing and problem customers and how to minimize losses from problem credits
- Recognize the processes for identifying and managing problem customers, including use of the various early warning indicators
- Identify the account management process for recovery unit customer accounts

Tutorial Overview
This tutorial provides an overview of problem credit identification and management. The first topic outlines the problem credit lifecycle and problem account classifications as well as the different management approaches that can be adopted as customer situations change. The second topic offers more detailed coverage on the identification and management of customers showing early warning signs, while the last topic covers the management of customers experiencing more significant problems.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: June 2017

Loan Loss Provisioning

Dynamic Provisioning

Dynamic provisioning is a technique that allows banks to build up loan loss reserves when their profits are growing and draw on these reserves during an economic downturn. It is often compared to general loan loss provisions, which can only be recognized when an event makes it probable that the bank will suffer a loss. Dynamic provisioning, on the other hand, allows banks to start reserving against future losses as soon as loans are originated.

This insights module examines the development of dynamic provisioning and the issues surrounding its implementation. It also describes how provisioning practices under the incurred loss model can accentuate the cyclical nature of loan loss recognition.

Duration: 30 mins

Problem Credit Management - Accounting for Problem Credits

Objectives
On completion of this tutorial, you will be able to:
- Identify the accounting treatment for customer obligations and problem credits
- Recognize the differences between individually-assessed and collectively-assessed provision methodologies, and the process for calculating both
- Differentiate between incurred and expected loss approaches

Tutorial Overview
This tutorial covers the accounting treatment for problem credits, particularly those customers classified as nonperforming. It describes basic problem credit accounting requirements, key concepts such as days past due (DPD) and default, and the issues that arise when calculating provisions. It also provides detailed coverage of individually-assessed and collective provisions. Finally, the tutorial looks at the issues arising from the use of the incurred loss approach and provides details of the expected loss approach under IFRS 9.

Prerequisite Knowledge
- Problem Credit Management - Late Stage Problem Credits

Tutorial Level: Advanced
Tutorial Duration: 75 mins
Published: June 2017

Problem Credit Management - Early Stage Problem Credits

Objectives
On completion of this tutorial, you will be able to:
- Recognize the process for identifying potential problem credits and the importance of data collection, collation, and interpretation in assessing such customers
- Identify the high level approaches that can be adopted for managing early state problem credits and the various elements that might be included in an account plan
- Differentiate between the customer-level and portfolio-level processes for managing problem credits and identify the role of recovery management

Tutorial Overview
This tutorial focuses on early stage problem credit management, which encompasses customers classified as potential problem customers and problem (early stage) customers. It covers the identification and assessment of customers showing cause for concern as a result of them exhibiting one or more early warning signs and describes the high level approaches that can be adopted for such customers. This is followed by more detailed coverage of account strategies and plans and their implementation. Finally, the tutorial looks at the management processes applied at customer and portfolio level as well as the requirements for the transfer of customers to the recovery team if they are not rehabilitated or exited.

Prerequisite Knowledge
- Problem Credit Management - An Introduction

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: June 2017

IAS 39 - Impairment of Financial Assets

Objectives
On completion of this tutorial, you will be able to:
- Define impairment of financial assets and describe the IAS 39 guidance for its recognition
- Describe the methods for measuring impairment loss
- Understand the issues arising out of the accounting and supervisory approaches to impairment and default respectively

Tutorial Overview
This tutorial examines the IAS 39 guidance relating to the recognition of impairment in financial assets and the measurement of such impairment. The guidance is applicable to all entities, including banks, in jurisdictions that have adopted the international accounting standards. The tutorial also looks at some supervisory issues that arise out of the IAS 39 provisions for impairment and how these are addressed.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with bank accounting concepts. You can study topics related to this in the following tutorials:
- Bank Accounting - An Introduction
- Loan Loss Provisioning - Methodology
- IAS 39 - Financial Instruments: Recognition & Measurement

Tutorial Level: Intermediate
Tutorial Duration: 90 mins

Problem Credit Management - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- Identify the account management process for recovery unit customer accounts
- Recognize the process for identifying potential problem credits and the importance of data collection, collation, and interpretation in assessing such customers
- Identify the high level approaches that can be adopted for managing early state problem credits and the various elements that might be included in an account plan
- Differentiate between the customer-level and portfolio-level processes for managing problem credits and identify the role of recovery management

Tutorial Overview
This tutorial provides an overview of problem credit identification and management. The first topic outlines the problem credit lifecycle and problem account classifications as well as the different management approaches that can be adopted as customer situations change. The second topic offers more detailed coverage on the identification and management of customers showing early warning signs, while the last topic covers the management of customers experiencing more significant problems.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: June 2017

Problem Credit Management - Late Stage Problem Credits

Objectives
On completion of this tutorial, you will be able to:
- Recognize the process for identifying potential problem credits and the importance of data collection, collation, and interpretation in assessing such customers
- Identify the high level approaches that can be adopted for managing early state problem credits and the various elements that might be included in an account plan
- Differentiate between the customer-level and portfolio-level processes for managing problem credits and identify the role of recovery management

Tutorial Overview
This tutorial focuses on late stage problem credit management, which encompasses customers classified as potential problem customers and problem (late stage) customers. It covers the identification and assessment of customers showing cause for concern as a result of them exhibiting one or more early warning signs and describes the high level approaches that can be adopted for such customers. This is followed by more detailed coverage of account strategies and plans and their implementation. Finally, the tutorial looks at the management processes applied at customer and portfolio level as well as the requirements for the transfer of customers to the recovery team if they are not rehabilitated or exited.

Prerequisite Knowledge
- Problem Credit Management - An Introduction
Risk Management

Problem Credit Management - Late Stage

Problem Credits

Objectives
On completion of this tutorial, you will be able to:
- Recognize the advantages of transferring ownership of late stage problem credits to the recovery team and the actions required immediately following transfer
- Identify the account strategies that may be adopted for managing late stage problem credit customers
- Recognize the types of decision that may need to be made by recovery staff

Tutorial Overview
This tutorial focuses on late stage problem credit management. This encompasses customers classified as problem (late stage) and nonperforming as well as defaulted customers. The first topic covers the actions to be taken following transfer of ownership to the recovery team, possible account strategies and the factors that influence the assessment, and the account planning and implementation process. The second topic describes the various account strategies—including providing support, restructuring, and debt forgiveness— in more detail. The final topic sets out some of the decisions, credit and noncredit, that must be made during the recovery process and the factors that influence decision-making.

Prerequisite Knowledge
- Problem Credit Management - Early Stage Problem Credits

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: June 2017

Credit Ratings and Risk Modeling

Banks' Internal Rating Systems

Objectives
On completion of this tutorial you will be able to:
- Outline the objectives of developing internal rating systems and the key concepts that underpin internal ratings
- Describe the role internal ratings play in bank policies, risk measurement and management processes

Tutorial Overview
The importance of internal ratings has grown as credit-related businesses of banks have become more diverse and complex, hence requiring the need to re-examine the appropriateness of traditional methods of managing credit risk. In recognition of the progress made by banks in developing internal systems for assessing credit risk, the Basel Capital Framework includes approaches to determining regulatory capital requirements based on banks' own internal ratings. In this tutorial, you will learn about the types and characteristics of banks' internal rating systems and how internal ratings are used in various facets of banks' credit operations.

Prerequisite Knowledge
- Problem Credit Management - Early Stage Problem Credits

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: June 2017

Credit Rating Agencies - Structured Product Methodologies

Credit Rating Agencies - Structured Product Methodologies

Objectives
- Recognize the advantages of transferring ownership oflate stage problem credits to the recovery team and the actions required immediately following transfer
- Identify the account strategies that may be adopted for managing late stage problem credit customers
- Recognize the types of decision that may need to be made by recovery staff

Tutorial Overview
This tutorial focuses on late stage problem credit management. This encompasses customers classified as problem (late stage) and nonperforming as well as defaulted customers. The first topic covers the actions to be taken following transfer of ownership to the recovery team, possible account strategies and the factors that influence the assessment, and the account planning and implementation process. The second topic describes the various account strategies—including providing support, restructuring, and debt forgiveness— in more detail. The final topic sets out some of the decisions, credit and noncredit, that must be made during the recovery process and the factors that influence decision-making.

Prerequisite Knowledge
- Problem Credit Management - Early Stage Problem Credits

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: June 2017

Credit Rating Agencies - Structured Product Methodologies

Between 2000 and 2007, hundreds of billions of dollars of complex securities known as residential mortgage-backed securities (RMBS) and collateralized debt obligations (CDOs) were issued. The value of these securities was linked to the ratings that credit rating agencies (CRAs) assigned to them. When the CRAs downgraded thousands of these securities from mid-2007 to the end of 2008, waves of forced sales resulted, contributing to the downward spiral in their prices. As a result, the CRAs have been accused of aggravating the financial crisis that began in mid-2007 as the quality of their structured product ratings and the integrity of their rating processes have come into question.

This insights module describes the role played by the three main credit rating agencies during the financial crisis through their rating of RMBS and CDOs. It also examines the main shortcomings in their structured product rating methodologies and the actions taken to address them.

Duration: 30 mins

External Credit Risk Assessments

Objectives
On completion of this tutorial, you will be able to:
- Explain the role of an external credit assessment institution (ECAI) in credit analysis
- Analyze the process and methodologies used to determine credit ratings
- Assess the performance and reliability of external credit assessments using standard tools

Tutorial Overview
External credit assessments have become increasingly important because the number of issuers and the complexity of instruments have increased over the years. This means that you need to understand the role and characteristics of assessments, the methodologies used to calculate them and how to review their performance.

ECAs specialize in the field of credit analysis and produce credit assessments, which are made available to third parties for a fee and are indicators of a counterparty’s or an instrument’s creditworthiness.

Prerequisite Knowledge
In order to get maximum benefit from this tutorial, you should be familiar with the fundamentals of credit risk. You can study these concepts in the following tutorial:
- Credit Risk in the Loan Portfolio - An Introduction

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: June 2017

External Credit Risk Assessments

Tutorial Overview

This Insights module describes the role played by the three main credit rating agencies during the financial crisis through their rating of RMBS and CDOs. It also examines the main shortcomings in their structured product rating methodologies and the actions taken to address them.

Duration: 30 mins

External Credit Risk Assessments

Objectives

In order to assess credit risk, and thus the implications on capital adequacy, one needs to estimate three variables - PD, LGD and EAD - all of which are used to calculate the expected loss (EL) of a credit exposure. In this tutorial, we will review these three components of credit risk - how they are derived, what influences them and how they interact to help determine EL.

Prerequisite Knowledge

To get the maximum benefit from this tutorial, you should be familiar with the fundamentals of credit risk and the principles of Basel II. You can study these concepts in the following tutorials:
- Credit Risk in the Loan Portfolio - An Introduction
- Basel II - An Overview

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: June 2017

External Credit Risk Assessments

Objectives

In order to assess credit risk, and thus the implications on capital adequacy, one needs to estimate three variables - PD, LGD and EAD - all of which are used to calculate the expected loss (EL) of a credit exposure. In this tutorial, we will review these three components of credit risk - how they are derived, what influences them and how they interact to help determine EL.

Prerequisite Knowledge

To get the maximum benefit from this tutorial, you should be familiar with the fundamentals of credit risk and the principles of Basel II. You can study these concepts in the following tutorials:
- Credit Risk in the Loan Portfolio - An Introduction
- Basel II - An Overview

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: June 2017

IRB - Credit Risk Components

Objectives

On completion of this tutorial, you will be able to:
- Define three components of credit risk: probability of default (PD), exposure at default (EAD) and loss given default (LGD)
- Address the factors that influence each component and how they interact
- Highlight how credit risk is addressed by the Basel Capital Framework through the expected/unexpected loss concept

Tutorial Overview

In order to assess credit risk, and thus the implications on capital adequacy, one needs to estimate three variables - PD, LGD and EAD - all of which are used to calculate the expected loss (EL) of a credit exposure. In this tutorial, we will review these three components of credit risk - how they are derived, what influences them and how they interact to help determine EL.

Prerequisite Knowledge

To get the maximum benefit from this tutorial, you should be familiar with the fundamentals of credit risk and the principles of Basel II. You can study these concepts in the following tutorials:
- Credit Risk in the Loan Portfolio - An Introduction
- Basel II - An Overview

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: June 2017

IRB - Credit Risk Components
Market Risk

Market risk is another major source of risk for banks and insurers. Supervisors need to understand the activities that give rise to market risk, how market risk can be measured and managed and to determine if market risk is underestimated or poorly managed. The market risk category contains three subcategories:

- **Overview** includes an introductory tutorial that explains the core drivers of market risk and how market risk is measured and monitored.
- **Value-At-Risk and Derivatives Pricing & Application** include tutorials on measurement techniques for market risk and the valuation and uses of derivative instruments. Some of the risk measurement techniques covered in these tutorials form the basis of the internal models-based approaches to determining regulatory capital for market risk. As such, tutorials covered in these two subcategories are particularly relevant for specialist supervisors in the market risk area.

Monolines and Banking

Monolines are financial guarantee providers to the debt market, guaranteeing timely principal and interest payments to bond holders in case the bond issuer defaults. To provide such financial guarantees, monolines require very high ratings from rating agencies.

Traditionally, monolines insured US municipal bonds, a low-risk business providing reasonable profits. In the mid-1990s, as the subprime mortgage mortgage market grew in the United States, the market for structured products based on these mortgages also grew. Monolines started providing financial guarantees for these products, as well. Business was good until US subprime borrowers started to default in late 2006, leading to declines in the value of structured products based on such mortgages. This started a vicious cycle of downgrades, writedowns and losses for monolines and banks.

This Insights module provides an overview of monolines and their business, their role in the subprime crisis of 2007-8 and the impact they have on banks and the financial system.

Duration: 30 mins

Credit Risk Transfer

Credit Risk Transfer

Objectives

On completion of this tutorial, you will be able to:
- describe various credit risk transfer (CRT) techniques and instruments
- identify the incentives for CRT including cross-sectoral incentives
- explain risk management and supervisory issues that arise as a result of CRT

Tutorial Overview

The CRT market is characterized by an increasing number of complex instruments that make extensive use of derivatives to provide structured products to investors. This has made valuation and risk assessment more difficult. The drying up of liquidity (beginning in mid-2007) in certain CRT markets linked to subprime lending, for example asset-backed commercial paper and collateralized debt obligations, illustrates the risk management challenges that complex structured products pose.

Prerequisite Knowledge

To get the maximum benefit from this tutorial you should already have an understanding of the fundamentals of banking and of the operations of financial groups. You can study this in the following tutorial:
- Banks & Bank Risks
- Financial Conglomerates - Scope and Supervision

Tutorial Level: Intermediate
Tutorial Duration: 75 mins

Monolines and Banking

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This Insights module provides an overview of monolines and their business, their role in the subprime crisis of 2007-8 and the impact they have on banks and the financial system.

Duration: 30 mins

Market Risk

Overview

Market Risk Management, Measurement and Supervision

Objectives

On completion of this tutorial, you will be able to:
- define market risk
- recognise how market risk is measured by banks and for supervisory purposes
- identify existing regulatory frameworks for market risk, including the revised one, which become applicable in 2019

Tutorial Overview

Market risk is one of the most difficult risks for banks and supervisors to tackle. This tutorial provides an introduction to the sources of market risk and the tools to measure it, including those used for supervisory purposes.

Prerequisite Knowledge

In order to fully benefit from this tutorial, you should have an understanding of financial markets and instruments and the structure of banks’ balance sheets, including the banking and trading books. Two other tutorials complement this tutorial and you may find them of interest:
- Revised Market Risk Framework - Overview and the IMA
- Revised Market Risk Framework - Standardised Approach

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: December 2016
### Options - Beyond Black-Scholes

**Objectives**
- explain how the binomial pricing model generates an option price through discrete changes in a future asset price, and how this procedure can be used to calculate American option prices
- explain how numerical procedures have evolved beyond the binomial pricing model
- describe how Monte Carlo simulations can be used to calculate values for options which are outside the scope of simple Black-Scholes or lattice models

**Tutorial Overview**
The Black-Scholes approach to option pricing, while a massive advance on what little had been seen before, contains serious shortcomings. For example, the market assumptions are somewhat unrealistic, and the pricing formulas can only value a limited number of instruments.

This tutorial examines alternative numerical methods which allow option practitioners to value a wider range of instruments, and can also incorporate different price evolution assumptions.

**Prerequisite Knowledge**
- Options - Replication, Risk-Neutrality, & Black-Scholes

**Tutorial Level:** Advanced  
**Tutorial Duration:** 90 mins

### Options - Future Asset Prices & Volatility

**Objectives**
- explain the basic components of drift and randomness, which are assumed to underlie the price evolution process
- describe the idealized ‘normal’ distribution of returns (lognormal price distribution) and how this differs from reality
- describe the idea of a probability distribution for the future price of an asset
- calculate the historic volatility of an asset and explain the key differences between historic and implied volatility

**Tutorial Overview**
Option pricing requires some estimation of possible future values of an asset; some model is required which shows where prices can move to, and with what probability. The influences can be many, but at least some part of the future price evolution is random. This randomness can be estimated by analyzing the past values of an asset. It is also incorporated into option models through a ‘volatility’ term. However, the historic estimation and the use of volatility as a pricing input are very different things. This tutorial will provide you with an insight into future asset pricing and volatility.

**Prerequisite Knowledge**
- Options - An Introduction
- Options – Introduction to Option Valuation

**Tutorial Level:** Intermediate  
**Tutorial Duration:** 60 mins

### Options - Introduction to Option Valuation

**Objectives**
- explain when an option is ‘in’ or ‘out’ of the money
- show how an option price is broken into two components: intrinsic value and time value
- describe the major influences on option values
- outline the upper and lower boundaries of option prices and explain the factors affecting the exercise decision
- describe the ‘put-call’ parity relationship

**Tutorial Overview**
Option valuation can be (ultimately) a very complex process; considerations include the option pricing factors, the way in which an option pays out, the market processes of underlying assets, and the relationships between multiple assets. It is at this point that the subject enters the esoteric realms of advanced mathematics. However, before embarking on any complex valuation, there are a number of fundamental foundations.

This tutorial examines these matters and also outlines the way in which prices can be ‘enforced’ by arbitrage possibilities. This absence of ‘free lunches’ is fundamental to most financial markets pricing, but in particular options.

**Prerequisite Knowledge**
- Options - An Introduction

**Tutorial Level:** Intermediate  
**Tutorial Duration:** 75 mins

### Options - Replication, Risk-Neutrality, & Black-Scholes

**Objectives**
- explain the concepts of the riskless portfolio and risk-neutrality
- price simple European options using the basic Black-Scholes ‘family’ of option pricing models
- list the shortcomings of the Black-Scholes approach

**Tutorial Overview**
Although options in financial markets have a long history, it is only recently that option pricing has been seen as having a sound theoretical basis. This tutorial introduces the Black-Scholes pricing model for options, one of the most famous in modern finance. It examines the foundations of the approach, particularly the key issues of replication and risk-neutrality, and gives examples of both the basic pricing formula and the simple extensions that followed soon after. It also highlights some potential shortcomings with the approach.

**Prerequisite Knowledge**
- Options - An Introduction to Option Valuation
- Options - Future Asset Prices & Volatility

**Tutorial Level:** Advanced  
**Tutorial Duration:** 75 mins

### Swaps - Applications

**Objectives**
- describe the use of interest rate swaps
- outline the roles and responsibilities of the major players in the swap market

**Tutorial Overview**
Swaps are derivative products that are used to alter the exposure of investment portfolios or any series of cash flows. They represent an efficient way for institutions to manage their interest rate risk or gain desired investment exposure.

In this tutorial, we will look at the various uses of interest rate swaps. We will also identify the major players in the swap market and outline their key roles and responsibilities.

**Prerequisite Knowledge**
- Swaps - An Introduction

**Tutorial Level:** Intermediate  
**Tutorial Duration:** 75 mins
Insurance Risk

Mortality and Longevity Risks - An Introduction

Objectives
On completion of this tutorial, you will be able to:

- define mortality and longevity risks and identify their key characteristics
- recognise the ways in which insurers are exposed to mortality and longevity risks and how they can manage these risks
- determine the appropriate regulatory requirements for mortality and longevity risks

Tutorial Overview
It is important for insurance regulators and supervisors to understand the keys risks that insurance companies face. These risks include mortality and longevity risks, which are unique to the insurance industry, particularly life insurers. This tutorial explains the nature of mortality and longevity risks, how insurers manage these risks and the various approaches that insurance supervisors can take to supervise these risks.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorial:

- Life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: July 2016

Underwriting Risk - Pricing of Life Insurance Products

Objectives
On completion of this tutorial, you will be able to:

- recognise the nature of underwriting risk arising from pricing of non-life insurance products
- identify relevant qualitative requirements that apply to pricing and underwriting risks
- recognise the interrelationship between reinsurance and underwriting risk
- identify relevant qualitative requirements that apply to pricing and underwriting risks

Tutorial Overview
The pricing of non-life insurance products drives a large part of a non-life insurer’s underwriting risk. Inappropriate premiums can lead to solvency problems, impairing an insurer’s ability to honour its obligations to policyholders. This tutorial will help you understand the nature of underwriting risk for non-life insurance products and the requirements that supervisors can put in place to address this risk.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorial:

- Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: October 2016

Other Material Risks

AML and CFT in Insurance - Definitions and Impact

Objectives
On completion of this tutorial, you will be able to identify how money is laundered and terrorist activities are financed and recognise the vulnerabilities of the insurance sector to these financial crimes.

Tutorial Overview
This tutorial provides definitions of money laundering and terrorist financing. It describes how money can be laundered, and in particular, how the insurance sector can be exploited by criminals and terrorist groups.

This tutorial is part of a suite that includes the following:

- AML and CFT in Insurance - Definitions and Impact
- AML and CFT in Insurance - Supervisory Standards and Legislative Frameworks
- AML and CFT in Insurance - Industry Measures
- AML and CFT in Insurance - Connect
- AML and CFT in Insurance - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: September 2019

Climate Risks - Implications for the Insurance Sector

Objectives
On completion of this tutorial, you will be able to define climate change and identify the key risks impacting insurers.

Tutorial Overview
This tutorial explains what climate change is, its effects and how it manifests as financial risks in the insurance sector. This tutorial is based on the Issues Paper on Climate Change Risks to the Insurance Sector published by the International Association of Insurance Supervisors (IAIS) and the Sustainable Insurance Forum (SIF).

This tutorial is part of a suite that includes the following:

- Climate Risks - Overview of International Regulatory Response - Video
- Climate Risks - Implications for the Insurance Sector
- Climate Risks - International Insurance Standards
- Climate Risks - Role of Regulation - Video
- Climate Risks - Insurance Supervisory Approaches
- Climate Risks - Connect
- Climate Risks - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2019
Cyber Risk - Nature of Risk

**Objectives**
On completion of this tutorial, you will be able to recognise the nature of cyber risk and its potential impact on financial institutions.

**Tutorial Overview**
This tutorial explains how the financial industry, including banks, insurers and financial market infrastructures (FMIs) can be exposed to cyber risk. This tutorial is part of a suite of the following tutorials:
- Cyber Risk - Nature of Risk
- Cyber Risk - Insurance Regulatory Approach
- Cyber Risk - Financial Market Infrastructures: Cyber Resilience
- Cyber Risk - Financial Market Infrastructures: Enhancing Cyber Resilience

**Prerequisite Knowledge**
No prior knowledge is assumed for this tutorial.

**Published:** January 2017

Liquidity Risk - Concepts and Management

**Objectives**
On completion of this tutorial, you will be able to define liquidity risk, recognise its main concepts and identify how banks manage it.

**Tutorial Overview**
This tutorial provides insights into the components of liquidity risk, the tools used to assess it and the ways in which banks manage it.

Liquidity risk management relates to the ability of banks to fund assets and meet obligations as they come due. It is crucial to a bank’s viability because the quality of its management can make the difference between survival and failure during a crisis.

This tutorial is the first part of a suite that includes the following:
- Liquidity Risk - Concepts and Management
- Liquidity Risk - Daily Liquidity Risk Management
- Liquidity Risk - Crisis Management
- Liquidity Risk - Connect
- Liquidity Risk - Test Yourself

**Published:** June 2017

Liquidity Risk - Daily Liquidity Risk Management

**Objectives**
On completion of this tutorial, you will be able to recognise the main tools and techniques that banks use to manage daily liquidity risk and prepare themselves for future liquidity strains.

**Tutorial Overview**
This tutorial explains how banks determine their liquidity needs on a daily basis and the main tools used to this effect. It also shows how banks prepare for liquidity strains during 'normal times'. Such preparations include putting in place all components of a contingency funding plan (CFP). This allows the CFP’s activation as soon as funding conditions deteriorate.

This tutorial is the second of a suite that includes the following:
- Liquidity Risk - Concepts and Management
- Liquidity Risk - Daily Liquidity Risk Management
- Liquidity Risk - Crisis Management
- Liquidity Risk - Connect
- Liquidity Risk - Test Yourself

**Published:** June 2017

Liquidity Risk - Crisis Management

**Objectives**
On completion of this tutorial, you will be able to recognise the main components of a bank’s crisis management toolkit.

**Tutorial Overview**
This tutorial presents the main components of a bank’s crisis management toolkit when faced with a liquidity crisis. You will learn how the bank’s contingency funding plan integrates these components and promotes comprehensive responses during an emergency.

This tutorial is the third of a suite that includes the following:
- Liquidity Risk - Concepts and Management
- Liquidity Risk - Daily Liquidity Risk Management
- Liquidity Risk - Crisis Management
- Liquidity Risk - Connect
- Liquidity Risk - Test Yourself

**Published:** June 2017

Liquidity Risk - Connect

**Objectives**
This tutorial is the Connect phase for the following suite of tutorials:
- Liquidity Risk - Concepts and Management
- Liquidity Risk - Daily Liquidity Risk Management
- Liquidity Risk - Crisis Management

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

**Published:** June 2017

Liquidity Risk - Test Yourself

**Objectives**
Try these questions to evaluate your knowledge of liquidity risk.

**Published:** June 2017

Operational Risk - An Introduction

**Objectives**
On completion of this tutorial you will be able to:
- define operational risk
- identify the key elements of a sound framework for managing operational risk in banks
- explain the framework for determining the minimum regulatory capital requirements for operational risk

**Tutorial Overview**
Operational risk, one of the major types of risk that banks face, assumed a much higher profile in the late 1990s when the Basel Committee on Banking Supervision (BCBS) first proposed to include it among the risks attracting minimum capital requirements under Pillar 1 of Basel II. Since then, the tools, processes and systems for managing operational risk have evolved considerably. Over the same period, however, the operational risk losses experienced by banks increased dramatically, reflecting in part the challenge of managing a risk that is so heavily influenced by human behaviour. This tutorial defines operational risk and provides an overview of the management and supervision of this risk in banks.

**Prerequisite Knowledge**
To get maximum benefit from this tutorial, you may wish to review the following tutorial:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Operational and Liquidity Risks

**Published:** January 2017
Step-in Risk - Background and Regulatory Motivation

Objectives
On completion of this tutorial, you will be able to define step-in risk, determine its scope and recognise the regulatory motivation of the guidelines developed by the Basel Committee on Banking Supervision (BCBS).

Tutorial Overview
This tutorial introduces step-in risk and the regulatory motivation underpinning the BCBS guidelines entitled Identification and management of step-in risk, published in October 2017. It explains the characteristics of step-in risk, its existing provisions, the structure of the guidelines and the scope and entities covered.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: September 2018

Step-in Risk - Identification

Objectives
On completion of this tutorial, you will be able to identify step-in risk based on the indicators described in the Basel Committee on Banking Supervision (BCBS) guidelines.

Tutorial Overview
This tutorial provides a list and description of the indicators that banks need to use for identifying step-in risk. This tutorial is based on the guidelines document Identification and management of step-in risk published by the BCBS in October 2017. It explains the characteristics of step-in risk, its existing provisions, the structure of the guidelines and the scope and entities covered.

This tutorial is part of a suite that includes the following:
- Step-in Risk - Background and Regulatory Motivation
- Step-in Risk - Identification
- Step-in Risk - Potential Responses and Roles of Banks and Supervisors
- Step-in Risk - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: September 2018

Step-in Risk - Potential Responses and Roles of Banks and Supervisors

Objectives
On completion of this tutorial, you will be able to identify potential responses to step-in risk and recognise the respective roles of banks and supervisors.

Tutorial Overview
This tutorial provides a list and description of potential responses banks can use to address step-in risk based on guidelines published by the Basel Committee on Banking Supervision in October 2017. A description of the role of banks is also provided. The tutorial discusses the identification and management of step-in risk, as well as regulatory reporting and the role of supervisors in reviewing bank policies, procedures and self-assessments.

This tutorial is part of a suite that includes the following:
- Step-in Risk - Background and Regulatory Motivation
- Step-in Risk - Identification
- Step-in Risk - Potential Responses and Roles of Banks and Supervisors
- Step-in Risk - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: September 2018

Step-in Risk - Test Yourself

Try these questions to evaluate your knowledge of step-in risk.

Tutorial Overview
This tutorial provides a list and description of potential responses banks can use to address step-in risk based on guidelines published by the Basel Committee on Banking Supervision in October 2017. A description of the role of banks is also provided. The tutorial discusses the identification and management of step-in risk, as well as regulatory reporting and the role of supervisors in reviewing bank policies, procedures and self-assessments.

This tutorial is part of a suite that includes the following:
- Step-in Risk - Background and Regulatory Motivation
- Step-in Risk - Identification
- Step-in Risk - Potential Responses and Roles of Banks and Supervisors
- Step-in Risk - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: September 2018

Economic Capital & RAROC - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- describe the concepts of economic capital (EC) and risk-adjusted return on capital (RAROC)
- identify the main purposes of EC

Tutorial Overview
The work of leading banks in measuring different types of risk, combined with the implementation of Basel II, has resulted in increased pressure on other banks to measure and manage risk on a firm-wide basis. EC models have emerged as a means for measuring risk across an entire organization. This tutorial explains the concept of EC in detail and outlines the main purposes of EC models in risk management.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with statistical concepts such as distributions, confidence levels, correlation and volatility, risk management and VAR models for market risk. You can study these concepts in the tutorials on VAR and credit risk modeling, along with the following:
- Bank Capital
- Operational Risk - An Introduction

Tutorial Level: Advanced
Tutorial Duration: 90 mins
Published: September 2018
Economic Capital & RAROC - Approaches & Allocation

Objectives
On completion of this tutorial, you will be able to:
• define the statistical approaches and models used to determine the amount of required EC
• describe how EC is allocated across the bank to both business units and single transactions

Tutorial Overview
Banks use various approaches to estimate their EC requirements, and try to optimize profitability for a given amount of EC. This tutorial describes (1) important features of EC approaches whose basic structures originate from VAR models for market risk, and (2) the different allocation guidelines and requirements for different specifications of portfolio risk, such as standard deviation, VAR and expected shortfall.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with risk management, VAR models, statistical concepts, and the concept of EC and RAROC. You can study topics related to this in the following tutorials:
• Bank Capital
• All tutorials on VAR, and credit risk modeling
• Operational Risk - An Introduction
• Economic Capital & RAROC - An Introduction

Tutorial Level: Advanced
Tutorial Duration: 90 mins

Enterprise Risk Management - An Introduction

The worldwide financial crisis that originated with subprime lending in the United States has resulted in increased scrutiny of risk management processes, particularly in large financial institutions. The extent of losses and the unprecedented government support that has been provided highlight the need for a robust framework to effectively identify, assess and manage risk on an enterprise-wide basis.

Enterprise Risk Management (ERM) is a combination of risk management and internal controls designed to provide an integrated approach to the identification, assessment, monitoring, and management of risks across an organization. ERM concepts represent a movement away from distinct or ‘silos’ approaches to managing different risks within an organization to an approach that is more comprehensive and coherent.

This Insights module provides a quick overview of the objectives, concepts and implications of ERM.

Duration: 30 mins

Management of Regulatory Capital - Overview

Objectives
On completion of this tutorial, you will be able to recognise the purposes of regulatory capital and the objectives of regulatory capital management, as well as specify the different tiers of regulatory capital under Basel III.

Tutorial Overview
This tutorial provides an overview of the management of regulatory capital in banks. It explains the definition of regulatory capital, its purposes and the objectives for managing it. It also provides an overview of the different tiers of regulatory capital under Basel III.

This tutorial is part of a suite that includes the following:
• Management of Regulatory Capital - Overview
• Management of Regulatory Capital - Quantity and Quality
• Management of Regulatory Capital - Key Techniques
• Management of Regulatory Capital - Connect
• Management of Regulatory Capital - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with basic accounting concepts and a typical bank balance sheet. It is also suggested that you review the following tutorials:
• Bank Capital
• Definition of Regulatory Capital
• From Basel I to Basel III - A Chronology
• Overview of Basel III - Strengthening the Risk-based Framework

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: September 2019

Management of Regulatory Capital - Key Techniques

Objectives
On completion of this tutorial, you will be able to recognise the common practices banks use to plan for and manage their regulatory capital.

Tutorial Overview
This tutorial outlines common practices banks use to plan for and manage their regulatory capital. It focuses on how banks manage their regulatory capital by establishing multi-year capital plans, allocating capital resources to different business lines and strengthening their capital adequacy.

This tutorial is part of a suite that includes the following:
• Management of Regulatory Capital - Overview
• Management of Regulatory Capital - Quantity and Quality
• Management of Regulatory Capital - Key Techniques
• Management of Regulatory Capital - Connect
• Management of Regulatory Capital - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with basic accounting concepts and a typical bank balance sheet. It is also suggested that you review the following tutorials:
• Bank Capital
• Definition of Regulatory Capital
• From Basel I to Basel III - A Chronology
• Overview of Basel III - Strengthening the Risk-based Framework

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: September 2019

Management of Regulatory Capital - Quantity and Quality

Objectives
On completion of this tutorial, you will be able to identify the main determinants of the quantity and quality of bank capital.

Tutorial Overview
This tutorial provides an overview of the main determinants of the quantity and quality of bank capital. It explains the regulatory capital requirements and non-regulatory considerations that banks have to take into account in deciding their capital level and structure.

This tutorial is part of a suite that includes the following:
• Management of Regulatory Capital - Overview
• Management of Regulatory Capital - Quantity and Quality
• Management of Regulatory Capital - Key Techniques
• Management of Regulatory Capital - Connect
• Management of Regulatory Capital - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with basic accounting concepts and a typical bank balance sheet. It is also suggested that you review the following tutorials:
• Bank Capital
• Definition of Regulatory Capital
• From Basel I to Basel III - A Chronology
• Overview of Basel III - Strengthening the Risk-based Framework

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: September 2019
Management of Regulatory Capital - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Management of Regulatory Capital - Overview
- Management of Regulatory Capital - Quantity and Quality
- Management of Regulatory Capital - Key Techniques

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Intermediate
Tutorial Duration: 20 mins
Published: September 2019

Management of Regulatory Capital - Test Yourself

Try these questions to evaluate your knowledge of regulatory capital management.

Tutorial Level: Intermediate
Tutorial Duration: 10 mins
Published: September 2019
Banking Supervision

FSI Connect tutorials on Banking Supervision are unique to the FSI Connect library. These tutorials have been developed with input from the Basel Committee on Banking Supervision (BCBS), and, where relevant, the Financial Stability Board and the International Association of Deposit Insurers (IADI). This learning area is divided into seven categories covering key aspects of prudential regulation and supervisory standards, the supervisory review process, systemic risk and deposit insurance-related topics:

- **Foundations for Effective Supervision** covers tutorials on the Core Principles for Effective Banking Supervision – what they are, the preconditions for effective supervision and how implementation of the core principles is assessed. Completing these tutorials gives you a sound understanding of the key elements needed to build an effective system of banking regulation and supervision.
- **Governance** comprises tutorials on various aspects of board and senior management oversight, including compensation arrangements and internal and external audits.
- **Basel Capital Framework** contains a comprehensive suite of tutorials on Basel I, II and III, including in-depth coverage of specific Basel III requirements on the definition of capital, leverage, capital buffers and the treatment of global systemically important banks.
- **Risk Standards** consists of tutorials on the supervisory expectations related to the management of key banking risks, including the global liquidity standards introduced under Basel III.
- **Supervisory Practices** focuses on various elements of the supervisory review process, including methods of ongoing supervision, the implementation of the Basel capital framework, the supervision of key banking risks and the identification and resolution of problem banks.
- **Financial Groups and Systemic Risk** complements our suite of tutorials on microprudential supervision and covers broader supervisory issues dealing with financial conglomerates, issues surrounding “too big to fail” and macroprudential supervision, among other topics.
- **Deposit Insurance** contains tutorials on deposit insurance-related topics that have been developed in partnership with IADI. Deposit insurers, banking supervisors and resolution authorities should be familiar with these issues given the critical role that sound deposit insurance systems play in promoting public confidence in the financial system.

### Foundations for Effective Supervision

#### BCPs - Overview and Assessment Methodology

**Objectives**

On completion of this tutorial, you will be able to:

- describe the objectives of the Basel Committee on Banking Supervision (BCBS) and other supervisors in developing and revising the Core Principles for Effective Banking Supervision (BCPs)
- identify the key preconditions for effective banking supervision and explain their linkages with the BCPs
- explain the process for assessing compliance with the BCPs
- understand the practical considerations in conducting an assessment of the BCPs

**Tutorial Overview**

The BCPs, which were originally published in 1997, are universally accepted standards for the sound prudential supervision of banks and banking systems worldwide. They have been used as a benchmark for assessing the quality of supervisory regimes in various countries. The BCPs were modified and republished in 2006 and again in 2012. This tutorial provides an overview of the BCPs, explains their preconditions and outlines the assessment methodology as adopted by the BCBS in September 2012. It also outlines a number of practical issues associated with their implementation.

**Prerequisite Knowledge**

To get maximum benefit from this tutorial, you should be generally familiar with banking and supervision. You can study topics related to this in the tutorial:

- **Banks and Bank Risks - The Role of Banks**
- **Banks and Bank Risks - Credit Risk**
- **Banks and Bank Risks - Operational and Liquidity Risks**
- **Banks and Bank Risks - Market Risk**

**Tutorial Level:** Fundamental

**Tutorial Duration:** 60 mins

### The Basel Core Principles - Supervisory Powers

**Objectives**

On completion of this tutorial, you will be able to:

- identify the standards relating to key supervisory powers

**Tutorial Overview**

The BCPs provide internationally agreed minimum standards to be used as a benchmark for assessing the effectiveness of domestic supervisory regimes for banks and banking systems. The latest iteration of the BCPs — which were first introduced in 1997 — was finalised by the Basel Committee on Banking Supervision (BCBS) in 2012 and contains 29 principles.

This tutorial describes the supervisory powers necessary for effective banking supervision.

**Prerequisite Knowledge**

To fully benefit from this tutorial, you should be familiar with the objectives of the BCPs, preconditions for effective banking supervision and how supervisory systems are assessed against the BCPs. You can study these areas in the following tutorial:

- **BCPs - Overview and Assessment Methodology**

**Tutorial Level:** Fundamental

**Tutorial Duration:** 15 mins

**Published:** November 2017

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**The Basel Core Principles - The Supervisory Process**

**Objectives**

On completion of this tutorial, you will be able to identify the main attributes of an effective approach to banking supervision and the key components of the supervisory process.

**Tutorial Overview**

The Basel Core Principles for Effective Banking Supervision (BCPs) provide internationally agreed minimum standards to be used as a benchmark for assessing the effectiveness of domestic supervisory regimes for banks and banking systems. The latest iteration of the BCPs — which were first introduced in 1997 — was finalised by the Basel Committee on Banking Supervision (BCBS) in 2012 and contains 29 principles.

This tutorial describes the supervisory process involved in achieving effective banking supervision.

This tutorial is part of a suite that includes the following:

- **The Basel Core Principles - Supervisory Powers**
- **The Basel Core Principles - The Supervisory Process**
- **The Basel Core Principles - Banks’ Governance and Market Discipline**
- **The Basel Core Principles - Banks’ Capital Adequacy and Material Risks**
- **The Basel Core Principles - Connect**
- **The Basel Core Principles - Test Yourself**

**Prerequisite Knowledge**

To fully benefit from this tutorial, you should be familiar with the objectives of the BCPs, preconditions for effective banking supervision and how supervisory systems are assessed against the BCPs. You can study these areas in the following tutorial:

- **BCPs - Overview and Assessment Methodology**

**Tutorial Level:** Fundamental

**Tutorial Duration:** 15 mins

**Published:** November 2017
The Basel Core Principles - Banks’ Governance and Market Discipline

Objectives
On completion of this tutorial, you will be able to:
- identify the specific requirements of the Basel Core Principles for Effective Banking Supervision (BCPs) relating to corporate governance, risk management and control processes
- list the disclosure requirements that supervisors should impose on banks

Tutorial Overview
The BCPs provide internationally agreed minimum standards to be used as a benchmark for assessing the effectiveness of domestic supervisory regimes for banks and banking systems. The latest iteration of the BCPs – which were first introduced in 1997 – was finalised by the Basel Committee on Banking Supervision (BCSBS) in 2012 and contains 29 principles.

This tutorial describes the specific requirements relating to corporate governance, risk management and control processes, as well as disclosures that supervisors should impose on banks.

This tutorial is a part of a suite that includes the following:
- The Basel Core Principles – Supervisory Powers
- The Basel Core Principles – The Supervisory Process
- The Basel Core Principles – Banks’ Governance and Market Discipline
- The Basel Core Principles – Connect
- The Basel Core Principles – Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the objectives of the BCPs, preconditions for effective banking supervision and how supervisory systems are assessed against the BCPs. You can study these areas in the following tutorials:
- BCPs – Overview and Assessment Methodology

Published: November 2017

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

The Basel Core Principles - Capital Adequacy and Material Risks

Objectives
On completion of this tutorial, you will be able to:
- identify the specific requirements of the Basel Core Principles for Effective Banking Supervision (BCPs) relating to corporate governance, risk management and control processes
- identify the BCP requirements relating to banks’ management of material risks

This tutorial describes the requirements relating to banks’ capital adequacy and management of their material risks.

This tutorial is part of a suite that includes the following:
- The Basel Core Principles – Supervisory Powers
- The Basel Core Principles – The Supervisory Process
- The Basel Core Principles – Banks’ Governance and Market Discipline
- The Basel Core Principles – Banks’ Capital Adequacy and Material Risks

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the objectives of the BCPs, preconditions for effective banking supervision and how supervisory systems are assessed against the BCPs. You can study these areas in the following tutorial:
- BCPs – Overview and Assessment Methodology

Published: November 2017

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

The Basel Core Principles - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- The Basel Core Principles – Supervisory Powers
- The Basel Core Principles – The Supervisory Process
- The Basel Core Principles – Banks’ Governance and Market Discipline
- The Basel Core Principles – Banks’ Capital Adequacy and Material Risks

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Published: November 2017

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

Corporate Governance in Banks

Objectives
On completion of this tutorial, you will be able to:
- define corporate governance and the objectives of the principles of corporate governance in banks of the Basel Committee on Banking Supervision (BCBS)
- recognise the roles of the board of directors and senior management according to the BCBS principles
- identify the critical responsibilities of the risk management, compliance and internal audit functions of a bank
- identify how compensation systems and disclosure practices support effective corporate governance and how supervisors can influence said governance

Tutorial Overview
The adoption of sound corporate governance practices is of particular importance to banks and their supervisors given the role of banks in the economy and the financial intermediation process. In this regard, the BCBS has established a set of key principles of sound corporate governance practices for banks. These guidelines build on BCBS guidance first issued in 1999 and subsequently updated in 2006 and 2010. The most recent guidelines issued in 2015 explicitly reinforce the collective oversight responsibilities of the board and help delineate the specific roles of the board, senior management and control functions, such as risk management.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- The Basel Core Principles - Banks’ Governance and Market Discipline

Published: April 2016

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
External Audit

Objectives
On completion of this tutorial, you should be able to:
• recognise the role of bank external audits
• identify the external audit responsibilities of bank audit committees
• recognise the appropriate relationships between supervisors and external auditors
• identify supervisory expectations with regards to external auditors and bank audits

Tutorial Overview
External audits of banks financial statements should convey a level of quality assurance and therefore contribute to market confidence. However, during the financial crisis that began in 2007, several banks nearly failed despite receiving unqualified audit reports. This raised questions relating to the quality of external audits and the need to improve it. While banking supervision authorities do not set audit standards or regulate external auditors, they need to ensure that bank external audits are of high quality to carry out their own duties. It is in this context that the Basel Committee on Banking Supervision (BCBS) issued guidance and recommendations. These are often more stringent that what is required by general accounting, ethical and auditing standards. This tutorial provides an overview of this BCBS guidance and these recommendations.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you may wish to review the following tutorials:
• The Basel Core Principles - Banks’ Governance and Market Discipline
• Corporate Governance
• Internal Audit

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: October 2015

Internal Audit

Objectives
On completion of this tutorial, you will be able to:
• recognise the role and importance of internal audit within a bank
• recognise key features of the governance of a bank’s internal audit function
• identify supervisory considerations relating to reviews of the internal audit function

Tutorial Overview
An internal audit function provides vital assurance to a bank’s board of directors and senior management as to the quality of the bank’s internal control systems. In doing so, the function helps reduce the risk of unexpected losses and avoid events that could damage the reputation of the bank.

In June 2012, the BCBS published a set of principles that require banking supervisors to assess banks’ internal audit functions and be satisfied with their effectiveness. Supervisors should be satisfied that management are taking appropriate and timely corrective action in response to internal control weaknesses identified by internal auditors. By explaining the BCBS principles and considering examples of their application, this tutorial will help you to make your own assessments of internal audit functions in banks.

Prerequisites Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the business of banking and corporate governance. You can study these in the following tutorials:
• Banks and Bank Risks - The Role of Banks
• Corporate Governance

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: September 2014

Principles for Sound Compensation Practices - Variable Compensation and Excessive Risk-taking

Objectives
On completion of this tutorial, you will be able to explain how variable compensation structures at the largest financial institutions evolved and created incentives for excessive risk-taking and misbehaviour.

Tutorial Overview
This tutorial provides an overview of how variable compensation structures at the largest financial institutions evolved and created incentives for excessive risk-taking and misbehaviour.

This tutorial is part of a suite that includes the following:
• Principles for Sound Compensation Practices - The FSB Principles and their Implementation
• Principles for Sound Compensation Practices - Key Issues in Aligning Risk and Compensation
• Principles for Sound Compensation Practices - Connect
• Principles for Sound Compensation Practices - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Banks and Bank Risks - The Role of Banks
• Banks and Bank Risks - Credit Risk
• Banks and Bank Risks - Operational and Liquidity Risks
• Banks and Bank Risks - Market Risk

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: December 2019
Principles for Sound Compensation Practices - Key Issues in Aligning Risk and Compensation

Objectives
On completion of this tutorial, you will be able to recognize the key issues in aligning risk and compensation and identify the sound practices recommended in the Principles for Sound Compensation Practices by the Financial Stability Board (FSB).

Tutorial Overview
This tutorial explains the key issues to address when seeking to align risk and compensation. These include proportionality, with the Principles needing to be tailored to each firm's characteristics; the scope, components and types of risk-adjustments; and performance measures, deferral periods and their limitations.

This tutorial is part of a suite that includes the following:
- Principles for Sound Compensation Practices - Variable Compensation and Excessive Risk-taking
- Principles for Sound Compensation Practices - The FSB Principles and their Implementation
- Principles for Sound Compensation Practices - Key Issues in Aligning Risk and Compensation
- Principles for Sound Compensation Practices - Connect
- Principles for Sound Compensation Practices - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: December 2019

Principles for Sound Compensation Practices - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Principles for Sound Compensation Practices - Variable Compensation and Excessive Risk-taking
- Principles for Sound Compensation Practices - The FSB Principles and their Implementation
- Principles for Sound Compensation Practices - Key Issues in Aligning Risk and Compensation
- Principles for Sound Compensation Practices - Test Yourself

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: December 2019

Risk Data Aggregation and Reporting

Objectives
On completion of this tutorial, you will be able to:
- understand the importance of sound risk data aggregation and reporting
- identify the key supervisory expectations established by the principles developed by the Basel Committee on Banking Supervision (BCBS Principles)
- understand the scope of application of the BCBS Principles, the timeline for their implementation and the role that supervisory agencies are expected to play

Tutorial Overview
The financial crisis that began in 2007 served as a 'wake-up call' for the banking industry and regulatory community, as significant flaws in bank risk data management and reporting were exposed. To accelerate improvements in these areas, the BCBS established a set of specific principles to guide banks and their supervisors. In this tutorial, you will examine the importance of effective risk data aggregation and risk reporting, the purpose and content of the BCBS Principles and the role of supervisors in ensuring compliance with them.

Prerequisite Knowledge
Before you take this tutorial, you should have a general understanding of banks and the risks posed by concentrations of exposures. To get the maximum benefit from this tutorial, you may wish to familiarise yourself with the following tutorials:
- Corporate Governance in Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: December 2019
Basel Capital Framework

Capital is essential for the ongoing viability of individual banks and promotes confidence in national banking systems. Therefore, evaluating capital adequacy is one of the most critical tasks for all supervisors. In this category, you can find tutorials on the Pillar 1 requirements of the Basel capital framework (BCF) which are grouped into eight subcategories:

- **Overview** contains introductory tutorials on Basel I, II and III as well as the scope of application of the BCF.
- **Definition of Capital** comprises tutorials on regulatory capital components, including those required under Basel III.
- **G-SIBs and Capital Buffers** and **Leverage Ratio** include tutorials on Basel III’s capital buffers, the additional loss absorbency requirement on global systemically important banks and the leverage capital requirements.
- **Credit Risk – RWA, Market Risk – RWA and Operational Risk – RWA** consist of tutorials on the Standardised and Internal Ratings-Based Approaches to risk-based capital requirements for credit, market and operational risk.
- **Securitisation – RWA** includes tutorials on the treatment of securitisation exposures in regulatory capital, including its calculation methodology.
- **Definition of Capital** includes tutorials on regulatory capital components, including those required under Basel III.
- **G-SIBs and Capital Buffers** and **Leverage Ratio** include tutorials on Basel III’s capital buffers, the additional loss absorbency requirement on global systemically important banks and the leverage capital requirements.
- **Credit Risk – RWA, Market Risk – RWA and Operational Risk – RWA** consist of tutorials on the Standardised and Internal Ratings-Based Approaches to risk-based capital requirements for credit, market and operational risk.
- **Securitisation – RWA** includes tutorials on the treatment of securitisation exposures in regulatory capital, including its calculation methodology.

**Basel Capital Framework**

**Overview**

Basel I

**Objectives**

On completion of this tutorial you will be able to:
- explain the evolution of the concepts that underpin regulatory capital and the calculation of regulatory capital requirements using the Basel I methodology
- apply the supervisory risk weights and credit conversion factors used to estimate the credit risk associated with broad categories of exposure
- recognize and apply the minimum capital adequacy ratios

**Tutorial Overview**

The original objectives of Basel I were to help strengthen the soundness and stability of the international banking system and to provide a common regulatory framework for internationally active banks. Basel I was adopted in more than 100 jurisdictions around the world, many of which have now adopted Basel II.

**Prerequisite Knowledge**

To get the maximum benefit from this tutorial, you should be familiar with credit risk and the fundamentals of capital adequacy for banks. You can study topics related to these issues in the following tutorials:
- **Credit Risk - An Introduction**
- **Banks and Bank Risks - The Role of Banks**
- **Banks and Bank Risks - Credit Risk**
- **Bank Capital**
- **Definition of Regulatory Capital**

Accompanying this tutorial is a complementary tutorial titled Basel I - A Case Study. We recommend that you take this case study on completion of this tutorial.

**Tutorial Level:** Fundamental

**Tutorial Duration:** 90 mins

Basel II - An Overview

**Objectives**

On completion of this tutorial, you will be able to:
- outline the evolution of regulatory capital requirements from the 1988 Basel Capital Accord (Basel I) to the ‘three pillars’ approach of Basel II
- describe the minimum capital requirements set out in Pillar 1 of Basel II
- explain the purpose of the supervisory review process outlined in Pillar 2
- outline the disclosure requirements mandated by Pillar 3

**Tutorial Overview**

Basel II offers a menu of risk-sensitive approaches for determining minimum capital requirements and incorporates a range of incentives for better risk management. In addition, Basel II provides a supervisory review process for banks to maintain capital at levels commensurate with their risk profiles and encourages market discipline by requiring the disclosure of pertinent information.

This tutorial describes the concept of capital adequacy and looks at how the Basel requirements have progressed from the simplicity of the original Basel Capital Accord (Basel I) in 1988 to the more sophisticated requirements of Basel II.

**Prerequisite Knowledge**

In order to get maximum benefit from this tutorial, you should have a basic understanding of banking and regulatory capital adequacy requirements as described in the following tutorials:
- **Bank Capital**
- **Basel I**

**Tutorial Level:** Fundamental

**Tutorial Duration:** 75 mins

From Basel I to Basel III - A Chronology

The primary objective of capital standards is to require banks to hold enough capital to absorb losses and withstand economic downturns, thereby promoting the safety and soundness of the financial system.

This Insight outlines the evolution of international capital standards since 1988. It describes how the emphasis of each generation of standards, from Basel I to Basel III, has shifted to:
- reflect changes in the financial system
- address deficiencies in previous standards
- respond to banks’ efforts to circumvent the intended constraints placed upon them.

**Tutorial Level:** Fundamental

**Duration:** 30 mins

Basel Framework: Scope of Application - Executive Summary

The Basel Framework, which comprises the minimum quantitative requirements under Pillar 1, the supervisory review process under Pillar 2, and public disclosures under Pillar 3, is intended for application by internationally active banks on a fully consolidated basis.

This Executive Summary provides an overview of the scope of application of the framework, including the treatment of entities that are subject to, and outside of, the regulatory consolidation perimeter.

**Published:** August 2019
Basel Framework: Scope of Application - Overview

Objectives
On completion of this tutorial, you will be able to define which banks and banking groups are subject to the Basel Framework’s scope of application and recognise the role of the regulatory consolidation process in facilitating its implementation.

Tutorial Overview
The Basel Framework includes the minimum regulatory requirements under Pillar 1 and the supervisory review process and public disclosure requirements under Pillars 2 and 3. The Framework’s scope of application defines how it applies to internationally active banks and banking groups and to different types of entities within such groups through a process known as regulatory consolidation. This tutorial defines which banks and banking groups are subject to the Framework’s scope of application and explains the role of the regulatory consolidation process in facilitating its implementation.

This tutorial is part of a suite that includes the following:
- Basel Framework: Scope of Application - Overview
- Basel Framework: Scope of Application - Banking, Financial and Insurance Subsidiaries
- Basel Framework: Scope of Application - Investments in Unconsolidated Financial and Commercial Entities
- Basel Framework: Scope of Application - Pillar 1, 2 and 3 Requirements
- Basel Framework: Scope of Application - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the materials in the following tutorials:
- Bank Capital
- Accounting – Consolidation Issues

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2020

Basel Framework: Scope of Application - Test Yourself

Try these questions to evaluate your knowledge of the scope of application of the Basel Framework.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2020

Basel Framework: Scope of Application - Pillar 1, 2 and 3 Requirements

Objectives
On completion of this tutorial, you will be able to identify how the scope of application and the related regulatory consolidation process affect various requirements under Pillars 1, 2 and 3 of the Basel Framework.

Tutorial Overview
The Basel Framework includes the minimum regulatory requirements under Pillar 1 and the supervisory review process and public disclosures under Pillars 2 and 3. The Framework’s scope of application defines how it applies to banking groups and to different types of entities within such groups through a process known as regulatory consolidation. This tutorial explains how the scope of application and the related regulatory consolidation process affect various requirements under Pillar 1, as well as certain aspects of Pillars 2 and 3 of the Basel Framework.

This tutorial is part of a suite that includes the following:
- Basel Framework: Scope of Application - Overview
- Basel Framework: Scope of Application - Banking, Financial and Insurance Subsidiaries
- Basel Framework: Scope of Application - Investments in Unconsolidated Financial and Commercial Entities
- Basel Framework: Scope of Application - Pillar 1, 2 and 3 Requirements
- Basel Framework: Scope of Application - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the material in the following tutorials:
- Bank Capital
- Accounting – Consolidation Issues
- Definition of Capital in Basel III - Executive Summary
- Pillar 2 Supervisory Review Process - Overview

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2020

Basel Framework: Scope of Application - Investments in Unconsolidated Financial and Commercial Entities

Objectives
On completion of this tutorial, you will be able to recognise the regulatory capital treatment of bank investments in unconsolidated financial and commercial entities under the Basel Framework.

Tutorial Overview
The Basel Framework includes the minimum regulatory requirements under Pillar 1 and the supervisory review process and public disclosures under Pillars 2 and 3. The Framework’s scope of application defines how it applies to banking groups and to different types of entities within such groups through a process known as regulatory consolidation. This tutorial outlines the regulatory capital treatment of bank investments in unconsolidated financial and commercial entities.

This tutorial is part of a suite that includes the following:
- Basel Framework: Scope of Application - Overview
- Basel Framework: Scope of Application - Banking, Financial and Insurance Subsidiaries
- Basel Framework: Scope of Application - Investments in Unconsolidated Financial and Commercial Entities
- Basel Framework: Scope of Application - Pillar 1, 2 and 3 Requirements
- Basel Framework: Scope of Application - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the materials in the following tutorials:
- Bank Capital
- Accounting – Consolidation Issues
- Definition of Capital in Basel III - Executive Summary

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2020

Basel Framework: Scope of Application - Banking, Financial and Insurance Subsidiaries

Objectives
On completion of this tutorial, you will be able to recognise the Basel Framework’s treatment of banking, financial and insurance subsidiaries in the regulatory consolidation process.

Tutorial Overview
The Basel Framework includes the minimum regulatory requirements under Pillar 1 and the supervisory review process and public disclosures under Pillars 2 and 3. The Framework’s scope of application defines how it applies to banking groups and to different types of entities within such groups through a process known as regulatory consolidation. This tutorial explains the treatment of banking, financial and insurance subsidiaries in the regulatory consolidation process.

This tutorial is part of a suite that includes the following:
- Basel Framework: Scope of Application - Overview
- Basel Framework: Scope of Application - Banking, Financial and Insurance Subsidiaries
- Basel Framework: Scope of Application - Investments in Unconsolidated Financial and Commercial Entities
- Basel Framework: Scope of Application - Pillar 1, 2 and 3 Requirements
- Basel Framework: Scope of Application - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the materials in the following tutorials:
- Bank Capital
- Accounting – Consolidation Issues

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2020
Overview of Basel III and Related Post-crisis Reforms - Executive Summary

This Executive Summary presents an overview of the Basel III reforms, which aim to enhance the ability of banks to absorb shocks, maintain lending to the real economy and enhance banking disclosures.

Published: March 2016

Overview of Basel III - Strengthening the Risk-based Framework

Objectives
On completion of this tutorial, you will be able to identify how the Basel III reforms have overhauled the Basel Capital Framework and transformed it into a comprehensive set of international standards.

Tutorial Overview
This tutorial is the second in a suite presenting an overview of Basel III, the comprehensive package of regulatory reforms that draws on the lessons of the financial crisis that began in 2007. The purpose of the package is to increase regulated banks’ ability to withstand shocks arising from financial and economic stress.

The purpose of this tutorial is to present the measures that, together, complement the risk-based framework, increase bank resilience and ensure the effectiveness of regulatory standards. These measures include the capital conservation buffer, the standard on large exposures, the two liquidity standards and their monitoring tools, the Pillar 2 Interest Rate Risk in the Banking Book framework and the enhanced Pillar 3 framework.

The tutorials in the suite are as follows:
• Overview of Basel III - Strengthening the Risk-based Framework
• Overview of Basel III - Complementing the Risk-based Framework
• Overview of Basel III - The Macroprudential Overlay
• Overview of Basel III - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

Published: March 2018

Overview of Basel III - Complementing the Risk-based Framework

Objectives
On completion of this tutorial, you will be able to identify the measures that support the risk-based framework in increasing bank resilience and ensuring the effectiveness of regulatory standards.

Tutorial Overview
This tutorial is the third in a suite presenting an overview of Basel III, the comprehensive package of regulatory reforms that draws on the lessons of the financial crisis that began in 2007. The purpose of the package is to increase regulated banks’ ability to withstand shocks arising from financial and economic stress.

The purpose of this tutorial is to present the measures that, together, complement the risk-based framework, increase bank resilience and ensure the effectiveness of regulatory standards. These measures include the capital conservation buffer, the standard on large exposures, the two liquidity standards and their monitoring tools, the Pillar 2 Interest Rate Risk in the Banking Book framework and the enhanced Pillar 3 framework.

The tutorials in the suite are as follows:
• Overview of Basel III - Strengthening the Risk-based Framework
• Overview of Basel III - Complementing the Risk-based Framework
• Overview of Basel III - The Macroprudential Overlay
• Overview of Basel III - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

Published: March 2018

Overview of Basel III - Test Yourself

Try these questions to evaluate your knowledge of the Basel III reforms.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins

Published: March 2018

Definition of Capital

COCOs and Their Role in Regulatory Capital

Objectives
On completion of this tutorial, you will be able to:
• recognise the key aspects of contingent convertible capital (COCO) instruments
• identify how COCOs achieve regulatory recognition
• recognise motivations of key market participants, including issuers, investors and rating agencies

Tutorial Overview
Having set out what COCOs are and how they work, and the way these instruments are viewed by regulators, this tutorial explores the reasons for the growth of COCOs since the financial crisis. You will also learn about some of the challenges faced by the COCO market – the investors for who they might not be suitable and how banks in certain countries have been more likely to issue COCOs.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Bonds - An Introduction
• Equities - An Introduction
• Definition of Regulatory Capital
• Problem Banks - Corrective Actions and Resolutions

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Published: July 2016
Definition of Capital in Basel III - Executive Summary

The Basel Committee on Banking Supervision (BCBS) published the Basel III reforms in December 2010 with the aim of strengthening the quality of banks' capital bases and increasing the required level of regulatory capital. Regulatory capital under Basel III focuses on high-quality capital, predominantly in the form of shares and retained earnings that can absorb losses.

Prior to studying this tutorial, you should have a general understanding of the role of capital in banking as an element in the management of risk and a buffer against unexpected loss. To get maximum benefit from this tutorial, you should familiarise yourself with the following tutorials:

- Basel II - An Overview
- Bank Capital

This Executive Summary provides an overview of the key elements of the revised definition of capital.

Published: June 2019

Definition of Regulatory Capital

Objectives
On completion of this tutorial, you will be able to:
- identify the elements of regulatory capital as established by Basel III
- recognise how the level of regulatory capital is determined and the role of transparency
- identify the transitional arrangements for the phasing in of Basel III

Tutorial Overview
By 2007, banks in many countries had reduced their levels of common equity and overall capital quality. When the global financial crisis hit, the banking system could not cope with the resulting losses or the reintermediation of large off-balance sheet exposures. To address these failures and reduce the likelihood and severity of future financial crises, the Basel Committee on Banking Supervision developed a comprehensive program of reforms - Basel III. This tutorial presents the measures taken to raise the quality, consistency and transparency of regulatory capital standards under this reform program.

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of the Basel Capital Framework (BCF) and of banks' regulatory capital structures. To get maximum benefit from this tutorial, you should familiarise yourself with the topics in the following tutorials:
- Basel II - An Overview
- Bank Capital

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Regulatory Capital Adjustments Under Basel III

Objectives
On completion of this tutorial, you will be able to:
- explain the rationale and evolution of regulatory adjustments under the Basel Capital Framework (BCF)
- identify the regulatory adjustments for assets with uncertain ability to absorb losses and the adjustments linked to fair value and other accounting rules
- explain the regulatory adjustments that address capital leveraging
- describe the implementation issues that supervisors and banks face when applying the regulatory adjustments

Tutorial Overview
Following the financial crisis that started in 2007, the Basel Committee on Banking Supervision (BCBS) led efforts to improve the quality, quantity and international consistency of regulatory capital in the banking system. The BCBS sought to achieve this objective through significant enhancements to its global capital standard, commonly known as Basel III. These reforms placed particular focus on strengthening the definition of regulatory capital used to calculate bank capital adequacy requirements. This tutorial focuses on adjustments made to regulatory capital under the BCF, taking into account developments under the Basel III reforms.

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of the Basel Capital Framework (BCF) and of banks’ regulatory capital structures. To get maximum benefit from this tutorial, you should familiarise yourself with the topics in the following tutorials:
- Basel Capital
- Scope of Application
- Overview of Basel III - Strengthening the Risk-based Framework
- Definition of Regulatory Capital

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

G-SIBs and Capital Buffers

Capital Conservation and Countercyclical Buffers

Objectives
On completion of this tutorial, you will be able to:
- identify the purpose of the capital conservation and countercyclical buffers
- recognize the components and mechanisms of the capital conservation and countercyclical buffers
- identify the issues to be addressed when implementing capital conservation and countercyclical buffers

Tutorial Overview
In the years preceding the financial crisis that began in 2007 (financial crisis), many large banks experienced rapid credit growth and took on excessive risks, while paying out a large portion of their earnings to shareholders and staff. As a result, they entered the crisis with an insufficient level of capital to absorb the ensuing losses.

To remedy these shortcomings, the Basel Committee on Banking Supervision (BCBS) developed capital conservation and countercyclical capital buffers. These buffers are in addition to the Basel III minimum capital requirements. The capital conservation buffer encourages individual banks to build capital buffers beyond the minimum regulatory requirements, while the countercyclical capital buffer is designed to protect the banking system from excessive credit growth, which is often associated with the build-up of system-wide risk.

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of the Basel Capital Framework (BCF) and of banks' regulatory capital structures. To get maximum benefit from this tutorial, you should familiarise yourself with the topics in the following tutorials:
- Overview of Basel III - The Macroprudential Overlay
- Definition of Regulatory Capital

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
G-SIBs: Identification and Systemic Capital Charge - Overview

Objectives
On completion of this tutorial, you will be able to identify the reasons why globally systemically important banks (G-SIBs) are subject to enhanced regulation and supervision and the context around these requirements.

Tutorial Overview
This tutorial introduces the special regulatory requirements for G-SIBs that were put in place by the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) after the financial crisis that began in 2007 to address systemic risk and the ‘too-big-to-fail’ conundrum.

This tutorial is part of a suite that includes the following:
- G-SIBs: Identification and Systemic Capital Charge - Overview
- G-SIBs: Identification and Systemic Capital Charge - Assessment Methodology
- G-SIBs: Identification and Systemic Capital Charge - HLA Requirements
- G-SIBs: Identification and Systemic Capital Charge - Connect
- G-SIBs: Identification and Systemic Capital Charge - Test Yourself

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of the Basel Capital Framework and the reforms to these standards under Basel III. To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Overview of Basel III - Strengthening the Risk-based Framework
- Overview of Basel III - The Macroprudential Overlay
- Capital Conservation and Countercyclical Buffers

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: December 2019

G-SIBs: Identification and Systemic Capital Charge - HLA Requirements

Objectives
On completion of this tutorial, you will be able to recognise how the higher loss absorbency (HLA) requirements that globally systemically important banks (G-SIBs) are subject to are calculated and applied.

Tutorial Overview
This tutorial presents the bucketing approach to determine the HLA requirements for G-SIBs and provides a practical example to compute this requirement.

This tutorial is part of a suite that includes the following:
- G-SIBs: Identification and Systemic Capital Charge - Overview
- G-SIBs: Identification and Systemic Capital Charge - Assessment Methodology
- G-SIBs: Identification and Systemic Capital Charge - HLA Requirements
- G-SIBs: Identification and Systemic Capital Charge - Connect
- G-SIBs: Identification and Systemic Capital Charge - Test Yourself

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of the Basel Capital Framework and the reforms to these standards under Basel III. To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Overview of Basel III - Strengthening the Risk-based Framework
- Overview of Basel III - The Macroprudential Overlay
- Capital Conservation and Countercyclical Buffers

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: December 2019

G-SIBs: Identification and Systemic Capital Charge - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- G-SIBs: Identification and Systemic Capital Charge - Overview
- G-SIBs: Identification and Systemic Capital Charge - Assessment Methodology
- G-SIBs: Identification and Systemic Capital Charge - HLA Requirements

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: December 2019

G-SIBs: Identification and Systemic Capital Charge - Test Yourself

Try these questions to evaluate your knowledge of the special regulatory requirements for globally systemically important banks (G-SIBs).

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: December 2019

The Capital Buffers in Basel III - Executive Summary

Lack of a system-wide approach to financial sector risks, a so-called macroprudential perspective, was one of the shortcomings in banking regulation that was exposed by the financial crisis that began in 2007. To address this fault line, Basel III introduces two buffers that apply to all banks: the capital conservation buffer and the countercyclical capital buffer. These buffers are part of the Basel Consolidated Framework that brings together all of the Basel Committee on Banking Supervision’s standards.

This Executive Summary provides an overview of these capital buffers and explains the requirements around them.

Published: November 2019
The D-SIB Framework

Objectives
On completion of this tutorial, you will be able to:
- outline the rationale behind the policy framework for domestic systemically important banks (D-SIBs)
- describe how D-SIBs should be identified by national authorities according to the framework
- identify how the higher loss absorbency (HLA) requirement for D-SIBs will be determined

Tutorial Overview
As part of its Basel III reform package, the Basel Committee on Banking Supervision (BCBS) introduced a framework that required global systemically important banks (G-SIBs) to have greater loss absorption capacity. This requirement recognises that the failure of a G-SIB can have severe repercussions on the global financial system and overall economy. Complementary to the G-SIB requirement is a policy framework for D-SIBs, which was published by the BCBS in 2012. The D-SIB framework, which is principles-based, aims to address concerns relating to systemically important banks from a domestic economy perspective and is the focus of this tutorial.

Prerequisite Knowledge
Prior to studying this tutorial, you should have a good understanding of the framework to identify G-SIBs and the HLA requirements imposed on them. In order to fully benefit from this tutorial, we suggest you review the material in the following tutorial:
- G-SIBs - Identification and Systemic Capital Surcharge

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: February 2016

The G-SIB Framework - Executive Summary

The Basel Committee on Banking Supervision issued a revised methodology for global systemically important banks (G-SIBs) in July 2018. This Executive Summary provides a brief overview of the methodology and the associated capital requirements for G-SIBs.

Published: October 2018

TLAC - Executive Summary

This Executive Summary provides a brief description of the objective, the application, the composition and phasing-in of the total loss-absorbing capacity (TLAC) requirement.

Published: October 2016

TLAC - Overview of the Standard

Objectives
Upon completion of this tutorial, you will be able to identify the rationale for the total loss-absorbing capacity (TLAC) standard, the minimum TLAC requirement and how it is being phased-in.

Tutorial Overview
TLAC is an important piece of the regulatory reforms being introduced in the wake of the financial crisis that began in 2007, but what exactly is its objective? Which banks are covered by the standard, and how will these banks comply with the standard and by when? In this tutorial, we’ll find out as we examine:
- the TLAC standard and the too-big-to-fail (TBTF) problem
- TLAC covered institutions
- TLAC composition
- application of the TLAC requirement
- calibration and phasing-in of the minimum TLAC requirement

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2016

TLAC - Qualifying Instruments

Objectives
Upon completion of this tutorial, you will be able to identify which instruments should count as eligible under the total loss-absorbing capacity (TLAC) standard and the amount of these instruments banks are required to have.

Tutorial Overview
What are the rules for including financial instruments in TLAC? How can banks comply with these rules, and what are the exceptions?

In this tutorial, we’ll find out as we examine the:
- conditions for including regulatory capital and debt instruments in TLAC and the related exceptions
- features and size of the internal TLAC requirement

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2016

TLAC - Test Yourself

Try these questions to evaluate your knowledge of the total loss-absorbing capacity (TLAC) requirement.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: October 2016

Leverage Ratio

Basel III Leverage Ratio Framework - Executive Summary

The Basel Committee on Banking Supervision introduced a leverage ratio in the Basel III package of reforms to constrain the future build-up of excessive leverage and reinforce the risk-based capital requirements with a simple, non-risk-based ‘backstop’ measure. This Executive Summary provides an overview of the leverage ratio framework and its main components.

Published: October 2017
Leverage Ratio

Objectives
On completion of this tutorial, you will be able to:
- understand the basic concept of leverage and identify the objectives of the leverage ratio
- identify the main components of the leverage ratio
- understand the treatment of on-balance sheet and off-balance sheet exposures
- appreciate practical implementation issues

Tutorial Overview
The build-up of excessive leverage during the financial crisis that began in 2007 made banks more vulnerable to changes in market and economic conditions. As conditions deteriorated, many banks could not absorb the resulting losses and had to reduce exposures rapidly which had the effect of reducing credit availability. In response, the Basel Committee on Banking Supervision introduced a leverage ratio as part of its Basel III reforms to constrain the future build-up of leverage. This tutorial focuses on explaining the leverage ratio and its main components. The treatment of two complex elements – derivatives and securities financing transactions – will be covered in a separate tutorial.

Prerequisite Knowledge
Prior to studying this tutorial, you should be familiar with bank risks and regulatory capital requirements and the topics covered in the following tutorials:
- Bank Capital
- Basel II - An Overview
- Overview of Basel III - Complementing the Risk-based Framework
- Definition of Regulatory Capital

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: June 2015

Leverage Ratio: Derivatives and SFTs - An Overview

Objectives
On completion of this tutorial, you will be able to recognise why banks’ derivatives exposures and securities financing transactions (SFTs) need specific treatments to capture their leverage in the exposure measure of Basel III’s leverage ratio.

Tutorial Overview
This tutorial presents the main features of Basel III’s leverage ratio. It also identifies the unique features of derivatives and SFT transactions that explain the specific treatments to which these instruments are subject.

This tutorial is part of a suite that includes the following:
- Leverage Ratio: Derivatives and SFTs - An Overview
- Leverage Ratio: Derivatives and SFTs - Treatment of Derivatives Exposures
- Leverage Ratio: Derivatives and SFTs - Treatment of SFTs
- Leverage Ratio: Derivatives and SFTs - Test Yourself

Published: November 2019

Leverage Ratio: Derivatives and SFTs - Treatment of Derivatives Exposures

Objectives
On completion of this tutorial, you will be able to recognise the treatment of derivatives exposures under the Basel III leverage ratio standard.

Tutorial Overview
This tutorial presents the main features for determining the exposure measures of derivatives transactions under the Basel III leverage ratio.

This tutorial is part of a suite that includes the following:
- Leverage Ratio: Derivatives and SFTs - An Overview
- Leverage Ratio: Derivatives and SFTs - Treatment of Derivatives Exposures
- Leverage Ratio: Derivatives and SFTs - Treatment of SFTs
- Leverage Ratio: Derivatives and SFTs - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you should be familiar with the material contained in the following tutorial:
- Leverage Ratio

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: November 2019

Leverage Ratio: Derivatives and SFTs - Treatment of SFTs

Objectives
On completion of this tutorial, you will be able to recognise how the leverage arising from banks’ securities financing transactions (SFTs) is captured in the exposure measure of the leverage ratio under Basel III.

Tutorial Overview
This tutorial presents the main types of leverage to which a bank may be exposed through its SFTs. It also explains the various treatments to reflect this leverage, depending on the bank’s role in these transactions, in the leverage ratio’s exposure measure. This tutorial is part of a suite that includes the following:

- Leverage Ratio: Derivatives and SFTs - An Overview
- Leverage Ratio: Derivatives and SFTs - Treatment of Derivatives Exposures
- Leverage Ratio: Derivatives and SFTs - Treatment of SFTs
- Leverage Ratio: Derivatives and SFTs - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you should be familiar with the material in the following tutorial:
- Leverage Ratio

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: November 2019

Leverage Ratio: Derivatives and SFTs - Test Yourself

Try these questions to evaluate your knowledge of exposure measures for derivatives and securities financing transactions (SFTs) under the Basel III leverage ratio standard.

Tutorial Level: Intermediate
Tutorial Duration: 10 mins
Published: November 2019
Credit Risk - RWA

Basel III CRM Framework - Introduction

Objectives
On completion of this tutorial, you will be able to identify the main credit risk mitigation (CRM) techniques and how they are recognised under the Basel III framework.

Tutorial Overview
This tutorial provides an overview of CRM techniques – such as financial collateral, on-balance sheet netting, guarantees and credit derivatives – and outlines the main risks involved in their use. It highlights key revisions to the CRM framework under Basel III and introduces approaches for the regulatory recognition of CRM.

This tutorial is part of a suite that includes the following:
- Basel III CRM Framework - Introduction
- Basel III CRM Framework - Collateralised Transactions and Netting
- Basel III CRM Framework - Guarantees and Credit Derivatives
- Basel III CRM Framework - Connect
- Basel III CRM Framework - Test Yourself

Prerequisite Knowledge
To benefit fully from this tutorial, you should have a basic understanding of the standardised approach (SA) and internal ratings-based (IRB) approach for credit risk, as described in the following tutorials:
- Basel II - An Overview
- Overview of Basel III - Strengthening the Risk-based Framework
- Overview of the Revised Credit Risk Framework - Standardised Approach
- IRB - An Introduction

Published: December 2018

Basel III CRM Framework - Guarantees and Credit Derivatives

Objectives
On completion of this tutorial, you will be able to identify the conditions necessary for regulatory recognition of guarantees and credit derivatives under Basel III’s revised credit risk mitigation (CRM) framework for exposures risk weighted under the standardised approach for credit risk and to calculate corresponding capital requirements.

Tutorial Overview
This tutorial explains the treatment of guarantees and credit derivatives in the revised CRM framework under Basel III as it applies to exposures risk weighted under the standardised approach for credit risk.

This tutorial is part of a suite that includes the following:
- Basel III CRM Framework - Introduction
- Basel III CRM Framework - Collateralised Transactions and Netting
- Basel III CRM Framework - Guarantees and Credit Derivatives
- Basel III CRM Framework - Connect
- Basel III CRM Framework - Test Yourself

Prerequisite Knowledge
To benefit fully from this tutorial, you should have a basic understanding of the standardised approach (SA) and internal ratings-based (IRB) approach for credit risk, as described in the following tutorials:
- Basel II - An Overview
- Overview of Basel III - Strengthening the Risk-based Framework
- Overview of the Revised Credit Risk Framework - Standardised Approach
- IRB - An Introduction

Published: December 2018

Basel III CRM Framework - Collateralised Transactions and Netting

Objectives
On completion of this tutorial, you will be able to outline the specific conditions necessary for regulatory recognition of financial collateral and on-balance sheet netting under the revised credit risk mitigation (CRM) framework and to calculate capital requirements for collateralised transactions under the simple and comprehensive approach.

Tutorial Overview
This tutorial explains the treatment of collateralised transactions and on-balance sheet netting in the revised CRM framework under Basel III.

This tutorial is part of a suite that includes the following:
- Basel III CRM Framework - Introduction
- Basel III CRM Framework - Collateralised Transactions and Netting
- Basel III CRM Framework - Guarantees and Credit Derivatives
- Basel III CRM Framework - Connect
- Basel III CRM Framework - Test Yourself

Published: December 2018
Central Counterparty Exposures

Objectives
On completion of this tutorial, you will be able to:
- describe how capital requirements for bank exposures to central counterparties (CCPs) have evolved
- determine the capital treatment for different types of trade exposures to CCPs
- explain the calculation of regulatory capital for CCP default fund contributions of clearing member banks

Tutorial Overview
The financial crisis that began in 2007 led to a regulatory initiative to centrally clear more derivative transactions through CCPs as one way to mitigate systemic risk in the derivatives markets. The shift towards central clearing also initiated a review of the appropriateness of regulatory capital requirements for bank exposures to CCPs. This tutorial looks at the computation of regulatory capital requirements for the different types of exposures that a bank may have to a CCP based on the framework released by the Basel Committee on Banking Supervision in 2014.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Counterparty Credit Risk - An Introduction
- Over-The-Counter (OTC) Derivatives Market Reforms
- Standardised Approach for Counterparty Credit Risk - Parts 1 and 2
- CRM - Collateral & Netting

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: February 2016

Counterparty Credit Risk in Basel III - Executive Summary

Counterparty Credit Risk (CCR) is a complex risk to assess. It is a hybrid between credit and market risk and depends on both changes in the creditworthiness of the counterparty and movements in underlying market risk factors.

This Executive Summary provides an overview of the treatment of CCR in the Basel III framework.

Published: September 2018

Credit Risk SA for Banks - Exposures to Banks

Objectives
On completion of this tutorial, you will be able to determine the applicable regulatory capital treatment for bank exposures under Basel III.

Tutorial Overview
This tutorial describes the regulatory capital treatment applicable to bank exposures under Basel III credit risk standardised approach (SA). In particular, it looks at the two methods for determining supervisory risk weights for claims on banks, which depends on whether or not external credit ratings can be used in the jurisdiction under consideration.

This tutorial is part of a suite that includes the following:
- Credit Risk SA for Banks - Exposures to Banks
- Credit Risk SA for Banks - Multilateral Development Banks and Covered Bonds
- Credit Risk SA for Banks - Connect
- Credit Risk SA for Banks - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with the material in the following tutorials:
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Standardised Approach

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: October 2018

Credit Risk SA for Banks - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Credit Risk SA for Banks - Exposures to Banks
- Credit Risk SA for Banks - Multilateral Development Banks and Covered Bonds

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: October 2018
Credit Risk SA for Corporates - Test Yourself

Try these questions to evaluate your knowledge of Basel III’s standardised approach to credit risk for banks.

Tutorial Level: Intermediate
Tutorial Duration: 10 mins
Published: October 2018

Credit Risk SA for Corporates - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Credit Risk SA for Corporates - General Corporate Exposures
- Credit Risk SA for Corporates - Specialised Lending
- Credit Risk SA for Corporates - Subordinated Debt, Equity and Other Capital Instruments

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: December 2018

Credit Risk SA for Corporates - Test Yourself

Try these questions to evaluate your knowledge of how claims on corporates, equity, subordinated debt and other capital instruments are risk-weighted under the revised standardised approach (SA) for credit risk.

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: December 2018

Credit Risk SA for Corporates - General Corporate Exposures

Objectives
On completion of this tutorial, you will be able to determine the regulatory capital treatment applicable to corporate exposures under Basel III.

Tutorial Overview
This tutorial describes the regulatory capital treatment applicable to corporate exposures under Basel III’s revised standardised approach (SA) for credit risk. In particular, it looks at the general treatment for corporate exposures and the two methods for determining supervisory risk weights for claims on corporates, depending upon whether external credit ratings can be used in the jurisdiction under consideration.

This tutorial is part of a suite that includes the following:
- Credit Risk SA for Corporates - General Corporate Exposures
- Credit Risk SA for Corporates - Specialised Lending
- Credit Risk SA for Corporates - Subordinated Debt, Equity and Other Capital Instruments
- Credit Risk SA for Corporates - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with issues relating to credit risk, external ratings and the SA for credit risk. You can study related topics in the following tutorials:
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Standardised Approach

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: December 2018

Credit Risk SA for Corporates - Subordinated Debt, Equity and Other Capital Instruments

Objectives
On completion of this tutorial, you will be able to determine the regulatory capital treatment applicable to subordinated debt, equity and other regulatory capital instruments issued by banks or corporates under Basel III.

Tutorial Overview
In this tutorial, you will learn about the regulatory capital treatments of equity and equity-like exposures, including subordinated debt, under Basel III’s revised standardised approach (SA) for credit risk. In particular, you will learn about the scope of the treatments and how specific types of equity exposures are treated for regulatory capital purposes and in accordance with the risks that they bear.

This tutorial is part of a suite that includes the following:
- Credit Risk SA for Corporates - General Corporate Exposures
- Credit Risk SA for Corporates - Specialised Lending
- Credit Risk SA for Corporates - Subordinated Debt, Equity and Other Capital Instruments
- Credit Risk SA for Corporates - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with issues relating to credit risk, external ratings and the SA for credit risk. You can study related topics in the following tutorials:
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Standardised Approach
- Definition of Regulatory Capital
- Regulatory Capital Adjustments Under Basel III

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: December 2018

Credit Risk SA for Corporates - Specialised Lending

Objectives
On completion of this tutorial, you will be able to identify the regulatory capital treatment applicable to exposures derived from the three main types of specialised lending under Basel III’s standardised approach (SA) for credit risk.

Tutorial Overview
In this tutorial, you will learn about the regulatory capital treatment under Basel III applied to the three main types of specialised lending exposures — object, commodities and project finance exposures. The introduction of such a treatment helps to better align the standardised and the internal ratings-based approaches to credit risk.

This tutorial is part of a suite that includes the following:
- Credit Risk SA for Corporates - General Corporate Exposures
- Credit Risk SA for Corporates - Specialised Lending
- Credit Risk SA for Corporates - Subordinated Debt, Equity and Other Capital Instruments
- Credit Risk SA for Corporates - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with issues relating to credit risk, external ratings and the SA for credit risk. You can study related topics in the following tutorials:
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Standardised Approach

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: December 2018
Credit Risk SA for Other Exposures - Retail and Defaulted Exposures

Objectives
On completion of this tutorial, you will be able to identify how capital charges for retail and defaulted exposures are calculated under the Basel III standardised approach (SA) for credit risk.

Tutorial Overview
This tutorial outlines the definition of retail and defaulted exposures and explains how the related SA capital charges are determined through the application of risk-weights.

This tutorial is part of a suite that includes the following:
• Credit Risk SA for Other Exposures - Retail and Defaulted Exposures
• Credit Risk SA for Other Exposures - Off-balance Sheet Items and Other Assets
• Credit Risk SA for Other Exposures - Connect
• Credit Risk SA for Other Exposures - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the SA for credit risk under Basel III, as described in the following tutorials:
• Overview of the Revised Credit Risk Framework - Introduction
• Overview of the Revised Credit Risk Framework - Standardised Approach

Published: July 2019

Credit Risk SA for Other Exposures - Connect

This tutorial is the Connect phase for the following suite of tutorials:
• Credit Risk SA for Other Exposures - Retail and Defaulted Exposures
• Credit Risk SA for Other Exposures - Off-balance Sheet Items and Other Assets

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Published: July 2019

Credit Risk SA for Other Exposures - Test Yourself

Try these questions to evaluate your knowledge of the Basel III credit risk standardised approach for other exposures.

Published: July 2019

Credit Risk SA for Real Estate - Residential Real Estate

Objectives
On completion of this tutorial, you will be able to identify the regulatory capital treatment applicable to exposures secured by residential real estate under the Basel III standardised approach (SA) for credit risk.

Tutorial Overview
This tutorial outlines how residential real estate exposures are treated under the SA for credit risk. In particular, it introduces the methods for determining supervisory risk weights and outlines corresponding prudential requirements.

This tutorial is part of a suite that includes the following:
• Credit Risk SA for Real Estate - Introduction
• Credit Risk SA for Real Estate - Residential Real Estate
• Credit Risk SA for Real Estate - Commercial Real Estate and ADC
• Credit Risk SA for Real Estate - Connect
• Credit Risk SA for Real Estate - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with issues relating to credit risk and the SA. You can study related topics in the following tutorials:
• Overview of the Revised Credit Risk Framework - Introduction
• Overview of the Revised Credit Risk Framework - Standardised Approach
• Overview of Basel III - Strengthening the Risk-based Framework

Published: January 2019
Credit Risk SA for Real Estate - Commercial Real Estate and ADC

Objectives
On completion of this tutorial, you will be able to identify the regulatory capital treatment applicable to exposures secured by commercial real estate and land acquisition, development and construction (ADC) exposures under the Basel III standardised approach (SA) for credit risk.

Tutorial Overview
This tutorial outlines how commercial real estate exposures and ADC exposures are treated under the SA for credit risk. In particular, it introduces the methods for determining supervisory risk weights and outlines corresponding prudential requirements.

This tutorial is a part of a suite that includes the following:
• Credit Risk SA for Real Estate - Introduction
• Credit Risk SA for Real Estate - Residential Real Estate
• Credit Risk SA for Real Estate - Commercial Real Estate and ADC
• Credit Risk SA for Real Estate - Connect
• Credit Risk SA for Real Estate - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with issues relating to credit risk and the SA. You can study related topics in the following tutorials:
• Overview of the Revised Credit Risk Framework - Introduction
• Overview of the Revised Credit Risk Framework - Standardised Approach
• Overview of Basel III - Strengthening the Risk-Based Framework

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: January 2019

Credit Risk SA for Real Estate - Test Yourself

Try these questions to evaluate your knowledge of the regulatory capital treatment applicable to real estate exposures under the Basel III standardised approach for credit risk.

Tutorial Level: Intermediate
Tutorial Duration: 10 mins
Published: January 2019

Equity Investments in Funds - Approaches

Objectives
On completion of this tutorial, you will be able to identify the three different approaches that banks may use to calculate regulatory capital requirements for their equity investments in funds and how these approaches differ in terms of risk sensitivity.

Tutorial Overview
Through holding equity investments in a fund, banks are exposed to the risk associated with the fund’s underlying assets. The Basel Committee on Banking Supervision (BCBS) specifies three approaches to calculating regulatory capital requirements for equity investments in funds, which vary in risk sensitivity and conservatism.

This tutorial provides a high-level overview of these approaches.

The tutorial is part of a suite that includes the following:
• Equity Investments in Funds - Approaches
• Equity Investments in Funds - More Complex Funds
• Equity Investments in Funds - Connect
• Equity Investments in Funds - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Overview of the Revised Credit Risk Framework - Introduction
• Overview of the Revised Credit Risk Framework - Standardised Approach
• Overview of Basel III - Strengthening the Risk-Based Framework

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: February 2020

Equity Investments in Funds - Approaches

Objectives
On completion of this tutorial, you will be able to identify the three different approaches that banks may use to calculate regulatory capital requirements for their equity investments in funds and how these approaches differ in terms of risk sensitivity.

Tutorial Overview
Through holding equity investments in a fund, banks are exposed to the risk associated with the fund’s underlying assets. The Basel Committee on Banking Supervision (BCBS) specifies three approaches to calculating regulatory capital requirements for equity investments in funds, which vary in risk sensitivity and conservatism.

This tutorial provides a high-level overview of these approaches.

The tutorial is part of a suite that includes the following:
• Equity Investments in Funds - Approaches
• Equity Investments in Funds - More Complex Funds
• Equity Investments in Funds - Connect
• Equity Investments in Funds - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Overview of the Revised Credit Risk Framework - Introduction
• Overview of the Revised Credit Risk Framework - Standardised Approach
• Overview of Basel III - Strengthening the Risk-Based Framework

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: February 2020

Equity Investments in Funds - Connect

This tutorial is the Connect phase for the following suite of tutorials:
• Equity Investments in Funds - Approaches
• Equity Investments in Funds - More Complex Funds

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: February 2020

Equity Investments in Funds - Test Yourself

Try these questions to evaluate your knowledge of equity investments in funds.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: February 2020

Equity Investments in Funds - More Complex Funds

Objectives
On completion of this tutorial, you will be able to identify the banks’ equity investments in funds that have more complex underlying assets, such as other funds or derivatives, as well as the treatment of special cases.

Tutorial Overview
This tutorial covers capital requirements for banks’ equity investments in funds that invest in other funds and derivatives. It also covers equity investments in funds that are excluded from the capital requirement, as well as the treatment of a fund’s underlying equity exposures.

This tutorial is part of a suite that includes the following:
• Equity Investments in Funds - Approaches
• Equity Investments in Funds - More Complex Funds
• Equity Investments in Funds - Connect
• Equity Investments in Funds - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
• Counterparty Credit Risk - An Introduction

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: February 2020

Equity Investments in Funds - Test Yourself

Try these questions to evaluate your knowledge of equity investments in funds.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: February 2020
External Ratings in the Credit Risk SA - Eligibility Criteria

Objectives
On completion of this tutorial, you will be able to identify the eligibility criteria for recognising credit rating agencies as external credit assessment institutions (ECAls) under the Basel Capital Framework’s standardised approach for credit risk.

Tutorial Overview
This tutorial identifies the recognition criteria for credit rating agencies under the Basel Capital Framework and discusses the criteria a credit rating agency must satisfy so that its ratings can be used for prudential purposes.

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the concept of credit risk. You can study related topics in the following tutorials:
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Standardised Approach
- Overview of Basel III - Strengthening the Risk-based Framework

Published: December 2019

External Ratings in the Credit Risk SA - Mapping Process

Objectives
On completion of this tutorial, you will be able to recognise the process for mapping credit ratings to the risk weights available under the Basel Capital Framework’s standardised approach for credit risk.

Tutorial Overview
This tutorial outlines the process for mapping eligible ratings to supervisory risk weights under the standardised approach for calculating regulatory capital requirements for credit risk under Basel III.

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the concept of credit risk. You can study related topics in the following tutorials:
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Standardised Approach
- Overview of Basel III - Strengthening the Risk-based Framework

Published: December 2019

External Ratings in the Credit Risk SA - Special Cases

Objectives
On completion of this tutorial, you will be able to identify the different special cases related to the use of credit ratings issued by external credit assessment institutions (ECAls) under the Basel Capital Framework’s standardised approach (SA) for credit risk.

Tutorial Overview
This tutorial describes special cases relating to the use of external ratings for regulatory purposes under the Basel Capital Framework’s SA for credit risk. The cases cover multiple external ratings, issue-specific and issuer ratings; domestic currency and foreign currency ratings; short-term/long-term ratings, the level of application of the ratings and the use of unsolicited ratings.

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the concept of credit risk. You can study related topics in the following tutorials:
- External Ratings in the Credit Risk SA - Eligibility Criteria
- External Ratings in the Credit Risk SA - Mapping Process
- External Ratings in the Credit Risk SA - Special Cases
- External Ratings in the Credit Risk SA - Connect
- External Ratings in the Credit Risk SA - Test Yourself

Published: December 2019

External Ratings in the Credit Risk SA - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- External Ratings in the Credit Risk SA - Eligibility Criteria
- External Ratings in the Credit Risk SA - Mapping Process
- External Ratings in the Credit Risk SA - Special Cases

It provides you with an opportunity to test your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: December 2019

External Ratings in the Credit Risk SA - Test Yourself

Try these questions to evaluate your knowledge of the use of external ratings under the Basel Capital Framework's standardised approach to credit risk.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: December 2019

IRB - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- explain why the internal ratings-based (IRB) approach is advantageous for many banks and supervisors
- describe the structure of the IRB framework’s minimum requirements
- characterise the issues related to using IRB systems for determining regulatory capital

Tutorial Overview
This tutorial will familiarise you with the benefits of using internal rating systems for differentiating levels of risk. You will examine the progressively more refined regulatory capital approaches offered by the Basel Committee on Banking Supervision (BCBS), and the minimum requirements that a bank’s internal rating systems must satisfy to qualify for regulatory capital purposes.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the Fundamental-level tutorials related to capital and the Basel Capital Framework (BCF).

Tutorial Level: Intermediate
Tutorial Duration: 90 mins
IRB for Corporate and Bank Exposures - Overview

Objectives
On completion of this tutorial, you will be able to identify exposures to corporates and banks as defined under the Basel Capital Framework (BCF) and to explain the mechanics of calculating the corresponding capital charges under the internal ratings-based (IRB) approach.

Tutorial Overview
This tutorial outlines the definition of exposures to corporates and banks and provides an overview of how the IRB capital charges are determined through the application of the IRB risk weight functions.

This tutorial is part of a suite that includes the following:
- IRB for Corporate and Bank Exposures - Overview
- IRB for Corporate and Bank Exposures - Risk Components and Risk-weight Function
- IRB for Corporate and Bank Exposures - Connect
- IRB for Corporate and Bank Exposures - Test Yourself

Published: February 2019

IRB for Corporate and Bank Exposures - Connect

To fully benefit from this tutorial, you should be familiar with the BCF and the IRB approach. You can study topics related to these areas in the following tutorials:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

This tutorial is the Connect phase for the following suite of tutorials:
- IRB for Corporate and Bank Exposures - Overview
- IRB for Corporate and Bank Exposures - Risk Components and Risk-weight Function

Published: February 2019

IRB for Corporate and Bank Exposures - Test Yourself

Try these questions to evaluate your knowledge of the internal ratings-based (IRB) approach for corporate and bank exposures.

Published: February 2019

IRB for Equity Exposures

Objectives
On completion of this tutorial, you will be able to:
- outline the scope of the Basel Capital Framework’s (BCF’s) internal ratings-based (IRB) approach for equity exposures in the banking book
- understand the mechanics of the different IRB methods of calculating capital charges for equity holdings
- describe the minimum requirements for using internal models for equity holdings

Published: October 2019
IRB for Purchased Receivables - Capital Requirements

Objectives
On completion of this tutorial, you will be able to identify the steps involved in calculating the capital charges for the internal ratings-based (IRB) approach for purchased receivables under the Basel Capital Framework (BCF).

Tutorial Overview
This tutorial outlines the steps for calculating capital requirements for purchased receivables under the IRB approach.

This tutorial is part of a suite that includes the following:
- IRB for Purchased Receivables - Overview
- IRB for Purchased Receivables - Capital Requirements
- IRB for Purchased Receivables - Connect
- IRB for Purchased Receivables - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

Tutorial Level: Advanced
Tutorial Duration: 15 mins
Published: October 2019

IRB for Purchased Receivables - Test Yourself

Try these questions to evaluate your knowledge of the internal ratings-based (IRB) approach for purchased receivables under the Basel Capital Framework.

Tutorial Level: Advanced
Tutorial Duration: 10 mins
Published: October 2019

IRB for Retail Exposures - Overview

Objectives
On completion of this tutorial, you will be able to identify retail exposures as defined under the Basel Capital Framework (BCF) and to understand the mechanics of calculating the internal ratings-based (IRB) approach capital charges for such exposures.

Tutorial Overview
This tutorial outlines the definition and types of retail exposures and how they are grouped into segments according to their risk characteristics. It then provides an overview of how the IRB approach capital charges are determined through the application of the approach's risk-weight functions.

This tutorial is part of a suite that includes the following:
- IRB for Retail Exposures - Overview
- IRB for Retail Exposures - Risk Components and Risk-weight Functions
- IRB for Retail Exposures - Connect
- IRB for Retail Exposures - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with retail lending and the BCF, including the IRB approach, as described in the following tutorials:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- IRB Minimum Requirements - Credit Risk Mitigation
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

Tutorial Level: Advanced
Tutorial Duration: 15 mins
Published: January 2019

IRB for Retail Exposures - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- IRB for Retail Exposures - Overview
- IRB for Retail Exposures - Risk Components and Risk-weight Functions

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Advanced
Tutorial Duration: 15 mins
Published: January 2019

IRB for Retail Exposures - Test Yourself

Try these questions to evaluate your knowledge of the Basel Capital Framework’s internal ratings-based approach for retail exposures.

Tutorial Level: Advanced
Tutorial Duration: 10 mins
Published: January 2019
This tutorial provides an overview of the minimum requirements for a bank’s internal rating system under Basel III, focusing on the following:

- Rating System Design: dimensions, structure, criteria, assignment horizon, usage of models and corresponding documentation
- Rating System Operations: coverage, integrity of the rating process, overrides and data maintenance

The standards discussed were developed by the Basel Committee on Banking Supervision (BCBS) and specified in Basel III: Finalising post-crisis reforms, published in December 2017.

This tutorial is part of a suite that includes the following:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- IRB Minimum Requirements - Credit Risk Mitigation
- IRB Minimum Requirements - Governance
- IRB Minimum Requirements - Test Yourself
- IRB for Specialised Lending - Connect
- IRB for Specialised Lending - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- Overview of the Revised Credit Risk Framework - Introduction
-Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

Tutorial Overview
SL is a type of financing where repayment is dependent on cash flows from the assets financed rather than the general creditworthiness of the borrower. This tutorial outlines the definition and types of SL and their risks.

This tutorial is part of a suite that includes the following:
- IRB for Specialised Lending - Overview
- IRB for Specialised Lending - Capital Requirements
- IRB for Specialised Lending - Connect
- IRB for Specialised Lending - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

Tutorial Level: Advanced
Tutorial Duration: 15 mins
Published: January 2020

IRB for Specialised Lending - Overview

Objectives
On completion of this tutorial, you will be able to identify specialised lending (SL) as defined under the Basel Capital Framework (BCF) and recognise its characteristics and risks.

Tutorial Overview
SL is a type of financing where repayment is dependent on cash flows from the assets financed rather than the general creditworthiness of the borrower. This tutorial outlines the definition and types of SL and their risks.

This tutorial is part of a suite that includes the following:
- IRB for Specialised Lending - Overview
- IRB for Specialised Lending - Capital Requirements
- IRB for Specialised Lending - Connect
- IRB for Specialised Lending - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

Tutorial Level: Advanced
Tutorial Duration: 15 mins
Published: January 2020

IRB for Specialised Lending - Connect

Objectives
On completion of this tutorial, you will be able to identify the minimum requirements that a bank’s internal rating system must fulfil to be eligible for the internal ratings-based (IRB) approach for calculating credit risk capital requirements under Basel III.

Tutorial Overview
This tutorial provides an overview of the minimum requirements for a bank’s internal rating system under Basel III, focusing on the following:
- Rating System Design: dimensions, structure, criteria, assignment horizon, usage of models and corresponding documentation
- Rating System Operations: coverage, integrity of the rating process, overrides and data maintenance

The standards discussed were developed by the Basel Committee on Banking Supervision (BCBS) and specified in Basel III: Finalising post-crisis reforms, published in December 2017.

This tutorial is part of a suite that includes the following:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- Overview of the Revised Credit Risk Framework - Introduction
-Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with the material in the following tutorial:
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

Tutorial Level: Advanced
Tutorial Duration: 10 mins
Published: January 2020

IRB for Specialised Lending - Test Yourself

Objectives
Try these questions to evaluate your knowledge of the internal ratings-based (IRB) approach for specialised lending under the Basel Capital Framework.

Tutorial Overview
SL is a type of financing where repayment is dependent on cash flows from the assets financed rather than the general creditworthiness of the borrower. This tutorial outlines the available methods for calculating the capital requirements for SL under the IRB approach.

This tutorial is part of a suite that includes the following:
- IRB for Specialised Lending - Overview
- IRB for Specialised Lending - Capital Requirements
- IRB for Specialised Lending - Connect
- IRB for Specialised Lending - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

Tutorial Level: Advanced
Tutorial Duration: 10 mins
Published: January 2020

IRB Minimum Requirements - Risk Rating Systems

Objectives
On completion of this tutorial, you will be able to identify the minimum requirements that a bank’s internal rating system must fulfil to be eligible for the internal ratings-based (IRB) approach for calculating credit risk capital requirements under Basel III.
IRB Minimum Requirements - Risk Quantification

Objectives
On completion of this tutorial, you will be able to explain the minimum requirements for the quantification of the internal ratings-based (IRB) approach risk components: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Tutorial Overview
This tutorial provides an overview of the IRB approach for credit risk standards for estimating PD, LGD and EAD under Basel III. The standards discussed were developed by the Basel Committee on Banking Supervision (BCBS) and specified in Basel III: Finalising post-crisis reforms, published in December 2017.

This tutorial is part of a suite that includes the following:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- IRB Minimum Requirements - Credit Risk Mitigation
- IRB Minimum Requirements - Governance
- IRB Minimum Requirements - Connect
- IRB Minimum Requirements - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with the material in the following tutorials:
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach
- IRB Minimum Requirements - Risk Rating Systems

Tutorial Level: Advanced
Tutorial Duration: 15 mins
Published: December 2018

IRB Minimum Requirements - Governance

Objectives
On completion of this tutorial, you will be able to identify the minimum oversight requirements and the validation parameters related to the use of internal ratings under Basel III's internal ratings-based (IRB) approach.

Tutorial Overview
The focus of this tutorial is on the important control and oversight mechanisms that are required to ensure that the various components of the IRB approach systems are functioning as intended. You will learn about corporate governance and oversight, banks’ use of internal rating, and the validation parameters related to the use of internal ratings under Basel III's internal ratings-based approach (IRB) to credit risk.

This tutorial is part of a suite that includes the following:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- IRB Minimum Requirements - Credit Risk Mitigation
- IRB Minimum Requirements - Governance
- IRB Minimum Requirements - Connect
- IRB Minimum Requirements - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with the material in the following tutorials:
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification

Tutorial Level: Advanced
Tutorial Duration: 15 mins
Published: December 2018

IRB Minimum Requirements - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- IRB Minimum Requirements - Risk Rating Systems
- IRB Minimum Requirements - Risk Quantification
- IRB Minimum Requirements - Credit Risk Mitigation
- IRB Minimum Requirements - Governance

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Advanced
Tutorial Duration: 15 mins
Published: December 2018

IRB Minimum Requirements - Test Yourself

Try these questions to evaluate your knowledge of the minimum requirements of the internal ratings-based approach (IRB) to credit risk.

Tutorial Level: Advanced
Tutorial Duration: 10 mins
Published: December 2018

Overview of the Revised Credit Risk Framework - Executive Summary

The Basel Committee on Banking Supervision issued the final Basel III package in December 2017, which includes revisions to the credit risk framework. This Executive Summary provides a brief overview of the revised credit risk framework and the main changes introduced in the final Basel III package.

Published: February 2018

Overview of the Revised Credit Risk Framework - The Inside Track - Video

The Basel Committee on Banking Supervision issued the final Basel III package in December 2017, which includes revisions to the credit risk framework. This brief video provides an overview of the main shortcomings of the previous credit risk framework and outlines the main changes introduced in the final Basel III package.

Tutorial Duration: 4 mins
Published: August 2019
Overview of the Revised Credit Risk Framework - Introduction

Objectives
On completion of this tutorial, you will be able to identify the main changes to the credit risk framework and the motivations for these changes.

Tutorial Overview
This tutorial introduces the revised credit risk framework under Basel III. It will explain the motivations for revising the framework, the resulting main changes and the implementation timeline.

This tutorial is part of a suite that includes the following:
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Standardised Approach
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach
- Overview of the Revised Credit Risk Framework - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a basic understanding of the existing Basel framework for credit risk as described in the tutorial:
- Basel II - An Overview

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

Published: December 2018

Overview of the Revised Credit Risk Framework - Standardised Approach

Objectives
On completion of this tutorial, you will be able to identify the main features of the revised credit risk standardised approach (SA).

Tutorial Overview
This tutorial provides an overview of the main features and changes introduced in the revised credit risk SA under Basel III. It will explain the main exposure classes under the SA and how risk weights are determined for each class.

This tutorial is part of a suite that includes the following:
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Standardised Approach
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach
- Overview of the Revised Credit Risk Framework - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a basic understanding of the existing Basel framework for credit risk as described in the tutorial:
- Basel II - An Overview

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

Published: June 2018

Overview of the Revised Credit Risk Framework - Test Yourself

Try these questions to evaluate your knowledge of the revised credit risk framework.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins

Published: June 2018

Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach

Objectives
On completion of this tutorial, you will be able to identify the main features of the revised credit risk internal ratings-based (IRB) approach.

Tutorial Overview
This tutorial provides an overview of the main features and changes introduced in the revised credit risk IRB approach under Basel III. It will explain the sub-approaches, the main exposure classes and the input parameters under IRB approach.

This tutorial is part of a suite that includes the following:
- Overview of the Revised Credit Risk Framework - Introduction
- Overview of the Revised Credit Risk Framework - Standardised Approach
- Overview of the Revised Credit Risk Framework - Internal Ratings-based Approach
- Overview of the Revised Credit Risk Framework - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a basic understanding of the existing Basel framework for credit risk as described in the tutorial:
- Basel II - An Overview
- Standardised Approach - Risk Weight Framework
- Overview of Credit Risk Mitigation
- Basel II - Operational Risk - BIA & SA

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Published: June 2018

Overview of the Simplified Standardized Approach - Risk Weight Framework

Objectives
On completion of this tutorial you will be able to:
• explain the purpose and nature of the Simplified Standardized Approach (SSA) of the Basel Capital Framework (BCF)
• list the requirements of the SSA regarding credit risk
• list the requirements of the SSA regarding operational risk
• identify the implementation issues associated with Pillars 2 and 3

Tutorial Overview
The BCF’s SSA is a collection of the simplest options for calculating risk-weighted assets. The SSA is not a standalone or self-contained approach to determining regulatory capital requirements - it is a simplification of the Standardized Approach.

Prerequisite Knowledge
To get the most out of this tutorial, you should already be familiar with the BCF’s Standardized Approach, Operational Risk approaches and Credit Risk Mitigation. You can study these concepts in the following tutorials:
- Basel II - An Overview
- Standardized Approach - Risk Weight Framework
- Overview of Credit Risk Mitigation
- Basel II - Operational Risk - BIA & SA

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

Published: June 2018
Standardised Approach for Counterparty Credit Risk - Part 1

Objectives
On completion of this tutorial, you will be able to:
• describe the overarching design of the standardised approach for counterparty credit risk (SA-CCR)
• identify netting sets and arrangements for collateral exchange that underpin the SA-CCR
• measure the replacement costs of derivatives transactions using SA-CCR

Tutorial Overview
The Basel Committee on Banking Supervision released the standardised approach for counterparty credit risk, or SA-CCR, in 2014. It provides banks with a new approach to calculate their capital requirements for CCR effective 1 January 2017. It replaces the Current Exposure Method (CEM) and the Standardised Method. This tutorial provides an overview of the SA-CCR and examines in more detail the calculation of the replacement cost component. A second component – the potential future exposure – is covered in the tutorial Standardised Approach for Counterparty Credit Risk - Part 2.

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of derivatives transactions and CCR. To benefit from this tutorial fully, you should also review material in the following tutorial:
• Counterparty Credit Risk - An Introduction

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: October 2015

Standardised Approach for Counterparty Credit Risk - Part 2

Objectives
On completion of this tutorial, you will be able to:
• outline how excess collateral or negative mark-to-market replacement cost values affect the aggregate PFE add-on
• measure the replacement costs of derivatives transactions using SA-CCR
• identify netting sets and arrangements for collateral exchange that underpin the SA-CCR
• describe the overarching design of the standardised approach for counterparty credit risk
• identify key trade-level parameters used in the calculation of PFE
• explain the methods used to calculate PFE add-ons for different asset classes
• outline how excess collateral or negative mark-to-market replacement cost values affect the PFE

Tutorial Overview
The Basel Committee on Banking Supervision (BCBS) released the standardised approach for counterparty credit risk (SA-CCR) in 2014. Under this approach, two key components will significantly influence the measurement of exposures for derivatives transactions: the replacement cost of the transaction and the PFE. This is the second of two tutorials on the SA-CCR, which focuses on the measurement of the PFE component for the different types of derivatives to which banks are exposed.

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of derivative credit risk and the SA-CCR. To benefit from this tutorial fully, you should review the material in the following tutorials:
• Counterparty Credit Risk - An Introduction
• Standardised Approach for Counterparty Credit Risk - Part 1

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: October 2015

Standardized Approach - Risk Weight Framework

Objectives
On completion of this tutorial, you will be able to describe how the Standardized Approach risk weight structure under the Basel Capital Framework (BCF) applies to the different categories of claims.

Tutorial Overview
Proper application of risk weights is one of the cornerstones of the capital adequacy framework. The primary purpose of this tutorial is to assist you in verifying that banks apply risk weights appropriately under the Standardized Approach of the BCF.

Prerequisite Knowledge
To get the most from your study of this tutorial, you should be generally familiar with the BCF, credit risk and external credit risk assessments. You can study these concepts in the following tutorials:
• Basel II - An Overview
• External Credit Risk Assessments
• Basel II - SA - External Credit Assessments

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Market Risk - RWA

Enhancements to the Market Risk Capital Requirements

Objectives
On completion of this tutorial, you will be able to:
• identify the main changes that have improved the market risk capital requirements
• recognize how the capture of credit risk in trading positions has been enhanced

Tutorial Overview
Prior to 2007-09, many banks built up large trading positions that they assumed to be liquid. When the financial crisis hit, many of these positions could not be traded, generating large losses. A key issue was the fact that capital requirements for market risk had become inadequate - failing to reflect changes in the make up of banks’ trading books. Accordingly, the Basel Committee on Banking Supervision has reformed the capital requirements for market risk to ensure that trading activities will be better capitalized in the future. The purpose of this tutorial is to present and explain these reforms.

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of the Basel I and II market risk requirements and should be familiar with the following tutorials:
• Market Risk - PFE Introduction
• Securitization Framework

Tutorial Level: Advanced
Tutorial Duration: 60 mins

Redefining the Capital Requirements for Banks’ Trading Activities - Video

The Basel Committee on Banking Supervision’s Market Risk Group has been working on the ‘fundamental review of the trading book’ – a project that involves the rewriting of the framework for the calculation of banks’ capital requirements for their trading activities. This brief video discusses the rationale behind the project and the key elements of the enhanced framework.

Tutorial Duration: 4 mins
Published: April 2019
Regulation of Market Risk – Internal Models Approach

Objectives
On completion of this tutorial, you will be able to:
• present the main features of the Internal Models Approach (IMA)
• describe the capital requirements for trading positions
• explain the quantitative modelling standards that banks must comply with
• summarise the requirements for model risk management and validation

Tutorial Overview
As a result of the financial crisis that began in 2007, many large banks were recapitalised, largely because of severe market risk losses on their trading positions. The existing market risk capital requirements did not fully capture certain types of risk. This created incentives for banks to expand trading positions. When periods of market stress occurred, many banks had insufficient capital to absorb trading losses. Accordingly, the market risk framework was enhanced in 2009, with most changes focusing on the IMA. The tutorial presents the IMA after these enhancements.

Prerequisite Knowledge
To get maximum benefit from this tutorial, you should have a broad understanding of the concepts underpinning the market risk framework. In particular, you should be familiar with value-at-risk (VaR) models and with the main changes introduced in 2009. The following tutorials are prerequisites:
• Market Risk - An Introduction
• Enhancements to the Market Risk Capital Requirements

Tutorial Level: Advanced
Tutorial Duration: 120 mins

Revised Market Risk Framework – Executive Summary

In January 2016, the Basel Committee on Banking Supervision (BCBS) published revised standards for minimum capital requirements for market risk. This Executive Summary outlines the rationale for the revised standards, identifies the key enhancements relative to the existing standards, and describes the new standardised and model-based approaches.

Published: May 2017

Revised Market Risk Framework – Overview and the IMA

Objectives
On completion of this tutorial, you will be able to:
• identify the main features of the revised framework for market risk
• recognise the revisions to the boundary between the trading and banking books and how it affects banks’ incentives
• recognise the key features of the internal models-based approach (IMA) in the revised framework

Tutorial Overview
The financial crisis that began in 2007 highlighted severe weaknesses in the regulatory framework for market risk. In response, the Basel Committee on Banking Supervision (BCBS) launched a review of the regulatory standards for market risk. The BCBS published the revised market risk framework in January 2016, and its content is the main subject of this tutorial. The revised framework overhauls the measurement of market risk for regulatory purposes, increasing the risk sensitivity of the regulatory requirements. In addition, the standards also address the boundary between the trading and banking books, with the goal of reducing incentives to arbitrage between the two while maintaining alignment with banks’ risk management practices. Finally, the revised framework strengthens both the standardised approach (SA) and IMA, aligning them more closely.

Prerequisite Knowledge
To fully benefit from this tutorial, you should have an understanding of financial markets and instruments, banks’ balance sheet components, and the concepts of banks’ banking and trading books. We suggest that you review the material in the following tutorial:
• Market Risk Management, Measurement and Supervision

The tutorial Revised Market Risk Framework - Standardised Approach is not a prerequisite, but it is a useful complement to this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Published: December 2016

Revived Market Risk Framework – Standardised Approach

Objectives
On completion of this tutorial, you will be able to:
• identify key changes in the revised standardised approach (SA) to market risk for regulatory purposes
• identify the building blocks for the calculation of the risk charge and the risk classes used in the SA
• recognise the process of calculating the SA market risk capital requirement

Tutorial Overview
The global financial crisis that began in 2007 showed that the current regulatory framework for computing the minimum capital requirement for market risk resulted in insufficient bank capital levels against losses. In response, and as a key element of the post-crisis regulatory reform, the Basel Committee on Banking Supervision (BCBS) overhauled this framework in 2016.

This tutorial focuses on the main features of the standardised approach (SA) of the revised market risk framework. It complements two other tutorials on the revised market risk framework— one presenting an overview of the whole framework, including the internal models approach (IMA), and the other on the main concepts and measurement tools concerning market risk.

Prerequisite Knowledge
To get maximum benefit from this tutorial, you may wish to review the following tutorials:
• Revised Market Risk Framework - Overview and the IMA

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Published: December 2016

Simplified Standardised Approach to Market Risk - Overview and FX Risk

Objectives
On completion of this tutorial, you will be able to define the simplified standardised approach for market risk under Basel III and recognise how capital requirements for positions in foreign currencies are calculated.

Tutorial Overview
This tutorial provides an overview of how capital requirements are calculated for positions in the trading book under the simplified standardised approach for market risk. It also introduces the calculation approaches available for positions in foreign currencies and outlines corresponding prudential requirements.

This tutorial is part of a suite that includes the following:
• Simplified Standardised Approach to Market Risk - Overview and FX Risk
• Simplified Standardised Approach to Market Risk - Equity Risk and Options
• Simplified Standardised Approach to Market Risk - Commodities Risk
• Simplified Standardised Approach to Market Risk - Interest Rate Risk
• Simplified Standardised Approach to Market Risk - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you should be familiar with the concept of market risk. You can study related topics in the following tutorials:
• Market Risk Management, Measurement and Supervision
• Revised Market Risk Framework - Overview and the IMA

Tutorial Level: Intermediate
Tutorial Duration: 15 mins

Published: November 2019
Operational Risk Standardised Approach - Overview

Objectives
On completion of this tutorial, you will be able to identify the components of the Basel III standardised approach (SA) for operational risk, as well as provide a high-level explanation of their calculation.

Tutorial Overview
This tutorial provides an overview of the SA for calculating the minimum operational risk capital required under Basel III. It focuses on:
- a high-level overview of the SA and its components - the Business Indicator Component and the Internal Loss Multiplier
- how the SA is applied within a group
- the timeline for disclosure and implementation

This tutorial is part of a suite that includes the following:
- Operational Risk Standardised Approach - Overview
- Operational Risk Standardised Approach - Business Indicator Component
- Operational Risk Standardised Approach - Internal Loss Multiplier
- Operational Risk Standardised Approach - Connect
- Operational Risk Standardised Approach - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the material in the following tutorials:
- Operational Risk - An Introduction
- Operational Risk Sound Practices - Risk Identification, Assessment, Monitoring and Reporting
- Operational Risk Standardised Approach - Overview

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: February 2019

Operational Risk Standardised Approach - Business Indicator Component

Objectives
On completion of this tutorial, you will be able to explain and calculate the different elements of the Business Indicator Component, which is one of the two components of the standardised approach (SA) for calculating the minimum operational risk capital under Basel III.

Tutorial Overview
This tutorial explains in detail the Business Indicator Component (BIC), which is one of the two components that make up the SA for calculating operational risk capital under Basel III. This tutorial focuses on the following:
- the Business Indicator (BI) and its components
- BI buckets
- the calculation of BIC

This tutorial is part of a suite that includes the following:
- Operational Risk Standardised Approach - Overview
- Operational Risk Standardised Approach - Business Indicator Component
- Operational Risk Standardised Approach - Internal Loss Multiplier
- Operational Risk Standardised Approach - Connect
- Operational Risk Standardised Approach - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the material in the following tutorials:
- Operational Risk - An Introduction
- Operational Risk Sound Practices - Risk Identification, Assessment, Monitoring and Reporting
- Operational Risk Standardised Approach - Overview

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: February 2019

Operational Risk Standardised Approach - Internal Loss Multiplier

Objectives
On completion of this tutorial, you will be able to recognise the key features of the Internal Loss Multiplier (ILM), which is one of the two components of the standardised approach (SA) for calculating the minimum operational risk capital under Basel III.

Tutorial Overview
This tutorial explains in detail the ILM and describes the minimum standards for the use of loss data in its calculation. This tutorial focuses on the:
- ILM formula
- standards and criteria for the identification, collection, treatment and use of loss data

This tutorial is part of a suite that includes the following:
- Operational Risk Standardised Approach - Overview
- Operational Risk Standardised Approach - Business Indicator Component
- Operational Risk Standardised Approach - Internal Loss Multiplier
- Operational Risk Standardised Approach - Connect
- Operational Risk Standardised Approach - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the material in the following tutorials:
- Operational Risk - An Introduction
- Operational Risk Sound Practices - Risk Identification, Assessment, Monitoring and Reporting
- Operational Risk Standardised Approach - Overview

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: February 2019

Operational Risk Standardised Approach - Test Yourself

Objectives
Try these questions to evaluate your knowledge of the standardised approach for operational risk.

Tutorial Overview
This tutorial is the Connect phase for the following suite of tutorials:
- Operational Risk Standardised Approach - Overview
- Operational Risk Standardised Approach - Business Indicator Component
- Operational Risk Standardised Approach - Internal Loss Multiplier

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: February 2019

Securitisation - RWA

Basel III: Securitisation Framework – Executive Summary

The Basel III securitisation framework is part of the Basel Committee on Banking Supervision’s efforts to increase the resilience of the banking sector. In effect since January 2018, the framework addresses weaknesses that became apparent during the financial crisis that began in 2007. As a result, the revised framework is simpler, more risk-sensitive, more prudently calibrated and more broadly consistent with the underlying framework for credit risk than the pre-existing framework that was part of Basel II. It also provides incentives to enhance risk management and seeks to enhance transparency and comparability across banks and jurisdictions.

This Executive Summary presents the key features of the revised securitisation framework.

Published: December 2019
Basel III: Securitisation Framework - Exposures and Hierarchy of Approaches

Objectives
On completion of this tutorial, you will be able to recognise the main types of securitisation exposures, the overall architecture of the revised securitisation framework and the rationales for these revisions.

Tutorial Overview
This tutorial presents the scope and types of exposures that qualify as securitisation exposures under Basel III. Alongside the regulatory definitions, the tutorial includes the requirements that securitisation exposures need to comply with to be eligible under the securitisation framework and the main changes made to this framework since 2009.

This tutorial is part of a suite that includes the following:
• Basel III: Securitisation Framework - Exposures and Hierarchy of Approaches
• Basel III: Securitisation Framework - Internal Ratings-Based Approach (SEC-IRBA)
• Basel III: Securitisation Framework - External Ratings-Based Approach (SEC-ERBA)
• Basel III: Securitisation Framework - Standardised Approach (SEC-SA)
• Basel III: Securitisation Framework - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
• Overview of Basel III - Strengthening the Risk-based Framework
• Securitisation - An Introduction
• Resecuritizations
• Basel III: Securitisation Framework - Exposures and Hierarchy of Approaches

Published: February 2020

Basel III: Securitisation Framework - Internal Ratings-Based Approach (SEC-IRBA)

Objectives
On completion of this tutorial, you will be able to identify the main features and revisions of the Securitisation – Internal Ratings-Based Approach (SEC-IRBA) and the Internal Assessment Approach (IAA) for securitisation exposures.

Tutorial Overview
This tutorial describes the main revisions made to the SEC-IRBA and IAA for securitisation exposures. It also presents the four main parameters used to determine the risk weights for these exposures: the tranche’s external credit rating, its seniority, its thickness and its maturity.

This tutorial is part of a suite that includes the following:
• Basel III: Securitisation Framework - Exposures and Hierarchy of Approaches
• Basel III: Securitisation Framework - Internal Ratings-Based Approach (SEC-IRBA)
• Basel III: Securitisation Framework - External Ratings-Based Approach (SEC-ERBA)
• Basel III: Securitisation Framework - Standardised Approach (SEC-SA)
• Basel III: Securitisation Framework - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
• Overview of Basel III - Strengthening the Risk-based Framework
• Securitisation - An Introduction
• Resecuritizations
• Basel III: Securitisation Framework - Exposures and Hierarchy of Approaches
• Basel III: Securitisation Framework - Internal Ratings-Based Approach (SEC-IRBA)

Published: February 2020

Basel III: Securitisation Framework - Standardised Approach (SEC-SA)

Objectives
On completion of this tutorial, you will be able to recognise the purpose of the revised Securitisation – Standardised Approach (SEC-SA) and identify its main inputs.

Tutorial Overview
This tutorial explains the SEC-SA – the revised Standardised Approach for securitisation exposures, as well as its scope and the types of exposure that qualify as securitisation exposures under Basel III. Alongside the regulatory definitions, the tutorial lists the requirements that securitisation exposures need to comply with to be eligible under the securitisation framework.

This tutorial is part of a suite that includes the following:
• Basel III: Securitisation Framework - Exposures and Hierarchy of Approaches
• Basel III: Securitisation Framework - Internal Ratings-Based Approach (SEC-IRBA)
• Basel III: Securitisation Framework - External Ratings-Based Approach (SEC-ERBA)
• Basel III: Securitisation Framework - Standardised Approach (SEC-SA)
• Basel III: Securitisation Framework - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
• Overview of Basel III - Strengthening the Risk-based Framework
• Securitisation - An Introduction
• Resecuritizations
• Basel III: Securitisation Framework - Exposures and Hierarchy of Approaches
• Basel III: Securitisation Framework - Internal Ratings-Based Approach (SEC-IRBA)
• Basel III: Securitisation Framework - External Ratings-Based Approach (SEC-ERBA)

Published: February 2020

Basel III: Securitisation Framework - Test Yourself

Try these questions to evaluate your knowledge of the Basel III securitisation framework.

Tutorial Level: Intermediate
Tutorial Duration: 10 mins
Published: February 2020
Securitization - Operational Requirements

Objectives
This tutorial was written prior to Basel 2.5 and Basel III. The introduction outlines the limited updates that have been made and advises on how you can benefit from taking this tutorial.

On completion of this tutorial, you will be able to:
- list the main types of securitization structure eligible under Basel II and describe their key features
- identify the elements that reduce credit risk transfer such that a securitization transaction is not eligible for Basel II’s securitization framework
- describe the role of Pillar 2 with respect to capital charges for securitization transactions

Tutorial Overview
Basel II sets out a capital adequacy framework for the various types of exposure that result from securitization transactions. This tutorial deals with the operational requirements that must be met in order for securitization exposures to qualify for treatment under the Basel II securitization framework and the Pillar II supervisory review process relating to securitization exposures.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should understand securitization transactions and the Basel II securitization framework. You should also be familiar with the approaches for calculating capital requirements under Basel II. You can study these concepts in:
- Securitization and Regulatory Capital - An Overview
- Basel II - SA - External Credit Assessments
- Pillar 2 - Supervisory Review Process
- Overview of Credit Risk Mitigation

Tutorial Level: Advanced
Tutorial Duration: 90 mins

Securitization and Regulatory Capital - An Overview

Objectives
On completion of this tutorial, you will be able to:
- describe the basic concepts of securitization
- recognize the risks associated with banks’ involvement in securitizations
- identify the main lessons from the financial crisis that began in 2007 and the response of Basel 2.5

Tutorial Overview
This tutorial examines securitization and how it is treated in the Basel Capital Framework (BCF). It can be taken as a standalone tutorial, or for those supervisors who require a detailed knowledge of securitization, it provides a prerequisite for the advanced tutorials on the subject.

Prerequisite Knowledge
Prior to studying this tutorial, you should already have a general understanding of bank capital and the BCF. These topics can be reviewed in the following tutorials:
- Bank Capital
- Basel II - An Overview

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Securitization Framework

Objectives
This tutorial was written prior to Basel 2.5 and Basel III. The introduction outlines the limited updates that have been made and advises on how you can benefit from taking this tutorial.

On completion of this tutorial, you will be able to:
- recognize the elements of Basel III’s securitization framework
- outline the treatment of securitization exposures under the Standardized Approach for securitizations
- identify the treatment of securitization exposures under the IRB Approach for securitizations

Tutorial Overview
Securitization transactions are a subset of structured finance transactions. These complex transactions result in various risk positions collectively known as securitization exposures under the Basel II Framework. Some securitization transactions include special features that can modify the cash flows to fit investor needs and/or alter significantly the degree of credit risk transfer. In this tutorial, you will learn about the two main special features of securitization - liquidity facilities and early amortization provisions.

Prerequisite Knowledge
To get maximum benefit from this tutorial, you should be familiar with the approaches for calculating capital requirements under Basel II. You should also understand the fundamentals of securitization transactions. You can study these concepts in the tutorials:
- Securitization and Regulatory Capital - An Overview
- Basel II - IRB - An Introduction
- Securitization - Operational Requirements

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

STC Criteria and Capital Requirements

Objectives
On completion of this tutorial, you will be able to:
- explain the purpose of the Simple, Transparent and Comparable (STC) criteria
- list the ways in which the STC criteria mitigate the asset risk of securitizations
- pinpoint the aspects of structural, fiduciary and servicing risks impacted by the STC
- identify the capital requirements for STC transactions

Tutorial Overview
Securitisations are complex transactions and investors need to assess numerous features before taking an informed decision. This was something that they were not always able to do, as events showed in 2007 and 2008. It is largely because of these complexities that the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) developed criteria for simple, transparent and comparable securitisations (or STC criteria). The purpose of this tutorial is to present these criteria, show how they help investors and describe the capital treatment that can apply to STC-compliant transactions.

Prerequisite Knowledge
To get maximum benefit from this tutorial, you may wish to review the following tutorials:
- Basel III - Securitisation Framework - Revisions
- Securitisation - Operational Requirements

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Published: November 2016
Principles for Sound Residential Mortgage Underwriting Practices

Objectives
On completion of this tutorial, you will be able to:
• recognise the elements that help determine a borrower’s creditworthiness
• recognise how a robust collateral valuation process protects the lender against default risk
• identify the public-sector initiatives developed to strengthen mortgage underwriting practices

Tutorial Overview
This tutorial examines the poor mortgage lending practices that proliferated prior to 2007 and the drivers of these unsound practices. In particular, it elaborates on the two key pillars of sound mortgage underwriting – the borrower’s ability and willingness to repay and the collateral pledged to support the loan – showing how these features were largely missing before 2007.
It also presents the first international principles for sound residential mortgage underwriting practices and shows how these are based upon and supported by a number of national initiatives.

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of residential mortgage loans and the credit granting process. To get the maximum benefit from this tutorial, you should be familiar with the following tutorials:
• Credit Granting & Administration
• Real Estate Loans

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: June 2014

Risk Standards

The tutorials covered here focus on supervisory standards on the sound management of key banking risks for which the BCBS has issued guidance. These standards are used to assess how well regulated banks manage their material risk exposures.
The tutorials are grouped into the following risk subcategories: Credit Risk, Liquidity Risk, Market and Interest Rate Risk, Operational Risk and Other Risks. This category also includes tutorials on Disclosure requirements.

Credit Risk

Large Exposures Standard

Objectives
On completion of this tutorial, you will be able to:
• identify the rationale and objectives of the large exposures standard of the Basel Committee on Banking Supervision (BCBS)
• explain the overall design of the large exposures standard
• describe the general approach used to measure exposure values
• identify how specific exposures and issues are dealt with in the framework

Tutorial Overview
For many years, banking supervisors globally have been using regulations on large exposures as a tool to limit the amount of losses that their banks could suffer in the event of a major counterparty defaulting. These regulations, however, were largely country specific and varied across different jurisdictions. This tutorial looks at the requirements of the global large exposures standard established by the BCBS in 2014.

Prerequisite Knowledge
Prior to studying this tutorial, you should be familiar with bank risks and regulatory capital requirements and the topics covered in the following tutorials:
• Risk Concentrations
• Standardized Approach - Risk Weight Framework
• Overview of Credit Risk Mitigation
• Regulation of Market Risk - Standardised Approach

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: December 2014

Prudential Treatment of Problem Assets - Executive Summary

In April 2017, the Basel Committee on Banking Supervision (BCBS) issued the guidelines on Prudential treatment of problem assets - definitions of non-performing exposures and forbearance. This Executive Summary provides a brief description of the main motivation and key features of the common definitions contained in the BCBS guidelines.

Published: December 2017
**Prudential Treatment of Problem Assets - Video**

In April 2017, the Basel Committee on Banking Supervision (BCBS) issued the guidelines on Prudential treatment of problem assets - definitions of non-performing exposures and forbearance. This video provides a brief description of the main motivation and key features of the common definitions contained in the BCBS guidelines.

**Tutorial Duration:** 4 mins

**Published:** December 2017

**Prudential Treatment of Problem Assets - Motivation and Key Features**

**Objectives**

On completion of this tutorial, you will be able to:

- recognise the purpose and benefits of having common definitions for non-performing exposures and forbearance
- identify the main harmonisation features of the common definitions

**Tutorial Overview**

Supervisors and banks around the world have different ways of categorising assets based on their perceived credit risk features. This has implications for the comparability of banks’ provisioning and capital across jurisdictions. Lack of comparability was highlighted during the financial crisis that began in 2007 and frustrated supervisors and investors who tried to assess and compare banks’ riskiness. As a result, the Basel Committee on Banking Supervision (BCBS) developed common definitions on two important terms used for credit categorisation – ‘non-performing exposures’ and ‘forbearance’. This tutorial describes the purpose and benefits, as well as the main harmonisation features, of the common definitions.

This tutorial is part of a suite that includes the following:

- **Prudential Treatment of Problem Assets - Motivation and Key Features**
- **Supervisory Credit Classification**
- **Prudential Treatment of Problem Assets - Definition of Non-performing Exposures**
- **Prudential Treatment of Problem Assets - Definition of Forbearance**
- **Prudential Treatment of Problem Assets - Test Yourself**

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest you review the material in the following tutorials:

- **Supervisory Credit Classification**
- **Prudential Treatment of Problem Assets - Definition of Non-performing Exposures**
- **Prudential Treatment of Problem Assets - Test Yourself**

**Published:** March 2018

**Tutorial Level:** Fundamental

**Tutorial Duration:** 15 mins

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**Prudential Treatment of Problem Assets - Definition of Non-performing Exposures**

**Objectives**

On completion of this tutorial, you will be able to:

- identify the criteria for exposures to be considered as non-performing
- recognise when a non-performing exposure can be recategorised as performing

**Tutorial Overview**

Supervisors and banks around the world have different ways of categorising assets based on their perceived credit risk features. This has implications on the comparability of banks’ provisioning and capital across jurisdictions. Lack of comparability was highlighted during the financial crisis that began in 2007 and frustrated supervisors and investors who tried to assess and compare banks’ riskiness. As a result, the Basel Committee on Banking Supervision (BCBS) developed common definitions on two important terms used for credit categorisation – ‘non-performing exposures’ and ‘forbearance’. This tutorial describes non-performing exposures and defines the criteria for exposures to be considered as non-performing.

This tutorial is part of a suite that includes the following:

- **Prudential Treatment of Problem Assets - Motivation and Key Features**
- **Supervisory Credit Classification**
- **Prudential Treatment of Problem Assets - Definition of Forbearance**
- **Prudential Treatment of Problem Assets - Test Yourself**

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest you review the material in the following tutorials:

- **Supervisory Credit Classification**
- **Prudential Treatment of Problem Assets - Motivation and Key Features**
- **Prudential Treatment of Problem Assets - Definition of Non-performing Exposures**

**Published:** March 2018

**Tutorial Level:** Fundamental

**Tutorial Duration:** 10 mins

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**Prudential Treatment of Problem Assets - Definition of Forbearance**

**Objectives**

On completion of this tutorial, you will be able to:

- define forbearance
- identify criteria for exit from the forborne exposures category
- recognise the interaction between forbearance and non-performing exposures

**Tutorial Overview**

Supervisors and banks around the world have different ways of categorising assets based on their perceived credit risk features. This has implications on the comparability of banks’ provisioning and capital across jurisdictions. Lack of comparability was highlighted during the financial crisis that began in 2007 and frustrated supervisors and investors who tried to assess and compare banks’ riskiness. As a result, the Basel Committee on Banking Supervision (BCBS) developed common definitions on two important terms used for credit categorisation – ‘non-performing exposures’ and ‘forbearance’. This tutorial describes forbearance exposures, the criteria to exit the forbearance category and the interaction between forbearance and non-performing exposures.

This tutorial is part of a suite that includes the following:

- **Prudential Treatment of Problem Assets - Motivation and Key Features**
- **Prudential Treatment of Problem Assets - Definition of Non-performing Exposures**
- **Prudential Treatment of Problem Assets - Test Yourself**

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest you review the material in the following tutorials:

- **Supervisory Credit Classification**
- **Prudential Treatment of Problem Assets - Motivation and Key Features**
- **Prudential Treatment of Problem Assets - Definition of Non-performing Exposures**

**Published:** March 2018

**Tutorial Level:** Fundamental

**Tutorial Duration:** 15 mins

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**Prudential Treatment of Problem Assets - Test Yourself**

Try these questions to evaluate your knowledge of the prudential treatment of problem assets.

**Published:** March 2018

**Tutorial Level:** Fundamental

**Tutorial Duration:** 10 mins
Supervisory Credit Classification

Objectives
When you have completed this tutorial, you will be able to:
- define and identify the various types of risk concentration
- describe the main approaches and tools for managing risk concentrations
- explain the purpose of supervisory guidance relating to risk concentrations

Tutorial Overview
Credit classification is a supervisory framework that banks use to categorize credits based on their quality. This tutorial introduces you to the basics of credit classification such as the criteria set by supervisors for classification of credits as well as the issues relating to the classification of specific types of credits. The tutorial also provides information on how credit classification may be used by supervisors for monitoring bank soundness, prescribing minimum provisioning requirements, assessing the health of the banking system and providing transparency by requiring disclosures on credit classification.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be generally familiar with credit risk and credit risk management. You can review these concepts in the following tutorials:
- Credit Risk Appetite - An Introduction
- Credit Granting & Administration
- Credit Risk Measurement - An Introduction

Supervisory Review of Expected Credit Loss Provisioning

Objectives
On completion of this tutorial, you will be able to:
- recognise the principles of a sound expected credit loss (ECL) framework
- explain the components of a supervisory programme based on the BCBS Guidance on ECL
- identify supervisory guidance specific to banks applying IFRS 9

Tutorial Overview
The transition from an incurred loss model to provisions based on ECL is intended to help address weaknesses of provision accounting identified during the financial crisis that began in 2007.

The Basel Committee on Banking Supervision (BCBS)’s Guidance on Credit Risk and Accounting for Expected Credit Losses (BCBS Guidance on ECL) builds on the Committee’s previous Principles on sound credit risk assessment and valuation of loans that was issued in 2006, but was revised to reflect the move from an incurred loss to an ECL accounting model.

The Guidance aims to promote consistent interpretations and practices across ECL accounting frameworks and is not limited to IFRS 9.

The tutorial follows the structure of the BCBS Guidance on ECL:
- Topic 1: Principles of a Sound ECL Framework (BCBS Principles 1-8)
- Topic 2: Components of an ECL Supervisory Review Programme (BCBS Principles 9-11)
- Topic 3: Supervisory Guidance Specific to Banks Applying IFRS 9 (Appendix of BCBS Guidance)

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- IFRS 9 - Financial Instruments: Impairment
- IFRS 9 - Financial Instruments: Recognition and Measurement

Liquidity Risk

Liquidity Risk Management Principles - Governance, Management and Supervision

Objectives
On completion of this tutorial, you will be able to recognise the principles for liquidity risk management and supervision specified by the Basel Committee on Banking Supervision (BCBS) that address governance, management and the need for supervisory oversight.

Tutorial Overview
This tutorial provides insights on the principles for sound liquidity risk management that relate to governance (Principles 1 to 4). These principles are part of a broader set of guidance issued by the BCBS in 2008.

The principles draw lessons from the financial crisis that began in 2007. Shortcomings in liquidity risk management aggravated the crisis for numerous banks, including some of the largest. This guidance was complemented a few years later by the international liquidity standards.

This tutorial is the first of a suite on the BCBS’s Principles for Sound Liquidity Risk Management and Supervision that includes the following:
- Liquidity Risk Management Principles - Governance, Management and Supervision
- Liquidity Risk Management Principles - Measurement and Management of Liquidity
- Liquidity Risk Management Principles - Disclosures and Supervisory Oversight
- Liquidity Risk Management Principles - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: June 2017

The Treatment of Large Exposures in the Basel Capital Standards - Executive Summary

The Basel Committee on Banking Supervision issued the final standard for measuring and controlling large exposures in April 2014. This Executive Summary provides a brief overview of the supervisory framework including the Committee’s review in 2016.

Published: April 2018
Liquidity Risk Management Principles - Measurement and Management of Liquidity

Objectives
On completion of this tutorial, you will be able to recognise the liquidity principles of the Basel Committee on Banking Supervision (BCBS) that address the measurement and management of liquidity risk.

Tutorial Overview
This tutorial focuses on the BCBS’s Principles for Sound Liquidity Risk Management and Supervision that address the measurement and management of this risk by banks (Principles 5 to 12). These principles are part of a broader set of guidance issued by the BCBS in 2008.

The principles require a sound management process for and active management of liquidity risk, including intraday liquidity positions and collateral. They also specify the need for a comprehensive funding strategy, a comprehensive range of stress tests, a formal contingency funding plan (CFP) and a reserve of unencumbered liquid assets.

This is the second tutorial of a suite on the BCBS’s Principles for Sound Liquidity Risk Management and Supervision that includes the following:
- Liquidity Risk Management Principles - Governance, Management and Supervision
- Liquidity Risk Management Principles - Measurement and Management of Liquidity
- Liquidity Risk Management Principles - Disclosures and Supervisory Oversight
- Liquidity Risk Management Principles - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: June 2017

Liquidity Risk Management Principles - Test Yourself

Try these questions to evaluate your knowledge of the liquidity risk management principles.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: June 2017

Liquidity Coverage Ratio (LCR) – Executive Summary

The Basel Committee on Banking Supervision introduced the Liquidity Coverage Ratio (LCR) to improve internationally active banks’ resilience to liquidity shocks and as part of the Basel III post-crisis reforms.

This Executive Summary provides a brief overview of the LCR’s objectives, components and implementation. The LCR became a minimum requirement in BCBS member countries on 1 January 2015.

Published: April 2018

Liquidity Coverage Ratio - Objectives and Structures of the Liquidity Standards

Objectives
On completion of this tutorial, you will be able to identify the objectives and structure of the liquidity standards - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) - and recognise the main implementation issues associated with the LCR.

Tutorial Overview
To bolster banks’ resilience to liquidity shocks, the Basel Committee on Banking Supervision (BCBS) developed two liquidity standards, the LCR and the NSFR. This tutorial presents the overall structure of both standards but focuses on the LCR.

This tutorial is part of a suite that includes the following:
- Liquidity Coverage Ratio - Objectives and Structures of the Liquidity Standards
- Liquidity Coverage Ratio - The HQLA Stock
- Liquidity Coverage Ratio - Total Net Cash Outflows
- Liquidity Coverage Ratio - Connect
- Liquidity Coverage Ratio - Test Yourself

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of liquidity risk, its management and its supervision. To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Liquidity Coverage Ratio (LCR) - Executive Summary
- Liquidity Risk Management Principles - Measurement and Management of Liquidity
- Liquidity Risk Management Principles - Test Yourself

Published: June 2020
Liquidity Coverage Ratio - The HQLA Stock

Objectives
On completion of this tutorial, you will be able to identify how a bank's stock of high-quality liquid assets (or HQLA stock) under the Liquidity Coverage Ratio (LCR) and recognise the main criteria that they need to meet in order to be eligible.

Tutorial Overview
This tutorial presents the HQLA stock, that is the stock of liquid assets that a bank must hold as part of the LCR standard in order to be able to survive cash outflows over a 30-day period. It also presents alternative liquidity approaches that jurisdictions may use under certain conditions when they lack sufficient HQLAs in their own jurisdictions.

This tutorial is part of a suite that includes the following:
- Liquidity Coverage Ratio - Objectives and Structures of the Liquidity Standards
- Liquidity Coverage Ratio - The HQLA Stock
- Liquidity Coverage Ratio - Total Net Cash Outflows
- Liquidity Coverage Ratio - Objectives and Structures of the Liquidity Standards
- Liquidity Coverage Ratio - Objectives and Structures of the Liquidity Standards

Prerequisite Knowledge
Prior to studying this tutorial, you should have a general understanding of liquidity risk, its management and its supervision. To fully benefit from this tutorial, we suggest you review the material in the following tutorials:
- Liquidity Coverage Ratio - Objectives and Structures of the Liquidity Standards
- Liquidity Coverage Ratio - The HQLA Stock
- Liquidity Coverage Ratio - Total Net Cash Outflows
- Liquidity Coverage Ratio - Objectives and Structures of the Liquidity Standards
- Liquidity Coverage Ratio - Test Yourself

Published: June 2020

Tutorial Level: Intermediate
Tutorial Duration: 15 mins

Liquidity Coverage Ratio - Total Net Cash Outflows

Objectives
On completion of this tutorial, you will be able to identify how total net cash outflows are determined under the Liquidity Coverage Ratio (LCR).

Tutorial Overview
This tutorial focuses on the numerator of the Liquidity Coverage Ratio (LCR), which is the total net cash outflows that the bank is likely to experience under a specified stress scenario. Net cash outflows are determined as the total expected cash outflows minus total expected cash inflows. This tutorial explains how these net cash outflows are determined.

This tutorial is part of a suite that includes the following:
- Liquidity Coverage Ratio - Objectives and Structures of the Liquidity Standards
- Liquidity Coverage Ratio - The HQLA Stock
- Liquidity Coverage Ratio - Total Net Cash Outflows
- Liquidity Coverage Ratio - Connect
- Liquidity Coverage Ratio - Test Yourself

Published: June 2020

Liquidity Coverage Ratio - Connect

Objectives
Try these questions to evaluate your knowledge of the Liquidity Coverage Ratio.

Tutorial Level: Intermediate
Tutorial Duration: 10 mins

Published: June 2020

Net Stable Funding Ratio (NSFR) - Executive Summary

The Net Stable Funding Ratio (NSFR) was introduced to limit excessive reliance on unstable resources to fund core and often illiquid assets. The NSFR is expressed as a ratio that must exceed 100% with respect to the bank’s available stable funding to its required funding.

This Executive Summary provides a brief overview of the NSFR’s objectives, components and implementation. The NSFR became a minimum requirement in BCBS member countries on 1 January 2018.

Published: June 2015

Liquidity Standards - NSFR

Objectives
On completion of this tutorial, you will be able to:
- understand the objectives and structure of the Net Stable Funding Ratio (NSFR) and its implementation requirements
- explain how the NSFR determines the amount of available stable funding a bank has
- describe how the NSFR evaluates the required stable funding a bank needs for its assets and off-balance sheet exposures
- identify how the NSFR deals with encumbered assets, interdependent assets and liabilities, securities financing transactions and derivatives

Tutorial Overview
The Basel Committee on Banking Supervision (BCBS) first issued guidance on the management and supervision of funding liquidity risk in 2008 through a set of high-level principles. It has since supplemented these principles with two minimum quantitative standards, the Liquidity Coverage Ratio (LCR), finalised in 2013, and the Net Stable Funding Ratio (NSFR), which was published in 2014. These two standards have complementary objectives. The NSFR – which is the focus of this tutorial – seeks to reduce funding risks by requiring banks to fund their activities with sufficiently stable sources of funding.

Prerequisite Knowledge

Published: June 2020

Tutorial Level: Intermediate
Tutorial Duration: 10 mins

Published: June 2015
Market and Interest Rate Risk

IRRBB - Pillar 2 Standardised Framework - Executive Summary

This Executive Summary provides an overview of the Pillar 2 standardised framework for measuring interest rate risk in the banking book (IRRBB), an important element of the IRRBB standard published by the Basel Committee on Banking Supervision in April 2016.

Published: May 2017

IRRBB - Pillar 2 Standardised Framework

Objectives
On completion of this tutorial, you will be able to:
• define interest rate risk in the banking book (IRRBB) and outline the evolution of the related guidance from the Basel Committee on Banking Supervision (BCBS)
• identify how the Pillar 2 standardised framework for IRRBB (Framework) measures IRRBB
• recognise how the Framework deals with some of the more challenging aspects of IRRBB measurement

Tutorial Overview
IRRBB is inherent to the business of taking deposits and making loans. It emanates primarily, but not exclusively, from the maturity mismatch that is fundamental to such a model. Consequently, IRRBB is a significant risk for most banks. The BCBS published a new standard for IRRBB in April 2016. Even though IRRBB remains a Pillar 2 risk, the new standard includes a highly specified, standardised measurement framework that supervisors can mandate or banks can choose to adopt as their internal measurement system. This tutorial walks you through the framework in detail.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Time Value of Money
• Basel II - Interest Rate Risk in the Banking Book

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: January 2017

IRRBB Sound Practices - An Introduction

Objectives
On completion of this tutorial, you will be able to:
• describe the historical context of the Basel Committee on Banking Supervision (BCBS) standards for interest rate risk in the banking book (IRRBB)
• define IRRBB and how it is measured
• list the sources of interest rate risk

Tutorial Overview
The BCBS published its final standards updating the Pillar 2 principles in April 2016. The standards set out 12 principles that banks and supervisors need to adhere to for the effective monitoring and management of IRRBB.

This tutorial briefly explores the historical context and rationale for the reform of the principles before examining the definition of IRRBB in more detail, exploring the definitions and practical impacts of the core sub-types of IRRBB, before providing a reminder about the measurements for IRRBB.

This tutorial is part of a suite that includes the following:
• IRRBB Sound Practices - An Introduction
• IRRBB Sound Practices - Revised IRR Principles for Banks
• IRRBB Sound Practices - Revised IRR Principles for Supervisors
• IRRBB Sound Practices - Connect
• IRRBB Sound Practices - Test Yourself

Published: September 2017

IRRBB Sound Practices - Revised IRR Principles for Banks

Objectives
On completion of this tutorial, you will be able to:
• list the updated interest rate risk in the banking book (IRRBB) principles
• recognise the control framework of the Basel Committee on Banking Supervision (BCBS) for banks to manage IRRBB
• identify the enhanced IRRBB disclosure requirements for banks

Tutorial Overview
The BCBS published its final standards updating the Pillar 2 principles in April 2016. The standards set out 12 principles that banks and supervisors need to adhere to for the effective monitoring and management of IRRBB.

This tutorial briefly explores the principles supervisors are expected to adhere to in assessing whether a bank is adequately managing IRRBB.

This tutorial is part of a suite that includes the following:
• IRRBB Sound Practices - An Introduction
• IRRBB Sound Practices - Revised IRR Principles for Banks
• IRRBB Sound Practices - Revised IRR Principles for Supervisors
• IRRBB Sound Practices - Connect
• IRRBB Sound Practices - Test Yourself

Published: September 2017

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
• IRRBB - Pillar 2 Standardised Framework

Tutorial Level: Intermediate
Tutorial Duration: 15 mins

Published: September 2017

IRRBB Sound Practices - Revised IRR Principles for Supervisors

Objectives
On completion of this tutorial, you will be able to:
• consider all the necessary factors when assessing a bank’s interest rate risk in the banking book (IRRBB) risk management
• identify the actions available to supervisors should banks not adequately monitor or capture IRRBB
• apply the principle of the outlier test to identify banks holding insufficient capital to cover IRRBB

Tutorial Overview
The BCBS published its final standards updating the Pillar 2 principles in April 2016. The standards set out 12 principles that banks and supervisors need to adhere to for the effective monitoring and management of IRRBB.

This tutorial briefly explores the principles supervisors are expected to adhere to in assessing whether a bank is adequately managing IRRBB.

This tutorial is part of a suite that includes the following:
• IRRBB Sound Practices - An Introduction
• IRRBB Sound Practices - Revised IRR Principles for Banks
• IRRBB Sound Practices - Revised IRR Principles for Supervisors
• IRRBB Sound Practices - Connect
• IRRBB Sound Practices - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
• IRRBB - Pillar 2 Standardised Framework

Published: September 2017

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
• IRRBB - Pillar 2 Standardised Framework

Tutorial Level: Intermediate
Tutorial Duration: 15 mins

Published: September 2017
**Operational Risk Sound Practices - Connect**

This tutorial is the Connect phase for the following suite of tutorials:
- IRRBB Sound Practices - Connect
- IRRBB Sound Practices - Revised IRR Principles for Banks
- IRRBB Sound Practices - Revised IRR Principles for Supervisors

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

**Tutorial Level:** Intermediate  
**Tutorial Duration:** 15 mins  
**Published:** September 2017

**Operational Risk Sound Practices - Test Yourself**

Try these questions to evaluate your knowledge of the revised interest rate risk in the banking book (IRBBB) principles for banks and supervisors.

**Tutorial Level:** Intermediate  
**Tutorial Duration:** 10 mins  
**Published:** September 2017

**Operational Risk Sound Practices - Background**

Objectives
On completion of this tutorial, you will be able to:
- define operational risk
- outline the importance of operational risk management
- provide an overview of the principles on the sound management of operational risk set out by the Basel Committee on Banking Supervision (BCBS)

**Tutorial Overview**
The BCBS published the Principles for the Sound Management of Operational Risk in June 2011, an update from the original issuance in 2003 of Sound Practices for the Management and Supervision of Operational Risk. The 2011 paper sets out 11 principles to which banks should adhere in order to manage operational risks. In 2014, the BCBS conducted a review of banks' implementation of these principles in light of the significant number of operational risk-related losses incurred by banks and consistent with BCBS's greater focus on monitoring the implementation of its standards and guidance.

This tutorial is part of a suite that includes the following:
- Operational Risk Sound Practices - Background
- Operational Risk Sound Practices - Control, Mitigation and Business Continuity
- Operational Risk Sound Practices - Risk Identification, Assessment, Monitoring and Reporting
- Operational Risk Sound Practices - Governance and Oversight
- Operational Risk Sound Practices - Test Yourself

**Prequisite Knowledge**
To fully benefit from this tutorial, we suggest you review the material in the following tutorial:
- Operational Risk - An Introduction

**Tutorial Level:** Intermediate  
**Tutorial Duration:** 15 mins  
**Published:** September 2017

**Operational Risk Sound Practices - Governance and Oversight**

Objectives
On completion of this tutorial, you will be able to:
- recognise the key features of the Three Lines of Defence governance model
- list the responsibilities of the board of directors and senior management

**Tutorial Overview**
This tutorial explores the expectations regarding banks’ governance and oversight of operational risk as set out in the Principles for the Sound Management of Operational Risk (PSMOR) published by the Basel Committee on Banking Supervision (BCBS) in June 2011. It introduces the Three Lines of Defence risk governance model and the roles and responsibilities of the board of directors and senior management, and it provides an overview of the active role of supervisors.

This tutorial is part of a suite that includes the following:
- Operational Risk Sound Practices - Background
- Operational Risk Sound Practices - Governance and Oversight
- Operational Risk Sound Practices - Risk Identification, Assessment, Monitoring and Reporting
- Operational Risk Sound Practices - Control, Mitigation and Business Continuity
- Operational Risk Sound Practices - Test Yourself

**Prequisite Knowledge**
To fully benefit from this tutorial, we suggest you review the material in the following tutorial:
- Operational Risk - An Introduction

**Tutorial Level:** Intermediate  
**Tutorial Duration:** 15 mins  
**Published:** September 2017
Other Risks

Anti-Money Laundering and the Financing of Terrorism

Objectives
On completion of this tutorial, you will be able to:
• recognise where dirty money comes from, the paths it takes and how this impacts banks and the economy
• identify actions taken by the global community to prevent money laundering and the financing of terrorism
• explain what banks are expected to do in order to prevent money laundering and the financing of terrorism

Tutorial Overview
This tutorial examines the vulnerabilities of banks and the measures they can take to protect themselves against being used for money laundering and terrorist financing. It also introduces you to the work of the Financial Action Task Force (FATF) and to bank supervisory guidance relating to money laundering and terrorist financing activities.

Operational Risk Sound Practices - Test Yourself

Try these questions to evaluate your knowledge of the Basel Committee on Banking Supervision's principles for the sound management of operational risk.

Outsourcing

Objectives
On completion of this tutorial, you will be able to:
• describe the scope, purpose and implications of outsourcing for banks
• describe the main supervisory requirements for managing outsourcing relationships
• outline the main approaches for the supervision of outsourcing relationships

Tutorial Overview
Banks around the world are increasingly outsourcing operations to third parties to increase efficiency. However, outsourcing is not without risk. This tutorial focuses on the implications of outsourcing for banks, including risks and supervisory requirements. You will also learn about implementing a framework for managing the outsourcing relationship.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the tutorials:
• Operational Risk - An Introduction
• Operational Risk Management - Sound Practices

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: November 2016
Correspondent Banking - Purpose and Importance

**Objectives**
On completion of this tutorial, you will be able to identify the characteristics of correspondent banking, its purpose and importance in the international financial system and the risks and challenges affecting correspondent banking today.

**Tutorial Overview**
This tutorial introduces correspondent banking. It outlines the important role correspondent banking plays in the international financial system, the associated risks and challenges affecting correspondent banking today and what the future may look like for the sector.

**Prerequisite Knowledge**
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Anti-Money Laundering and the Financing of Terrorism

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 20 mins  
**Published:** August 2019

Correspondent Banking - Decline and International Response

**Objectives**
On completion of this tutorial, you will be able to recognise the scale of and reasons behind the decline in correspondent banking after the global financial crisis that began in 2007, and identify the actions being undertaken at international level to address the related adverse effects.

**Tutorial Overview**
This tutorial discusses the declining trend in correspondent banking and why it is a concern for international standard-setters and global economies. It presents and discusses the drivers of the decline and summarises the key actions being undertaken at international level to address its adverse effects.

**Prerequisite Knowledge**
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Anti-Money Laundering and the Financing of Terrorism

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** August 2019

Correspondent Banking - Test Yourself

**Objectives**
Try these questions to evaluate your knowledge of correspondent banking and related global trends.

**Tutorial Overview**
This tutorial is part of a suite that includes the following:
- Correspondent Banking - Purpose and Importance
- Correspondent Banking - Decline and International Response
- Correspondent Banking - Test Yourself

**Prerequisite Knowledge**
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Anti-Money Laundering and the Financing of Terrorism

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 10 mins  
**Published:** August 2019

Disclosure

Pillar 3 Framework - Executive Summary

The Pillar 3 framework lays out a comprehensive set of disclosure requirements that seeks to provide enough information to assess an internationally active bank’s material risks and capital adequacy. It is part of the Basel Consolidated Framework that brings together all of the Basel Committee’s standards. To ensure data quality, the Pillar 3 framework also defines a minimum data assurance level that must be satisfied. The disclosure requirements are presented in a series of chapters related to separate standards, each chapter including qualitative and quantitative tables with disclosure frequencies that are aligned with the respective standards.

This Executive Summary provides an overview of these disclosure requirements and explains how they are structured.

**Published:** June 2019

Pillar 3 - Guiding Principles and Pillar 3 Reports

**Objectives**
On completion of this tutorial, you will be able to recognise the guiding principles for risk disclosure requirements, as well as the structure and disclosure formats of Pillar 3 reports.

**Tutorial Overview**
This tutorial provides an overview of the Enhanced Pillar 3 Framework. It explains the rationale behind the Pillar 3 disclosure requirements and presents the guiding principles and disclosure formats of Pillar 3 reports.

**Published:** August 2019

Pillar 3 - Overview, Key Metrics and Regulatory Capital Disclosures

**Objectives**
On completion of this tutorial, you will be able to identify the Pillar 3 requirements for assessing a bank’s financial soundness and for enabling investors to compare its regulatory metrics with those of peers.

**Tutorial Overview**
This tutorial covers the disclosure requirements under the Enhanced Pillar 3 Framework related to key prudential metrics, risk-weighted assets, regulatory capital and the leverage ratio.

**Prerequisite Knowledge**
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Overview of Basel III - Strengthening the Risk-based Framework
- Overview of Basel III - Complementing the Risk-based Framework
- Overview of Basel III - The Macroprudential Overlay
- Pillar 3 - Guiding Principles and Pillar 3 Reports
- Pillar 3 - Regulatory Risk Disclosures
- Pillar 3 - Connect
- Pillar 3 - Test Yourself

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** August 2019
Pillar 3 - Regulatory Risk Disclosures

Objectives
On completion of this tutorial, you will be able to identify the key elements of Pillar 3 disclosure requirements related to regulatory risk.

Tutorial Overview
This tutorial covers the disclosure requirements related to regulatory risk under the Enhanced Pillar 3 Framework.

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:

- Pillar 3 - Guiding Principles and Pillar 3 Reports
- Pillar 3 - Overview, Key Metrics and Regulatory Capital Disclosures

Published: August 2019

Pillar 3 - Test Yourself

Try these questions to evaluate your knowledge of the Enhanced Pillar 3 Framework.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: August 2019

Pillar 3 - Market Discipline - Part 1

Objectives
When you have completed this tutorial you will be able to:

- explain the role of disclosure in financial markets and among market participants
- identify the objective of Pillar 3 disclosures
- describe Pillar 3 disclosure requirements for the Basel Capital Framework’s (BCF) scope of application, regulatory capital and remuneration

Tutorial Overview
Banks are uniquely important in the smooth functioning of the financial system and a nation’s economy. Disclosure – or the availability of timely, accurate and relevant information – is the key to transparency and market discipline. In this tutorial you will learn about the importance of disclosures from the perspective of market participants and banking supervisors.

Prerequisite Knowledge
In order to get maximum benefit from this tutorial, you should be familiar with banking and bank capital. You can review these subjects in the following tutorials:

- Banks & Bank Risks
- Basel II - An Overview

Published: August 2019

Pillar 3 - Connect

This tutorial is the Connect phase for the following suite of tutorials:

- Pillar 3 - Guiding Principles and Pillar 3 Reports
- Pillar 3 - Overview, Key Metrics and Regulatory Capital Disclosures
- Pillar 3 - Regulatory Risk Disclosures

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: August 2019

Pillar 3 - Market Discipline - Part 2

Objectives
When you have completed this tutorial you will be able to:

- describe the Pillar 3 qualitative and quantitative disclosure requirements for credit, market, operational and other risks
- distinguish between the disclosure requirements for the different approaches and methodologies that banks may use under the Basel Capital Framework (BCF)
- identify the types of disclosures required for credit risk mitigation and securitisation operations

Tutorial Overview
This tutorial deals with disclosure requirements relating to the risks to which a bank is exposed and the techniques it uses to manage those risks.
Supervisory Practices

The Basel Capital Framework (BCF) and related risk standards can only be effective if they are accompanied by high-quality supervision. In this category you will find tutorials that address various elements of day-to-day supervision and are grouped into four subcategories:

- **Tools and Techniques** Includes tutorials on supervisory methods and techniques such as licensing, on-site inspection, off-site supervision and risk-based supervision.
- **Implementation of the Basel Capital Framework** contains tutorials on the Pillar 2 supervisory review process, supervisory model validation and other implementation issues related to the BCF.
- **Supervision of Risks** consists of tutorials on practical issues related to the oversight of material banking risks, including useful case studies and stress testing of material risks.
- **Problem Banks and Resolution** contains tutorials on problem bank identification, supervisory actions and follow-up and resolution.

**Tools and Techniques**

**Bank Licensing - Overview**

**Objectives**

<table>
<thead>
<tr>
<th>Tutorial Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank supervisory frameworks should include a licensing process designed to ensure that entrants to the banking system are operated in a safe and sound manner. Even when it is comprehensive and implemented effectively, the licensing process cannot guarantee that a bank will be managed well and will be successful. It does, however, help minimise the risk of allowing into the financial system banks that ultimately end up in difficulty. This tutorial provides an overview of the licensing process for banks, including the rationale for having one in the first place and its key elements.</td>
</tr>
</tbody>
</table>

This tutorial is part of a suite that includes the following:

- Bank Licensing - Overview
- Bank Licensing - Licensing Process
- Bank Licensing - Information Requirements
- Bank Licensing - Foreign Bank Entry
- Bank Licensing - Test Yourself

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest you review the material in the following tutorial:

- Banks and Bank Risks - The Role of Banks

**Tutorial Level:** Fundamental

**Tutorial Duration:** 15 mins

**Published:** November 2017

**Bank Licensing - Licensing Process**

**Objectives**

<table>
<thead>
<tr>
<th>Tutorial Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>On completion of this tutorial, you will be able to recognisable the rationale for and key considerations of the licensing process for banks and its relevance to the supervisory framework.</td>
</tr>
</tbody>
</table>

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest you review the material in the following tutorial:

- Bank Licensing - Overview
- Bank Licensing - Licensing Process
- Bank Licensing - Information Requirements
- Bank Licensing - Foreign Bank Entry
- Bank Licensing - Test Yourself

**Tutorial Level:** Fundamental

**Tutorial Duration:** 15 mins

**Published:** November 2017

**Bank Licensing - Information Requirements**

**Objectives**

<table>
<thead>
<tr>
<th>Tutorial Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>On completion of this tutorial, you will be able to identify the various factors that supervisors should take into account in the banking licensing process and the related information requirements.</td>
</tr>
</tbody>
</table>

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest you review the material in the following tutorial:

- Banks and Bank Risks - The Role of Banks

**Tutorial Level:** Fundamental

**Tutorial Duration:** 15 mins

**Published:** November 2017
Banking Supervision

Bank Licensing - Foreign Bank Entry

Objectives
On completion of this tutorial, you will be able to identify the factors supervisors should consider in licensing an entity that is a subsidiary or branch of a foreign bank.

Tutorial Overview
Bank supervisory frameworks should include a licensing process designed to ensure that entrants to the banking system are operated in a safe and sound manner. Even when it is comprehensive and implemented effectively, the licensing process cannot guarantee that a bank will be managed well and will be successful. It does, however, help minimise the risk of allowing into the financial system banks that ultimately end up in difficulty. This tutorial describes the role of foreign banks in a host jurisdiction, the legal forms they can take and the unique considerations that apply to licensing applications from foreign banks.

This tutorial is part of a suite that includes the following:
- Bank Licensing - Overview
- Bank Licensing - Licensing Process
- Bank Licensing - Information Requirements
- Bank Licensing - Foreign Bank Entry
- Bank Licensing - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the material in the following tutorials:
- Banks and Bank Risks - The Role of Banks

Published: November 2017

Bank Licensing - Test Yourself

Try these questions to evaluate your knowledge of bank licensing.

Tutorial Overview

To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk

Published: November 2017

Introduction to Stress Testing - Purpose and Importance

Objectives
On completion of this tutorial, you will be able to identify the purpose and importance of stress testing, its key challenges and limitations, and the various types of stress testing.

Tutorial Overview
This tutorial introduces the concept of stress testing and key terminology related to the area. It outlines the different types of stress testing used by banks as part of their risk management frameworks and by supervisory authorities as part of the supervisory review processes. It summarises the key challenges and limitations of stress testing.

This tutorial is part of a suite that includes the following:
- Introduction to Stress Testing - Purpose and Importance
- Introduction to Stress Testing - Supervisory Approaches to Stress Testing
- Introduction to Stress Testing - Stress Testing Methodologies
- Introduction to Stress Testing - Connect
- Introduction to Stress Testing - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the material in the following tutorials:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk

Published: September 2019

Introduction to Stress Testing - Supervisory Approaches to Stress Testing

Objectives
On completion of this tutorial, you will be able to recognise the Basel Committee on Banking Supervision (BCBS) principles for effective stress testing frameworks for banks and supervisory authorities.

Tutorial Overview
This tutorial presents the core principles of stress testing frameworks from the viewpoint of the supervisory authority and the bank, based on the BCBS Stress Testing Principles issued in October 2018.

This tutorial is part of a suite that includes the following:
- Introduction to Stress Testing - Purpose and Importance
- Introduction to Stress Testing - Supervisory Approaches to Stress Testing
- Introduction to Stress Testing - Stress Testing Methodologies
- Introduction to Stress Testing - Connect
- Introduction to Stress Testing - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk

Published: September 2019
Introduction to Stress Testing - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Introduction to Stress Testing - Purpose and Importance
- Introduction to Stress Testing - Supervisory Approaches to Stress Testing
- Introduction to Stress Testing - Stress Testing Methodologies

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: September 2019

Introduction to Stress Testing - Test Yourself

Try these questions to evaluate your knowledge of stress testing.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: September 2019

Off-site Supervision - Main Components

Objectives
On completion of this tutorial, you will be able to detail the main components of off-site supervision.

Tutorial Overview
Over several decades, banking supervision's off-site monitoring has become more structured and systematic, with a growing emphasis on early identification of bank problems and supervisory interventions to address them. This tutorial provides an overview of the main components of off-site supervision. In particular, it provides an overview of the main elements of a supervisory rating system, financial ratio and peer group analysis systems, and statistical models, and it explains how they contribute to off-site supervision.

This tutorial is part of a suite that includes the following:
- Off-site Supervision - Main Components
- Off-site Supervision - Identifying Outliers
- Off-site Supervision - Forward-looking Supervision and Early Interventions
- Off-site Supervision - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with issues relating to bank risks and problem banks. You can study topics related to these areas in the following tutorials:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk
- Dealing with Weak Banks

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: February 2018

Off-site Supervision - Identifying Outliers

Objectives
On completion of this tutorial, you will be able to recognise the main off-site supervisory tools used to identify outlier weak banks.

Tutorial Overview
This tutorial is an overview of the various tools and techniques used in off-site supervision to identify outlier weak banks. While there are three main types of analytical and/or quantitative tools, supervisory authorities tend to use all of them and integrate them into sophisticated surveillance models.

This tutorial is part of a suite that includes the following:
- Off-site Supervision - Main Components
- Off-site Supervision - Identifying Outliers
- Off-site Supervision - Forward-looking Supervision and Early Interventions
- Off-site Supervision - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with issues relating to bank risks and problem banks. You can study topics related to these areas in the following tutorials:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk
- Dealing with Weak Banks

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: February 2018

Off-site Supervision - Forward-looking Supervision and Early Interventions

Objectives
On completion of this tutorial, you will be able to recognise the purpose and main components of forward-looking supervision and identify how it promotes early supervisory interventions.

Tutorial Overview
This tutorial presents elements of forward-looking supervision with a focus on governance and business model review. Forward-looking supervision aims to promote early supervisory interventions that help prevent the consequences of poor business decisions from compromising a bank's viability.

This tutorial is part of a suite that includes the following:
- Off-site Supervision - Main Components
- Off-site Supervision - Identifying Outliers
- Off-site Supervision - Forward-looking Supervision and Early Interventions
- Off-site Supervision - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with issues relating to bank risks, corporate governance and compensation. You can study topics related to these areas in the following tutorials:
- Dealing with Weak Banks
- The Basel Core Principles - Banks' Governance and Market Discipline
- Corporate Governance in Banks
- Principles for Sound Compensation Practices

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: February 2018

Off-site Supervision - Test Yourself

Try these questions to evaluate your knowledge of the off-site supervision of banks.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: February 2018
On-site Inspections for Banking - Rationale and Key Factors

Objectives
On completion of this tutorial, you will be able to:
• recognise the need for on-site inspections
• identify the factors that influence their effectiveness
• prepare effectively for an on-site inspection

Tutorial Overview
On-site inspections (or on-site examinations) are essential for assessing the safety and soundness of banks. This tutorial presents the rationale for on-site inspections. It highlights the key factors for selecting banks for such inspections, the main types of examination and the careful preparations necessary beforehand.

This tutorial is part of a suite that includes the following:
• On-site Inspections for Banking - Rationale and Key Factors
• On-site Inspections for Banking - Planning and Execution
• On-site Inspections for Banking - Key Issues
• On-site Inspections for Banking - Connect
• On-site Inspections for Banking - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Published: September 2017

On-site Inspections for Banking - Key Issues

Objectives
On completion of this tutorial, you will be able to identify key issues facing supervisors conducting on-site inspections at banks.

Tutorial Overview
This tutorial provides insights into some of the key issues related to on-site examinations at banks. In particular, we will look at:
• the importance of supervisory judgment
• the need to focus on supervisory outcomes
• assessing boards of directors' effectiveness
• supervisory reliance on banks' risk management and control functions
• additional complexities arising from cross-border examinations

This tutorial is part of a suite that includes the following:
• On-site Inspections for Banking - Rationale and Key Factors
• On-site Inspections for Banking - Planning and Execution
• On-site Inspections for Banking - Key Issues
• On-site Inspections for Banking - Connect
• On-site Inspections for Banking - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Published: September 2017

On-site Inspections for Banking - Planning and Execution

Objectives
On completion of this tutorial, you will be able to identify the key phases of the on-site inspection process.

Tutorial Overview
This tutorial provides insights into the planning and execution of an on-site inspection and its various phases. While practices vary across jurisdictions, on-site inspections generally follow a structured process intended to make the most of such visits.

This tutorial is part of a suite that includes the following:
• On-site Inspections for Banking - Rationale and Key Factors
• On-site Inspections for Banking - Planning and Execution
• On-site Inspections for Banking - Key Issues
• On-site Inspections for Banking - Connect
• On-site Inspections for Banking - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Published: September 2017

On-site Inspections for Banking - Connect

Objectives
On completion of this tutorial, you will be able to identify key issues facing supervisors conducting on-site inspections at banks.

Tutorial Overview
This tutorial provides insights into some of the key issues related to on-site examinations at banks. In particular, we will look at:
• the importance of supervisory judgment
• the need to focus on supervisory outcomes
• assessing boards of directors' effectiveness
• supervisory reliance on banks' risk management and control functions
• additional complexities arising from cross-border examinations

This tutorial is part of a suite that includes the following:
• On-site Inspections for Banking - Rationale and Key Factors
• On-site Inspections for Banking - Planning and Execution
• On-site Inspections for Banking - Key Issues
• On-site Inspections for Banking - Connect
• On-site Inspections for Banking - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Published: September 2017

Risk-based Supervision - Objectives, Benefits and Challenges

Objectives
On completion of this tutorial, you will be able to recognise what is meant by risk-based supervision, its objectives and benefits.

Tutorial Overview
Over the years, supervisory authorities have always sought to deploy limited resources as effectively and efficiently as possible to better achieve their mandates. The growing complexity of the financial services industry has highlighted this need for supervisory efficiency. Hence, continuous improvements were introduced to supervisory methods and approaches, which have consequently become more risk-based (or ‘risk-focused’ or ‘risk-oriented’).

This tutorial describes the objectives, benefits and challenges of risk-based supervision.

This tutorial is part of a suite that includes the following:
• Risk-based Supervision - Objectives, Benefits and Challenges
• Risk-based Supervision - Main Elements
• Risk-based Supervision - Main Elements
• Risk-based Supervision - An Example
• Risk-based Supervision - Connect
• Risk-based Supervision - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
• Banks and Bank Risks - The Role of Banks
• Banks and Bank Risks - Credit Risk
• Banks and Bank Risks - Operational and Liquidity Risks
• Banks and Bank Risks - Market Risk
• Life Insurance - Business and Risks
• Non-life Insurance - Business and Risks

Published: November 2017
Risk-based Supervision - Main Elements

Objectives
On completion of this tutorial, you will be able to identify the main elements of risk-based supervision.

Tutorial Overview
Over the years, supervisory authorities have always sought to deploy limited resources as effectively and efficiently as possible to better achieve their mandates. The growing complexity of the financial services industry has highlighted this need for supervisory efficiency. Hence, continuous improvements were introduced to supervisory methods and approaches, which have consequently become more risk-based (or 'risk-focused' or 'risk-oriented').

This tutorial describes the main elements of risk-based supervision, from the identification of significant operations, assessment of risks and their management, controls and mitigants to the assignment of an overall assessment.

This tutorial is part of a suite that includes the following:
- Risk-based Supervision - Objectives, Benefits and Challenges
- Risk-based Supervision - Main Elements
- Risk-based Supervision - An Example
- Risk-based Supervision - Connect
- Risk-based Supervision - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk
- Life Insurance - Business and Risks
- Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: November 2017

Risk-based Supervision - Connect

Objectives
This tutorial is the Connect phase for the following suite of tutorials:
- Risk-based Supervision - Objectives, Benefits and Challenges
- Risk-based Supervision - Main Elements
- Risk-based Supervision - An Example

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: November 2017

Risk-based Supervision - Test Yourself

Objectives
Try these questions to evaluate your knowledge of risk-based supervision.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: November 2017

Sound Stress Testing Practices and Supervision - Overview

Objectives
On completion of this tutorial, you will be able to list the weaknesses in stress testing that emerged during the financial crisis that started in 2007 and identify how stress tests run by banks and authorities have been enhanced since then.

Tutorial Overview
This tutorial presents an overview of stress testing practices in various jurisdictions, covering both industry and supervisory approaches.

This tutorial is part of a suite that includes the following:
- Sound Stress Testing Practices and Supervision - Overview
- Sound Stress Testing Practices and Supervision - Banks' Risk Management
- Sound Stress Testing Practices and Supervision - Regulation
- Sound Stress Testing Practices and Supervision - Connect
- Sound Stress Testing Practices and Supervision - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Sound Stress Testing Practices and Supervision - Regulation
- Sound Stress Testing Practices and Supervision - Banks' Risk Management
- Sound Stress Testing Practices and Supervision - Overview
- Sound Stress Testing Practices and Supervision - Connect
- Sound Stress Testing Practices and Supervision - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: October 2019
Banking Supervision

Sound Stress Testing Practices and Supervision - Banks' Risk Management

Objectives
On completion of this tutorial, you will be able to identify how stress testing can work with other risk mitigation techniques and contribute to the overall effectiveness of a bank's risk management programme.

Tutorial Overview
This tutorial shows how banks may use stress testing as a risk management tool and how it may be used to complement other risk management tools.

This tutorial is part of a suite that includes the following:
- Sound Stress Testing Practices and Supervision - Overview
- Sound Stress Testing Practices and Supervision - Banks' Risk Management
- Sound Stress Testing Practices and Supervision - Regulation
- Sound Stress Testing Practices and Supervision - Connect
- Sound Stress Testing Practices and Supervision - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Introduction to Stress Testing - Purpose and Importance
- Introduction to Stress Testing - Supervisory Approaches to Stress Testing
- Introduction to Stress Testing - Stress Testing Methodologies
- Stress Testing - Credit Risk
- Stress Testing - Liquidity
- Corporate Governance in Banks

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2019

Sound Stress Testing Practices and Supervision - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Sound Stress Testing Practices and Supervision - Overview
- Sound Stress Testing Practices and Supervision - Banks' Risk Management
- Sound Stress Testing Practices and Supervision - Regulation

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2019

Supervisory Intensity and Effectiveness - Prerequisites for Effective Banking Supervision

Objectives
On completion of this tutorial, you will be able to identify the prerequisites needed to equip a supervisory authority with the ability and the will to act effectively.

Tutorial Overview
In 2009, international standard-setters initiated regulatory reforms to strengthen the resilience of individual banks and of the global banking system. Changing rules alone, however, is not enough to generate a safe-and-sound banking system, unless robust supervision is also in place. This tutorial focuses on the prerequisites of an effective supervisory framework.

This tutorial is part of a suite that includes the following:
- Supervisory Intensity and Effectiveness - Prerequisites for Effective Banking Supervision
- Supervisory Intensity and Effectiveness - Supervisory Assessments
- Supervisory Intensity and Effectiveness - Early Supervisory Interventions
- Supervisory Intensity and Effectiveness - Connect
- Supervisory Intensity and Effectiveness - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you have a general understanding of the Core Principles for Effective Banking Supervision (BCPs) and risk-based supervision or review the material in the following tutorials:
- The Basel Core Principles - Supervisory Powers
- Risk-based Supervision - Objectives, Benefits and Challenges
- Risk-based Supervision - Main Elements

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2018

Sound Stress Testing Practices and Supervision - Test Yourself

Objectives
Try these questions to evaluate your knowledge of sound stress testing practices and supervision.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2019
Supervisory Intensity and Effectiveness - Supervisory Assessments

Objectives
On completion of this tutorial, you will be able to recognise the implications of a risk-based approach to supervision and the main supervisory techniques used to identify problems in banks.

Tutorial Overview
This tutorial provides insights regarding the main components of risk-based supervision. It includes a review of the main supervisory assessment techniques. It also presents the main changes in emphasis that have taken place in supervision since the end of the financial crisis that began in 2007.

This tutorial is part of a suite that includes the following:
- Supervisory Intensity and Effectiveness - Prerequisites for Effective Banking Supervision
- Supervisory Intensity and Effectiveness - Supervisory Assessments
- Supervisory Intensity and Effectiveness - Early Supervisory Interventions
- Supervisory Intensity and Effectiveness - Connect
- Supervisory Intensity and Effectiveness - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you have a general understanding of the Core Principles for Effective Banking Supervision (BCPs) and of risk-based supervision or review the material in the following tutorials:
- The Basel Core Principles - Supervisory Powers
- The Basel Core Principles - The Supervisory Process
- The Basel Core Principles - Banks' Governance and Market Discipline
- The Basel Core Principles - Banks' Capital Adequacy and Material Risks
- Risk-based Supervision - Objectives, Benefits and Challenges
- Risk-based Supervision - Main Elements

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2018

Supervisory Intensity and Effectiveness - Early Supervisory Interventions

Objectives
On completion of this tutorial, you will be able to recognise the key elements of good supervision and the factors that influence a supervisor’s will to act.

Tutorial Overview
In the years leading up to the financial crisis that began in 2007, the prevailing supervisory culture often lead to untimely and ineffective supervisory interventions. The purpose of this tutorial is to present the main components of good, timely supervision and to identify the challenges in fostering a strong will to act.

This tutorial is part of a suite that includes the following:
- Supervisory Intensity and Effectiveness - Prerequisites for Effective Banking Supervision
- Supervisory Intensity and Effectiveness - Supervisory Assessments
- Supervisory Intensity and Effectiveness - Early Supervisory Interventions
- Supervisory Intensity and Effectiveness - Connect
- Supervisory Intensity and Effectiveness - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you have a general understanding of the Core Principles for Effective Banking Supervision (BCPs) and risk-based supervision or review the material in the following tutorials:
- The Basel Core Principles - Supervisory Powers
- The Basel Core Principles - The Supervisory Process
- The Basel Core Principles - Banks' Governance and Market Discipline
- The Basel Core Principles - Banks' Capital Adequacy and Material Risks
- Risk-based Supervision - Objectives, Benefits and Challenges
- Risk-based Supervision - Main Elements

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2018

Supervisory Intensity and Effectiveness - Connect

Objectives
This tutorial is the Connect phase for the following suite of tutorials:
- Supervisory Intensity and Effectiveness - Test Yourself

Tutorial Overview
This tutorial provides insights regarding the main components of risk-based supervision. It also provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: January 2018

Supervisory Intensity and Effectiveness - Test Yourself

Objectives
Try these questions to evaluate your knowledge of supervisory intensity and effectiveness.

Tutorial Overview
This tutorial is the Test Yourself phase for the following suite of tutorials:
- Supervisory Intensity and Effectiveness - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: January 2018

Implementation of the Basel Capital Framework

Basel Capital Framework - Cross-border Implementation

Objectives
On completion of this tutorial, you will be able to:
- identify the high-level principles for effectively implementing the BCF on a cross-border basis
- determine the key elements of information sharing arrangements required to support cross-border implementation of the BCF

Tutorial Overview
The complexity involved in implementing the global capital standard increased considerably with the introduction of Basel II in 2004. These implementation challenges are even more pronounced for banks with significant cross-border operations given the potential differences in bank regulations and supervisory practices across different countries. This tutorial explains why enhancements to supervisory cooperation are needed for the successful implementation of the BCF. It also describes the principles that are intended to guide supervisors as they develop arrangements for cooperation and information sharing for BCF implementation.

Prerequisite Knowledge
In order to get maximum benefit from this tutorial, you should be familiar with the BCF (particularly Basel II), how it is to be applied to banks and banking groups, and the practical issues involved in its implementation. You can study these concepts in the following tutorials:
- Basel II: Introduction
- Scope of Application
- Implementation of the Basel Capital Framework - An Overview

Tutorial Overview
On completion of this tutorial, you will be able to:
- determine the key elements of information sharing arrangements required to support cross-border implementation of the BCF
- identify why specific arrangements for supervisory cooperation are necessary to facilitate cross-border implementation of the Basel Capital Framework (BCF)

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: January 2018
Basel I - A Case Study

Tutorial Overview
In July 1988, the Basel Committee on Banking Supervision issued a paper entitled “International Convergence of Capital Measurement and Capital Standards.” The capital standards in this document are known as the Basel Capital Accord and are commonly referred to as Basel I. The Basel framework consists of the following three elements:

- a definition of regulatory capital
- risk-weighted assets (RWAs)
- two minimum ratios of capital to RWAs

This case study demonstrates how:

- banks apply these three elements
- supervisors verify banks’ application of these elements

Prerequisite Knowledge
This case study complements the Basel I tutorial. We recommend that you study that tutorial before attempting this case study.

Tutorial Level: Fundamental
Tutorial Duration: 90 mins

Implementation of Basel III - Executive Summary

Basel III is a comprehensive set of measures developed by the Basel Committee on Banking Supervision (BCBS) as a response to the financial crisis that began in 2007. It aims to increase the banking sector’s ability to absorb shocks arising from financial and economic stress by strengthening the regulation and supervision of banks. BCBS members are committed to the full, timely and consistent adoption and implementation of Basel standards in their jurisdictions.

This Executive Summary provides an overview of the various phases of Basel III, the relevant transitional arrangements and the Basel III implementation review process performed by the BCBS.

Published: October 2019

Implementation of Basel III - The Inside Track – Video

Basel III is a collection of standards developed by the Basel Committee on Banking Supervision to increase the resilience of the international financial system. Since its finalisation in 2017, the focus has shifted towards its implementation worldwide. Outlining the main steps to implement this comprehensive set of standards is the purpose of this brief video. Alongside Basel III’s contents, the video describes the starting point and the main steps to consider when seeking to implement and adapt it to fit the characteristics of different banking systems.

Tutorial Duration: 5 mins
Published: September 2019

Implementation of Basel III - Prerequisites and Factors to Consider

Objectives
On completion of this tutorial, you will be able to identify the main prerequisites and factors to consider when planning to implement Basel III in a jurisdiction.

Tutorial Overview
Following its finalisation, the comprehensive package of international banking standards known as Basel III is progressively being implemented across countries. This tutorial is the first of a suite related to its implementation, with a focus on prerequisites and factors to consider before translating the standards into national regulation. In particular, you should be able to discuss the scope and timing of implementation, whether transitioning is needed and the elaboration of a comprehensive implementation plan in line with the banking industry’s and the supervisory authority’s capacities.

This tutorial is part of a suite that includes the following:

- Implementation of Basel III - Prerequisites and Factors to Consider
- Implementation of Basel III - Areas of National Discretion
- Implementation of Basel III - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with issues relating to bank risks and problem banks. You can study topics related to these areas in the following tutorials:

- BCPs - Overview and Assessment Methodology
- The Basel Core Principles - Banks’ Capital Adequacy and Material Risks
- The Basel Core Principles - Banks’ Governance and Market Discipline
- The Basel Core Principles - The Supervisory Process
- The Basel Core Principles - The Supervisory Powers
- BCPs - The Supervisory Process
- BCPs - The Supervisory Powers
- BCPs - The Supervisory Process
- BCPs - The Supervisory Powers

Published: June 2018

Implementation of Basel III - Options and Practical Steps

Objectives
On completion of this tutorial, you will be able to identify the issues for deciding which Basel III approaches can be made available and the banks to which they can be applied.

Tutorial Overview
This tutorial presents some of the main processes and concrete measures that banks and supervisors must take to help ensure the successful implementation of Basel III. These include assessing the quantitative impact of implementing Basel III on the banking system, evaluating the banks’ and the supervisory authority’s readiness, and determining cross-border implementation arrangements.

This tutorial is part of a suite that includes the following:

- Implementation of Basel III - Prerequisites and Factors to Consider
- Implementation of Basel III - Options and Practical Steps
- Implementation of Basel III - Areas of National Discretion
- Implementation of Basel III - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with issues relating to bank risks and problem banks. You can study topics related to these areas in the following tutorials:

- BCPs - Overview and Assessment Methodology
- The Basel Core Principles - Supervisory Powers
- The Basel Core Principles - The Supervisory Process
- The Basel Core Principles - Banks’ Governance and Market Discipline
- The Basel Core Principles - Banks’ Capital Adequacy and Material Risks
- The Basel Core Principles - The Supervisory Process
- The Basel Core Principles - The Supervisory Powers
- The Basel Core Principles - The Supervisory Process
- The Basel Core Principles - The Supervisory Powers

Published: June 2018
Implementation of Basel III - Areas of National Discretion

Objectives
On completion of this tutorial, you will be able to recognise key areas of national discretion when implementing Basel III.

Tutorial Overview
Areas of national discretion are those where a supervisory authority can choose how to specify Basel III requirements to fit the characteristics of its financial system. While this tutorial does not include all such areas, it focuses on some of the most significant ones for credit risk. This tutorial is part of a suite that includes the following:
- Implementation of Basel III - Overview and Assessment Methodology
- The Basel Core Principles - Supervisory Process
- Overview of Basel III - Areas of National Discretion
- Implementation of Basel III - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be broadly familiar with the Basel III framework and with the Core Principles for Effective Banking Supervision. You can study topics related to these areas in the following tutorials:
- BCPs - Overview and Assessment Methodology
- The Basel Core Principles - Supervisory Process
- Overview of Basel III - Areas of National Discretion
- Implementation of Basel III - Test Yourself

Published: June 2018
Tutorial Duration: 15 mins
Tutorial Level: Intermediate

Implementation of Basel III - Test Yourself

Try these questions to evaluate your knowledge of Basel III implementation issues.

Objectives
On completion of this tutorial, you will be able to:
- identify the principles of internal ratings-based (IRB) validation and understand the dynamics of bank rating systems
- identify the requirements for the validation of model design and risk components
- describe the estimation and validation of PD
- describe the estimation and validation of LGD and EAD
- define the elements for validating the rating process
- define low-default portfolios and identify the validation requirements for these portfolios
- describe the limitations of banks' rating systems and how supervisors can address those limitations

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the BCF IRB approach covered in the following tutorials:
- IRB - Credit Risk Components
- IRB - Overview of Minimum Requirements
- IRB for Corporates, Banks and Sovereigns

Published: June 2018
Tutorial Duration: 10 mins
Tutorial Level: Intermediate

IRB - Securitization - A Case Study

Objectives
This case study was written prior to Basel 2.5 and Basel III. The introduction outlines the limited updates that have been made and advises on how you can benefit from taking this case study.

On completion of this case study, you will:
- have deepened your understanding of the Basel II internal ratings-based (IRB) capital requirements for securitization exposures
- better appreciate the calculations of capital requirements using the Supervisory Formula (SF)
- be able to compare the results of the SF and the Ratings-based Approach (RBA) capital requirement calculations

Case Study Overview
Banks are involved in various ways in securitization transactions, for example, as sponsors, originators and investors, and for various purposes, such as for managing credit risk, diversifying funding sources and optimizing their regulatory capital. The focus of this case study is on the SF approach and the actual calculations of regulatory capital requirements using the SF.

Prerequisite Knowledge
To get maximum benefit from this case study, you should be familiar with the approaches for calculating capital requirements under Basel II, particularly for securitization transactions. You can study topics related to this in the following tutorials:
- Securitization Framework
- Securitization - Special Features
- Securitization - Operational Requirements

Published: October 2019
Tutorial Level: Advanced
Tutorial Duration: 60 mins

IRB - Supervisory Validation

Objectives
On completion of this tutorial, you will be able to:
- identify the principles of internal ratings-based (IRB) validation and understand the dynamics of bank rating systems
- identify the requirements for the validation of model design and risk components
- describe the estimation and validation of PD
- describe the estimation and validation of LGD and EAD
- define the elements for validating the rating process
- define low-default portfolios and identify the validation requirements for these portfolios
- describe the limitations of banks' rating systems and how supervisors can address those limitations

Tutorial Overview
The validation of risk parameters and rating systems, for which banks have primary responsibility, is an important aspect of the Basel Capital Framework (BCF) and is evolving into a key supervisory role. This tutorial defines validation and introduces its main principles. It then details the validation requirements for model design, the risk components (PD, LGD, EAD), the rating process and low-default portfolios.
This tutorial is part of a suite that includes the following:
- Pillar 2 Supervisory Review Process - Overview
- Pillar 2 Supervisory Review Process - Bank Responsibilities
- Pillar 2 Supervisory Review Process - Supervisory Responsibilities
- Pillar 2 Supervisory Review Process - Specific Issues to Be Addressed
- Pillar 2 Supervisory Review Process - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with the material in the following tutorials:
- On-site Inspections for Banking - Key Issues
- Off-site Supervision - Forward-looking Supervision and Early Interventions
- Risk-based Supervision - Main Elements
- Supervisory Intensity and Effectiveness - Supervisory Assessments
- Supervisory Intensity and Effectiveness - Early Supervisory Interventions

Published: July 2018

Pillar 2 Supervisory Review Process - Specific Issues to Be Addressed

Objectives
On completion of this tutorial you will be able to identify the specific topics to be addressed under Pillar 2 and their underlying rationale.

Tutorial Overview
This tutorial outlines particular issues that need to be addressed by both banks and supervisors under Pillar 2. These relate to risks that may be underestimated under Pillar 1 as well as risks not covered under Pillar 1.

This tutorial is part of a suite that includes the following:
- Pillar 2 Supervisory Review Process - Overview
- Pillar 2 Supervisory Review Process - Bank Responsibilities
- Pillar 2 Supervisory Review Process - Supervisory Responsibilities
- Pillar 2 Supervisory Review Process - Specific Issues to Be Addressed
- Pillar 2 Supervisory Review Process - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with the material in the following tutorials:
- Operational Risk Sound Practices - Governance and Oversight
- Operational Risk Sound Practices - Risk Identification, Assessment, Monitoring and Reporting
- Liquidity Risk Management Principles - Governance, Management and Supervision
- Liquidity Risk Management Principles - Measurement and Management of Liquidity
- IRRBB Sound Practices - An Introduction

Published: July 2018

Pillar 2 Supervisory Review Process - Supervisory Responsibilities

Objectives
On completion of this tutorial, you will be able to identify supervisory responsibilities as set out under Pillar 2.

Tutorial Overview
This tutorial explains the responsibilities of supervisors under Pillar 2, as stipulated in Principles 2, 3 and 4. Principle 2 addresses the responsibilities of supervisors for assessing a bank’s internal capital adequacy assessments. Principle 3 outlines the supervisory expectation that banks should operate above minimum regulatory capital ratios, while Principle 4 encourages supervisors to take early action to resolve any capital adequacy issues at banks.

This tutorial is part of a suite that includes the following:
- Pillar 2 Supervisory Review Process - Overview
- Pillar 2 Supervisory Review Process - Bank Responsibilities
- Pillar 2 Supervisory Review Process - Supervisory Responsibilities
- Pillar 2 Supervisory Review Process - Specific Issues to Be Addressed
- Pillar 2 Supervisory Review Process - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you be familiar with the material in the following tutorials:
- Operational Risk Sound Practices - Governance and Oversight
- Operational Risk Sound Practices - Risk Identification, Assessment, Monitoring and Reporting
- Liquidity Risk Management Principles - Governance, Management and Supervision
- Liquidity Risk Management Principles - Measurement and Management of Liquidity
- IRRBB Sound Practices - An Introduction

Published: July 2018

Pillar 2 Supervisory Review Process - Bank Responsibilities

Objectives
On completion of this tutorial, you will be able to recognise the responsibilities of banks under Pillar 2 and how they assess capital adequacy.

Tutorial Overview
This tutorial explains the responsibilities of banks under Pillar 2, as stipulated in Principle 1 of Pillar 2. Principle 1 requires banks to have in place a comprehensive process to assess their capital adequacy based on their risk profile.
Supervision of Risks

Fintech Developments - Overview

Objectives
On completion of this tutorial, you will be able to define 'fintech', describe the current fintech market and discuss the five stylised scenarios that the Basel Committee on Banking Supervision (BCBS) has developed to assist understanding of the potential impacts of fintech.

Tutorial Overview
Fintech developments have introduced the use of innovative technologies in the provision of banking services, reshaping providers’ business models, channels, services and market competition. The BCBS has set up a task force to better understand fintech developments and identify their implications and considerations from the perspectives of both banks and supervisors.

This tutorial gives an overview of the current fintech market and discusses five stylised scenarios based on the activities that new and established firms are expected to perform in a digitally intense banking environment.

This tutorial is part of a suite that includes the following:
- Fintech Developments - Overview
- Fintech Developments - Banks and Banking Systems
- Fintech Developments - Bank Supervisors and Regulatory Frameworks
- Fintech Developments - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: November 2018

Fintech Developments - Banks and Banking Systems

Objectives
On completion of this tutorial, you will be able to identify opportunities and risks for banks and banking systems in relation to fintech.

Tutorial Overview
This tutorial highlights opportunities and key risks associated with fintech in the banking sector and discusses in particular the implications of the use of innovative, enabling technologies.

This tutorial is part of a suite that includes the following:
- Fintech Developments - Overview
- Fintech Developments - Banks and Banking Systems
- Fintech Developments - Bank Supervisors and Regulatory Frameworks
- Fintech Developments - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: November 2018

Fintech Developments - Test Yourself

Try these questions to evaluate your knowledge of fintech developments and their potential impact on the banking sector and banking supervision.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: November 2018

Supervisory Colleges

One of the main objectives of the Basel Committee on Banking Supervision (BCBS) is to promote group-wide supervisory of internationally active banks. In recent decades, banks have increased their cross-border activities, leading to a greater need for effective multilateral cooperation among supervisory authorities. This has been achieved in part through the establishment of supervisory colleges, which are working groups of supervisors that are formed to enhance the consolidated supervision of banking groups.

In this Insights module, we examine how supervisory colleges can be structured to meet a wide range of objectives. We also look at supervisory colleges’ other activities, including collaborative work and their role in addressing systemic risk.

Duration: 30 mins
Banking Supervision

Information Technology Supervision

Objectives
On completion of this tutorial, you will be able to:
• describe the characteristics of five common IT functions
• outline the internal controls and procedures that banks should adopt to effectively manage risks arising from IT
• define the components of an effective IT audit program

Tutorial Overview
This tutorial sets out the risks associated with information technology (IT) and describes the measures banks can take to manage and mitigate these risks. Banks have unique corporate and business line structures, face different IT risks and accordingly employ different measures to manage and mitigate those risks. In this tutorial you will also learn about supervisory issues relating to IT risks.

Prerequisite Knowledge
In order to get maximum benefit from this tutorial, you should understand the fundamentals of banking and risk management. You can study topics related to this in the following tutorial:
• Banks & Bank Risks

Tutorial Level: Fundamental
Tutorial Duration: 90 mins

Liquidity Risk - A Case Study: Northern Rock

Objectives
On completion of this tutorial you will be able to:
• detail the main risks associated with Northern Rock's business model
• describe the crisis, the public interventions and the nationalization of the bank
• define the lessons learned about the management and supervision of liquidity risk

Tutorial Overview
This case study focuses on the liquidity risk problems at Northern Rock, a mid-sized UK bank. A high growth strategy, coupled with insufficient consideration of liquidity risk, resulted in a crisis and the subsequent nationalization of Northern Rock in February 2008.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the main features of liquidity risk and liquidity risk management. The following tutorials are related to these topics:
• Liquidity Risk - An Introduction
• Stress Testing - Liquidity

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Operational Risk - Case Study

Objectives
On completion of this tutorial you will be able to:
• describe the fraud committed at Allfirst
• uncover the operational risk management deficiencies at Allfirst and understand how those deficiencies could have been managed better

Tutorial Overview
To get the full benefit from this tutorial, you should be familiar with the fundamentals of operational risk and the sound practices for its management. You can study these concepts in the following tutorials:
• Operational Risk - An Introduction
• Operational Risk Management - Sound Practices

You should also be familiar with the essentials of value at risk (VAR) and options, as explained in the following tutorials:
• VAR - An Introduction
• Options - An Introduction

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Stress Testing - Credit Risk

Objectives
On completion of this tutorial, you will be able to:
• define credit risk in the banking book and describe the need for stress testing when managing this type of credit risk
• describe how stress tests for the banking book are created and applied
• outline the elements of sound stress testing and related Basel II requirements

Tutorial Overview
This tutorial is primarily concerned with stress tests for credit risk in the banking book, which is measured using a number of different approaches and techniques including expert systems, credit scoring systems and portfolio credit risk models. A good stress testing program should follow certain sound practices regarding its coverage and relevance, frequency, severity and authorization. The supervisory review process relies on stress testing to cover risks not explicitly covered under Pillar I, such as credit concentration and counterparty credit risks.

Prerequisite Knowledge
To get the maximum benefit from this tutorial you should already have an understanding of:
• Stress Testing - An Introduction

Tutorial Level: Intermediate
Tutorial Duration: 75 mins

Stress Testing - Liquidity

Objectives
On completion of this tutorial, you will be able to:
• define the role and components of liquidity stress testing
• describe how banks prepare to manage liquidity during a stress period
• explain why conservative liquidity stress testing assumptions need to be established

Tutorial Overview
Since 2007, the global financial system has been in turmoil and because of this the importance of stress testing, and more specifically the stress testing of liquidity risk, has become considerable. To improve its prospects of surviving a crisis, of being able to manage its liquidity and to raise adequate funding to meet its obligations, a bank must, as much as possible, anticipate and prepare for crisis scenarios in advance. This is where liquidity stress testing can help make a difference.

The main focus of this tutorial is on the stress testing of liquidity risk, its role, its main components and how banks need to integrate stress tests into their liquidity risk management and use test results to help increase their chances of withstanding periods of stress.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with stress testing techniques and liquidity risk management in the banking industry. You can study topics related to these in the following tutorials:
• Liquidity Risk - Concepts and Management
• Liquidity Risk - Daily Liquidity Risk Management
• Liquidity Risk - Stress Testing - An Introduction
• Liquidity Risk Management Principles - Governance, Management and Supervision
• Liquidity Risk Management Principles - Measurement and Management of Liquidity
• Liquidity Risk Management Principles - Disclosures and Supervisory Oversight

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Problem Banks and Resolution

Bank Crisis Resolution

Objectives
On completion of this tutorial, you should be able to:
- identify the process for assessing the financial condition of a bank in distress
- recognise the criteria for assessing the systemic importance of a bank
- assess the options for resolving a bank in distress
- identify the processes required to resolve a bank, including coordination with domestic and foreign authorities

Tutorial Overview
The financial crisis that began in 2007 demonstrated the importance of having the legal powers, policies and procedures for resolving bank distress in ways that minimise the impact on the financial system and economy. It also emphasised the need for resolution options that avoid or minimise taxpayer risk. In recognition of this, major international initiatives have been taken to promote a framework for enabling financial authorities to resolve failing banks cost-effectively and consistent with financial stability objectives. This tutorial provides a scenario involving a failing bank. Your task is to assist in its resolution.

Prerequisite Knowledge
To get the maximum benefit from this material, you may also wish to review the following tutorials on FSI Connect:
- Cross-border Bank Resolution
- Too Big to Fail

Published: June 2015
Tutorial Duration: 120 mins

Bank Resolution Framework - Executive Summary

This Executive Summary provides an overview of the international framework for the effective resolution of systemically important banks (SIBs), an important element of the post-crisis reforms aimed at reducing both the probability and impact of the failure of SIBs.

Published: October 2017

Cross-border Bank Resolution - Overview

Objectives
On completion of this tutorial, you will be able to identify the main tools for resolving banks and recognise the challenges of applying those tools to large, cross-border institutions.

Tutorial Overview
This tutorial explores the challenges of resolving failing banks that operate across multiple jurisdictions. It outlines the key elements of bank resolution regimes that are contained in the Financial Stability Board’s Key Attributes of Effective Resolution Regimes for Financial Institutions and explains why national resolution powers alone are not sufficient for effective cross-border resolution.

This tutorial is part of a suite that includes the following:
- Cross-border Bank Resolution - Overview
- Cross-border Bank Resolution - Strategies, Planning and Resolvability
- Cross-border Bank Resolution - Cooperation and Coordination Arrangements
- Cross-border Bank Resolution - Connect
- Cross-border Bank Resolution - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a basic understanding of bank resolution, as described in the following tutorials:
- Recovery and Resolution
- TLAC - Application and Relationship with Resolution Strategy

Published: October 2018
Tutorial Level: Intermediate
Tutorial Duration: 15 mins

Cross-border Bank Resolution - Strategies, Planning and Resolvability

Objectives
On completion of this tutorial, you will be able to recognise the high-level resolution strategies for cross-border banking groups and the resolution planning process to make those strategies operational.

Tutorial Overview
This tutorial introduces resolution strategies for cross-border banks and the resolution planning and resolvability assessments that ensure that the preferred resolution strategy is credible and can be implemented.

This tutorial is part of a suite that includes the following:
- Cross-border Bank Resolution - Overview
- Cross-border Bank Resolution - Strategies, Planning and Resolvability
- Cross-border Bank Resolution - Cooperation and Coordination Arrangements
- Cross-border Bank Resolution - Connect
- Cross-border Bank Resolution - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a basic understanding of bank resolution, as described in the following tutorials:
- Recovery and Resolution
- TLAC - Application and Relationship with Resolution Strategy

Published: October 2018
Tutorial Level: Intermediate
Tutorial Duration: 15 mins

Cross-border Bank Resolution - Cooperation and Coordination Arrangements

Objectives
On completion of this tutorial, you will be able to identify the types of cross-border cooperation, coordination and recognition arrangements that are needed to support cross-border resolution.

Tutorial Overview
This tutorial outlines the cross-border cooperation and coordination arrangements that are needed for effective planning and implementation of cross-border resolution. It also explores the mechanisms for ensuring that resolution actions have effect, where necessary, in other jurisdictions.

This tutorial is part of a suite that includes the following:
- Cross-border Bank Resolution - Overview
- Cross-border Bank Resolution - Strategies, Planning and Resolvability
- Cross-border Bank Resolution - Cooperation and Coordination Arrangements
- Cross-border Bank Resolution - Connect
- Cross-border Bank Resolution - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a basic understanding of bank resolution, as described in the following tutorials:
- Recovery and Resolution
- TLAC - Application and Relationship with Resolution Strategy

Published: October 2018
Tutorial Level: Intermediate
Tutorial Duration: 15 mins

Cross-border Bank Resolution - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Cross-border Bank Resolution - Overview
- Cross-border Bank Resolution - Strategies, Planning and Resolvability
- Cross-border Bank Resolution - Cooperation and Coordination Arrangements
- Cross-border Bank Resolution - Connect
- Cross-border Bank Resolution - Test Yourself

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Published: October 2018
Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Cross-border Bank Resolution - Test Yourself

Try these questions to evaluate your knowledge of cross-border bank resolution.

**Tutorial Level:** Intermediate
**Tutorial Duration:** 10 mins
**Published:** October 2018

Dealing with Weak Banks

**Objectives**
On completion of this tutorial, you will be able to:
- explain the use of macroprudential policies and tools to respond to emerging banking system stress
- identify the key elements of a contingency plan that will help supervisors to prepare for dealing with weak banks
- discuss how corrective action plans are implemented to address a bank's weaknesses
- identify the objectives of and options for effectively resolving a bank's efforts to address identified weaknesses. We also look at the range of corrective actions available to help restore a bank to financial soundness and, should such efforts fail, methods to facilitate orderly resolution.

**Tutorial Overview**
The principal task of banking supervision is to promote a sound banking system in which banks manage their risks prudently. An important aspect of this is the early detection of emerging stress in the banking system and individual banks and the prompt identification of weak banks. Once the supervisor has identified problems in a bank, it is imperative that actions are taken proactively to address the issues before they worsen.

This tutorial looks at the importance of establishing supervisory contingency plans to support a bank's efforts to address identified weaknesses. We also look at the range of corrective actions available to help restore a bank to financial soundness and, should such efforts fail, methods to facilitate orderly resolution.

This tutorial is a companion to the tutorial Identifying Weak Banks, which you should complete before undertaking this tutorial. The tutorial Weak Banks - A Case Study provides an opportunity to apply the concepts covered in both related tutorials.

**Prerequisite Knowledge**
To get the maximum benefit from this tutorial, you may also wish to review the following tutorials:
- Identifying Weak Banks
- Bank Crisis Resolution
- Resolution and Bridge Banking

**Tutorial Level:** Fundamental
**Tutorial Duration:** 60 mins
**Published:** July 2016

Identifying Weak Banks

**Objectives**
On completion of this tutorial, you should be able to:
- recognise the importance of promptly detecting emerging stress in banks
- recognise the supervisory tools for identifying weak banks used in on-site and off-site reviews
- identify additional approaches for identifying weak banks

**Tutorial Overview**
The principal task of banking supervision is to promote a sound banking system in which banks manage their risks prudently. However, even in a sound banking system, it is inevitable that some banks will occasionally experience financial stress. Banking supervisors therefore need the ability to promptly identify weak banks so that the underlying problems can be addressed quickly and effectively before they become more significant. This tutorial discusses the means by which weak banks can be identified.

A companion tutorial - Dealing with Weak Banks - discusses the actions that can be taken to address problems in banks once a weak bank has been identified. The tutorial Weak Banks - A Case Study provides an opportunity to apply the concepts covered in both of these related tutorials.

**Prerequisite Knowledge**
To get the maximum benefit from this tutorial, you may also wish to review the following tutorials:
- The Basel Core Principles - Supervisory Powers
- The Basel Core Principles - The Supervisory Process
- On-site Inspections for Banking - Rationale and Key Factors
- Off-site Supervision - Forward-looking Supervision and Early Interventions

**Tutorial Level:** Fundamental
**Tutorial Duration:** 60 mins
**Published:** July 2016

FSB Key Attributes - Executive Summary

The Key Attributes of Effective Resolution Regimes for Financial Institutions issued by the Financial Stability Board (FSB) are a core element of the policy measures adopted by the G20 in the wake of the financial crisis that began in 2007 to tackle the issue of financial institutions that are "too big to fail." The Key Attributes set out the essential features that resolution regimes should incorporate to enable authorities to resolve failing financial institutions in an orderly manner that limits the overall impact on economic activity, without exposing public funds to loss.

This Executive Summary provides an overview of these important international standards relating to resolution regimes.

**Published:** May 2019

Recovery and Resolution

**Objectives**
On completion of this tutorial, you will be able to:
- outline the key issues in recovery and resolution planning
- describe the FSB's 12 Key Attributes of Effective Resolution Regimes
- explain the practical issues and related guidance for banks and their supervisors and resolution authorities

**Tutorial Overview**
One of the major lessons from the financial crisis that began in 2007 was that banks and other financial institutions, particularly global systemically important ones, should plan ahead in case they encounter significant financial stress. These regulated firms should develop coherent, comprehensive and credible plans for their recovery. Supervisors should review and challenge these recovery plans as part of their prudential supervision. The relevant authorities should also develop resolution plans because if the bank cannot recover an orderly resolution will be needed.

**Prerequisite Knowledge**
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Identifying Weak Banks
- Dealing with Weak Banks
- Cross-border Bank Resolution

**Tutorial Level:** Fundamental
**Tutorial Duration:** 60 mins
**Published:** July 2016
Resolution Powers and Tools - An Overview

Objectives
On completion of this tutorial, you will be able to state the objectives of bank resolution and identify the main resolution powers and tools required to achieve them.

Tutorial Overview
This tutorial explains the core features of the resolution powers and tools necessary to achieve the aims of bank resolution as outlined by the Key Attributes of Effective Resolution Regimes for Financial Institutions of the Financial Stability Board.

This tutorial is part of a suite that includes the following:
• Resolution Powers and Tools - An Overview
• Resolution Powers and Tools - Transfer Powers
• Resolution Powers and Tools - Treatment of Liabilities and Bail-in
• Resolution Powers and Tools - Connect
• Resolution Powers and Tools - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Dealing with Weak Banks
• Recovery and Resolution

Published: February 2020

Resolution Powers and Tools - Transfer Powers

Objectives
On completion of this tutorial, you will be able to understand how transfer powers operate in terms of the bank resolution powers used to write down liabilities and convert them to equity.

Tutorial Overview
This tutorial explains how ‘bail-in’ powers – which allow for the write down and conversion of liabilities – are used to absorb losses and recapitalise operations of a failing bank.

This tutorial is part of a suite that includes the following:
• Resolution Powers and Tools - An Overview
• Resolution Powers and Tools - Transfer Powers
• Resolution Powers and Tools - Treatment of Liabilities and Bail-in
• Resolution Powers and Tools - Connect
• Resolution Powers and Tools - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Dealing with Weak Banks
• Recovery and Resolution

Published: February 2020

Resolution Powers and Tools - Treatment of Liabilities and Bail-in

Objectives
On completion of this tutorial, you will be able to understand how ‘bail-in’ powers operate in terms of the bank resolution powers used to write down liabilities and convert them to equity.

Tutorial Overview
This tutorial explains how ‘bail-in’ powers – which allow for the write down and conversion of liabilities are used to absorb losses and recapitalise operations of a failing bank.

This tutorial is part of a suite that includes the following:
• Resolution Powers and Tools - An Overview
• Resolution Powers and Tools - Transfer Powers
• Resolution Powers and Tools - Treatment of Liabilities and Bail-in
• Resolution Powers and Tools - Connect
• Resolution Powers and Tools - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Dealing with Weak Banks
• Recovery and Resolution

Published: February 2020

Resolution Powers and Tools - Connect

Tutorial Overview
This tutorial is the Connect phase for the following suite of tutorials:
• Resolution Powers and Tools - An Overview
• Resolution Powers and Tools - Transfer Powers
• Resolution Powers and Tools - Treatment of Liabilities and Bail-in

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Published: April 2020

Resolution Powers and Tools - Test Yourself

Objectives
Try these questions to evaluate your knowledge of bank resolution powers and tools.

Tutorial Overview
This tutorial explains how to test your knowledge of bank resolution powers and tools.

Published: February 2020

Resolution Strategies - Overview

Objectives
On completion of this tutorial, you will be able to recognise the role of firm-specific resolution strategies in the context of cross-border resolution planning for global systemically important banks.

Tutorial Overview
This tutorial explains the general considerations that resolution authorities will need to make to determine a strategy that is best suited to achieving resolution objectives, what preconditions need to be in place for a specific strategy to be likely to achieve these objectives and what measures can or should be taken to increase the chances of resolution being successful.

This tutorial is part of a suite that includes the following:
• Resolution Strategies - Overview
• Resolution Strategies - Single and Multiple Point of Entry
• Resolution Strategies - Connect
• Resolution Strategies - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Resolution Strategies - Overview
• Resolution Strategies - Single and Multiple Point of Entry
• Resolution Strategies - Connect
• Resolution Strategies - Test Yourself

Published: February 2020
Resolution Strategies - Single and Multiple Point of Entry

Objectives
On completion of this tutorial, you will be able to distinguish between single point of entry (SPE) and multiple point of entry (MPE) bank resolution strategies, decide which type of strategy is best suited for a given situation and identify what preconditions should be in place for its implementation.

Tutorial Overview
This tutorial explains the main features and respective strengths and challenges of the two preeminent types of banking group resolution strategy – SPE and MPE.

This tutorial is part of a suite that includes the following:
- Resolution Strategies - Overview
- Resolution Strategies - Single and Multiple Point of Entry
- Resolution Strategies - Connect
- Resolution Strategies - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the material in the following tutorials:
- Dealing with Weak Banks
- Resolution Powers and Tools - Treatment of Liabilities and Bail-in

Published: April 2020

Resolution Strategies - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Resolution Strategies - Overview
- Resolution Strategies - Single and Multiple Point of Entry

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Published: April 2020

Resolution Strategies - Test Yourself

Try these questions to evaluate your knowledge of resolution strategies for systemically important banks.

Tutorial Level: Fundamental
Published: April 2020

Weak Banks - A Case Study

Objectives
On completion of this tutorial, you will be able to:
- use the supervisory tools for identifying weak banks
- implement the range of approaches for dealing with weak banks
- assess the most appropriate resolution options for a bank that is no longer considered viable

Tutorial Overview
An important task of the banking supervisor is to identify and deal with weak banks proactively and effectively. This requires a comprehensive supervisory framework that enables the early identification of stress in banks and a contingency plan that lays out how supervisors will respond when banking problems have been detected. Where a weak bank has been identified, the supervisor should ensure that the bank takes corrective actions to address the underlying problems, with a view to restoring the bank to financial soundness. If that cannot be done, then the resolution authority needs to resolve the bank in a manner that maintains the stability of the banking system and avoids exposing taxpayers to risk.

This tutorial focuses on the techniques for identifying and responding to weak banks through a case study involving a fictitious, but plausible, bank distress scenario. It also draws on real-life examples of how supervisors have dealt with situations of extreme stress in banking systems and individual banks.

Prerequisite Knowledge
Before undertaking this tutorial, you should be familiar with the Basel Committee’s guidance on identifying and dealing with weak banks. You can review this material in the following tutorials:
- Identifying Weak Banks
- Dealing with Weak Banks
- Bank Crisis Resolution

Published: July 2016

Financial Groups and Systemic Risk

Financial Conglomerates - Scope and Supervision

Objectives
On completion of this tutorial, you will be able to:
- identify the objectives, challenges and scope of financial conglomerate supervision
- outline the legal authority needed for effective financial conglomerate supervision
- describe the supervisory process with respect to financial conglomerates
- specify how supervisors should cooperate and coordinate in supervising financial conglomerates

Tutorial Overview
This tutorial is based on the Joint Forum Principles for the Supervision of Financial Conglomerates published in September 2012. These principles establish the international framework for the supervision of financial conglomerates, supplementing sector-specific international standards that apply to banks, insurance companies and securities firms. This tutorial looks at the objectives and scope of financial conglomerate supervision, as well as the associated legal authority and supervisory process involved, including coordination and information exchange arrangements.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- The Basel Core Principles - Supervisory Powers
- The Basel Core Principles - The Supervisory Process
- Insurance Core Principles - Ongoing Supervision
- Group-wide Supervision of Insurance Entities

Published: September 2014
Financial Conglomerates - Supervisory Standards

Objectives
On completion of this tutorial, you will be able to:
- identify the corporate governance requirements for financial conglomerates
- outline supervisory expectations related to capital adequacy and liquidity for financial conglomerates
- explain the key risk management requirements for financial conglomerates

Tutorial Overview
This tutorial is based on the Joint Forum Principles for the Supervision of Financial Conglomerates published in September 2012. These principles establish the international framework for the supervision of financial conglomerates, supplementing sector-specific international standards that apply to banks, insurance companies and securities firms. This tutorial looks at the key supervisory expectations applicable to financial conglomerates in relation to governance, capital adequacy, liquidity and risk management.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Financial Conglomerates - Scope and Supervision
- Risk-based Supervision
- Supervisory Intensity and Effectiveness

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: September 2014

Macroprudential Supervision

Objectives
On completion of this tutorial, you will be able to:
- identify how macroprudential supervision can respond to the build-up of systemic risk
- describe systemic risk assessments and institutional arrangements
- identify the various tools that can be used to address systemic risk concerns

Tutorial Overview
Although macroprudential issues are not new, macroprudential supervision has become a ‘hot topic’ since the financial crisis that started in 2007. The need for macroprudential frameworks has increased as national economies have become more integrated and financial systems more interconnected. This tutorial explains how macroprudential supervision complements the traditional work of bank supervisors and how it can help to mitigate systemic risk. It also provides an overview of the institutional arrangements, informational requirements and analytical tools needed to safeguard systemic stability.

Prerequisite Knowledge
Prior to studying this tutorial, you should already have a general understanding of bank risks and banking supervision. To get maximum benefit from this tutorial, you should be familiar with the following tutorials:
- Banks and Bank Risks - The Role of Banks
- The Basel Core Principles - The Supervisory Process
- Risk-based Supervision - Objectives, Benefits and Challenges

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Margin Requirements for Non-centrally Cleared Derivatives - Overview

Objectives
On completion of this tutorial, you will be able to describe:
- the motivation behind the development of the regulatory framework
- margin requirements for non-centrally cleared derivatives
- where these requirements sit within other regulatory reform packages for derivatives
- the key concepts of margining

Tutorial Overview
The Basel Committee on Banking Supervision (BCBS) and International Organization of Securities Commissions (IOSCO) published the finalised version of the margin requirements for non-centrally cleared derivatives in March 2015. The purpose of the requirements is to reduce systemic risk and promote the central clearing of derivatives.

This tutorial is part of a suite that includes the following:
- Margin Requirements for Non-centrally Cleared Derivatives - Overview
- Margin Requirements for Non-centrally Cleared Derivatives - Applicability of the Rules
- Margin Requirements for Non-centrally Cleared Derivatives - Application of Initial and Variation Margin
- Margin Requirements for Non-centrally Cleared Derivatives - Eligible Collateral and Risk Management Techniques
- Margin Requirements for Non-centrally Cleared Derivatives - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: July 2017

Margin Requirements for Non-centrally Cleared Derivatives - Applicability of the Rules

Objectives
On completion of this tutorial, you will recognise how the following apply in the marketplace:
- covered instruments
- covered entities
- phase-in application of variation margin and initial margin
- consistency in rules across regulatory regimes

Tutorial Overview
The Basel Committee on Banking Supervision (BCBS) and International Organization of Securities Commissions (IOSCO) published the finalised version of the margin requirements for non-centrally cleared derivatives in March 2015. The purpose of the requirements is to reduce systemic risk and promote the central clearing of derivatives.

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- Margin Requirements for Non-centrally Cleared Derivatives - Eligible Collateral and Risk Management Techniques
- Margin Requirements for Non-centrally Cleared Derivatives - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: July 2017

Margin Requirements for Non-centrally Cleared Derivatives - Eligible Collateral and Risk Management Techniques

Objectives
On completion of this tutorial, you will be able to identify the following:
- covered entities
- margin requirements for non-centrally cleared derivatives
- the key concepts of margining

Tutorial Overview
This tutorial is part of a suite that includes the following:
- Margin Requirements for Non-centrally Cleared Derivatives - Overview
- Margin Requirements for Non-centrally Cleared Derivatives - Applicability of the Rules
- Margin Requirements for Non-centrally Cleared Derivatives - Application of Initial and Variation Margin
- Margin Requirements for Non-centrally Cleared Derivatives - Eligible Collateral and Risk Management Techniques
- Margin Requirements for Non-centrally Cleared Derivatives - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: July 2017

Margin Requirements for Non-centrally Cleared Derivatives - Test Yourself

Objectives
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: July 2017
### Margin Requirements for Non-centrally Cleared Derivatives - Application of Initial and Variation Margin

**Objectives**
On completion of this tutorial, you will be able to recognise:
- how variation margin applies in practice
- the methodology of the model-based approach for calculating initial margin
- the minimum transfer amount and initial margin threshold

**Tutorial Overview**
The Basel Committee on Banking Supervision (BCBS) and International Organization of Securities Commissions (IOSCO) published the finalised version of the margin requirements for non-centrally cleared derivatives in March 2015. The purpose of the requirements is to reduce systemic risk and promote the central clearing of derivatives. This tutorial is part of a suite that includes the following:
- Margin Requirements for Non-centrally Cleared Derivatives - Overview
- Margin Requirements for Non-centrally Cleared Derivatives - Application of Initial and Variation Margin
- Margin Requirements for Non-centrally Cleared Derivatives - Eligible Collateral and Risk Management Techniques
- Margin Requirements for Non-centrally Cleared Derivatives - Test Yourself

**Prerequisite Knowledge**
No prior knowledge is assumed for this tutorial.

**Tutorial Level:** Fundamental
**Tutorial Duration:** 15 mins
**Published:** July 2017

### Margin Requirements for Non-centrally Cleared Derivatives - Eligible Collateral and Risk Management Techniques

**Objectives**
On completion of this tutorial, you will be able to recognise:
- the margin requirements relating to collateral eligibility and haircuts
- risk management techniques for initial margin and variation margin collateral, including wrong-way risk and concentration limits
- collateral segregation and rehypothecation

**Tutorial Overview**
The Basel Committee on Banking Supervision (BCBS) and International Organization of Securities Commissions (IOSCO) published the finalised version of the margin requirements for non-centrally cleared derivatives in March 2015. The purpose of the requirements is to reduce systemic risk and promote the central clearing of derivatives. This tutorial is part of a suite that includes the following:
- Margin Requirements for Non-centrally Cleared Derivatives - Overview
- Margin Requirements for Non-centrally Cleared Derivatives - Application of Initial and Variation Margin
- Margin Requirements for Non-centrally Cleared Derivatives - Eligible Collateral and Risk Management Techniques
- Margin Requirements for Non-centrally Cleared Derivatives - Test Yourself

**Prerequisite Knowledge**
No prior knowledge is assumed for this tutorial.

**Tutorial Level:** Fundamental
**Tutorial Duration:** 15 mins
**Published:** July 2017

### Shadow Banking

**Objectives**
On completion of this tutorial, you will be able to:
- identify shadow banking activities and entities
- review approaches for monitoring the shadow banking sector
- identify the prudential initiatives of international standard setters in relation to the shadow banking system

**Tutorial Overview**
The term shadow banking (SB) captures credit intermediation outside the regular banking system. It covers – but is not limited to – structured finance, non-bank finance corporations and certain pooled investments. In 2010, international standard setters under the lead of the Financial Stability Board (FSB) started working towards a global prudential framework for the SB system. In this tutorial, you will learn about the standard setters’ approaches for identifying SB entities and monitoring the system and the evolving prudential framework for SB.

**Prerequisite Knowledge**
Prior to studying this tutorial, you should have a general understanding of banking risks, financial markets and, in particular, structured finance. In order to fully benefit from this tutorial, you might wish to review the material in the following tutorials:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Financial Markets - An Introduction

**Tutorial Level:** Intermediate
**Tutorial Duration:** 90 mins
**Published:** June 2014

### Over-The-Counter (OTC) Derivatives Market Reforms

**Objectives**
On completion of this tutorial, you will be able to:
- describe the regulatory measures to enhance transparency and surveillance of the over-the-counter (OTC) derivatives market
- recognise the benefits of shifting OTC derivatives towards central clearing and the public sector measures intended to achieve this outcome
- outline the efforts to strengthen the resilience of central counterparties (CCPs)
- identify the efforts being made to enhance regulation and supervisory oversight of key entities involved in the OTC derivatives market

**Tutorial Overview**
An important part of the reforms in response to the financial crisis that began in 2007 was the commitment by the G-20 to strengthen the resilience and oversight of the OTC derivatives market. The financial crisis revealed that OTC derivatives posed a significant source of systemic risk due to lack of transparency, ineffective counterparty risk management and weak market oversight. This tutorial highlights some of the measures that have since been introduced to reduce risks emanating from the OTC derivatives market.

**Prerequisite Knowledge**
To get the maximum benefit from this tutorial, you should be familiar with the typical products traded in the OTC derivatives market and counterparty credit risk - a predominant risk inherent in OTC derivatives. You can study this in the following tutorials:
- Options - An Introduction
- Counterparty Credit Risk - An Introduction

**Tutorial Level:** Intermediate
**Tutorial Duration:** 60 mins
**Published:** April 2016
Too Big to Fail

Objectives
On completion of this tutorial, you should be able to:
- define the ‘too-big-to-fail’ concept and recognise why it matters
- identify initiatives developed to reduce the probability of financial institution failure
- identify the measures to improve the resolvability of financial institutions
- identify measures that can be taken to reduce the impact of financial institution failure

Tutorial Overview
The financial crisis that began in 2007 highlighted the ‘too-big-to-fail’ problem - that is, situations where large and complex financial institutions in financial difficulty needed to be bailed out by governments because of concerns over the potential impact on the financial system and economy if they were allowed to fail. It revealed the need for a number of measures to reduce the too-big-to-fail issue. This tutorial explains the too-big-to-fail problem and the international responses to address it.

Prerequisite Knowledge
To get the maximum benefit from this material, you may also wish to study the following related tutorials:
- Overview of Basel III - The Macroprudential Overlay
- Supervisory Intensity and Effectiveness - Prerequisites for Effective Banking Supervision
- Supervisory Intensity and Effectiveness - Supervisory Assessments
- Supervisory Intensity and Effectiveness - Early Supervisory Interventions
- Dealing with Weak Banks
- Identifying Weak Banks

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: June 2014

Deposit Insurance - An Introduction

Objectives
On completion of this tutorial, you should be able to:
- outline the role of deposit insurance within the financial safety net
- describe the key issues related to the operation of a deposit insurance system
- identify supervisory and other issues associated with deposit insurance

Tutorial Overview
The principal objectives of a deposit insurance system are to contribute to the stability of a country's financial system and to protect depositors, particularly small, less financially sophisticated depositors, from the loss of their deposits when a bank fails. This tutorial introduces the basic features of a deposit insurance system and key issues related to its effective operation.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the fundamentals of banking. In particular, you should have completed the fundamental level tutorial: Banks and Bank Risks – The Role of Banks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: August 2013

Deposit Insurance Core Principles Assessment - Completing the Assessment

Objectives
On completion of this tutorial, you will be able to identify the steps involved in executing a self-assessment of compliance with the Core Principles. This tutorial is part of a suite that includes the following:
- Deposit Insurance Core Principles Assessment - Overview and Planning
- Deposit Insurance Core Principles Assessment - Completing the Assessment
- Deposit Insurance Core Principles Assessment - Action Plan and Next Steps
- Deposit Insurance Core Principles Assessment - Connect
- Deposit Insurance Core Principles Assessment - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the key concepts of deposit insurance and the Core Principles. You can study these concepts in the following tutorials:
- Deposit Insurance - An Introduction
- Core Principles for Effective Deposit Insurance Systems

Tutorial Overview
This tutorial provides a step-by-step guide of the different phases required to complete a self-assessment of compliance with the Core Principles. It also provides general guidance for planning such an assessment, including assembling an effective team, developing a comprehensive work plan, and requirements for data gathering and analysis.

This tutorial is part of a suite that includes the following:
- Deposit Insurance Core Principles Assessment - Overview and Planning
- Deposit Insurance Core Principles Assessment - Completing the Assessment
- Deposit Insurance Core Principles Assessment - Action Plan and Next Steps
- Deposit Insurance Core Principles Assessment - Connect
- Deposit Insurance Core Principles Assessment - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the key concepts of deposit insurance and the Core Principles. You can study these concepts in the following tutorials:
- Deposit Insurance - An Introduction
- Core Principles for Effective Deposit Insurance Systems

Tutorial Overview
This tutorial provides an overview of the purpose and benefits of conducting a self-assessment of compliance with the Core Principles. It also provides general guidance for planning such an assessment, including assembling an effective team, developing a comprehensive work plan, and requirements for data gathering and analysis.

This tutorial is part of a suite that includes the following:
- Deposit Insurance Core Principles Assessment - Overview and Planning
- Deposit Insurance Core Principles Assessment - Completing the Assessment
- Deposit Insurance Core Principles Assessment - Action Plan and Next Steps
- Deposit Insurance Core Principles Assessment - Connect
- Deposit Insurance Core Principles Assessment - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the key concepts of deposit insurance and the Core Principles. You can study these concepts in the following tutorials:
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- Core Principles for Effective Deposit Insurance Systems

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- Deposit Insurance Core Principles Assessment - Connect
- Deposit Insurance Core Principles Assessment - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the key concepts of deposit insurance and the Core Principles. You can study these concepts in the following tutorials:
- Deposit Insurance - An Introduction
- Core Principles for Effective Deposit Insurance Systems

Tutorial Overview
This tutorial provides an overview of the purpose and benefits of conducting a self-assessment of compliance with the Core Principles. It also provides general guidance for planning such an assessment, including assembling an effective team, developing a comprehensive work plan, and requirements for data gathering and analysis.

This tutorial is part of a suite that includes the following:
- Deposit Insurance Core Principles Assessment - Overview and Planning
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- Deposit Insurance Core Principles Assessment - Connect
- Deposit Insurance Core Principles Assessment - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should be familiar with the key concepts of deposit insurance and the Core Principles. You can study these concepts in the following tutorials:
- Deposit Insurance - An Introduction
- Core Principles for Effective Deposit Insurance Systems

Tutorial Overview
This tutorial provides an overview of the purpose and benefits of conducting a self-assessment of compliance with the Core Principles. It also provides general guidance for planning such an assessment, including assembling an effective team, developing a comprehensive work plan, and requirements for data gathering and analysis.

This tutorial is part of a suite that includes the following:
- Deposit Insurance Core Principles Assessment - Overview and Planning
- Deposit Insurance Core Principles Assessment - Completing the Assessment
- Deposit Insurance Core Principles Assessment - Action Plan and Next Steps
- Deposit Insurance Core Principles Assessment - Connect
- Deposit Insurance Core Principles Assessment - Test Yourself
Deposit Insurance Core Principles Assessment - Action Plan and Next Steps

Objectives
On completion of this tutorial, you will be able to recognise the key issues involved in implementing an action plan to improve compliance with the Core Principles for Effective Deposit Insurance Systems, which were developed by the International Association of Deposit Insurers (IADI).

Tutorial Overview
This tutorial provides guidance on the next steps following completion of a self-assessment of compliance with the Core Principles.

This tutorial is part of a suite that includes the following:
• Deposit Insurance Core Principles Assessment - Action Plan and Next Steps
• Deposit Insurance Core Principles Assessment - Test Yourself
• Deposit Insurance Core Principles Assessment - Connect
• Deposit Insurance Core Principles Assessment - Test Yourself

Prerequisite Knowledge
To get maximum benefit from this tutorial, you should be familiar with the key concepts of deposit insurance and the Core Principles. You can study these concepts in the following tutorials:
• Deposit Insurance - An Introduction
• Core Principles for Effective Deposit Insurance Systems

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: March 2020

Deposit Insurance Core Principles Assessment - Test Yourself

Objectives
Try these questions to evaluate your knowledge of how deposit insurance agencies can conduct an assessment of compliance with the Core Principles for Effective Deposit Insurance Systems.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: March 2020

Deposit Insurance - Liquidation of Failed Bank Assets

Objectives
On completion of this tutorial, you will be able to:
• explain the role of the receiver in obtaining and maximizing value for assets in failed banks
• describe the disposition strategies for failed bank assets
• understand the asset valuation methodologies

Tutorial Overview
In general, a receivership is designed to market the assets of a failed bank, liquidate them and distribute the proceeds to the failed bank’s creditors. The receiver may collect all obligations and money due to the failed bank, preserve or liquidate the bank’s assets and property and perform any other function of the bank consistent with its appointment.

In this tutorial, you will learn about the failed bank’s receivership responsibilities and the liquidation of failed bank assets. You will review strategies for disposing of failed bank assets and structures that guide the receivership and liquidation process in many countries.

Prerequisite Knowledge
To get maximum benefit from this tutorial, you should have completed the following tutorials:
• Deposit Insurance - An Introduction
• Core Principles for Effective Deposit Insurance Systems

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Deposit Insurance - Premiums and Fund Management

Objectives
Once you have finished this tutorial, you should be able to:
• explain the tradeoffs among ex-ante and ex-post funding and hybrids of the two
• describe some systems of differential premiums and how to assess them
• appreciate the key issues related to deposit insurance funds

Tutorial Overview
All deposit insurers need adequate funding, or else they will lose credibility when a bank fails. Funding typically comes from member banks, collected in premiums before or after a bank fails, or both. Some deposit insurers assess premiums on a flat-rate basis; others on a differentiated basis. Deposit insurers that assess premiums before a bank fails must manage those funds so that they are available when needed.

Prerequisite Knowledge
To get maximum benefit from this tutorial, you should be familiar with the fundamentals of deposit insurance. In particular, you should have completed the fundamental level tutorial:
• Deposit Insurance - An Introduction

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Public Awareness of Deposit Insurance Systems

Objectives
On completion of this tutorial, you will be able to:
• identify objectives of a public awareness programme based on the public policy strategy of the deposit insurance system
• organise an effective public awareness campaign
• adopt unique awareness strategies for special circumstances

Tutorial Overview
Deposit insurance systems vary from country to country in terms of their public policy objectives and mandates. Regardless of the mandates and powers of deposit insurance systems, it is essential that the public be informed about the benefits and limitations of deposit insurance coverage through public education and awareness activities. The characteristics of a deposit insurance system should be publicised regularly to maintain and strengthen public confidence.

Prerequisite Knowledge
In order to fully benefit from this tutorial, you should be familiar with deposit insurance. You can study topics related to deposit insurance in the following tutorials:
• Deposit Insurance - An Introduction
• Core Principles for Effective Deposit Insurance Systems

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Banking Supervision

Tutorial Overview
This tutorial provides guidance on the next steps following completion of a self-assessment of compliance with the Core Principles.

This tutorial is part of a suite that includes the following:
• Deposit Insurance Core Principles Assessment - Action Plan and Next Steps
• Deposit Insurance Core Principles Assessment - Test Yourself
• Deposit Insurance Core Principles Assessment - Connect
• Deposit Insurance Core Principles Assessment - Test Yourself

Prerequisite Knowledge
To get maximum benefit from this tutorial, you should be familiar with the key concepts of deposit insurance and the Core Principles. You can study these concepts in the following tutorials:
• Deposit Insurance - An Introduction
• Core Principles for Effective Deposit Insurance Systems

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: March 2020
Reimbursing Depositors - Part 1

Objectives
On completion of this tutorial, you will be able to:
• outline the importance of deposit insurance and the information required by a depositor
• detail the elements of the receivership process and the different resolution strategies available
to reimburse insured depositors

Tutorial Overview
Deposit insurers are responsible for paying the claims of insured depositors when a bank fails. Depositor reimbursement is an important function of a deposit insurer and how that process is handled will determine whether the public has confidence in the deposit insurer to do its job. Without confidence in the deposit insurer, the public is more likely to engage in bank runs when rumors of troubles start.

Prerequisite Knowledge
Before you take this tutorial, you should have some background knowledge about deposit insurance. In particular, you should have completed the following tutorials:
• Deposit Insurance - An Introduction
• Deposit Insurance - Liquidation of Failed Bank Assets

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Reimbursing Depositors - Part 2

Objectives
On completion of this tutorial, you will be able to:
• detail the steps a deposit insurer takes to prepare a reimbursement plan
• determine the deposit insurance payment for depositors in a failed bank
• describe the process for paying insured depositors once the bank is closed

Tutorial Overview
Deposit insurers are responsible for paying the claims of insured depositors when a bank fails. Depositor reimbursement is an important function of a deposit insurer. To perform this job in a timely and accurate manner, the deposit insurer must have a plan for reimbursement and must be able to identify which deposits are insured and how much each depositor will receive in a reimbursement.

Prerequisite Knowledge
To get the most from this tutorial, you should have some background knowledge about deposit insurance and the reimbursement process. You should be familiar with the following tutorials:
• Deposit Insurance - An Introduction
• Deposit Insurance - Liquidation of Failed Bank Assets
• Reimbursing Depositors - Part 1

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Resolution and Bridge Banking

Objectives
On completion of this tutorial, you will be able to:
• determine a sound operating environment for a resolution agency
• explain the powers necessary for an effective resolution agency
• outline the objectives and operational elements of running and marketing a bridge bank

Tutorial Overview
The global financial crisis that began in 2007 demonstrated the importance of effective bank resolution. Unfortunately, the crisis revealed that many countries either lacked resolution agencies or had resolution agencies that lacked the operating environment and proper tools to effectively fulfill their mandate. This tutorial provides some general guidance for establishing a bank resolution agency and resolving failing banks through a bridge bank model. Please note, resolving systemically important non-bank institutions – such as insurance companies and investment banks – are beyond the scope of this tutorial.

Prerequisite Knowledge
To get maximum benefit from this tutorial, you should be familiar with the following tutorials on deposit insurance and bank resolution:
• Deposit Insurance - An Introduction
• Core Principles for Effective Deposit Insurance Systems
• Dealing with Weak Banks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Foundations for Effective Supervision

An Overview of the Insurance Core Principles from the Secretary General of the IAIS - Video

The International Association of Insurance Supervisors (IAIS) has over 200 members comprising insurance regulatory/supervisory authorities from more than 130 countries around the world. To help its members supervise the insurance sector effectively, the IAIS has developed an international framework for insurance supervision, the Insurance Core Principles (ICPs). This brief video presents the rationale for the ICPs, the areas covered, the structure of the ICPs and how their observance can be assessed.

Tutorial Duration: 6 mins
Published: April 2019

Insurance Core Principles - Overview and Preconditions

Objectives
On completion of this tutorial, you will be able to recognise the scope of application of the Insurance Core Principles (ICPs) and the preconditions for effective supervision.

Tutorial Overview
The ICPs provide a globally accepted framework for the supervision of the insurance sector. They serve as an international benchmark against which the effectiveness of insurance regulatory and supervisory regimes can be assessed. This tutorial provides an overview of the ICPs and outlines the preconditions for effective supervision as adopted by the International Association of Insurance Supervisors (IAIS) in November 2019.

This tutorial is part of a suite of tutorials that includes the following:
- Insurance Core Principles - Overview and Preconditions
- Insurance Core Principles - Assessment Methodology
- Insurance Core Principles - Supervisory System
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Ongoing Supervision
- Insurance Core Principles - Risks and Risk Transfer
- Insurance Core Principles - Valuation and Capital
- Insurance Core Principles - Markets and Consumers
- Insurance Core Principles - Connect
- Insurance Core Principles - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: May 2020
Insurance Core Principles - Supervisory System

Objectives
On completion of this tutorial, you will be able to identify the key features of the Insurance Core Principles (ICPs) relating to the supervisory system.

Tutorial Overview
The ICPs provide a globally accepted framework for the supervision of the insurance sector. They serve as an international benchmark against which the effectiveness of insurance regulatory and supervisory regimes can be assessed. This tutorial outlines the following ICPs as adopted by the International Association of Insurance Supervisors (IAIS) in November 2019:
- ICP 1 - Objectives, Powers and Responsibilities of the Supervisor
- ICP 2 - Supervisor
- ICP 3 - Information Sharing and Confidentiality Requirements
- ICP 25 - Supervisory Cooperation and Coordination

This tutorial is part of a suite of tutorials that includes the following:
- Insurance Core Principles - Overview and Preconditions
- Insurance Core Principles - Assessment Methodology
- Insurance Core Principles - Supervisory System
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Ongoing Supervision
- Insurance Core Principles - Risks and Risk Transfer
- Insurance Core Principles - Valuation and Capital
- Insurance Core Principles - Markets and Consumers
- Insurance Core Principles - Connect
- Insurance Core Principles - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: May 2020

Insurance Core Principles - Supervised Entities

Objectives
On completion of this tutorial, you will be able to identify the key features of the Insurance Core Principles (ICPs) relating to supervised entities.

Tutorial Overview
The ICPs provide a globally accepted framework for the supervision of the insurance sector. They serve as an international benchmark against which the effectiveness of insurance regulatory and supervisory regimes can be assessed. This tutorial outlines the following ICPs relating to supervised entities as adopted by the International Association of Insurance Supervisors (IAIS) in November 2019:
- ICP 4 - Licensing
- ICP 5 - Suitability of Persons
- ICP 6 - Changes in Control and Portfolio Transfers
- ICP 7 - Corporate Governance
- ICP 8 - Risk Management and Internal Controls

This tutorial is part of a suite of tutorials that includes the following:
- Insurance Core Principles - Overview and Preconditions
- Insurance Core Principles - Assessment Methodology
- Insurance Core Principles - Supervisory System
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Ongoing Supervision
- Insurance Core Principles - Risks and Risk Transfer
- Insurance Core Principles - Valuation and Capital
- Insurance Core Principles - Markets and Consumers
- Insurance Core Principles - Connect
- Insurance Core Principles - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: May 2020

Insurance Core Principles - Ongoing Supervision

Objectives
On completion of this tutorial, you will be able to identify the key features of the Insurance Core Principles (ICPs) relating to ongoing supervision.

Tutorial Overview
The ICPs provide a globally accepted framework for the supervision of the insurance sector. They serve as an international benchmark against which the effectiveness of insurance regulatory and supervisory regimes can be assessed. This tutorial outlines the following ICPs as adopted by the International Association of Insurance Supervisors (IAIS) in November 2019:
- ICP 9 - Supervisory Review and Reporting
- ICP 10 - Preventive Measures, Corrective Measures and Sanctions
- ICP 12 - Exit from the Market and Resolution
- ICP 23 - Group-wide Supervisor
- ICP 24 - Macroprudential Supervision

This tutorial is part of a suite of tutorials that includes the following:
- Insurance Core Principles - Overview and Preconditions
- Insurance Core Principles - Assessment Methodology
- Insurance Core Principles - Supervisory System
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Ongoing Supervision
- Insurance Core Principles - Risks and Risk Transfer
- Insurance Core Principles - Valuation and Capital
- Insurance Core Principles - Markets and Consumers
- Insurance Core Principles - Connect
- Insurance Core Principles - Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: May 2020
Insurance Core Principles - Risks and Risk Transfer

Objectives
On completion of this tutorial, you will be able to identify the key features of the Insurance Core Principles (ICPs) relating to risks and risk transfer.

Tutorial Overview
The ICPs provide a globally accepted framework for the supervision of the insurance sector. They serve as an international benchmark against which the effectiveness of insurance regulatory and supervisory regimes can be assessed. This tutorial outlines the following ICPs as adopted by the International Association of Insurance Supervisors (IAIS) in November 2019:

- ICP 16 - Enterprise Risk Management for Solvency Purposes
- ICP 13 - Reinsurance and Other Forms of Risk Transfer
- ICP 22 - Anti-Money Laundering and Combating the Financing of Terrorism
- ICP 15 - Investment
- ICP 17 - Capital Adequacy

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: May 2020

Insurance Core Principles - Markets and Consumers

Objectives
On completion of this tutorial, you will be able to identify the key features of the Insurance Core Principles (ICPs) relating to markets and consumers.

Tutorial Overview
The ICPs provide a globally accepted framework for the supervision of the insurance sector. They serve as an international benchmark against which the effectiveness of insurance regulatory and supervisory regimes can be assessed. This tutorial outlines the following ICPs as adopted by the International Association of Insurance Supervisors (IAIS) in November 2019:

- ICP 18 - Intermediaries
- ICP 19 - Conduct of Business
- ICP 20 - Public Disclosure
- ICP 21 - Countering Fraud in Insurance
- ICP 14 - Valuation
- ICP 17 - Capital Adequacy
- ICP 22 - Anti-Money Laundering and Combating the Financing of Terrorism

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 20 mins
Published: May 2020

Insurance Core Principles - Valuation and Capital

Objectives
On completion of this tutorial, you will be able to identify the key features of the Insurance Core Principles (ICPs) relating to valuation and capital adequacy.

Tutorial Overview
The ICPs provide a globally accepted framework for the supervision of the insurance sector. They serve as an international benchmark against which the effectiveness of insurance regulatory and supervisory regimes can be assessed. This tutorial outlines the following ICPs as adopted by the International Association of Insurance Supervisors (IAIS) in November 2019:

- ICP 14 - Valuation
- ICP 17 - Capital Adequacy

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: May 2020

Insurance Core Principles - Connect

This tutorial is the Connect phase for the following suite of tutorials:

- Insurance Core Principles - Overview and Preconditions
- Insurance Core Principles - Assessment Methodology
- Insurance Core Principles - Supervisory System
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Ongoing Supervision
- Insurance Core Principles - Risks and Risk Transfer
- Insurance Core Principles - Valuation and Capital
- Insurance Core Principles - Markets and Consumers

It provides you with an opportunity to apply your understanding of the Insurance Core Principles using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: May 2020

Insurance Core Principles - Test Yourself

Try these questions to evaluate your knowledge of the Insurance Core Principles (ICPs).

Tutorial Level: Fundamental
Tutorial Duration: 20 mins
Published: May 2020
Insurance Supervision

Regulation and Supervision Supporting Inclusive Insurance Markets

Objectives
On completion of this tutorial, you will be able to:
- identify why insurance markets should be inclusive and how such markets differ from typical formal insurance markets;
- recognise the roles and responsibilities of insurance supervisory authorities in creating and maintaining inclusive insurance markets;
- identify how the prudential supervision of insurers that underwrite only microinsurance might differ from the supervision of other insurers;
- recognise the different market conduct requirements for microinsurance and conventional insurance.

Tutorial Overview
The International Association of Insurance Supervisors (IAIS) has been working on its “access agenda” since 2006 by way of the IAIS-Microinsurance Network Joint Working Group and the Access to Insurance Initiative (A2ii). This tutorial is based on the core curriculum module (CCM) on regulation and supervision supporting inclusive insurance markets developed in 2013 as a cooperative project of the IAIS and the A2ii. The CCM is based on the IAIS Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets. This tutorial introduces supervisors to the most important topics of the CCM and explains how they can implement effectively the concepts set out in the Application Paper.

Prerequisite Knowledge
In order to benefit fully from this tutorial, we suggest that you review the material in the following tutorials:
- Microinsurance
- ICPs (Part I) - Overview and Assessment Methodology
- ICPs (Part II) - Insurance Core Principles, Standards and Guidance

Published: June 2015

Supervisory Objectives, Powers and Structure - Insurance

Objectives
On completion of this tutorial, you will be able to:
- identify the objectives of insurance supervision
- recognise the supervisory powers necessary for effective insurance supervision
- identify an appropriate structure for an insurance supervisory authority

Tutorial Overview
This tutorial covers several of the key preconditions that must be in place for insurance supervision to be effective. It explains why insurance entities should be supervised, the powers that supervisors need and how supervisors should organise themselves to achieve their supervisory objectives. The tutorial is primarily based on Insurance Core Principle (ICP) 1 Objectives, Powers and Responsibilities of the Supervisor and ICP 2 Supervisor.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
- Insurance Core Principles - Overview and Preconditions

Published: December 2014

Enterprise Risk Management for Insurers - Overview

Objectives
On completion of this tutorial, you will be able to list the objectives of enterprise risk management (ERM) for solvency purposes and identify the main components of an effective ERM framework for an insurer.

Tutorial Overview
This tutorial introduces the concept of ERM for solvency purposes and the main components of an ERM framework. It describes the importance of sound corporate governance and risk culture in effective ERM implementation.

This tutorial is part of a suite that includes the following:
- Enterprise Risk Management for Insurers - Overview
- Enterprise Risk Management for Insurers - Risk Identification and Measurement
- Enterprise Risk Management for Insurers - Policies and Strategies
- Enterprise Risk Management for Insurers - Own Risk and Solvency Assessment
- Enterprise Risk Management for Insurers - Connect
- Enterprise Risk Management for Insurers - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorial:
- Insurance Core Principles - Risks and Risk Transfer

Published: December 2019

Enterprise Risk Management for Insurers - Policies and Strategies

Objectives
On completion of this tutorial, you will be able to identify the key policies and strategies required as part of an insurer’s enterprise risk management (ERM) framework.

Tutorial Overview
This tutorial introduces the policies, strategies and responses in an insurer’s ERM framework, including asset-liability management (ALM), investment, underwriting and liquidity risk.

This tutorial is part of a suite that includes the following:
- Enterprise Risk Management for Insurers - Overview
- Enterprise Risk Management for Insurers - Risk Identification and Measurement
- Enterprise Risk Management for Insurers - Policies and Strategies
- Enterprise Risk Management for Insurers - Own Risk and Solvency Assessment
- Enterprise Risk Management for Insurers - Connect
- Enterprise Risk Management for Insurers - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorial:
- Insurance Core Principles - Risks and Risk Transfer

Published: December 2019

Enterprise Risk Management for Insurers - Risk Identification and Measurement

Objectives
On completion of this tutorial, you will be able to identify different types of risk faced by an insurer and the techniques used to measure those risks as part of its enterprise risk management (ERM) framework.

Tutorial Overview
This tutorial introduces the inter-relationship of risk appetite, risk limits and capital adequacy. It outlines the different risks faced by an insurer and techniques used to measure the risks identified as part of its ERM framework.

This tutorial is part of a suite that includes the following:
- Enterprise Risk Management for Insurers - Overview
- Enterprise Risk Management for Insurers - Risk Identification and Measurement
- Enterprise Risk Management for Insurers - Policies and Strategies
- Enterprise Risk Management for Insurers - Own Risk and Solvency Assessment
- Enterprise Risk Management for Insurers - Connect
- Enterprise Risk Management for Insurers - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorial:
- Insurance Core Principles - Risks and Risk Transfer

Published: December 2019
Enterprise Risk Management for Insurers - Test Yourself

Objectives
On completion of this tutorial, you will be able to recognise your knowledge of insurer enterprise risk management (ERM) for solvency purposes.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: December 2019

Try these questions to evaluate your knowledge of insurer enterprise risk management (ERM) for solvency purposes.

Insurer Corporate Governance - Suitability of Persons and Remuneration

Objectives
On completion of this tutorial, you will be able to recognise the purpose and components of an own risk and solvency assessment (ORSA) and how it fits in an insurer’s enterprise risk management framework.

Tutorial Duration: 20 mins
Published: December 2019

This tutorial describes the key components of an ORSA and how it fits in an insurer’s enterprise risk management framework.

Enterprise Risk Management for Insurers - Connect

Objectives
On completion of this tutorial, you will be able to identify the roles of board of directors and senior management of insurers.

Tutorial Duration: 15 mins
Published: February 2020

This tutorial is the Connect phase for the following suite of tutorials:
- Enterprise Risk Management for Insurers - Overview
- Enterprise Risk Management for Insurers - Risk Identification and Measurement
- Enterprise Risk Management for Insurers - Policies and Strategies
- Enterprise Risk Management for Insurers - Own Risk and Solvency Assessment
- Enterprise Risk Management for Insurers - Connect
- Enterprise Risk Management for Insurers - Test Yourself

Prerequisite Knowledge
It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Overview
This tutorial is part of a suite that includes the following:
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Test Yourself
- Insurer Corporate Governance - Supervisory Techniques
- Insurer Corporate Governance - Group Issues
- Insurer Corporate Governance - Supervisory Techniques
- Insurer Corporate Governance - Test Yourself

Enterprise Risk Management for Insurers - Own Risk and Solvency Assessment

Objectives
On completion of this tutorial, you will be able to recognise the purpose and components of an own risk and solvency assessment (ORSA) and its role in enterprise risk management (ERM) for insurers.

Tutorial Overview
This tutorial describes the key components of an ORSA and how it fits in an insurer’s enterprise risk management framework.

This tutorial is part of a suite that includes the following:
- Enterprise Risk Management for Insurers - Overview
- Enterprise Risk Management for Insurers - Risk Identification and Measurement
- Enterprise Risk Management for Insurers - Policies and Strategies
- Enterprise Risk Management for Insurers - Own Risk and Solvency Assessment
- Enterprise Risk Management for Insurers - Connect
- Enterprise Risk Management for Insurers - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorial:
- Insurance Core Principles - Risks and Risk Transfer

Tutorial Overview
This tutorial explains how insurance supervisors can put sound requirements in place to assess the suitability of the board of directors, senior management, control functions and significant owners of insurers based on Insurance Core Principle (ICP) 5 – Suitability of Persons. It also covers remuneration policies under ICP 7 – Corporate Governance.

This tutorial is part of a suite that includes the following:
- Insurer Corporate Governance - Suitability of Persons and Remuneration
- Insurer Corporate Governance - Board and Senior Management
- Insurer Corporate Governance - Control Functions
- Insurer Corporate Governance - Group Issues
- Insurer Corporate Governance - Supervisory Techniques
- Insurer Corporate Governance - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorial:
- Insurance Core Principles - Supervised Entities

Tutorial Overview
This tutorial explains how insurance supervisors can put in place sound requirements relating to board of directors and senior management of insurers based on Insurance Core Principle (ICP) 7 – Corporate Governance and the Application Paper on the Composition and the Role of the Board published by the International Association of Insurance Supervisors.

This tutorial is part of a suite that includes the following:
- Insurer Corporate Governance - Suitability of Persons and Remuneration
- Insurer Corporate Governance - Board and Senior Management
- Insurer Corporate Governance - Control Functions
- Insurer Corporate Governance - Group Issues
- Insurer Corporate Governance - Supervisory Techniques
- Insurer Corporate Governance - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
- Insurance Core Principles - Supervised Entities

Tutorial Overview
This tutorial explains how insurance supervisors can put in place sound requirements relating to the control functions of insurers based on Insurance Core Principle (ICP) 8 – Risk Management and Internal Controls.

This tutorial is part of a suite that includes the following:
- Insurer Corporate Governance - Supervisory Techniques
- Insurer Corporate Governance - Group Issues
- Insurer Corporate Governance - Supervisory Techniques
- Insurer Corporate Governance - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
- Insurance Core Principles - Supervised Entities

Tutorial Overview
This tutorial explains how insurance supervisors can put in place sound requirements relating to the control functions of insurers based on Insurance Core Principle (ICP) 8 – Risk Management and Internal Controls.

This tutorial is part of a suite that includes the following:
- Insurer Corporate Governance - Supervisory Techniques
- Insurer Corporate Governance - Group Issues
- Insurer Corporate Governance - Supervisory Techniques
- Insurer Corporate Governance - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the existing material in the following tutorial:
- Insurance Core Principles - Supervised Entities
Insurer Corporate Governance - Group Issues

Objectives
On completion of this tutorial, you will be able to identify specific considerations in prescribing regulatory requirements relating to corporate governance of insurance groups.

Tutorial Overview
This tutorial explains how insurance supervisors can put in place sound regulatory requirements relating to corporate governance for insurance groups based on Insurance Core Principles (ICP) 7 – Corporate Governance and the International Association of Insurance Supervisors (IAIS) Application Paper on Group Corporate Governance.

This tutorial is part of a suite that includes the following:
- Insurer Corporate Governance - Suitability of Persons and Remuneration
- Insurer Corporate Governance - Board and Senior Management
- Insurer Corporate Governance - Control Functions
- Insurer Corporate Governance - Group Issues
- Insurer Corporate Governance - Supervisory Techniques
- Insurer Corporate Governance - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
- Insurance Core Principles - Supervised Entities

Tutorial Level: Fundamental
Tutorial Duration: 20 mins
Published: February 2020

Insurer Corporate Governance - Test Yourself

Objectives
Try these questions to evaluate your knowledge of the corporate governance of insurers.

Tutorial Overview
Insurer Corporate Governance - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: February 2020

Own Risk and Solvency Assessment

Objectives
On completion of this tutorial, you will be able to:
- identify the objectives and purposes of an Own Risk and Solvency Assessment (ORSA)
- recognise the key elements of an insurer’s ORSA
- recognise the regulatory and supervisory requirements for ORSAs stemming from the Insurance Core Principles (ICPs)
- identify the practical considerations for ORSA implementation

Tutorial Overview
Meeting regulatory capital adequacy requirements alone is not enough for an insurer to withstand all material risks to which it is exposed. Some risks are not captured under regulatory requirements, and certain insurers may be exposed to risks that are unique to them. For these reasons, insurers must undertake an ORSA so that all material and relevant risks are identified, assessed and addressed appropriately.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
- Enterprise Risk Management and Insurer Solvency

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: September 2014

The Role of Actuaries

Objectives
On completion of this tutorial, you will be able to:
- describe the actuarial profession and the role of professional actuarial organizations
- outline the role and responsibilities of actuaries in insurance companies
- explain the range of actuaries’ responsibilities that can be mandated by the regulatory framework

Tutorial Overview
Actuaries are involved in many aspects of the business of insurance companies and play an important role in identifying, measuring and managing insurance and other risks. In some supervisory regimes, duties and responsibilities are formally attributed to a ‘responsible’ or ‘appointed’ actuary relative to specified actuarial aspects of insurers’ affairs.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be generally familiar with the business of insurance. You can study topics related to this in the following tutorials:
- Life Insurance - Business and Risks
- Non-life Insurance - Business and Risks
- Insurance Solvency - An Introduction

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Valuation

IFRS 4 - Insurance Contracts

Objectives
On completion of this tutorial, you will be able to:
- provide an overview of the IASB insurance contracts project
- describe the key accounting requirements in IFRS 4
- outline the main disclosure requirements in IFRS 4

Tutorial Overview
The primary International Financial Reporting Standard (IFRS) that relates uniquely to the business of insurance is IFRS 4 - Insurance Contracts. In 2004, the International Accounting Standards Board (IASB) issued IFRS 4 under Phase I of the insurance contracts project to improve recognition and measurement practices and disclosures for insurance contracts. In this tutorial, we review the accounting and disclosure requirements of IFRS 4 and the objectives of Phase II of the IASB insurance contracts project.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be generally familiar with the issues relating to insurance accounting. You can study topics related to this in the following tutorial:
- Insurance Accounting - An Introduction

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Valuation of Technical Provisions - Life Insurance (Investment Products) - Concepts

Objectives
On completion of this tutorial, you will be able to:
- identify the mechanics of a participating life insurance fund and an investment-linked policy
- recognize how valuation assumptions are set
- identify the common valuation methods
- recognize the governance aspects of valuation

Prerequisite Knowledge
In order to fully benefit from this tutorial, you should be familiar with the business of life insurance and with the roles and responsibilities of actuaries. We suggest that you review the material in the following tutorials:
- Life Insurance - Business and Risks
- Insurance Solvency - An Introduction
- The Role of Actuaries

Tutorial Overview
Technical provisions represent the amount life insurers need to set aside so that they can fulfill future policyholder obligations as they fall due. The solvency assessment of a life insurer involves evaluating its ability to meet technical provision requirements. Therefore, it is important that technical provisions are valued based on sound principles and techniques. This tutorial describes a selection of actuarial techniques that can be used to value the technical provisions for life insurance investment products.

Tutorial Duration: 60 mins

Valuation of Technical Provisions - Life Insurance (Protection Products) - Concepts

Objectives
On completion of this tutorial, you will be able to:
- identify the mechanics of a non-participating life insurance fund
- recognize how valuation assumptions are set
- identify the common valuation methods
- recognize the governance aspects of valuation

Tutorial Overview
Technical provisions represent the amount life insurers need to set aside so that they can fulfill future policyholder obligations as they fall due. The solvency assessment of a life insurer involves evaluating its ability to meet technical provision requirements. Therefore, it is important that technical provisions are valued based on sound principles and techniques. This tutorial describes a selection of actuarial techniques that can be used to value the technical provisions for life insurance protection products.
Valuation of Technical Provisions - Non-life Insurance - Concepts

Objectives
On completion of this tutorial, you will be able to:
- outline the role and importance of technical provisions for non-life insurers
- discuss key concepts of technical provisions
- identify supervisory guidance relating to technical provisions

Tutorial Overview
The valuation of technical provisions has a significant impact on the reported financial condition of non-life insurers and a direct bearing on their reported solvency position. Technical provisions are determined in accordance with standards of actuarial practice and it is critical that the sums set aside are sufficient to cover an insurer’s obligations to policyholders.

Prerequisite Knowledge
In order to gain full advantage of this tutorial you should be familiar with the business of non-life insurance and with the role and responsibilities of actuaries. We suggest that you review the material in the following tutorials:
- Non-life Insurance - Business and Risks
- The Role of Actuaries

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Valuation of Technical Provisions - Non-life Insurance - Techniques

Objectives
On completion of this tutorial, you will be able to:
- identify commonly used methods and techniques to estimate premium liabilities
- use the Chain Ladder method to estimate claims provisions
- use the Bornhuetter-Ferguson method to estimate claims provisions
- identify supervisory requirements and professional guidance relating to non-life technical provisions

Tutorial Overview
The valuation of technical provisions has a significant impact on the reported financial condition of non-life insurers and a direct bearing on their reported solvency position. There are considerable variations in the techniques used to determine technical provisions for non-life insurers in different jurisdictions, there are some methods that are commonly used around the world.

Prerequisite Knowledge
In order to gain full advantage of this tutorial, you should be familiar with the business of non-life insurance and the key concepts underlying the valuation of technical provisions. We suggest that you review the material in the following tutorials:
- Non-life Insurance - Business and Risks
- Valuation of Technical Provisions - Non-life Insurance - Concepts

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Insurance Capital Standard - Overview

Objectives
On completion of this tutorial, you will be able to outline the purpose, development, principles and goals of the risk-based Insurance Capital Standard (ICS), as well as its integration with the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).

Tutorial Overview
This tutorial introduces the ICS, which has been established by the International Association of Insurance Supervisors (IAIS) to develop a common language for supervisory discussions of group solvency and to enhance global convergence among group capital standards.

This tutorial is part of a suite that includes the following:
- Insurance Capital Standard - Overview
- Insurance Capital Standard - Key Components
- Insurance Capital Standard - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
- Introduction to ComFrame - Overview

Tutorial Level: Fundamental
Tutorial Duration: 20 mins

Published: May 2020

ICS - Overview - Executive Summary

The Insurance Capital Standard (ICS) is a consolidated group-wide capital standard that applies to internationally active insurance groups (IAIGs). The ICS is part of the broader Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).

This Executive Summary describes the main components of the ICS and its development timeline.

Published: April 2020
Insurance Capital Standard - Key Components

Objectives
On completion of this tutorial, you will be able to recognise the key components of the Insurance Capital Standard (ICS) developed by the International Association of Insurance Supervisors (IAIS).

Tutorial Overview
This tutorial introduces the three key ICS components at a high-level:
- valuation of assets and liabilities
- qualifying capital resources
- the capital requirement, calculated using the risk-based standard method

This tutorial is part of a suite that includes the following:
- Insurance Capital Standard - Overview
- Insurance Capital Standard - Key Components
- Insurance Capital Standard - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
- Introduction to ComFrame - Overview

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: May 2020

ICS - Life Insurance Risk Charges - Executive Summary

The Insurance Capital Standard (ICS) is a consolidated group-wide capital standard that applies to internationally active insurance groups (IAIGs).

This Executive Summary describes the key elements of the life insurance risk charges, which are components of the standard method ICS capital requirement for use during the standard’s monitoring period from 2020-24.

Published: April 2020

ICS - Non-life Insurance Risk Charges - Executive Summary

The Insurance Capital Standard (ICS) is a consolidated group-wide capital standard that applies to internationally active insurance groups (IAIGs).

This Executive Summary describes the key elements of the non-life insurance risk charges, which are components of the standard method ICS capital requirement for use during the standard’s monitoring period from 2020-24.

Published: May 2020

ICS - Credit Risk Charges - Executive Summary

The Insurance Capital Standard (ICS) is a consolidated group-wide capital standard that applies to internationally active insurance groups (IAIGs).

This Executive Summary describes the key elements of the credit risk charge, which is a component of the standard method ICS capital requirement for use during the standard’s monitoring period from 2020-24.

Published: June 2020

Insurance Solvency - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- define the basic concepts underlying insurance company solvency
- outline the key components of capital adequacy requirements
- describe other approaches to determining the capital of insurers

Tutorial Overview
Insurance companies in sound financial condition facilitate the smooth functioning of insurance markets and the protection of policyholders. Effective supervision and sound solvency and capital adequacy regimes for insurance companies play an important role in achieving the objectives of supervisory frameworks. This tutorial introduces the basic concepts of insurance solvency and the work of the International Association of Insurance Supervisors on solvency and capital adequacy.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be generally familiar with the business of insurance. You can study topics related to this in the following tutorials:
- Types of Insurance
- Life Insurance - Business and Risks
- Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Internal Models - An Introduction

Objectives
On completion of this tutorial, you will be able to:
- identify the fundamental characteristics of internal models used by insurers
- recognize the key concepts of internal models used by insurers
- outline the key elements of supervisory guidance relating to the use of models

Tutorial Overview
The evolution of comprehensive insurer risk management practices, including the role of economic capital in decision-making, and increasingly sophisticated risk-based insurance regulatory capital requirements are leading to continuing developments in the use of internal models by insurers. This tutorial introduces the fundamentals of internal models in insurance companies.

Prerequisite Knowledge
In order to gain full advantage of this tutorial, you should be familiar with the business of insurance and insurance solvency. We suggest that you review the material in the following tutorials:
- Types of Insurance
- Life Insurance - Business and Risks
- Non-life Insurance - Business and Risks
- Insurance Solvency - An Introduction
- Economic Capital & RAROC - An Introduction

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Insurance Capital Standard - Test Yourself

Try these questions to evaluate your knowledge of the Insurance Capital Standard (ICS) for internationally active insurance groups.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: May 2020

ICS - Market-adjusted Valuation - Executive Summary

The Insurance Capital Standard (ICS) is a consolidated group-wide capital standard that applies to internationally active insurance groups (IAIGs).

This Executive Summary describes the key elements of the Market-adjusted Valuation approach in determining the values of assets and liabilities under the ICS during the monitoring period from 2020-24.

Published: May 2020
Life Insurance Solvency - Country Example

Objectives
On completion of this tutorial, you will be able to:
• describe the objectives and general structure of the capital adequacy regime for life insurers in Australia
• define the capital base of a life insurer and its statutory and general funds
• identify the different types of risk charges
• outline the capital requirements for life insurers and their statutory and general funds

Tutorial Overview
This tutorial provides an example of how jurisdictions can implement the Insurance Core Principles in practice. Using the Australian solvency regime for life insurers as an example, this tutorial explains the requirements for the insurers’ statutory and general funds and each life insurer as a whole.

Prerequisite Knowledge
This fundamental level tutorial requires some knowledge of the business of insurance and solvency requirements. It would be beneficial to have studied the following tutorials:
• Solvency - An Introduction
• Solvency Levels and Supervisory Intervention

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: October 2015

Non-life Insurance Solvency - Country Example

Objectives
On completion of this tutorial, you will be able to:
• describe the objectives and general structure of the risk-based capital (RBC) solvency system used in the United States
• describe the main components of the RBC calculation
• outline how the RBC test is used by supervisors

Tutorial Overview
While there are various approaches used by supervisors to measure the capital adequacy and solvency of non-life insurers throughout the world, this tutorial provides an example of one approach – the one that is used in the United States.

As part of the National Association of Insurance Commissioners’ (NAIC’s) solvency system, the RBC test is a risk-based tool for measuring the capital adequacy of a non-life insurer. It has been adopted by insurance supervisors throughout the United States. The system also outlines the levels of supervisory action that can be taken based upon an insurer’s RBC test results.

Prerequisite Knowledge
This tutorial requires some knowledge of the business of insurance and solvency requirements. It would be beneficial to have studied the following tutorials:
• Insurance Solvency - An Introduction
• Control Levels and Supervisory Intervention

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Solvency II - An Introduction - Part 1

Objectives
On completion of this tutorial you will be able to:
• explain the background to insurance solvency requirements in the European Union
• outline the main objectives, development process and timeline for Solvency II
• describe the approach to supervision and solvency assessment for insurance groups

Tutorial Overview
The review of the EU insurance solvency rules, which began in the 1990s and resulted in limited reform in 2002, became known as Solvency I. A more fundamental and comprehensive review was then undertaken. This project is called Solvency II and was implemented on 1 January 2016. In this introductory tutorial, we will review the objectives of and the development process for Solvency II, which is to be applied throughout the European Union. In a second introductory tutorial, we will review the broad principles of the three pillars of the new solvency framework.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should have a basic understanding of the insurance business and the prudential supervision of insurance firms. You can study these topics in the tutorials:
• Life Insurance - Business and Risks
• Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Conduct of Business in Insurance

Objectives
On completion of this tutorial, you will be able to:
• define conduct of business as it relates to insurance companies
• recognise the main elements of conduct of business
• identify the objectives of conduct of business regulation and provide examples of supervisory approaches

Tutorial Overview
An insurer’s behaviour toward consumers in the marketplace can impact not only its reputation - it can also have potential financial consequences. Conduct of business supervision involves the protection of consumers from unfair and abusive business practices by insurers and intermediaries. In this tutorial, we outline what conduct of business is in the context of insurance, outline the objectives of conduct of business regulation and provide examples of supervisory approaches used.

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Fraud in Insurance

Objectives
On completion of this tutorial, you will be able to:
• describe what fraud is and who the perpetrators are
• identify the main types of fraud against insurers
• outline the measures taken by insurers to address the risk of fraud
• discuss the supervisor’s role in this area

Tutorial Overview
Fraud is a form of operational risk that is an ongoing challenge for insurers. It requires them to regularly review and update their fraud risk management practices to ensure that they are adequately protected from potential losses. As part of the prudential assessment of an insurer’s ability to meet policyholder obligations, supervisors need to understand the fraud risks that insurers can be exposed to and evaluate the adequacy of the insurer’s fraud risk management.

Prerequisite Knowledge
In order to gain full advantage of this tutorial, you will need prior knowledge of issues relating to the nature of the insurance business. We suggest that you review the material in the following tutorials:
• Life Insurance - Business and Risks
• Non-life Insurance - Business and Risks
• Insurance Core Principles - Supervisory System
• Insurance Core Principles - Supervised Entities
• Insurance Core Principles - Markets and Consumers

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Insurance Supervision

Insurance Intermediaries

Objectives
On completion of this tutorial, you will be able to:
• describe the various types and roles of insurance intermediaries
• identify issues and risks relative to the operations of intermediaries
• outline supervisory requirements and approaches relative to intermediaries

Tutorial Overview
Insurance is often distributed through third parties, commonly known as insurance intermediaries. Traditionally, they have been categorised as agents that are representatives of only one (or a few) insurer(s) and brokers that act independently of the insurers whose products they offer and on behalf of policyholders. The professional conduct of intermediaries is key to ensuring that the intermediation risks insurers face are controlled and that policyholders obtain the insurance cover they need.

Prerequisite Knowledge
In order to gain full advantage of this tutorial, you will need prior knowledge of issues relating to the nature of the insurance business. We suggest that you review the following tutorials:
• Life Insurance - Business and Risks
• Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Insurance - Disclosure

Objectives
On completion of this tutorial you will be able to:
• describe the broad objectives of public disclosure of information by insurers
• outline the nature and type of public disclosure promoted by the International Association of Insurance Supervisors (IAIS)
• explain the types of information needed by market participants to understand insurers’ investment risks and their management
• explain the types of information needed by market participants to understand insurers’ technical risks and their management

Tutorial Overview
The public disclosure by insurers of reliable, relevant and timely information about their business, financial position and performance is key to market discipline. With access to the appropriate information, market participants can assess insurers’ activities and the risks inherent in those activities, and provide incentives to insurers to enhance their risk management practices.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be generally familiar with the business of insurance. You can study topics related to this in the following tutorials:
• Life Insurance - Business and Risks
• Non-life Insurance - Business and Risks
• Types of Insurance

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Supervisory Practices

Tools and Techniques

AML and CFT in Insurance - Supervisory Standards and Legislative Frameworks

Objectives
On completion of this tutorial, you will be able to identify the legal and regulatory actions taken internationally to address money laundering and the financing of terrorism in the insurance sector.

Tutorial Overview
This tutorial describes the relevant legal and international supervisory standards to address money laundering and terrorist financing as described in Insurance Core Principle 22 – Anti-Money Laundering and Combating the Financing of Terrorism. It summarises recent developments and developing trends in the fight against these financial crimes.

This tutorial is part of a suite that includes the following:
• AML and CFT in Insurance – Definitions and Impact
• AML and CFT in Insurance – Supervisory Standards and Legislative Frameworks
• AML and CFT in Insurance – Industry Measures
• AML and CFT in Insurance – Connect
• AML and CFT in Insurance – Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: November 2019

AML and CFT in Insurance - Industry Measures

Objectives
On completion of this tutorial, you will be able to recognise how insurance companies can protect themselves from being misused as vehicles to launder money and finance terrorism.

Tutorial Overview
This tutorial presents the key elements of the International Association of Insurance Supervisors’ Application Paper on Combating Money Laundering and Terrorist Financing, which outlines the minimum measures that insurers and insurance intermediaries should apply to meet the anti-money laundering and counter financing of terrorism requirements of the Financial Action Task Force (FATF).

This tutorial is part of a suite that includes the following:
• AML and CFT in Insurance – Definitions and Impact
• AML and CFT in Insurance – Supervisory Standards and Legislative Frameworks
• AML and CFT in Insurance – Industry Measures
• AML and CFT in Insurance – Connect
• AML and CFT in Insurance – Test Yourself

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: November 2019

AML and CFT in Insurance - Connect

This tutorial is the Connect phase for the following suite of tutorials:
• AML and CFT in Insurance – Definitions and Impact
• AML and CFT in Insurance – Supervisory Standards and Legislative Frameworks
• AML and CFT in Insurance – Industry Measures

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: November 2019

AML and CFT in Insurance - Test Yourself

Try these questions to evaluate your knowledge of anti-money laundering and combating the financing of terrorism in the insurance sector.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: November 2019
Climate Risks - Overview of International Regulatory Response - Video

**Tutorial Overview**
This video tutorial presents excerpts from the panel discussion on ‘Climate Change and the Financial System’ at the Financial Stability Institute’s 20th Anniversary Conference that took place in March 2019. The video provides an overview of international regulatory response to climate risks in the insurance sector.

This tutorial is part of a suite that includes the following:
- Climate Risks - Overview of International Regulatory Response - Video
- Climate Risks - Implications for the Insurance Sector
- Climate Risks - International Insurance Standards
- Climate Risks - Role of Regulation - Video
- Climate Risks - Insurance Supervisory Approaches
- Climate Risks - Connect
- Climate Risks - Test Yourself

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** September 2019

Climate Risks - Role of Regulation - Video

**Tutorial Overview**
This video tutorial presents excerpts from the panel discussion on ‘Climate Change and the Financial System’ at the Financial Stability Institute’s 20th Anniversary Conference that took place in March 2019. The video provides regulatory and industry insights on the role of regulation in addressing climate risks including the importance of climate risk disclosure by insurers and regulatory approach on green finance.

This tutorial is part of a suite that includes the following:
- Climate Risks - Overview of International Regulatory Response - Video
- Climate Risks - Implications for the Insurance Sector
- Climate Risks - International Insurance Standards
- Climate Risks - Role of Regulation - Video
- Climate Risks - Insurance Supervisory Approaches
- Climate Risks - Connect
- Climate Risks - Test Yourself

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** September 2019

Climate Risks - Connect

**Tutorial Overview**
This tutorial is the Connect phase for the following suite of tutorials:
- Climate Risks - Overview of International Regulatory Response - Video
- Climate Risks - Implications for the Insurance Sector
- Climate Risks - International Insurance Standards
- Climate Risks - Role of Regulation - Video
- Climate Risks - Insurance Supervisory Approaches

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** September 2019

Climate Risks - Test Yourself

Try these questions to evaluate your knowledge of climate risks in the insurance sector.

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** September 2019

Climate Risks - International Insurance Standards

**Objectives**
On completion of this tutorial, you will be able to recognise the role of the Task Force on Climate-related Financial Disclosures (TCFD) and the applicability of the Insurance Core Principles (ICPs) in tackling climate change risks.

**Tutorial Overview**
This tutorial discusses the importance of the Financial Stability Board’s TCFD and how the ICPs, developed by the International Association of Insurance Supervisors (IAIS), can be applied to manage climate change risks. It is based on the Issues Paper on Climate Change Risks to the Insurance Sector published by the IAIS and the Sustainable Insurance Forum (SIF).

This tutorial is part of a suite that includes the following:
- Climate Risks - Overview of International Regulatory Response - Video
- Climate Risks - Implications for the Insurance Sector
- Climate Risks - International Insurance Standards
- Climate Risks - Role of Regulation - Video
- Climate Risks - Insurance Supervisory Approaches
- Climate Risks - Connect
- Climate Risks - Test Yourself

**Prerequisite Knowledge**
No prior knowledge is assumed for this tutorial.

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** September 2019

Climate Risks - Insurance Supervisory Approaches

**Objectives**
On completion of this tutorial, you will be able to identify the main supervisory approaches to addressing climate risks in the insurance sector.

**Tutorial Overview**
This tutorial provides examples of supervisory approaches and tools to manage climate change risks in the insurance sector and describes the need for potential further regulation and action. It is based on the Issues Paper on Climate Change Risks to the Insurance Sector published by the International Association of Insurance Supervisors (IAIS) and the Sustainable Insurance Forum (SIF).

This tutorial is part of a suite that includes the following:
- Climate Risks - Overview of International Regulatory Response - Video
- Climate Risks - Implications for the Insurance Sector
- Climate Risks - International Insurance Standards
- Climate Risks - Role of Regulation - Video
- Climate Risks - Insurance Supervisory Approaches
- Climate Risks - Connect
- Climate Risks - Test Yourself

**Prerequisite Knowledge**
No prior knowledge is assumed for this tutorial.

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** September 2019

Cyber Risk - Insurance Regulatory Approach

**Objectives**
On completion of this tutorial, you will be able to outline the relevant regulatory treatment for insurers’ cyber risk exposures based on the Insurance Core Principles (ICPs).

**Tutorial Overview**
This tutorial explains how supervisors can implement the ICPs to address the cyber risk exposure of insurance companies based on the International Association of Insurance Supervisors (IAIS) Issues Paper on Cyber Risk to the Insurance Sector. This tutorial is part of a suite of the following tutorials:
- Cyber Risk - Nature of Risk
- Cyber Risk - Insurance Regulatory Approach
- Cyber Risk - Financial Market Infrastructures: Cyber Resilience
- Cyber Risk - Financial Market Infrastructures: Enhancing Cyber Resilience

**Prerequisite Knowledge**
No prior knowledge is assumed for this tutorial.

**Tutorial Level:** Fundamental  
**Tutorial Duration:** 15 mins  
**Published:** January 2017
Fintech Developments in the Insurance Industry - Executive Summary

In February 2017, the International Association of Insurance Supervisors published a report on fintech developments in the insurance industry. The report presents a general view of the potential impact of these innovations on the insurance landscape and supervisory approaches based on an analysis of three scenarios.

This Executive Summary provides a brief overview of the main findings from the scenario analysis and challenges that insurance supervisors may face in the near future in relation to fintech innovations.

Published: February 2019

Insurance - Licensing Issues

Objectives
On completion of this tutorial, you will be able to:
- outline IAIS and other supervisory guidance relating to the licensing of insurers
- describe the factors that should be taken into account in licensing new, as well as existing, insurers
- identify the issues that the licensing of insurers can involve

Tutorial Overview
Supervisory regimes include a licensing process that is designed to ensure that entrants to the jurisdiction’s insurance sector are operated in a safe and sound manner. This tutorial examines the information needed in order for supervisors to assess the merits of licensing a new insurer or a subsidiary or branch of a foreign insurer and the various factors that should be considered.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the business of insurance. You can study topics related to this in the following tutorials:
- Life Insurance - Business and Risks
- Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Insurer Cybersecurity - Executive Summary

Cyber risk presents a growing challenge for the insurance sector and one that supervisors need to address. To provide guidance to insurance supervisors seeking to develop or enhance their regulatory regimes and supervisory practices applicable to insurance sector cybersecurity, the International Association of Insurance Supervisors (IAIS) published the Application Paper on Supervision of Insurer Cybersecurity in November 2018.

This Executive Summary provides an overview of the frameworks in which this guidance is built as well as some selected examples of recommendations for supervising insurers’ cybersecurity.

Published: October 2019

Insurer Cybersecurity - Overview

Objectives
On completion of this tutorial, you will be able to identify the cybersecurity frameworks, standards and guidance that are relevant for the supervision of insurer cybersecurity.

Tutorial Overview
Cyberattacks are a threat to the entire financial system. Financial authorities have taken steps to facilitate both the mitigation of cyber risk by financial institutions and their effective response to and recovery from cyberattacks.

In this tutorial, we provide an overview of the private and public cybersecurity frameworks and guidance that are relevant for the insurance sector.

This tutorial is part of a suite that includes the following:
- Insurer Cybersecurity - Overview
- Insurer Cybersecurity - Applying ICPs and Cybersecurity Frameworks and Guidance
- Insurer Cybersecurity - Selected Supervisory Practices
- Insurer Cybersecurity - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Cyber Risk - Nature of Risk
- Cyber Risk - Insurance Regulatory Approach
- Insurance Core Principles - Overview and Preconditions
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Assessment Methodology

Tutorial Level: Fundamental
Tutorial Duration: 20 mins
Published: March 2020

Insurer Cybersecurity - Applying ICPs and Cybersecurity Frameworks and Guidance

Objectives
On completion of this tutorial, you will be able to map the Group of Seven Fundamental Elements of Cybersecurity for the Financial Sector (G7FE) to the Insurance Core Principles (ICPs) and apply them proportionately to the supervision of insurer cybersecurity.

Tutorial Overview
In response to increasing concerns over cyber risk, public and private organisations have developed various cybersecurity frameworks, standards and guidance to provide a foundation for improving the ability of institutions to prevent, protect against and respond to cybersecurity incidents.

In this tutorial, we provide an overview of the proportionate application of the ICPs published by the International Association of Insurance Supervisors (IAIS) and how they map to the G7FE with regard to the supervision of insurer cybersecurity.

This tutorial is part of a suite that includes the following:
- Insurer Cybersecurity - Overview
- Insurer Cybersecurity - Applying ICPs and Cybersecurity Frameworks and Guidance
- Insurer Cybersecurity - Selected Supervisory Practices
- Insurer Cybersecurity - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Cyber Risk - Nature of Risk
- Cyber Risk - Insurance Regulatory Approach
- Insurance Core Principles - Overview and Preconditions
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Assessment Methodology

Tutorial Level: Fundamental
Tutorial Duration: 20 mins
Published: March 2020
Insurer Cybersecurity - Selected Supervisory Practices

Objectives
On completion of this tutorial, you will be able to identify examples of practices from different jurisdictions regarding the supervision of insurer cybersecurity that meet the Group of Seven Fundamental Elements of Cybersecurity for the Financial Sector (G7FE).

Tutorial Overview
In response to increasing concerns over cyber risk, insurance supervisors have issued cybersecurity regulations and guidance to provide a foundation for improving the ability of insurers to prevent, protect against and respond to cybersecurity incidents.

This tutorial is part of a suite that includes the following:
- Insurer Cybersecurity - Overview
- Insurer Cybersecurity - Applying ICPs and Cybersecurity Frameworks and Guidance
- Insurer Cybersecurity - Selected Supervisory Practices
- Insurer Cybersecurity - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Cyber Risk - Nature of Risk
- Cyber Risk - Insurance Regulatory Approach
- Insurance Core Principles - Overview and Preconditions
- Insurance Core Principles - Assessment Methodology
- Insurance Core Principles - Supervisory System
- Insurance Core Principles - Supervised Entities
- Insurance Core Principles - Markets and Consumers

Published: March 2020

Insurer Cybersecurity - Test Yourself

Try these questions to evaluate your knowledge of insurer cybersecurity and its supervision.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: March 2020

Off-site Supervision - Insurance

Objectives
On completion of this tutorial you will be able to:
- describe off-site supervision and how it is conducted
- identify the various insurer-specific sources and types of information used
- outline how economic and industry information is used in off-site supervision

Tutorial Overview
Off-site supervision involves the remote monitoring of insurers on an ongoing or periodic basis based on analyses that use various sources of information, including: data on the macroeconomic environment, industry information and insurer-specific information.

This tutorial introduces supervisory approaches to off-site supervision and related concepts and discusses the types and sources of information used. In other tutorials, we provide examples of the types of technical analysis of life and non-life insurers.

Prerequisite Knowledge
In order to gain full advantage of this tutorial, you will need prior knowledge of issues relating to the nature of the insurance business. We suggest that you review the following tutorials:
- Non-life Insurance - Business and Risks
- Life Insurance - Business and Risks
- Insurance Accounting - An Introduction
- Insurance Supervision
- Reinsurance - Test Yourself
- Reinsurance - Connect
- Reinsurance - Regulation
- Reinsurance - Purpose and Principles
- Reinsurance - Contracts
- Reinsurance - Types of Reinsurance
- Reinsurance - Other Forms of Risk Transfer
- Reinsurance - Risk Assessment and Management

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Published: August 2017

On-site Inspection - Insurance

Objectives
On completion of this tutorial, you will be able to:
- recognise the overarching issues relating to on-site supervision and the relevant international standards set by the International Association of Insurance Supervisors (IAIS)
- identify the phases involved in an on-site inspection process
- determine the scope of an on-site inspection

Tutorial Overview
On-site inspection is a core supervisory process in a risk-based supervisory regime. This tutorial describes how insurance supervisors can undertake effective on-site inspections. It also explains the expectations on insurance supervisors as specified in the Insurance Core Principles (ICPs) and provides examples of actual on-site supervisory practices from selected supervisory regimes.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
- Off-site Supervision - Insurance
- Life Insurance - Business and Risks
- Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
Risk-based Supervision - Objectives, Benefits and Challenges

Objectives
On completion of this tutorial, you will be able to recognise what is meant by risk-based supervision, its objectives and benefits.

Tutorial Overview
Over the years, supervisory authorities have always sought to deploy limited resources as effectively and efficiently as possible to better achieve their mandates. The growing complexity of the financial services industry has highlighted this need for supervisory efficiency. Hence, continuous improvements were introduced to supervisory methods and approaches, which have consequently become more risk-based (or ‘risk-focused’ or ‘risk-oriented’).

This tutorial describes the objectives, benefits and challenges of risk-based supervision.

This tutorial is part of a suite that includes the following:
- Risk-based Supervision - Objectives, Benefits and Challenges
- Risk-based Supervision - Main Elements
- Risk-based Supervision - An Example
- Risk-based Supervision - Connect
- Risk-based Supervision - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Banks and Bank Risks - The Role of Banks
- Banks and Bank Risks - Credit Risk
- Banks and Bank Risks - Operational and Liquidity Risks
- Banks and Bank Risks - Market Risk
- Life Insurance - Business and Risks
- Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: November 2017

Risk-based Supervision - Main Elements

Objectives
On completion of this tutorial, you will be able to identify the main elements of risk-based supervision.

Tutorial Overview
Over the years, supervisory authorities have always sought to deploy limited resources as effectively and efficiently as possible to better achieve their mandates. The growing complexity of the financial services industry has highlighted this need for supervisory efficiency. Hence, continuous improvements were introduced to supervisory methods and approaches, which have consequently become more risk-based (or ‘risk-focused’ or ‘risk-oriented’).

This tutorial discusses the approach adopted by the Australian Prudential Regulation Authority (APRA), known as the Probability and Impact Rating System (PAIRS), and allows users to explore the implementation of a risk-based supervisory approach in different jurisdictions.

This tutorial is part of a suite that includes the following:
- Risk-based Supervision - Objectives, Benefits and Challenges
- Risk-based Supervision - Main Elements
- Risk-based Supervision - An Example
- Risk-based Supervision - Connect
- Risk-based Supervision - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: November 2017

Risk-based Supervision - An Example

Objectives
On completion of this tutorial, you will be able to recognise how a particular jurisdiction implements its risk-based approach to supervision.

Tutorial Overview
Over the years, supervisory authorities have always sought to deploy limited resources as effectively and efficiently as possible to better achieve their mandates. The growing complexity of the financial services industry has highlighted this need for supervisory efficiency. Hence, continuous improvements were introduced to supervisory methods and approaches, which have consequently become more risk-based (or ‘risk-focused’ or ‘risk-oriented’).

This tutorial discusses the approach adopted by the Australian Prudential Regulation Authority (APRA), known as the Probability and Impact Rating System (PAIRS), and allows users to explore the implementation of a risk-based supervisory approach in different jurisdictions.

This tutorial is part of a suite that includes the following:
- Risk-based Supervision - Objectives, Benefits and Challenges
- Risk-based Supervision - Main Elements
- Risk-based Supervision - An Example
- Risk-based Supervision - Connect
- Risk-based Supervision - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: November 2017

Risk-based Supervision - Test Yourself

Objectives
Try these questions to evaluate your knowledge of risk-based supervision.

Tutorial Overview
Over the years, supervisory authorities have always sought to deploy limited resources as effectively and efficiently as possible to better achieve their mandates. The growing complexity of the financial services industry has highlighted this need for supervisory efficiency. Hence, continuous improvements were introduced to supervisory methods and approaches, which have consequently become more risk-based (or ‘risk-focused’ or ‘risk-oriented’).

This tutorial is part of a suite that includes the following:
- Risk-based Supervision - Objectives, Benefits and Challenges
- Risk-based Supervision - Main Elements
- Risk-based Supervision - An Example
- Risk-based Supervision - Connect
- Risk-based Supervision - Test Yourself

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: November 2017
Stress Testing - Insurance

Objectives
On completion of this tutorial, you will be able to:
• define stress testing and identify common stress testing techniques
• describe the main elements in the design of stress tests and the risks tested
• outline how stress tests are used by insurers, supervisors and other stakeholders

Tutorial Overview
Stress testing is a risk management tool that is used to identify risks and threats to an insurer’s financial condition. In this tutorial, we examine how stress tests are conducted and how the results are used by both insurers and supervisors.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the business of insurance. You can study topics related to this in the following tutorials:
• Life Insurance - Business and Risks
• Non-life Insurance - Business and Risks
• Enterprise Risk Management and Insurer Solvency

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Problem Insurers and Resolution

Early Warning Indicators and Supervisory Interventions

Objectives
On completion of this tutorial, you should be able to:
• identify early warning indicators that could help to signal potential problems at insurers on a timely basis
• understand the types of preventive and corrective measures that supervisors could apply early in the supervisory process
• identify enforcement actions available to supervisors and considerations for their application

Tutorial Overview
Supervisors should have sufficient authority and ability to take timely and adequate measures if insurers fail to operate in a manner that is consistent with sound business practices or regulatory requirements. This tutorial describes a range of supervisory actions and remedial measures, including early intervention and how potential problems could be identified and addressed at an early stage. It covers the Insurance Core Principles (ICPs) 9, 10 and 11 of the International Association of Insurance Supervisors (IAIS) and includes practical examples derived from problem insurers.

Prerequisite Knowledge
In order to fully benefit from this tutorial, you may wish to review the material in the following tutorials:
• Off-site Supervision - Insurance
• On-site Inspection - Insurance

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Published: August 2013

Policyholder Protection Schemes - Funding and Operation

Objectives
On completion of this tutorial, you will be able to identify how a policyholder protection scheme (PPS) can be organised and funded and how it might operate when an insurer fails.

Tutorial Overview
Policyholders should be protected at all times, including when an insurer fails. One way of safeguarding their interests could be to introduce a PPS that would take over certain duties when insurers cannot honour their commitments. But how should a PPS be organised and function, and who should bear the cost of funding it? These questions are addressed in this tutorial, which is based on the Issues Paper on Policyholder Protection Schemes published by the International Association of Insurance Supervisors (IAIS) in October 2013.

This tutorial is part of a suite that includes the following:
• Policyholder Protection Schemes - Overview
• Policyholder Protection Schemes - Funding and Operation
• Policyholder Protection Schemes - Supervisory Considerations and Cooperation
• Policyholder Protection Schemes - Connect
• Policyholder Protection Schemes - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the material in the following tutorial:
• Early Warning Indicators and Supervisory Interventions

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

Published: October 2017
Policyholder Protection Schemes - Supervisory Considerations and Cooperation

Objectives
On completion of this tutorial, you will be able to recognise the roles of supervisors and policyholder protection schemes (PPSs) in cases of insurer insolvency.

Tutorial Overview
Several countries have established PPSs as last-resort mechanisms to protect the interests of policyholders in cases of insurer insolvency. Some are also using PPSs as part of a recovery and resolution process to protect policyholders and maintain the stability of the financial system. Sometimes different PPSs are involved, and it is important that their activities are coordinated. Based on the Issues Paper on Policyholder Protection Schemes published by the International Association of Insurance Supervisors (IAIS) in October 2013, this tutorial examines insolvency situations in which different supervisors and PPSs might be involved, their respective roles and the cooperative arrangements that may be required.

This tutorial is part of a suite that includes the following:
- Policyholder Protection Schemes - Funding and Operation
- Policyholder Protection Schemes - Supervisory Considerations and Cooperation
- Policyholder Protection Schemes - Connect
- Policyholder Protection Schemes - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the material in the following tutorial:
- Early Warning Indicators and Supervisory Interventions

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2017

Policyholder Protection Schemes - Test Yourself

Try these questions to evaluate your knowledge of policyholder protection schemes (PPSs).

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: October 2017

Solvency Control Levels - The Inside Track - Video

Solvency control levels are used by insurance supervisors as triggers for intervention actions as the financial condition of an insurer deteriorates. This brief video explains the purpose and main components of solvency control levels based on Insurance Core Principle 17 Capital Adequacy.

Tutorial Duration: 4 mins
Published: August 2019

Solvency Control Levels - Objectives and Types

Objectives
On completion of this tutorial, you will be able to define the different solvency control levels and recognise how insurance supervisors use them in supervising insurers.

Tutorial Overview
An effective risk-based supervisory framework needs to be able to identify insurers with worsening solvency positions on a timely basis. Solvency control levels allow insurance supervisors to do this. This tutorial covers the relevant standards in Insurance Core Principle (ICP) 17 Capital Adequacy of the International Association of Insurance Supervisors (IAIS).

This tutorial is part of a suite that includes the following:
- Solvency Control Levels - Objectives and Types
- Solvency Control Levels - Design
- Solvency Control Levels - Connect
- Solvency Control Levels - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Insurance Solvency - An Introduction
- Insurance Core Principles - Valuation and Capital

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2018

Solvency Control Levels - Design

Objectives
On completion of this tutorial, you will be able to identify the key issues that supervisors need to consider when establishing solvency control levels.

Tutorial Overview
An effective risk-based supervisory framework needs to be able to identify insurers with worsening solvency positions on a timely basis. Solvency control levels allow insurance supervisors to do this. This tutorial covers the relevant standards in Insurance Core Principle (ICP) 17 Capital Adequacy of the International Association of Insurance Supervisors (IAIS).

This tutorial is part of a suite that includes the following:
- Solvency Control Levels - Objectives and Types
- Solvency Control Levels - Design
- Solvency Control Levels - Connect
- Solvency Control Levels - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest that you review the following tutorials:
- Insurance Solvency - An Introduction
- Insurance Core Principles - Valuation and Capital

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2018

Solvency Control Levels - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Solvency Control Levels - Objectives and Types
- Solvency Control Levels - Design

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2018

Solvency Control Levels - Test Yourself

Try these questions to evaluate your knowledge of solvency control levels.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: October 2018
Financial Groups and Systemic Risk

Common Framework for the Supervision of Internationally Active Insurance Groups - Executive Summary

The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) is a major initiative of the International Association of Insurance Supervisors (IAIS). It is a comprehensive, global set of international standards targeted specifically at internationally active insurance groups.

This Executive Summary provides an overview of the key elements of these standards.

**Published:** May 2019

Introduction to ComFrame - Overview

**Objectives**

On completion of this tutorial, you will be able to identify the purpose and key components of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).

**Tutorial Overview**

This tutorial introduces ComFrame. It explains how ComFrame, developed by the International Association of Insurance Supervisors (IAIS), builds upon the Insurance Core Principles (ICPs), providing standards and guidance specific to the supervision of internationally active insurance groups (IAIGs). It presents the benefits of ComFrame in effective group-wide supervision, describes the role of the group-wide supervisor and summarises how ComFrame has been developed over time.

This tutorial is part of a suite that includes the following:

- Introduction to ComFrame - Overview
- Introduction to ComFrame - Corporate Governance
- Introduction to ComFrame - Risk Management
- Introduction to ComFrame - Supervisory Tools
- Introduction to ComFrame - Test Yourself

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:

- Insurance Core Principles - Assessment Methodology

**Tutorial Level:** Fundamental

**Tutorial Duration:** 15 mins

**Published:** May 2020

Introduction to ComFrame - Corporate Governance

**Objectives**

On completion of this tutorial, you will be able to identify the core content covered by the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) standards and guidance related to corporate governance.

**Tutorial Overview**

This tutorial summarises the Insurance Core Principles (ICPs) and ComFrame standards and guidance relating to the corporate governance of internationally active insurance groups (IAIGs), including standards and guidance on suitability of persons.

This tutorial is part of a suite that includes the following:

- Introduction to ComFrame - Overview
- Introduction to ComFrame - Corporate Governance
- Introduction to ComFrame - Risk Management
- Introduction to ComFrame - Supervisory Tools
- Introduction to ComFrame - Test Yourself

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:

- Insurance Core Principles - Supervised Entities

**Tutorial Level:** Fundamental

**Tutorial Duration:** 10 mins

**Published:** May 2020

Introduction to ComFrame - Risk Management

**Objectives**

On completion of this tutorial, you will be able to identify the core content covered by the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) standards and guidance related to risk management and control functions.

**Tutorial Overview**

This tutorial summarises aspects of the Insurance Core Principles (ICPs) and ComFrame standards and guidance relating to risk management and control functions of internationally active insurance groups (IAIGs).

**The areas covered include:**

- risk management and internal controls
- investments
- enterprise risk management for solvency purposes

This tutorial is part of a suite that includes the following:

- Introduction to ComFrame - Overview
- Introduction to ComFrame - Corporate Governance
- Introduction to ComFrame - Risk Management
- Introduction to ComFrame - Supervisory Tools
- Introduction to ComFrame - Test Yourself

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:

- Insurance Core Principles - Risks and Risk Transfer

**Tutorial Level:** Fundamental

**Tutorial Duration:** 20 mins

**Published:** May 2020

Introduction to ComFrame - Supervisory Tools

**Objectives**

On completion of this tutorial, you will be able to identify the core content covered by the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) standards and guidance related to supervision and supervisory tools.

**Tutorial Overview**

This tutorial summarises the Insurance Core Principles (ICPs) and ComFrame standards and guidance related to supervision and supervisory tools applicable to internationally active insurance groups (IAIGs).

**The areas covered include:**

- group-wide supervision
- supervisory cooperation and coordination
- supervisory review and reporting
- preventive measures, corrective measures and sanctions
- exit from the market and resolution

This tutorial is part of a suite that includes the following:

- Introduction to ComFrame - Overview
- Introduction to ComFrame - Corporate Governance
- Introduction to ComFrame - Risk Management
- Introduction to ComFrame - Supervisory Tools
- Introduction to ComFrame - Test Yourself

**Prerequisite Knowledge**

To fully benefit from this tutorial, we suggest that you review the material in the following tutorial:

- Insurance Core Principles - Ongoing Supervision

**Tutorial Level:** Fundamental

**Tutorial Duration:** 20 mins

**Published:** May 2020
Introduction to ComFrame - Test Yourself
Try these questions to evaluate your knowledge of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).

Tutorial Level: Fundamental
Tutorial Duration: 10 mins
Published: May 2020

Financial Conglomerates - Scope and Supervision

Objectives
On completion of this tutorial, you will be able to:
• identify the objectives, challenges and scope of financial conglomerate supervision
• outline the legal authority needed for effective financial conglomerate supervision
• describe the supervisory process with respect to financial conglomerates
• specify how supervisors should cooperate and coordinate in supervising financial conglomerates

Tutorial Overview
This tutorial is based on the Joint Forum Principles for the Supervision of Financial Conglomerates published in September 2012. These principles establish the international framework for the supervision of financial conglomerates, supplementing sector-specific international standards that apply to banks, insurance companies and securities firms. This tutorial looks at the key supervisory expectations applicable to financial conglomerates in relation to governance, capital adequacy, liquidity and risk management.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorials:
• Financial Conglomerates – Scope and Supervision
• Risk-based Supervision
• Supervisory Intensity and Effectiveness

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Group-wide Supervision of Insurance Entities

Objectives
On completion of this tutorial, you will be able to:
• determine the scope of an insurance group for supervisory purposes and the general approaches to group-wide supervision
• identify the key regulatory requirements that apply to insurance groups
• recognise the supervisory process underlying group-wide supervision and the challenges in supervising insurance groups

Tutorial Overview
The financial crisis that started in 2007 revealed significant gaps in the supervision of several large and internationally active insurance groups, particularly with respect to capturing risks emanating from non-regulated entities. The Insurance Core Principles (ICPs), which were revised in October 2011, sought to address these issues. This tutorial covers ICPs that are relevant to group-wide supervision, particularly ICP 23 - The Group-wide Supervisor (ICP 23). The tutorial reflects revisions made to ICP 23 in November 2015.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following FSI Connect Insights tutorial:
• Systemic Risk from an Insurance Perspective

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: November 2016

G-SIIs - Assessment Methodology - Executive Summary

This Executive Summary explains how global systemically important insurers (G-SIIs) are identified based on the methodology revised by the International Association of Insurance Supervisors (IAIS) in June 2016.

Published: October 2016

G-SIIs - Assessment Methodology

Objectives
On completion of this tutorial, you will be able to:
• determine the rationale for identifying global systemically important insurers (G-SIIs) and outline the five-phase approach of the assessment methodology
• recognise the indicators used under Phase II of the assessment methodology
• outline Phases II, IV and V of the assessment methodology

Tutorial Overview
This tutorial explains how insurance supervisors can identify G-SIIs based on the assessment methodology that the International Association of Insurance Supervisors (IAIS) published in July 2013 and updated in June 2016. The tutorial includes an exercise based on a real-life event.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following FSI Connect Insights tutorial:
• Supervisory Intensity and Effectiveness

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: November 2016

Financial Conglomerates - Supervisory Standards

Objectives
On completion of this tutorial, you will be able to:
• identify the corporate governance requirements for financial conglomerates
• outline supervisory expectations related to capital adequacy and liquidity for financial conglomerates
• explain the key risk management requirements for financial conglomerates

Tutorial Level: Fundamental
Tutorial Duration: 60 mins
G-SIIs - Basic Capital Requirements

Objectives
On completion of this tutorial, you will be able to:
• recognise the importance of the Basic Capital Requirements (BCR) in addressing systemic risk posed by global systemically important insurers (G-SIIs)
• calculate the BCR Required Capital
• identify the Qualifying Capital Resources to meet the BCR Required Capital
• outline the practical considerations in implementing the BCR

Tutorial Overview
G-SIs will be required to meet Higher Loss Absorbency (HLA) requirements to address the systemic risks they pose. The objective of the Basic Capital Requirements (BCR) is to provide a common basis on which to calculate the HLA requirements. The BCR is the first ever global capital standard for insurers.

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: June 2016

G-SIIs - Market Adjusted Valuation

Objectives
On completion of this tutorial, you will be able to:
• identify the role of the Market Adjusted Valuation (MAV) approach as part of the Basic Capital Requirements (BCR) for global systemically important insurers (G-SIIs)
• describe the calculation of the current estimate of an insurance liability using the MAV approach
• outline the practical considerations in implementing the MAV approach

Tutorial Overview
The MAV approach is a fundamental part of the BCR. It sets out valuation principles that all G-SIs must follow when preparing their consolidated balance sheets for the purposes of the BCR. The MAV approach focuses mainly on the calculation of the current estimate on the liability side of the balance sheet.

Over time, the IAIS intends to replace the BCR with the Insurance Capital Standard (ICS), which is under development and is intended to be applied to internationally active insurance groups (IAIGs) and the G-SIs. This tutorial will be updated to take account of the development of the ICS, together with any revisions that the IAAS may make to the BCR.

Prerequisite Knowledge
In order to benefit fully from this tutorial, we suggest you review the material in the following tutorials:
• G-SIs - Assessment Methodology
• G-SIs - Policy Measures
• G-SIs - Market Adjusted Valuation

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: June 2016

G-SIIs - Capital Adequacy - Executive Summary

This Executive Summary provides a high level overview of the capital adequacy requirements that apply to global systemically important insurers (G-SIIs), covering the Basic Capital Requirements (BCR) and the Higher Loss Absorbency (HLA) requirement.

Published: May 2017

G-SIIs - Higher Loss Absorbency Requirement

Objectives
On completion of this tutorial, you will be able to:
• identify the purpose and context of the higher loss absorbency (HLA) requirement
• identify the HLA Required Capital and the capital resources that global systemically important insurers (G-SIIs) can use to meet the requirement
• recognise how the IAIS derived the HLA factors and settled on other HLA implementation issues

Published: December 2016

MPS in Insurance - Overview

Objectives
On completion of this tutorial, you will be able to identify the key regulatory and supervisory requirements that apply to global systemically important insurers (G-SIIs).

Tutorial Overview
This tutorial describes the regulatory and supervisory measures that apply to G-SIIs based on the policy measures published by the International Association of Insurance Supervisors (IAIS).

Prerequisite Knowledge
To fully benefit from this tutorial, we suggest you review the following tutorial:
• Systemic Risk in Insurance - Overview

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2017
Until very recently, no one considered that the failure of a reinsurer (however big) could impact the global financial system. There's still no empirical evidence to prove that the sector is a source of systemic risk, but since 2013, regulators have been forced to at least consider the question. In 2013, nine major insurance groups were designated global systemically important institutions (G-SIIs). This was the first time any insurance group was designated systemically important in this way. Because dealing with systemic risk is a completely new focus for insurance supervisors, all possibilities must be considered.

This tutorial looks at the potential sources of systemic risk related to reinsurance and explores the arguments for and against the designation of reinsurers as systemically important.
Systemic Risk from Insurance Product Features

Objectives
On completion of this tutorial, you will be able to:
- identify the characteristics of insurance product features that can give rise to systemic risk
- recognise the importance of the concept of insurability in identifying systemic risk from insurance product features (SRIFP)
- outline how to analyse insurance product features that could give rise to systemic risk

Tutorial Overview
In the insurance sector, certain types of insurance product features can contribute to systemic risk. This tutorial explains how supervisors can identify such product features and the transmission channels through which those features can cause systemic events. This tutorial is based on the paper Systemic Risk from Insurance Product Features that the International Association of Insurance Supervisors (IAIS) published in July 2016. This tutorial does not deal with the IAIS assessment methodology to identify global systemically important insurers (G-SIIs) or other drivers of systemic risk in the insurance sector.

Prerequisite Knowledge
In order to fully benefit from this tutorial, we suggest that you review the material in the following tutorial:
- G-SIIs - Assessment Methodology
- Variable Annuities
- Systemic Risk from an Insurance Perspective

Tutorial Level: Intermediate
Tutorial Duration: 60 mins
Published: November 2016

The Holistic Framework – Executive Summary

The International Association of Insurance Supervisors published the Holistic Framework in November 2019 with immediate implementation in 2020. The Holistic Framework provides an internationally agreed approach for insurance supervisors to support global financial stability through the assessment and mitigation of systemic risk in the global insurance sector.

This Executive Summary describes the main components of the Holistic Framework and its application.

Published: May 2020
Accounting
Understanding a financial institution’s condition and performance is a key supervisory responsibility. Accounting data serve as input in the supervisory assessment of a regulated entity’s overall risk profile. A broad understanding of accounting concepts is therefore critical to effective supervision. In this learning area, you will find a number of tutorials that explain the essential aspects of the accounting framework from a supervisory perspective, including various aspects of financial instruments accounting such as loan impairment, fair value measurement and recognition and classification and measurement.

Accounting - Business Combinations

Objectives
On completion of this tutorial, you will be able to:
• outline the principal changes in accounting guidance for business combinations that have taken place in the past several years
• explain the main elements of accounting for business combinations under the IASB standards
• identify supervisory issues related to business combinations and understand how accounting information is used to detect and evaluate these matters

Tutorial Overview
A great deal of consolidation has taken place in the banking industry over the last decades, and that consolidation continues. Accounting standards for business combinations have changed, for example, eliminating the possible use of different accounting methods that yielded significantly different results for the same type of combination. It is important for supervisors to have a good grasp of the issues arising from how business combinations are accounted for in order to gain insights on the combined firm’s overall financial strength.

Prerequisite Knowledge
To get the maximum benefit from this tutorial you should already have an understanding of accounting standards and practices. You should also be familiar with the fundamentals of banking, which you can review in:
• Bank Accounting - An Introduction
• Banks & Bank Risks

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Accounting - Securitization

Objectives
On completion of this tutorial, you will be able to:
• describe the circumstances and conditions under which special purpose entities (SPEs), created for securitization transactions, need to be consolidated under the International Accounting Standards Board (IASB) accounting guidance
• identify the accounting approach to asset derecognition

Tutorial Overview
This tutorial examines the circumstances and conditions under which it is necessary, according to IAS 27 and SIC 12, to consolidate SPEs that are created in connection with securitization transactions. You will also learn about IAS 39 and Basel II guidance around the derecognition of assets in the context of asset securitization.

Prerequisite Knowledge
To get the maximum benefit from this tutorial you should already have an understanding of accounting standards and practices and also be familiar with the fundamentals of banking and/or insurance, which you can review in the tutorials:
• Bank Accounting - An Introduction - Key Concepts and Principles
• IFRS 17 Insurance Contracts - Overview
• Banks and Bank Risks - The Role of Banks
• Life Insurance - Business and Risks
• Non-life Insurance - Business and Risks

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Accounting - Consolidation Issues

Objectives
On completion of this tutorial, you will be able to:
• outline the international accounting standards relating to the treatment of subsidiaries in consolidated financial statements
• describe the international accounting standards relating to the treatment of associates and joint ventures
• explain disclosure requirements relating to consolidated statements

Tutorial Overview
Consolidated financial statements present, for the benefit of shareholders, creditors and other stakeholders, the results of the operations and the financial position of a group of related entities, as if the group were a single entity. This tutorial explains how accounting standards determine the treatment of controlled and partially-owned companies and investments in joint arrangements in the consolidated accounts.

Prerequisite Knowledge
To get the maximum benefit from this tutorial you should already have an understanding of accounting standards and practices. You should also be familiar with the fundamentals of banking and/or insurance, which you can review in:
• IAS 39 - Financial Instruments: Recognition & Measurement
• Accounting - Consolidation Issues
• Securitization - An Introduction
• Securitization - Operational Requirements

Tutorial Level: Intermediate
Tutorial Duration: 75 mins
Accounting - Share-Based Payments

Objectives
On completion of this tutorial, you will be able to:

- describe the scope of International Financial Reporting Standard (IFRS) 2 Share-based Payment
- outline the principal elements of the International Accounting Standards Board (IASB) accounting guidance for equity-settled, cash-settled and cash- or equity-settled share-based payments
- describe how financial institutions implement IFRS 2 and make disclosures regarding share-based payments, and identify certain supervisory issues

Tutorial Overview
Compensation packages of directors, senior management and other employees of financial institutions include share-based payment arrangements. Compensation structures, particularly those available to senior managers, have an important influence on the risk choices made and thus on the risk profile of the bank. Being familiar with how share-based payments are accounted for and reported helps with understanding the economics of such payments and their impact on the financial position of financial institutions.

Prerequisite Knowledge
To get the maximum benefit from this tutorial you should already have an understanding of accounting standards and practices and also be familiar with the fundamentals of banking and/or insurance, which you can review in the tutorials:

- Bank Accounting - An Introduction
- Banks & Bank Risks
- Insurance Accounting - An Introduction
- Life Insurance - Business and Risks
- Non-life Insurance - Business and Risks

Tutorial Level: Intermediate
Tutorial Duration: 90 mins

Accounting Provisions and Capital Requirements - Background and Regulatory Motivation

Objectives
On completion of this tutorial, you will be able to:

- identify the rationale for the changes in accounting credit loss provisioning methodologies under International Financial Reporting Standards (IFRS) and Financial Accounting Standards Board (FASB)
- recognise why the Basel Committee on Banking Supervision (BCBS) is reviewing treatment of loan loss provisions within the regulatory capital framework

Tutorial Overview
The expected credit loss (ECL) accounting approaches introduced under US Generally Accepted Accounting Principles (US GAAP) and IFRS have led to changes in loan loss provisioning. This tutorial provides an overview of the rationale behind the related new accounting methodologies and outlines the historical and current approaches to the regulatory capital treatment of accounting provisions. It also discusses the ongoing review of existing regulatory approaches to accounting provisions, given the migration from incurred to expected loss provisioning.

This tutorial is part of a suite that includes the following:

- Accounting Provisions and Capital Requirements - Background and Regulatory Motivation
- Accounting Provisions and Capital Requirements - Accounting Provisioning for Expected Credit Losses
- Accounting Provisions and Capital Requirements - Regulatory Treatment
- Accounting Provisions and Capital Requirements - Transitional Arrangements
- Accounting Provisions and Capital Requirements - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a basic understanding of ECL provisioning. You can study topics related to this in:

- Supervisory Review of Expected Credit Loss Provisioning

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: August 2018

Accounting Provisions and Capital Requirements - Accounting Provisioning for Expected Credit Losses

Objectives
On completion of this tutorial, you will be able to:

- identify changes in accounting credit loss provisioning methodologies introduced by the US Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB)
- recognise differences between the FASB and IASB expected credit loss (ECL) frameworks

Tutorial Overview
This tutorial provides an overview of and outlines the differences between the new accounting standards for ECL provisioning introduced by the US FASB and the IASB.

This tutorial is part of a suite that includes the following:

- Accounting Provisions and Capital Requirements - Background and Regulatory Motivation
- Accounting Provisions and Capital Requirements - Accounting Provisioning for Expected Credit Losses
- Accounting Provisions and Capital Requirements - Regulatory Treatment
- Accounting Provisions and Capital Requirements - Transitional Arrangements
- Accounting Provisions and Capital Requirements - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a basic understanding of ECL provisioning. You can study topics related to this in:

- Supervisory Review of Expected Credit Loss Provisioning

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: August 2018
Accounting Provisions and Capital Requirements - Regulatory Treatment

Objectives
On completion of this tutorial, you will be able to:
- identify the current regulatory treatment of accounting provisions under the standardised and internal ratings-based approaches to credit risk capital measurement
- recognise the differences between regulatory expected loss and accounting expected credit loss (ECL) concepts

Tutorial Overview
The new accounting methodologies introduced by US Generally Accepted Accounting Principles (US GAAP) and International Financial Reporting Standards (IFRS) regarding expected credit loss (ECL) directly impact the regulatory capital calculations under the Basel Capital Framework. This tutorial covers the interim approach and transitional arrangements for the regulatory treatment of accounting provisions under applicable ECL methodologies.

This tutorial is part of a suite that includes the following:
- Accounting Provisions and Capital Requirements - Background and Regulatory Motivation
- Accounting Provisions and Capital Requirements - Accounting Provisioning for Expected Credit Losses
- Accounting Provisions and Capital Requirements - Regulatory Treatment
- Accounting Provisions and Capital Requirements - Transitional Arrangements

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a basic understanding of ECL provisioning. You can study topics related to this in:
- Supervisory Review of Expected Credit Loss Provisioning

Tutorial Level: Intermediate
Tutorial Duration: 15 mins
Published: August 2018

Accounting Provisions and Capital Requirements - Test Yourself

Try these questions to evaluate your knowledge of accounting provisions and capital requirements.

Tutorial Level: Intermediate
Tutorial Duration: 10 mins
Published: August 2018

Bank Accounting: An Introduction - Key Concepts And Principles

Objectives
On completion of this tutorial, you will be able to define the role of financial reports in bank supervision and identify the key accounting concepts, conventions and principles that underpin the preparation of financial statements.

Tutorial Overview
The adoption and application of sound accounting standards form the basis for the development of prudential reports that are used by bank supervisors. This tutorial explains the role of financial reports in banking supervision and outlines the key accounting concepts, conventions and principles that underlie their development.

This tutorial is part of a suite that includes the following:
- Bank Accounting: An Introduction - Key Concepts and Principles
- Bank Accounting: An Introduction - Financial Statements
- Bank Accounting: An Introduction - Specific Issues for Supervisors
- Bank Accounting: An Introduction - Connect
- Bank Accounting: An Introduction - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a general understanding of accounting standards and practices. We also suggest that you be familiar with the material in the following tutorial:
- Banks and Bank Risks - The Role of Banks

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: March 2020

Bank Accounting: An Introduction - Financial Statements

Objectives
On completion of this tutorial, you will be able to recognise the principal components of financial statements.

Tutorial Overview
The adoption and application of sound accounting standards form the basis for the development of key prudential reports that are used by bank supervisors. This tutorial explains the key components of financial statements that are used by supervisors and market participants to gain a picture of a company’s financial health and earnings profile.

This tutorial is part of a suite that includes the following:
- Bank Accounting: An Introduction - Key Concepts and Principles
- Bank Accounting: An Introduction - Financial Statements
- Bank Accounting: An Introduction - Specific Issues for Supervisors
- Bank Accounting: An Introduction - Connect
- Bank Accounting: An Introduction - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a general understanding of accounting standards and practices. We also suggest that you be familiar with the material in the following tutorial:
- Banks and Bank Risks - The Role of Banks

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: March 2020

Accounting Provisions and Capital Requirements - Transitional Arrangements

Objectives
On completion of this tutorial, you will be able to:
- identify considerations for introducing an interim approach for the regulatory treatment of accounting provisions
- recognise the mechanics of the transitional approaches proposed by the Basel Committee on Banking Supervision (BCBS)

This tutorial is part of a suite that includes the following:
- Accounting Provisions and Capital Requirements - Test Yourself
Bank Accounting: An Introduction - Specific Issues for Supervisors

Objectives
On completion of this tutorial, you will be able to identify key accounting issues relevant to banks and bank supervisors.

Tutorial Overview
The adoption and application of sound accounting standards form the basis for the development of key prudential reports used by bank supervisors. While accounting standards are applicable to both financial and non-financial firms, there are specific accounting issues that are particularly applicable for banks and bank supervisors. This tutorial outlines some of these key issues.

This tutorial is part of a suite that includes the following:
- Bank Accounting: An Introduction - Key Concepts and Principles
- Bank Accounting: An Introduction - Financial Statements
- Bank Accounting: An Introduction - Specific Issues for Supervisors
- Bank Accounting: An Introduction - Connect
- Bank Accounting: An Introduction - Test Yourself

Prerequisite Knowledge
To fully benefit from this tutorial, you should have a general understanding of accounting standards and practices. We also suggest that you be familiar with the material in the following tutorial:
- Banks and Bank Risks - The Role of Banks

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

Published: March 2020

Bank Accounting: An Introduction - Connect

This tutorial is the Connect phase for the following suite of tutorials:
- Bank Accounting: An Introduction - Key Concepts and Principles
- Bank Accounting: An Introduction - Financial Statements
- Bank Accounting: An Introduction - Specific Issues for Supervisors

It provides you with an opportunity to apply your understanding of the concepts covered in these tutorials using a practical scenario.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

Published: March 2020

Bank Accounting: An Introduction - Test Yourself

Try these questions to evaluate your knowledge of bank accounting.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins

Published: March 2020

IAS 32 - Financial Instruments: Presentation

Objectives
On completion of this tutorial, you will be able to:
- describe the objectives and scope of IAS 32 regarding presentation of financial instruments
- understand the distinguishing features of equity and liability instruments
- identify the features of compound financial instruments and the conditions that allow for offsetting financial assets and liabilities in an entity’s balance sheet

Tutorial Overview
At the time of issue of any financial instrument, the issuer has to determine whether the instrument constitutes an asset, liability or equity of the issuer. While financial assets may not be difficult to identify, the distinction between a financial liability and equity needs to be made based on the economic substance of the financial contract and keeping in mind the guidance provided for this distinction in IAS 32. This tutorial provides details of the recommended guidance and addresses related issues. It also looks at how accounting equity and regulatory capital differ.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with:
- IAS 39 tutorials
- IFRS 7 - Financial Instruments: Disclosures

Tutorial Level: Fundamental
Tutorial Duration: 90 mins

Published: March 2020

IAS 39 - Derivatives and Hedge Accounting

Objectives
On completion of this tutorial, you will be able to:
- describe the treatment of derivatives and hedges under IAS 39
- list the criteria to be fulfilled for the use of hedge accounting
- describe fair value hedges and cash flow hedges and their related accounting
- identify the features of a hedge of a net investment in foreign operations, macro hedges and their related accounting

Tutorial Overview
To get the maximum benefit from this tutorial, you should be familiar with IAS 39 guidance on various aspects relating to financial instruments. You can study these in the following tutorials:
- IAS 39 - Financial Instruments: Recognition & Measurement
- IAS 39 - The Fair Value Option and IFRS 13 - Fair Value Measurement

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with some accounting concepts. You can study these in the following tutorial:
- Bank Accounting - An Introduction

Tutorial Level: Intermediate
Tutorial Duration: 120 mins

Published: March 2020

IAS 39 - Financial Instruments: Recognition & Measurement

Objectives
On completion of this tutorial, you will be able to:
- describe the IAS 39 guidance relating to the initial recognition and classification of financial instruments
- understand the issues relating to their initial and subsequent measurement in an entity’s balance sheet and financial statements
- define derecognition and describe the guidance relating to the derecognition of financial instruments

Tutorial Overview
Ongoing efforts to harmonize international accounting standards and reporting practices are resulting in a common set of international financial reporting standards (IFRS) and international accounting standards (IAS).

This first tutorial in a series of IAS 39 tutorials details the guidance on initial recognition and measurement of financial instruments in the balance sheet and subsequent measurement of financial instruments at every financial reporting date. It also details the guidance on derecognizing financial instruments.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with the following:
- IFRS 9 - Financial Instruments: Recognition & Measurement

Tutorial Level: Advanced
Tutorial Duration: 120 mins

Published: March 2020

Try these questions to evaluate your knowledge of bank accounting.

Tutorial Level: Fundamental
Tutorial Duration: 10 mins

Published: March 2020
IAS 39 - Impairment of Financial Assets

Objectives
On completion of this tutorial, you will be able to:
• define impairment of financial assets and describe the IAS 39 guidance for its recognition
• describe the methods for measuring impairment loss
• understand the issues arising out of the accounting and supervisory approaches to impairment and default respectively

Tutorial Overview
This tutorial examines the IAS 39 guidance relating to the recognition of impairment in financial assets and the measurement of such impairment. The guidance is applicable to all entities, including banks, in jurisdictions that have adopted the international accounting standards. The tutorial also looks at some supervisory issues that arise out of the IAS 39 provisions for impairment and how these are addressed.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with bank accounting concepts. You can study topics related to this in the following tutorials:
• Bank Accounting - An Introduction
• IAS 39 - Financial Instruments: Recognition & Measurement

Tutorial Level: Intermediate
Tutorial Duration: 90 mins

IAS 39 - The Fair Value Option and IFRS 13 - Fair Value Measurement

Objectives
On completion of this tutorial, you will be able to:
• describe the fair value option (FVO) available to entities under International Accounting Standard 39 (IAS 39)
• describe the recommended hierarchy for estimating fair value as provided in International Financial Reporting Standard 13 (IFRS 13)
• explain the supervisory guidance, the recommended prudential filters and the regulatory capital adjustments to the Basel Capital Framework (BCF) relating to a bank’s use of fair values and the FVO

Tutorial Overview
This tutorial looks at the IAS 39 guidance relating to the use of the FVO by an entity to designate financial assets and liabilities as fair value through profit and loss (FVTPL) at initial recognition. It also looks at the IFRS 13 guidance on the estimation of fair value for financial instruments that are required to be measured initially and subsequently at fair value. In addition, the tutorial looks at how supervisory concerns relating to the use of fair values by banks are addressed.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with basic bank accounting concepts and issues relating to the recognition and measurement of financial instruments. You can study topics related to this in the following tutorials:
• Bank Accounting - An Introduction
• IAS 39 - Financial Instruments: Recognition & Measurement

Tutorial Level: Intermediate
Tutorial Duration: 90 mins

IFRS 4 - Insurance Contracts

Objectives
On completion of this tutorial, you will be able to:
• provide an overview of the IASB insurance contracts project
• describe the key accounting requirements in IFRS 4
• outline the main disclosure requirements in IFRS 4

Tutorial Overview
The primary International Financial Reporting Standard (IFRS) that relates uniquely to the business of insurance is IFRS 4 - Insurance Contracts. In 2004, the International Accounting Standards Board (IASB) issued IFRS 4 under Phase I of the insurance contracts project to improve recognition and measurement practices and disclosures for insurance contracts. In this tutorial, we review the accounting and disclosure requirements of IFRS 4 and the objectives of Phase II of the IASB insurance contracts project.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be generally familiar with the issues relating to insurance accounting. You can study topics related to this in the following tutorial:
• Insurance Accounting - An Introduction

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

IFRS 7 - Financial Instruments: Impairment

Objectives
On completion of this tutorial, you should be able to:
• define impairment of assets
• describe the International Financial Reporting Standard 9 (IFRS 9) guidance for recognising impairment
• recognise the supervisory implications of the standard
• identify the methods for measuring impairment loss and relevant supervisory implications
• identify the rules and relevant supervisory implications for certain specific types of credit exposures, accrued interest, transfers and write-offs

Tutorial Overview
In an effort to be more future-focused and to promote more timely loss recognition, credit loss recognition accounting rules have been revised under IFRS 9, which was developed by the International Accounting Standards Board (IASB). This tutorial describes the key elements of the new impairment model in IFRS 9 and outlines their supervisory implications.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with some accounting concepts. You can study these in:
• Bank Accounting - An Introduction
• IAS 39 - Impairment of Financial Assets

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Published: October 2015

IFRS 7 Financial Instruments: Disclosures is a comprehensive disclosure standard for financial instruments and is applicable to all entities, including banks. This tutorial provides the details of the recommended IFRS 7 disclosures and their rationale from the perspective of the users of financial information. It also looks at how IFRS 7 and Basel II Pillar 3 disclosures compare.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with:
• IAS 39 tutorials (Intermediate)
• Pillar 3 - Market Discipline tutorials

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Objectives
On completion of this tutorial, you will be able to:
• describe the objectives and scope of International Financial Reporting Standard (IFRS) 7 relating to financial instruments disclosures
• identify the recommended accounting disclosures to help users evaluate the significance of financial instruments in an entity’s financial position and performance
• describe the recommended qualitative and quantitative disclosures to help users evaluate the nature and extent of risks arising from an entity’s use of financial instruments
• compare different aspects of IFRS 7 disclosures with Basel II Pillar 3 disclosures

Tutorial Overview
IFRS 7 Financial Instruments: Disclosures is a comprehensive disclosure standard for financial instruments and is applicable to all entities, including banks. This tutorial provides the details of the recommended IFRS 7 disclosures and their rationale from the perspective of the users of financial information. It also looks at how IFRS 7 and Basel II Pillar 3 disclosures compare.
IFRS 9 - Financial Instruments: Recognition and Measurement

Objectives
On completion of this tutorial, you will be able to:
- identify the IFRS 9 guidance on initial recognition of financial instruments and relevant supervisory implications
- recognise the IFRS 9 guidance on the classification of financial instruments and relevant supervisory implications
- identify accounting issues and supervisory implications related to the measurement of financial instruments in an entity’s balance sheet and financial statements

Tutorial Overview
This tutorial explains the guidance set out in IFRS 9 regarding the recognition, classification and measurement of financial instruments. This standard will become effective on 1 January 2018.

Published: September 2014

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be familiar with basic accounting concepts. You can study these in the following tutorial:
- Bank Accounting - An Introduction

Tutorial Level: Intermediate
Tutorial Duration: 60 mins

Insurance Contracts

In July 2014, the IASB issued International Financial Reporting Standard 9 - Financial Instruments (IFRS 9), which introduced the ‘expected credit loss’ (ECL) framework for the recognition of impairment in place of the former ‘incurred loss’ framework. This Executive Summary provides an overview of the ECL framework under IFRS 9 and its impact on the regulatory treatment of accounting provisions in the Basel Capital Framework.

Published: December 2017

Objectives
On completion of this tutorial, you will be able to:
- identify the types of insurance contracts within the scope of International Financial Reporting Standard (IFRS) 17 Insurance Contracts and how to determine the appropriate valuation approach.

Tutorial Overview
This tutorial covers the types of insurance products that fall under the scope of IFRS 17 and describes how to classify them into the categories that determine their valuation methodology. The tutorial also explains the components of an insurance contract.

Published: October 2018

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

IFRS 17 Insurance Contracts - Scope, Classification and Components

Objectives
On completion of this tutorial, you will be able to:

Tutorial Overview
This tutorial explains how insurance contracts should be aggregated, the criteria to recognise and de-recognise insurance contracts, and the background of the accounting models introduced by IFRS 17. The tutorial also describes the components of an insurance liability and the definition of onerous contracts as specified under IFRS 17.

Published: October 2018

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

IFRS 17 Insurance Contracts - Recognition and Accounting Models

Objectives
On completion of this tutorial, you will be able to identify the recognition criteria and accounting models under International Financial Reporting Standard (IFRS) 17 Insurance Contracts.

Published: October 2018

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins

This tutorial is part of a suite that includes the following:
- IFRS 17 Insurance Contracts - Scope, Classification and Components
- IFRS 17 Insurance Contracts - Recognition and Accounting Models
- IFRS 17 Insurance Contracts - Financial Statements and Disclosure
- IFRS 17 Insurance Contracts - Worked Example
- IFRS 17 Insurance Contracts - Test Yourself
IFRS 17 Insurance Contracts - Financial Statements and Disclosure

Objectives
On completion of this tutorial, you will be able to recognise how the balance sheet and other financial statements are presented under International Financial Reporting Standard (IFRS) 17 Insurance Contracts.

Tutorial Overview
This tutorial provides insights on how the balance sheet and income statement are presented under IFRS 17. It also discusses components of insurance revenue, the impact on insurers’ Key Performance Indicators (KPIs) and other critical disclosures under the standard.

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2018

IFRS 17 Insurance Contracts - Test Yourself

Objectives
Try these questions to evaluate your knowledge of International Financial Reporting Standard (IFRS) 17 Insurance Contracts.

Tutorial Overview

Prerequisite Knowledge
No prior knowledge is assumed for this tutorial.

Tutorial Level: Fundamental
Tutorial Duration: 15 mins
Published: October 2018

Insurance - Disclosure

Objectives
On completion of this tutorial you will be able to:
• describe the broad objectives of public disclosure of information by insurers
• outline the nature and type of public disclosure promoted by the International Association of Insurance Supervisors (IAIS)
• explain the types of information needed by market participants to understand insurers’ investment risks and their management
• explain the types of information needed by market participants to understand insurers’ technical risks and their management

Tutorial Overview
The public disclosure by insurers of reliable, relevant and timely information about their business, financial position and performance is key to market discipline. With access to the appropriate information, market participants can assess insurers’ activities and the risks inherent in those activities, and provide incentives to insurers to enhance their risk management practices.

Prerequisite Knowledge
To get the maximum benefit from this tutorial, you should be generally familiar with the business of insurance.

Tutorial Level: Fundamental
Tutorial Duration: 60 mins

Supervisory Implications of IFRS 17 Insurance Contracts - Executive Summary

After almost 20 years in the making, the final International Financial Reporting Standard (IFRS) 17 Insurance Contracts was released in May 2017, marking one of the most significant developments in the insurance industry in recent years.

This Executive Summary describes the main elements of IFRS 17, its interlinkages with prudential requirements and key supervisory issues relating to this accounting standard.

Published: April 2018