IMF – Singapore Regional Training Institute (STI)

Seminar on Stress Testing Banks (ST14.22)

Singapore

September 29 – October 3, 2014

READING LIST

Monday, September 29, L–1: Introduction to Stress Tests: Concept, Perimeter, Components, and Limitations

***Required Readings*:**

International Monetary Fund, 2012, "Macrofinancial Stress Testing – Principles and Practices" (Washington).
http://www.imf.org/external/np/pp/eng/2012/082212.pdf

Claudio Borio, Mathias Drehmann and Kostas Tsatsaronis, 2012, "Stress testing macro stress testing: Does it live up to expectations?" BIS Working Papers No. 369, January (Basel: Bank for International Settlement).
http://www.bis.org/publ/work369.htm

Ben Bernanke, 2013, "Stress Testing Banks: What Have We Learnt?" speech at the "Maintaining Financial Stability: Holding a Tiger by the Tail" financial markets conference sponsored by the Federal Reserve Bank of Atlanta, Stone Mountain, Georgia, April.
http://www.federalreserve.gov/newsevents/speech/bernanke20130408a.htm

Recommended readings and information:

EBA: EU-wide Stress Testing. Overview, Methodological Note and Annexes.
http://www.eba.europa.eu/risk-analysis-and-data/eu-wide-stress-testing

US Comprehensive Capital Analysis and Review (CCA: Objectives and Overview).
http://www.federalreserve.gov/bankinforeg/stress-tests-capital-planning.htm

UK stress test for major UK banks and building societies.
http://www.bankofengland.co.uk/publications/Pages/news/2014/071.aspx

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Monday, September 29, L–2: Types of Stress Tests

Recommended Readings:

Basel Committee on Banking Supervision, 2005, "An Explanatory Note on the Basel II IRB Risk Weight Functions," July.
http://www.bis.org/bcbs/irbriskweight.htm

International Monetary Fund, 2011, “Sweden: Technical Note on Contingent Claims Analysis Approach to Measure Risk and Stress Test the Swedish Banking Sector,” IMF Country Report No. 11/286 (Washington).
http://www.imf.org/external/pubs/cat/longres.aspx?sk=25241.0

International Monetary Fund, 2012, “Israel: Technical Note on Stress Test of the Banking, Insurance and Pension Sectors,” IMF Country Report No. 12/88 (Washington).
http://www.imf.org/external/pubs/cat/longres.aspx?sk=25850.0

Renzo G. Avesani, Kexue Liu, Alin Mirestean, and Jean Salvati, 2006, “Review and Implementation of Credit Risk Models of the Financial Sector Assessment Program,” IMF Working Paper 06/134 (Washington: International Monetary Fund).
http://www.imf.org/external/pubs/cat/longres.aspx?sk=19111.0

Miguel A. Segoviano Basurto and Pablo Padilla, 2006, “Portfolio Credit Risk and Macroeconomic Shocks: Applications to Stress Testing Under Data-Restricted Environments,” IMF Working Paper 06/283 (Washington: International Monetary Fund).
http://www.imf.org/external/pubs/ft/wp/2006/wp06283.pdf

Miguel A. Segoviano and Charles Goodhart, 2009, “Banking Stability Measures,” IMF Working Paper 09/4 (Washington: International Monetary Fund).
http://www.imf.org/external/pubs/ft/wp/2009/wp0904.pdf

Monday, September 29, L–3: Stress Tests in FSAPs

Required Readings:

International Monetary Fund, 2011, “United Kingdom: Stress Testing the Banking Sector,” IMF Country Report No. 11/227 (Washington).
http://www.imf.org/external/pubs/cat/longres.aspx?sk=25119.0

Monday, September 29, L–4: Scenario Selection

Required Readings:

A framework for stress testing the UK Banking System, Bank of England, October 2013.
http://www.bankofengland.co.uk/financialstability/fsc/Documents/discussionpaper1013.pdf

Policy Statement on the Scenario Design Framework for Stress Testing, Federal Reserve, November 2013 (see course website).

Tuesday, September 30, L–5: What Really Drives Stress Test Results

Recommended Readings:

Claudio Borio, Mathias Drehmann and Kostas Tsatsaronis, 2012, “Stress-testing macro stress testing: does it live up to expectations?, BIS Working Papers No. 369, January (Basel: Bank for International Settlement)
http://www.bis.org/publ/work369.pdf

Andrew G Haldane, 2009, "Why Banks Failed the Stress Test," speech at the Marcus-Evans Conference on Stress-Testing, London, February 9 – 10.
http://www.bis.org/review/r090219d.pdf

Tuesday, September 30, PS–1: Solvency Stress Testing under Basel II and III

Required Readings:

Basel Committee on Banking Supervision (BCBS), 2006, "Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version," June.
http://www.bis.org/publ/bcbs128.htm

Basel Committee on Banking Supervision (BCBS), 2011, "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems - Revised Version," June.
http://www.bis.org/publ/bcbs189.htm

Required Software: Microsoft Excel

Tuesday, September 30, PS–2: Case Study on Banking Sector Stress Testing (1/2)

Required Software: Microsoft Excel

Tuesday, September 30, L–6: Risk Factors

Required Readings:

Saunders, Anthony and M. Millon Cornett, 2010, "Financial Institutions Management: A Risk Management Approach (McGraw-Hill/Irwin)," Chapters 8–17.

Wednesday, October 1, PS–3: Practical Session: Risk Factors: Satellite Models for Credit Risk

Required Readings:

Antonella Foglia, 2009, "Stress Testing Credit Risk: A Survey of Authorities' Approaches," *International Journal of Central Banking*, Vol. 5 No. 3, September.
http://www.ijcb.org/journal/ijcb09q3a1.pdf

Recommended Readings:

Caputano, Christian, Chan-Lau, Jorge A., Gasha, Jose Giancarlo, Medeiros, Carlos I., Santos, Andre Oliveira, and Souto, Marcos, 2009, "Recent Advances in Credit Risk Modeling," IMF Working Paper 09/162 (Washington: International Monetary Fund).
http://ssrn.com/abstract=1457585

Wednesday, October 1, L–7: Designing and Performing Bottom-up Stress Tests

Required Readings:

Emanual Kopp, 2014, "Performing Bottom-up Stress Tests: Process, Methodology, and Review" (see course website).

Wednesday, October 1, L–8: Liquidity Stress Testing: Data Requirements

Required Readings:

Schmieder, Christian, Heiko Hesse, Benjamin Neudorfer, Claus Puhr, and Stefan W Schmitz; 2012, "Next Generation System-Wide Liquidity Stress Testing," IMF Working Paper 12/3 (Washington: International Monetary Fund).
http://www.imf.org/external/pubs/ft/wp/2012/wp1203.pdf

Basel Committee on Banking Supervision, 2013, "Liquidity stress testing: a survey of theory, empirics and current industry and supervisory practice," BIS Working Paper No. 24, October.
http://www.bis.org/publ/bcbs_wp24.pdf

European Central Bank, 2008, "Report on EU banks liquidity stress tests and contingency funding plans," November (Frankfurt).
http://www.ecb.europa.eu/pub/pdf/other/eubanksliquiditystresstesting200811en.pdf

Stefan W Schmitz; 2013, "The impact of the Liquidity Coverage Ratio (LCR) on the implementation of monetary policy," *Economic Notes by Banca Monte dei Paschi di Siena S.p.A*, Vol. 42, No. 2-2013, pp. 135–170 (see course website).

Stefan W Schmitz and A. Ittner, 2007, "Why central banks should look at liquidity risk," *Quarterly Journal Central Banking*, Vol. XVII, No. 4, pp. 32–40.

Recommended Readings:

European Banking Authority, 2009, "Consultation Paper on Liquidity Buffers and Survival Periods," CEBS CP28, July.
http://www.eba.europa.eu/documents/10180/37070/CP28+on+Liquidity+Buffers.pdf

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Wednesday, October 1, L–9: Scenario Design and Calibration

Recommended Readings:

Basel Committee on Banking Supervision, 2013, "Literature review of factors relating to liquidity stress – extended version," BIS Working Paper No. 25, October.
http://www.bis.org/publ/bcbs_wp25.pdf

Thursday, October 2, PS–4: Practical Session: Overcoming the Challenges of Implementation

Required Software: Microsoft Excel

Thursday, October 2, PS–5: Practical Session: Results: Reporting, Interpretation, and Supervisory Implications

Required Software: Microsoft Excel

Thursday, October 2, L–10: Interaction of Solvency and Liquidity Risks

Required Readings:

C. Puhr, and S. W. Schmitz, 2013, "A View From The Top – The Interaction Between Solvency And Liquidity Stress," *Journal of Risk Management in Financial Institutions*, Vol. 7(4), pp. 38–51, September (see course website).

Thursday, October 2, PS–6: Case Study on Banking Sector Stress Testing (1/2)

Required Software: Microsoft Excel
