

Management of credit risk in view of Basel II

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Abstract:

The Basel Committee proposes to permit banks a choice between two broad methodologies for calculating their capital requirements for credit risk. One alternative will be to measure credit risk in a standardised manner, supported by external credit assessments. The alternative methodology, which is subject to the explicit approval of the bank's supervisor, would allow banks to use their internal rating systems for credit risk.

Key words: credit risk, rating systems

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