

Basel accords

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Basel Accords Basel Accords Basel Accords The Basel Accords was an agreement that was set the BCBS (Basel Committee on Bank Supervision), providing a recommendation on the various banking regulations regarding market risks, capital risks and operation risks. The primary purpose of the Basel Accord 1 was to ensure that there was enough capital on account to absorb unexpected losses and meet banking obligations (Milne, 2001).

Basel Accords 2 and Basel Accords 3 on banking regulation,

The Basel Accord 2 was a second recommendation that was done by the Basel Committee on Banking Supervision. The Basel Accord 2 was intended to modify the international standards that were controlling how much capital banks required holding to guard against operational risks as well as financial risks banks faces. These recommendations sought after ensuring that the higher the risks to which bank are exposed, the greater the amount of capital the bank require to hold for it to safeguard its economic stability as well as its solvency.

The Basel Accord 3 attempts to accomplish security by capital and risk management requirements to ensure that there is adequate capital in banks. Its primary focus was to ensure that there was sufficient consistency of regulations to reduce the competitive inequality that exist among internationally active banks (Milne, 2001).

Lessons to be learned by the risk manager.

There are significant lessons that are that are learned from the Basel's Accord. Through these regulations, managers will acquire adequate skills to handle adequately risks within banking organizations. The Basel Accord also comes accompanied with an opening for the insurance industry to evaluate the weaknesses, success as well as shortcomings experienced by banking

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sectors. This knowledge is considerable important for managers in running the operations of banking institutions (Milne, 2001).

References

Milne, A. (2001). Minimum capital requirements and the design of the new Basel Accord: a Constructive critique. *Journal of financial regulation and Compliance*, 312-326.