Basic knowledge of commercial bank

Literature, Russian Literature

There is no guarantee in any credit market that lenders will be willing and able to accommodate every borrower. 3) The Length of Time for Which Funds are Needed Some funds sources may be difficult to access immediately such as commercial paper and long-term debt capital. 4) The Size of the Institution that Requires More Funds A denomination often exceeds the borrowing requirements of the smallest financial institutions. 5) Regulations Limiting the Use of Alternative Funding Sources Federal and state regulations may limit the amount, frequency, and use of borrowed funds.

Basel I represent a " one size fits all" approach to capital regulation. It failed to recognize that no two banks are alike in term of their risk profiles. Basel II sets up a yester in which capital requirements are more sensitive to risk and protect against more types of risk than has been true under Basel l. Basel II attempts to ensure that, consistently, low-risk assets require less capital than high-risk assets, whereas the reverse was often the case with Basel l.

There are four new elements of Basel II: 1) Internal Risk Assessment 2) Operational Risk 3) Credit Risk Models 4) A Dual Set of Rules. 1) Character The loan officer must be convinced the customer has a well-defined purpose for requesting credit and a serious intention to repay.) Capacity The loan officer must be sure the customer has the authority to request a loan and the legal standing to sign a binding loan agreement. 3) Cash The loan application centers should assess borrowing customers' ability to generate enough cash to repay the loan.) Collateral In assessing the collateral aspect of a loan request, the loan officer must ask whether the borrower possess adequate net worth or own enough quality assets to provide adequate support for the

loan. 5) Conditions The loan officer and credit analyst must be aware of recent trend in the borrower's nine of work or industry and how changing economic conditions might affect the loan. 6) Control The control element centers on such questions as whether changes in law and regulation could adversely affect the borrower and whether the loan request meets the lender's and the regulatory authorities' standards for loan quality.

The CAMELS is a system used by federal bank examiners for evaluating the overall condition of a bank based upon the adequacy of its capital, the quality of its asset portfolio, its management quality, the adequacy of its earnings, its liquidity and its sensitivity to market risk. Depository institutions whose overall CAMELS rating is toward the low, riskier end of the numerical scale-? an overall rating of 4 or 5-? tend to be examined more frequently than the highest-rated institutions, those with ratings of 1, 2, or 3.) Unusual or unexplained delays in receiving promised financial reports and payments or in communicating with bank personnel. 2) For business loans, any sudden change in methods used by the borrowing firm to account for depreciation, make pension plan contributions, value inventories, account for taxes, or recognize income. 3) For business loans, restructuring, outstanding debt or eliminating vividness, or experiencing a change in the customer's credit rating. 4) Adverse changes in the price of a borrowing customer's stock.) Losses in one or more years, especially as measured by returns on the borrower's assets (ROAR), or equity capital (ROE), or earnings before interest and taxes (BIT). 6) Adverse changes in the borrower's capital structure (equity/debt ratio), liquidity (current ratio), or activity levels (e. G. , the ratio of sales to inventory). 7) Deviations of actual sales, cash flows, or income

from those projected when the loan was requested. 8) Unexpected or unexplained changes in customer deposit balances.