

# Basel II – a view from the other side

By

Derek Spence  
Senior Risk Manager  
**Alliance & Leicester Plc**  
[derek.spence@alliance-leicester.co.uk](mailto:derek.spence@alliance-leicester.co.uk)

## **Abstract**

The Basel II capital accord is one of the largest regulatory changes to impact the banking industry in recent years. It provides a sophisticated, risk dependant, way to calculate the capital that banks are required to hold. The framework is not just a series of models and calculations but drives fundamental change to the risk management processes within the bank.

At the end of 2006 Alliance & Leicester were granted approval to adopt the revised Basel II framework and were the first UK Bank to receive this approval.

The presentation provides a view from a Retail Bank perspective, with particular focus on Pillar 1 and aims to review the issues surrounding the requirement to meet the criteria for a robust credit rating system. This touches on many areas such as senior management understanding, the use test, validation and documentation in addition to modelling challenges.

The presentation then moves on to discuss experiences from the approval process itself and concludes by looking at what happens following approval and the Basel II approaches become business as usual.