



## Finance and Economics Discussion Series: Economic and Regulatory Capital Allocation for Revolving Retail Exposures

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By Roberto Perli

BiblioGov. Paperback. Book Condition: New. This item is printed on demand. Paperback. 26 pages. Dimensions: 9.7in. x 7.4in. x 0.1in. The latest revision of the Internal Ratings Based approach of the Basel Committee on Banking Supervisions New Capital Accord Proposal for retail portfolios contains a significant innovation relative to previous versions: the recognition that, for revolving credits, future margin income will be available to cover losses before a banks capital is threatened. We assemble a mini-portfolio of revolving exposures and we compare the capital charges generated by the latest Basels formula with the capital charges generated by two possible earnings-at-risk internal capital allocation models. We find that in general, Basels capital ratios are closer to those generated by our models for the groups with lower credit risk. We attribute the discrepancies to the different ways Basel and our models account for future margin income, to Basel assumptions about asset correlations, and to one our models taking macroeconomic conditions explicitly into account. This item ships from La Vergne, TN. Paperback.



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