




Client	Funding	Execution
		

Title of the project	Framework for adopting a capital charge for market risk in Rwanda and training of the staff of the NBR and the banks
Execution period	February 2012 - May 2012

Context	<p>In recent years, the National Bank of Rwanda (NBR) has undertaken a number of initiatives to strengthen its regulatory framework for financial institutions. These include the development of a risk-based supervisory framework, enhancement of its off-site surveillance system and initiation of plans to develop a framework for the practice of consolidated supervision. The NBR wanted to further strengthen its capital adequacy framework by adopting a capital charge for market risk.</p>
Objectives	<p>The main objective of this study was to assist the National Bank of Rwanda (NBR) to develop a framework to adopt a capital charge for market risk.</p> <p>The specific objectives are to:</p> <ul style="list-style-type: none"> • Make an overview of market risks inherent to the banking sector; • Elaborate guidelines and methods for identification, measurement, analysis and management of market risks; • Identify banking products/instruments in the trading and banking books which carry market risk; • Calculate a capital charge for market risk using the Standardized Measurement Approach given by the Basel Committee on Banking Supervision; • Make a report and presentation on the latest regulatory perspectives and other significant considerations affecting capital adequacy requirements for banks and other financial institutions; • Use real-world financial statements and prepare a computerized model to illustrate the computation of a capital charge for market risks; • Write a policy paper on development of a framework to adopt a capital charge for market risk; • Elaborate guidelines on a capital charge for market risk to be introduced to the staff of both the NBR and banks; • Write a draft proposal for an amendment to the existing capital adequacy requirement. 

Services provided by CESS	<ul style="list-style-type: none"> • Survey on financial institutions; • Identify the products/instruments on the banks' trading and banking books which carry market risk; • Write a draft report on guidelines and best practices (identification, measurement, monitoring and control of market risks); • Develop an Excel spreadsheet for the calculation of market risk capital charge; • Perform training and dissemination seminars for staff of the NBR, commercial banks and other financial institutions 
Results achieved	<ul style="list-style-type: none"> • Draft report “Overview on market risk management practices and market risk-sensitive financial instruments in Rwanda’s banking sector”; • Draft report “Capital Adequacy Requirement for Market Risk”; • Draft report on “Interest rate risk management”; • Excel spreadsheet for the calculation of market risk capital charge and the capital adequacy ratio; • Training of the staff of the NBR and the financial institutions on the proposed market risk capital charge framework.. 