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The requirements of Basel II and the credit risk in greek banks

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DISSERTATION:

THE REQUIREMENTS OF BASEL II AND THE CREDIT RISK IN GREEK BANKS

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Abstract

This project aims to understand the need for building up capital requirements for banks. In particular, the role of the institutional framework for the operation of banks is to ensure all the conditions required for the smooth functioning of the banking institutions in a fair competition and the protection of depositors of all malice and bad management of the administration of the institution. The rules for determining the capital requirements for banks aimed at strengthening the capacity of absorption losses in case an unpredictable risks to which banks are exposed for their operation. The rules for determining capital requirements developed by the Basel Committee on Banking Supervision. The structure of this paper is as follows: The introduction is a brief overview of the structural changes that have helped to create a new framework for financial rules and the operation of credit institutions and then report the historical background of Basel I, goal of the capital adequacy of international banks and the need to improve, with the creation of Basel II, the bulk of the work consists of three chapters.

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Declaration

I hereby declare that this thesis is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been acknowledged.

CHAPTER 1 : INTRODUCTION

The globalization of the economy, the rapidly changing and growing competition in social as well as political and technological environment, has forced financial institutions to alter the conditions under which they operate. Banks are focusing on more niche markets and services, introduce a high degree of expertise and generally pushed to gain more competitive advantage over liberalized and integrated financial markets. Especially in Europe, the creation of a pan-European financial services market accelerated the introduction of the common currency, the euro, and also created the need to expand the European banking institutions, to enable them to cope with impending aggressive markets. Banks have as immediate priorities to increase operational profitability, control costs, increase capitalizations and therefore increase their profitability, organic growth within, regional development, and to increase their participation in acquisitions and mergers both at home and abroad. In doing so the banks face a wide range of risks. To avoid adverse impacts require the development and implementation of high quality systems for measuring and managing risk. The increased interest in measurement and management due to the direct and indirect effects of inconsistency associated with the viability and hence the profitability of banks. Banks have to manage legal risks.