Basel IV Reforms Training Course: Output Floor, Standardised Approaches and Capital Impact

26 – 30 April 2027
Amsterdam

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Ref: 939_42406 **Date:** 26 – 30 April 2027 **Location:** Amsterdam **Fees:** 4800 GBP

Programme Summary

Basel IV reforms are the subject of this one-week training course for risk, finance and capital planning leaders in banks, taught at managerial level and ending in a capital impact assessment for one bank. The final Basel reforms change how risk-weighted assets are measured, limit the benefit of internal models through an output floor and replace earlier operational risk approaches. The programme moves from the standard to credit risk, operational risk, the output floor and impact planning, using prepared portfolio records from a retail bank and a commercial lender. Mars Training Centre UK delivers this programme on Basel IV reforms to mixed-organisation cohorts.

The Business Case

Banks that measure the effect of the final reforms early can plan capital, pricing and portfolio mix with evidence instead of estimates. Where impact is judged from headline ratios alone, weak data, model dependence and uneven portfolios surface late, when options are fewer and costlier. Boards and investors also expect a clear view of how capital will move over the transition. The programme works on the measures below.

- Capital Ratio Forecast Accuracy: Improves when risk weights are recalculated from portfolio data.
- Model Dependence: Becomes visible when internal model results are compared with standardised results.
- Management Action Readiness: Rises when options are ranked by capital effect and effort.

Principles and Evidence Base

- Basel III: Finalising post-crisis reforms: The international standard that sets the revised approaches, applied in Sessions 1 to 4 as the source for every calculation.
- Standardised approach for credit risk: The revised method for assigning risk weights, applied in Session 2 to recalculate portfolio exposure.
- Output floor: The limit on the capital benefit of internal models relative to standardised approaches, applied in Session 4 to test model benefit.
- Leverage ratio framework: The non-risk-based backstop measure, applied in Session 3 to compare exposure measures.

Intended Participants

- Heads of risk who own capital measurement and model governance.
- Capital planning leaders who forecast ratios and set buffers.
- Regulatory reporting managers who produce capital returns.
- Finance and treasury leads who price products and plan funding.

Typical settings include retail banks, commercial lenders, development finance institutions and banking groups.

Learning Outcomes

1. Participants will be able to construct a map of the changes the final reforms make to capital measurement.
2. Participants will be able to evaluate risk weights under the revised standardised approach for credit risk.
3. Participants will be able to diagnose data gaps that block recalculation of exposures.
4. Participants will be able to quantify the effect of the output floor on a model-based bank.
5. Participants will be able to prioritise management actions by capital effect and effort.
6. Participants will be able to justify a capital impact assessment to a board risk committee.

Programme Structure

Day 1: Basel IV Reforms Scope and Standard Structure

What changed in the final Basel reforms, and where do the changes meet in the capital ratio?

- Final Reforms Change Map
- Risk-Weighted Asset Build-Up Walkthrough
- Internal Model and Standardised Approach Comparison
- Capital Ratio Component Table
- Portfolio Data Readiness Check

Day 2: Standardised Credit Risk Approach

How do the revised standardised rules change risk weights across loan portfolios?

- Exposure Class Mapping Sheet
- Risk Weight Recalculation Exercise
- Collateral and Mitigation Treatment Review
- Retail and Corporate Exposure Contrast
- Unrated Counterparty Treatment Note

Day 3: Operational Risk, Valuation Adjustment and Leverage

How do the single operational risk approach, the revised valuation adjustment framework and the leverage ratio change capital need?

- Operational Risk Standardised Approach Build
- Loss History Data Review
- Credit Valuation Adjustment Framework Comparison
- Leverage Ratio Exposure Measure Review
- Non-Credit Capital Charge Summary

Day 4: Output Floor and Capital Impact Assessment

How does the output floor limit internal model benefit, and what does it do to capital over the transition?

- Output Floor Calculation Model
- Phased Transition Schedule Analysis
- Model Benefit Gap Analysis
- Portfolio Capital Impact Heat Map
- Management Action Option Ranking

Day 5: Basel IV Reforms Impact Plan for One Bank

Do the earlier results join into one impact plan that a board risk committee can approve?

- Applying the Session 1 Change Map
- Testing the Session 2 Risk Weight Results
- Checking the Session 3 Charge Summary
- Reviewing the Session 4 Impact Heat Map
- Completing the Bank Impact Assessment Pack

Methodology

The programme is a data workshop built on prepared portfolio records from a retail bank and a commercial lender: exposure listings, collateral data, loss histories and model outputs. Participants map exposures, recalculate risk weights, build charges, run the output floor and defend their results to peers acting as a board risk committee.

- Suggested activity: Recalculating risk weights for a mixed loan portfolio.
- Suggested activity: Comparing model-based and standardised results for two portfolios.
- Suggested activity: Ranking five management actions by capital effect.

Capstone Output

Each participant completes a capital impact assessment for one bank. It holds an exposure map, recalculated risk weights, an operational risk charge, an output floor result and a ranked action list. At work it goes to the board risk committee and becomes the base for capital plans and for each later review of the transition.

Frequently Asked Questions

Is Basel IV reforms training suitable for managers without a modelling background?

Yes. Basel IV reforms are taught from prepared records and templates. You need responsibility for risk, capital, reporting or finance in a bank, but no model development experience.

Which standard do the Basel IV reforms rest on in this training?

The Basel IV reforms rest on the Basel Committee standard Basel III: Finalising post-crisis reforms, including its standardised approach for credit risk, operational risk approach, output floor and leverage ratio.

How is the assessment from Basel IV reforms training used at work?

You take the capital impact assessment to your board risk committee, use its recalculated risk weights in capital plans and keep its action list to track the transition.