

# **Introduction to the measurement of credit risk of International Reserves of CBB using Basel II approach**

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**Abstract**

One of the key elements regarding investment portfolios is the measurement of credit risk. However, this measurement is not simple and it requires a quantitative, estimation of a number of parameters such as the exposure to credit default, the loss given the credit default, and the probability of default. This document attempts to introduce the theoretical concepts of the above mentioned parameters and then apply them by implementing the Basel II credit risk framework, in order to estimate the exposure to credit risk of the International Reserves of the Central Bank of Bolivia (CBB).

***Keywords:*** *Credit risk, international reserves, Basel II, Central Bank*