

Capital requirements for credit risk under Basel II Accord: implications for the Bolivian banking system

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ABSTRACT

By the characteristics of financial intermediation business and its implications for the rest of the economy, the prudential normative demands minimum levels of capital that initially corresponds to endorsement or collateral, in front of the risks that are exposed to, the financial entities. The introduction of the Accord of the Basle II Committee, regarding its first pillar, includes capital requirements for credit risk.

In this work are determined the mentioned requirements for the banks that operate in Bolivia, with standard methodologies and the Internal Ratings-Based Approach (IRB). The obtained results with both approaches, a priori, show increases in capital requirements, although with dissimilar effects among entities. The highest capital requirements are observed at banks level, in which, investments in securities are more significant than credit investments.

JEL Classification: G15, G20, G21, G28

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