MITIGATE BANK RISK: SOME REVIEW

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ABSTRACT
Its goal and intent is to examine the structure of capital adequacy, whether or not regulatory regulation is complied with and how shocks from financial and economic stress can be absorbed by the bank's prescription.

Keywords: Mitigate, Bank Risk.

In 2004, in view of some of the problems not covered by Basel I, the Basel Committee on Banking Supervision submitted a revised framework commonly known as the Basel II Agreement. Three pillars remain in Basel 2. Capital adequacy is the first pillar. Pillar 1's core goal is to capitalize credit institutions well. Banks have 10% of total risk-weighted assets to maintain the minimum capital requirement (MCR).

Capital banks are more than 10% and capitalized banks are also considered. 8% indicated undercapitalized and 5% undercapitalized substantially. Column 2 is the firm examination by national authorities of the adequacy of capital and prudential supervision. Pillar 3 is an active application of market discipline to promote reliable financial information. Credit risk, market risks, and operational risk is addressed in Basel 2. In these three areas of risk, the bank must reassure the capital adequacy of each exposure.

It has a distinctive Islamic financial system that must be properly addressed when formulating the Islamic financial organizations' capital guidelines. Leverage cannot be produced significantly in this system, which played an important part in the recent financial crisis. Islamic financial products should be linked to real business activities such as trade, manufacturing etc. These articles cannot be underpinned by another financial contract because Shariah restricts debt trading and unreasonable speculation. As Islamic financial products are asset-based, they are frequently more likely to pose market risk (probability of loss of lower market prices). They also have certain other unique risks such as displaced trade risks (commercial force to pay returns that exceed the rate that has been earned on its assets financed by mudaraba depositors).

REFERENCES


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