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EMPIRICAL RESEARCH REGARDING THE METHODS USED BY SUPERVISORY AUTHORITIES IN CAPITAL ADEQUACY. STANDARDIZED APPROACH VERSUS INTERNAL RATING MODELS BASED APPROACH

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Abstract:

The Basel II Accord describes the advanced risk measurement approaches and the minimum requirements regarding the level of capital that banks need to cover these risks. The objective of our paper is to realize a first diagnostic about the attitude manifested by a sample of states from the European Union regarding the approaches used to determine the adequate level of capital. Through an empirical study we have analyzed the risk aversion that some states, members of the European Union, have practically manifested by the option regarding the approaches used to determine the capital allocation. The options were chosen by each state and there were attributed a series of factors, manifested at different levels. The first step necessary for testing the eventually future correlations was the quantification of the reaction registered by each country regarding the transition from traditional methods that determine the capital to the modern ones.

JEL Classification: G01, G21, G32, C22

Keywords: risk management, Basel II Accord, risk modelling, risk weighted assets, internal model based approach

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