

# Contents

|  |      |
|--|------|
| <b>Acknowledgements from the Editors</b>   | vii  |
| <b>Foreword</b>  | xi   |
| <b>About the Editors</b>   | xv   |
| <b>About the Authors</b>   | xvii |
| <b>Introduction</b><br><i>Akhtar Siddique; Iftekhar Hasan</i><br>Office of the Comptroller of Currency; Fordham University   | xxv  |
| <b>1 Governance over Stress Testing</b><br><i>David E. Palmer</i><br>Federal Reserve Board   | 1    |
| <b>2 Stress Testing and Other Risk-Management Tools</b><br><i>Akhtar Siddique; Iftekhar Hasan</i><br>Office of the Comptroller of Currency; Fordham University                             | 15   |
| <b>3 Stress Testing for Market Risk</b><br><i>Dilip K. Patro, Akhtar Siddique; Xian Sun</i><br>Office of the Comptroller of the Currency; Johns Hopkins University                         | 25   |
| <b>4 The Evolution of Stress Testing Counterparty Exposures</b><br><i>David Lynch</i><br>Federal Reserve Board   | 37   |
| <b>5 Operational Risk: An Overview of Stress-Testing Methodologies</b><br><i>Brian Clark; Bakhodir Ergashev</i><br>Office of the Comptroller of Currency; Federal Reserve Bank of Richmond | 57   |
| <b>6 Stress Testing of Bank Loan Portfolios as a Diagnostic Tool</b><br><i>Paul Calem, Arden Hall</i><br>Federal Reserve Bank of Philadelphia  | 71   |

|  |            |
|--|------------|
| <b>7 Stress-Test Modelling for Loan Losses and Reserves</b>  | <b>89</b>  |
| <i>Michael Carhill, Jonathan Jones</i><br>Office of the Comptroller of the Currency  |            |
| <b>8 A Framework for Stress Testing Banks' Corporate Credit Portfolio</b>  | <b>109</b> |
| <i>Olivier de Bandt, Nicolas Dumontaux, Vincent Martin, Denys Médée</i><br>Autorité de Contrôle Prudenciel (French Prudential Supervision Authority) |            |
| <b>9 EU-Wide Stress Test: The Experience of the EBA</b>  | <b>127</b> |
| <i>Paolo Bisio, Demelza Jurcevic and Mario Quagliariello</i><br>European Banking Authority   |            |
| <b>10 Stress Testing Across International Exposures and Activities</b>   | <b>143</b> |
| <i>Robert Scavotto, Robert H. Skinkle</i><br>Office of the Comptroller of the Currency   |            |
| <b>11 Liquidity Risk: The Case of the Brazilian Banking System</b>   | <b>161</b> |
| <i>Benjamin M. Tabak, Solange M. Guerra, Sergio R. S. Souza,</i><br><i>Rodrigo C. C. Miranda</i><br>Banco Central do Brasil                          |            |
| <b>12 Determining the Severity of Macroeconomic Stress Scenarios</b>   | <b>193</b> |
| <i>Kapo Yuen</i><br>Federal Reserve Bank of New York   |            |
| <b>Index</b>   | <b>225</b> |