

CONTENTS

Title	Page
ACKNOWLEDGEMENT	i
CONTENTS	ii
LIST OF TABLES	vi
LIST OF FIGURES	ix
ABSTRACT IN ENGLISH	xi
ABSTRACT IN ARABIC	xii
I. INTRODUCTION	1
1.1 Overview	1
1.2 Study Objectives	2
1.3 Study Questions	3
1.4 Importance of the Study	3
1.5 Terms Definition	4
1.6 Outline of the Study	5
II. LITERATURE REVIEW	6
Introduction	6
2.1 Palestinian Context	6
2.2 Basel Capital accord	10
2.2.1 Background	10
2.2.2 The New Basel Capital Accord: Overview	11

2.3 Risk Management	12
2.3.1 Introduction	12
2.3.2 Risk Management Background and Evolution	14
2.3.3 The Need for Risk Management	18
2.3.4 A Comprehensive Risk Management system For the Banking Sector	20
2.4 Financial Risk Management: Basic Concepts and Techniques	23
2.4.1 Introduction	23
2.4.2 Risk and Type of Risk	24
2.4.3 Credit Risk	27
2.4.3.1 Definition and identification	27
2.4.3.2 Credit risk management	29
2.4.3.3 Credit risk and New Basel Capital Accord	33
2.4.3.4 Treatment of credit risk under the proposed New Accord	35
2.4.3.5 Regulatory capital for credit risk	35
2.4.4 Market Risk	38
2.4.4.1 Definition and Type of Risk	38
2.4.4.2 Market Risk Management	40
2.4.4.3 The” 1996 Amendment “or BIS98”	40
2.4.4.4 The capital requirement	41
2.4.4.5 Regulatory Treatment of Market Risk	42
2.4.5 Interest Rate Risk	45
2.4.5.1 Definition	45
2.4.5.2 Source and effects of interest rate risk	45
2.4.5.3 Interest rate risk management	46

2.4.5.4 Capital adequacy and banking interest rate risk	49
2.4.5.5 Interest rate risk measurement techniques	50
2.4.6 Liquidity Risk	50
2.4.6.1 Definition	50
2.4.6.2 Why Liquidity is important	51
2.4.6.3 Factors that Affect Liquidity	52
2.4.6.4 Liquidity risk management	55
2.4.7 Foreign Exchange Risk	58
2.4.7.1 Definition and identification	58
2.4.7.2 Sources of foreign exchange	59
2.4.7.3 Foreign exchange exposure measurement	61
2.4.7.4 Foreign exchange risk management	62
2.4.7.5 Foreign exchange risk technique	63
III.METHODOLOGY	66
Introduction	66
3.1 Type of Study	66
3.2 Study Procedure	67
3.3 Sample of the Study	67
3.4 Data Collection Method	68
3.5 Goodness of Measure	69
3.6 Data Analytic Techniques used	69

IV. SURVEY FINDINGS	70
Introduction	70
4.1 Establishing appropriate risk management environment and sound policies and procedures.	71
4.2 Maintaining an appropriate risk measurement, mitigating, and monitoring process.	84
4.3 Adequate internal controls	97
4.4 Conclusion	101
V. CONCLUSION AND RECOMMENDATIONS	102
Introduction	102
5.1 Conclusion	102
5.1.1 The Environment	102
5.1.2 Basel Capital Accord II	103
5.1.3 Financial Risk Management	103
5.1.4 Summary of Findings	104
5.2 Recommendations	107
REFERENCES	109
APPENDICES	114
Appendix A Credit Risk Approach	114
Appendix B Interest Rate Risk Measurement Techniques	117
Appendix C Reliability	119
Appendix D Questionnaires	120