



# FRTB

A fresh take on risk and valuation

The alternative SA and the alternative IMA will be required under FRTB in 2023. Reporting starts in September 2021. Are you on track?

GAP AND DATA ANALYSIS

REGULATORY COMPLIANCE

SENSITIVITIES-BASED METHOD (SBM) STAND-ALONE CALCULATOR

INDUSTRY'S BEST PRACTICES

SUPPORTS INPUT DATA PROCESSING, MODEL DEVELOPMENT AND TESTING

Despite some delays, mostly attributable to COVID-19, that have affected the new capital requirements for market risk under FRTB, the first reporting requirements under CRR2 will still take effect in September 2021. With capital requirements to follow in the near future.

FRTB presents complex and costly challenges, from an alternative standardised approach (SA) built on a sensitivities-based method (SBM) to an alternative internal model approach (IMA) based on Expected Shortfall risk rather than VaR. Stringent conditions on the modellability of risk factors and desk-level P&L attribution tests in the IMA are moving the centre of gravity in the industry towards a risk-sensitive SA. For smaller and less complex firms the final regime allows for more proportionate approaches, thus easing the burden of compliance compared to the original 2016 rule.

Our service looks at both these revised approaches (SA, IMA) and provides an ease of mind to those in charge of implementing them. We also provide a stand-alone SBM solution, that you can use as a calculation tool or a benchmark for validation.



For more information, visit [www.finallyse.com/frtb](http://www.finallyse.com/frtb)

## Benefits

- Identification of gaps versus latest regulatory requirements
- Cost-benefit analysis between the SA and IMA
- Steering the implementation effort in line with the regulatory agenda
- Stand-alone solution for calculating market risk capital charge under SBM
- Valuation models for delta, vega and curvature sensitivities
- Portfolios review to determine whether assets categorisation between the banking and trading books is correct
- Proper understanding and fulfillment of the specific reporting requirements for market risk

## Motivation

Choosing between SA and IMA and implementing the selected approach can result in time-consuming research efforts, especially when a regulatory reform changes the paradigm. Having a trusted partner along the way does not only provide you with the ease of mind of being FRTB compliant but also with the required confidence to choose the suitable approach when considering all the costs and trade-offs involved.

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