



FRTB

A fresh take on risk and valuation

In 2025, FRTB will become the European norm for Pillar I market risk. Enhanced reporting requirements will also kick in at the start of the year. 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

Detailed FRTB reporting requirements will start to apply in March 2025. As CRR3 is eventually coming to fruition, FRTB will also become the European norm for market risk capital requirements under Pillar I during the same year.

FRTB presents complex and costly challenges, from an alternative standardised approach (ASA) built on a sensitivities-based method (SBM) to an alternative internal model approach (AIMA) based on Expected Shortfall risk rather than VaR. Stringent conditions on the modelability 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 (ASA, AIMA) and provides 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

Benefits

- Identification of gaps versus regulatory requirements
- Support in implementing, fine-tuning, or validating either the ASA or the AIMA
- 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
- Fulfilment of the latest specific reporting requirements for market risk

Motivation

Implementing the ASA or the AIMA and the associated reporting layers 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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