



Market Risk Under CRR (FRTB- and non-FRTB)

OVERVIEW:

The regulation for market risk has been finalised as of January 2019: banks with an internal model for market risk must implement P&L-attribution tests, monitor non-modellable risk factors, apply for FRTB – approval and fully implement the standardized approach. Banks with a standardized must implement the new sensitivity-based standardised model and define a universal FRTB data container. New standardized and internal model are presented as Excel FRTB-prototype.

AGENDA OUTLINE:

Day 1: Current regulation of market risks

Day 2: FRTB: Sensitivity-based standardised approach

WHO SHOULD ATTEND:

We believe that this seminar is most useful for participants from:

- Market risk
- Treasury
- Risk management
- Regulatory reporting
- Regulatory affairs
- Risk controlling
- Internal audit
- Capital Markets

SEMINAR FORMAT:

- This seminar will be conducted in English
- This session will be conducted via Microsoft Teams. On completion of your registration you will receive a link to the meeting

COURSE MATERIAL:

- Sessions are recorded and could be obtained on request at the end of the seminar
- Trainers presentation slide decks could be obtained on request at the end of the seminar
- Certificates will be awarded at the completion of the seminar

CERTIFICATE:

- Certificates will be emailed to the participants on completion of the seminar

DAY 1

Day 1: Current regulation of market risks

1. Definition and evolution of market risk

09:00

1.1 Risk inventory: what are and what are not market risks?

1.2 Pre- and post-crisis market risk

10:30

1.3 Market risk for trading- and non-trading book banks

1.4 Challenges of market risk: volatile volatility, instable diversification, systematic and idiosyncratic risks

Morning coffee break

2. Operating model

2.1 Strategy, processes, and responsibilities

2.2 Models and information systems

2.3 Staff and incentive schemes

2.4 Regulatory requirements on Market Risk governance (mainly: Trading-/ Banking book boundary, Hedging BB/ TB – positions)

10:45

3. Capital requirements in the standardised approach

12:15

3.1 General interest rate risk

3.2 Specific interest rate risk

3.3 General equity risk

3.4 Specific equity risk

3.5 Foreign exchange risk

3.6 Commodity risk

3.7 Option risk

DAY 1

Lunch Break

4. Sensitivity-based/Alternative Standardised Approach

- 4.1 Building blocks (risk factors, Δ , Γ , ν)
- 4.2 Similarities and differences with internal model
- 4.3 Regulatory weights and netting
- 4.4 Getting familiar with the aggregation principles using XLS-examples

5. Regulatory capital for General Interest Rate Risk (GIRR)

- 5.1 Sticky sensitivities
- 5.2 Bucket structure
- 5.3 Intra- and inter-bucket aggregation
- 5.4 XLS-Example using a real-world trading book

6. Regulatory capital for Credit Spread Risk

- 6.1 Bucket structure
- 6.2 Intra- and inter-bucket aggregation
- 6.3 XLS-Example using a real-world trading book

7. Regulatory capital for Equity Risk

- 7.1 Bucket structure
- 7.2 Intra- and inter-bucket aggregation
- 7.3 XLS-Example using a real-world trading book

13:30

15:00

DAY 1

Afternoon Coffee Break

8. Regulatory capital for Foreign Exchange Risk

- 8.1 Bucket structure
- 8.2 Intra- and inter-bucket aggregation
- 8.3 XLS-Example using a real-world trading book

9. Regulatory capital for Commodity Risk

- 9.1 Bucket structure
- 9.2 Intra- and inter-bucket aggregation
- 9.3 XLS-Example using a real-world trading book

15:15

10. Regulatory capital for Default Risk

- 10.1 Bucket structure
- 10.2 Intra- and inter-bucket aggregation
- 10.3 XLS-Example using a real-world trading book

17:00

Close of Day 1 Sessions

DAY 2

Day 2 : Alternative Internal Model/ Expected shortfall model

09:00

1. Capital requirements in today's internal mode

- 1.1 Minimum requirements to obtain model approval
- 1.2 Analytical, historical, and simulation-based VaR
- 1.3 Distribution assumptions
- 1.4 Value at risk vs. Expected shortfall

10:30

2. Building blocks of ES model

- 2.1 Core philosophy of new ES model
- 2.2 Liquidity-adjusted expected shortfall as new risk measure
- 2.3 Limiting diversification effects
- 2.4 The new internal Default Risk Charge (DRC)
- 2.5 Non-modellable risk factors and their capital requirements
- 2.6 Criteria for model approval

Morning Coffee Break

10:45

3. Steps for calculating regulatory capital

- 3.1 Determination of risk factors and stress period
- 3.2 Required capital for modellable risk factors

12:15

- Calculation of Expected Shortfalls, 10 days base period
- Scaling of Expected Shortfall with liquidity horizon
- Diversified and additive ES
- 3.3 Required capital for non-modellable risk factors
- 3.4 Required capital for default risk
- 3.5 Total required capital

DAY 2

Lunch Break

4. An ES model in Excel for a real-world trading book

5. ES model in a broader context

13:30

5.1 Interdependencies with the Alternative standardized approach

5.2 Disclosure

15:00

5.3 Other types of risk in the trading book: counterparty credit risk

5.4 Similar risks in the banking book: interest rate and spread risk

5.5 Capital requirements vs. margining

Afternoon Coffee Break

6. Implementation challenges

15:15

6.1 Integration of liquidity horizons

6.2 Calibration and aggregation

6.3 Requirements on computation process

17:00

6.4 Non-modellable risk factors: identification, "modelling", monitoring

6.5 Default risk charge: extending existing models (IRC, credit portfolio model)

6.6 Backtesting and P&L – attribution (archiving time series)

6.7 Implications for internal management

6.8 Model approval: regulatory trading desks, partial use models

Close of Day 2 Sessions