

# FRTB

## Fundamental Review of the Trading Book

### KEY BENEFITS

**COMPLIANCE, CONTROL AND GOVERNANCE**



**MODULAR COMPONENTS THAT CAN BE STAND ALONE OR COMBINED TO ADD VALUE FOR FRTB**



**DATA AGGREGATION ACROSS A FRONT-TO-BACK FRTB IMPLEMENTATION**



**VISUALIZATION AND DASHBOARDS OF RESULTS APPLYING DIFFERENT HIERARCHIES AND SCENARIO ANALYSIS**



**CAPTURING OF RISK P&L AND T+1 P&L TO ALLOW DYNAMIC PRESENTATION, DRILL DOWN OF RESULTS AND ANALYSIS**



**TRACK COMPLIANCE ON AN ONGOING BASIS, RISK DATA IS GOVERNED AND LOGGED FOR REPORTING**



**SUPPORT FLEXIBLE SCHEMAS TO BUILD UP MARKET DATA EVIDENCE, MODEL VALIDATION SCENARIOS, AND RESULTS-FACILITATING FIRM LEVEL CONTROL (A PRE-REQUISITE TO MODEL APPROVAL)**

**AxiomSL's FRTB solution** focuses on enhancing and augmenting client infrastructure and data feeds, providing firms with one platform to drive down the cost of compliance and governance through aggregating data as well as reducing ongoing maintenance and support with a single source of submission.

AxiomSL's 'one platform' model means the same enriched, validated data can be linked seamlessly into Liquidity, COREP, FINREP, Statistical and AnaCredit reporting.

With FRTB, the Basel Committee on Banking Supervision (BCBS) has completely rewritten the rules used to determine how much capital banks must hold in order to offset their exposure to market risk. It replaces the existing standardised approach with a new calculation methodology, drastically changes the way in which model approval is granted and policed, replaces value-at-risk (VAR) with expected shortfall (ES) and alters the boundary between banking and trading books. It is clear that banks will face significant challenges with the introduction of FRTB.

### CHALLENGES OF FRTB

- Under the FRTB regulation, there is an increased link between the risk taking activity and capital at an individual desk level.
- FRTB is driving a fresh look at organizational structure and behavior, consistency is no longer a nice to have and more importantly there can be a real cost to doing business.
- FRTB is driving standardization, from the penalties applied to data gaps and data quality, it is obvious that the new regulation is assuming BCBS239 was successfully implemented.
- Covering all angles from Reference Data to Finance Adjustments with an overwhelming quantity of data involved.
- Capturing the data across various infrastructure and hierarchies can be significantly costly within the banks especially when considering the frequency of review.
- Insufficient data and the quality of existing data.

Incremental patchwork arrangements will not provide a solid foundation for the accurate cost of doing business in the future and may even prevent it. It is essential for banks to break through these boundaries by aggregating data and look towards applying consistent operational processes or framework, moving towards the new normal.

## AXIOMSL'S SOLUTION

In order to tackle the challenges presented by FRTB, firms must establish communication between functions, tech stacks, data flows, reference data, market data, products and models. Once this aggregation is in place, the visualisation and accessibility of the data becomes the key to establishing a framework that provides the governance and monitoring required to be in control of the cost of capital to the business. AxiomSL's FRTB solution includes:

### Governance

- Complete drill down and data lineage with out-of-the-box data quality assurance.
- Total flexibility of data being loaded (reference data, trades, hierarchies, business structures, trader mandates, product lists, price evidence).
- Historical archiving, evidencing and retention, fully versioned accessible data
- Ongoing monitoring of Trading Book boundary.

### Compliance

- Full Standardised Approach (SA) Calculation – based on BCBS rules as well as the local rules. (Support for desk level calculations).
- Reporting capabilities - Internal and external submission to the relevant regulators (including XBRL).
- No black box mentality —users can view logic being applied.

### Monitoring

- Ability to run FRTB and current Standard rules in parallel.
- Process P&L attribution and Back-testing results applying threshold calculations.
- Orchestrate the execution of Internal Models Approach (IMA) on client infrastructure from the AxiomSL platform (where results and details will be captured).
- Support Product and Risk Factor mapping.

### Risk and Data Management

- Comprehensive Data Dictionary (DD) and Model Risk Management (MRM).
- Market Data Management area to evaluate and process third party data, prices and evidence.
- Fully auditable adjustment functionality across all stages of the dataflow (from source to template).

### Optimization

- Dynamic Capital Optimization Workflow (synchronizing all aspects of the program; desk structure, product definitions/risk factors, SA vs IMA).
- User definable workflows.

### Dashboard Analytics

- Visualization of data lineage.
- Analytics and Visualization of result sets/scenarios from IMA and SA (which can also re-run standard calculations for Credit Risk and Credit Valuation Adjustment (CVA)).

## KEY FEATURES

BCBS 239 COMPLIANT WITH THE FULL TRACEABILITY/LINEAGE OF HOW THE DATA FLOWS UPSTREAM AND DOWNSTREAM

SUPPORT FOR DESK LEVEL SBA CALCULATIONS

NOT A BLACK BOX—USERS CAN VIEW LOGIC BEING APPLIED

NO FIXED INPUT FORMAT FOR DATA INTO THE PLATFORM

SCALABLE AND ROBUST ARCHITECTURE TO SUPPORT HIGH VOLUMES

ONGOING MONITORING OF RULE CHANGES AND PROVISION OF UPDATES

## CONTACT

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