

€ TRAINING

Fundamental Review of Trading Book FRTB
Impact and Implementation





Fundamental Review of Trading Book FRTB Impact and Implementation

Introduction:

The Fundamental Review of the Trading Book FRTB is a regulatory framework introduced by the Basel Committee on Banking Supervision to enhance risk management and capital adequacy standards for banks' trading activities. It aims to address weaknesses identified during the 2008 financial crisis, providing stricter rules for classifying trading and banking book assets, improved risk measurement, and more accurate capital requirements. This training program equips participants with a comprehensive knowledge of FRTB, its implications for financial institutions, and strategies for effective implementation to ensure compliance and optimize capital allocation.

Program Objectives:

By the end of this program, participants will be able to:

- Identify the purpose and key components of the FRTB framework.
- Analyze the impact of FRTB on trading book capital requirements and risk management.
- Explore the challenges in implementing FRTB within financial institutions.
- Evaluate risk modeling approaches under FRTB, including standardized and internal models.
- Develop strategies to ensure compliance and optimize capital efficiency.

Targeted Audience:

- Risk management professionals.
- Banking and financial institution compliance officers.
- Trading desk managers and financial analysts.
- Regulatory and audit professionals in the financial sector.
- Professionals involved in Basel compliance and capital adequacy.

Program Outline:

Unit 1:

Introduction to the FRTB Framework:

- Overview of the Fundamental Review of the Trading Book FRTB.

- Key objectives and motivations behind FRTB.
- Classification of assets into the trading book vs. banking book.
- Regulatory definitions of risk factors under FRTB.
- The capital adequacy implications of the framework.

Unit 2:

Standardized Approach SA for Market Risk:

- Detailed overview of the standardized approach under FRTB.
- Risk measurement techniques and their application.
- Sensitivity-based method and its role in capital calculation.
- Frameworks for the application of liquidity horizons in risk assessments.
- Comparing the standardized approach with prior market risk frameworks.

Unit 3:

Internal Models Approach IMA and Risk Modeling:

- Introduction to the internal models approach under FRTB.
- Processes involved in the use of expected shortfall ES as a measure of risk.
- Steps for obtaining model approval from regulators.
- Challenges in risk factor eligibility and data requirements.
- Advantages and limitations of adopting the IMA approach.

Unit 4:

Impact of FRTB on Financial Institutions:

- Capital implications of the FRTB framework on trading desks.
- Operational changes required for FRTB compliance.
- The integration process of FRTB into enterprise risk management strategies.
- Managing the transition to FRTB-compliant practices.

Unit 5:

FRTB Implementation Strategies:

- Roadmap for effective FRTB implementation in financial institutions.
- Leveraging technology to support FRTB compliance efforts.
- Importance of addressing data quality and system integration challenges.
- Continuous monitoring and reporting under FRTB guidelines.