

LONDON

THE 5TH FUNDAMENTAL REVIEW OF THE TRADING BOOK CONFERENCE: REVIEWING THE IMPACT OF THE "FINALISED" BASEL 3 REFORMS

2ND - 4TH MAY 2018

SPEAKERS

- **Dilip K. PatroDilip:** Section Chief, Quantitative Model Analysis, **Federal Deposit Insurance Corporation (FDIC)**
- **Adolfo Montoro:** Director of Market Risk Methodology, **Deutsche Bank**
- **Neels Vosloo:** Head of EMEA Regulatory Risk, **BAML**
- **Dionisis Gonos:** Director, Co Head Quantitative Analytics for Market Risk, **Barclays**
- **Sylvain Martinez:** Head of Market Risk and Analytics, **ICBC Standard Bank**
- **Satinder Jandu:** Director, Traded Risk Advisory, **Viewset Ltd**
- **Ignacio Ruiz:** Founder & CEO, **MoCaX Intelligence**
- **Santosh Erukulla:** Director, Regulatory Advisory, **Strapper Consulting**
- **Thomas Obitz:** Director, **RiskTransform**
- **Tim Becker:** Vice President Risk Methodology, **Deutsche Bank**
- **Others to be confirmed**

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CONFERENCE OVERVIEW

CONFERENCE LOCATION:

London

FRTB KEY ISSUES INCLUDE:

WEDNESDAY 2ND MAY:

WORKSHOP DAY: DETAILED REVIEW OF THE RECENT REGULATORY DEVELOPMENT BY ADOLFO MONTORO & TIM BECKER, DEUTSCHE BANK

THURSDAY 3RD MAY:

FRTB FUNDAMENTAL REVIEW OF THE TRADING BOOK CONFERENCE

FRIDAY 4TH MAY:

FRTB FUNDAMENTAL REVIEW OF THE TRADING BOOK CONFERENCE

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PRE-CONFERENCE WORKSHOP DAY: WEDNESDAY 2ND MAY

DAY SCHEDULE: 11:00 – 17:30

**DETAILED REVIEW OF THE RECENT REGULATORY DEVELOPMENT
BY ADOLFO MONTORO: DIRECTOR, RISK METHODOLOGY, DEUTSCHE BANK AND
TIM BECKER: HEAD OF VAR METHODOLOGY, HEAD OF FRTB NON-MODELLABLE RISK FACTORS, DEUTSCHE BANK**

- Potential consultation EBA discussion paper(s)
 - P&L Attribution
 - NMRF
 - SBA
 - CVA

“Hands-on” analysis and use-cases to clarify Interpretation of FRTB building blocks and choices of implementation

- Interplay across various FRTB components
- Definition of RTPL

Insights from late QIS incorporating the capital effects derived from recent changes

MAIN CONFERENCE DAY 1: THURSDAY 3RD MAY

08:30 REGISTRATION AND MORNING WELCOME COFFEE

CHAIR: THOMAS OBITZ: DIRECTOR, RISKTRANSFORM

REVIEWING THE IMPACT OF THE "FINALISED" BASEL 3 REFORMS

09:00 - 09:45 FINALIZED BASEL 3 APPROACH TO CAPITALIZATION OF CVA

- BA-CVA vs SA-CVA
- Model review and approval for SA-CVA
- How will the changes impact BAU risk management and stress testing

Keynote: Dilip K. Patro: Section Chief, Quantitative Model Analysis, **Federal Deposit Insurance Corporation (FDIC)**

09:45 - 10:30 "RE-EVALUATING FRTB IMPLEMENTATION NOW THAT BASEL 3 IS 'FINAL'"

- Impact of the "finalised" Basel 3 package on banks' FRTB programmes
- What we know about regulators' approaches to FRTB implementation
- Where do we stand on FRTB finalisation?
- Areas where disagreement or uncertainty about technical details remain

Presenter: Neels Vosloo: Head of EMEA Regulatory Risk, **BAML**

10:30 - 11:00 MORNING BREAK AND NETWORKING OPPORTUNITIES

11:00 - 11:45 COMPARISON OF DIFFERENT ACCELERATING TECHNIQUES FOR IMA-FRTB

- System constrains in IMA-FRTB: the computational challenge
- Review of pricing techniques: full-revaluation, Greeks first order, Greeks second order, Grids with linear interpolation
- A novel approach: Algorithmic Pricing Acceleration (APA) applied to IMA
- A benchmark study: the performance of each technique on a sample portfolio of swaps, Bermudan swaptions and exotic barrier options. We show results with numbers and metrics to the whole portfolio.
- The P&L attribution test in each technique: which ensures you will pass it always?

Presenter: Ignacio Ruiz: Founder & CEO, **MoCaX Intelligence &**

Udit Mahajan: Co-Head of Market Risk Projects, **Deloitte**

MAIN CONFERENCE DAY 1: THURSDAY 3RD MAY

11:45 - 12:30 REGULATORY REVIEW PANEL:

IMPACT OF THE "FINALISED" BASEL 3 PACKAGE ON BANKS' FRTB PROGRAMMES

- **Review "finalised" Basel 3 Package Regarding Current Timelines**
 - Discuss regional implementation versus global standardization UK vs. Europe (Impact of Brexit) vs. Rest of the World
 - Understanding other global approaches and consensus to reach a level playing field
 - Model approval, capital floors and backtesting requirements
 - The timelines across regional regulators
- Discuss the Impact in Europe if US do not implementing full package
- Do we expect regulators to strongly enforce the requirement to explicitly capture migration risk in ES, and if so do we expect banks to be able to meet this requirement without fundamentally changing their approach to specific risk modelling?
- How do we envisage dealing with situations where a trading desk spans multiple jurisdictions?
- What is still to come before 2019/20 on FRTB
 - Post implementation impacts
 - Discuss any potential unintended consequences of FRTB
- **Alignment of FRTB with other regulations**
 - Consistency with MiFID
 - Crossover with other regulations: MiFID, IFRS 9, SA-CCR etc.
- **Discuss the Impact of FRTB on XVA's:**
 - How will the latest proposed regulations impact CVA calculations
 - Review what are the most important factors to take into account when calculating the new CVA
 - Calculating & Implementing FRTB CVA. How will it affect banks' internal modelling for counterparty risk and risk management?

Moderator:

- **Thomas Obitz:** Director, **RiskTransform**

Panel:

- **Dilip K. Patro:** Section Chief, Quantitative Model Analysis, **Federal Deposit Insurance Corporation (FDIC)**
- **Neels Vosloo:** Head of EMEA Regulatory Risk, **BAML**
- **Santosh Erukulla:** Director, Regulatory Advisory, **Strapper Consulting**
- **Ignacio Ruiz:** Founder & CEO, **MoCaX Intelligence**

12:30 - 13:30 LUNCH

13:30 - 14:15 DATA MANAGEMENT & SYSTEM CHALLENGES

- How to manage your data
- System challenges of FRTB
- Using data to your advantage
- Aggregation of different data from various systems
- Increase in required computational resources
- Sourcing quality data - outsourcing?
- Role of fin-tech and vendors

Presenter: To be confirmed

MAIN CONFERENCE DAY 1: THURSDAY 3RD MAY

14:15 - 15:00 FRTB DATA MANAGEMENT & SYSTEM CHALLENGES

- Managing SA data challenges
- Products to Risk factor mapping
- System challenges of sensitivity calculations
- Managing IMA data challenges
- Availability of third-party solutions - Role of fin-tech and vendors
- Market Risk Capital optimization under FRTB

Presenter: To be confirmed

15:00 - 15:30 AFTERNOON BREAK AND NETWORKING OPPORTUNITIES

15:30 - 16:30 'NUTS & BOLTS OF NON MODELLABLE RISK FACTORS'

- Re-cap of regulations on NMRFs and the areas of uncertainty
- NMRF framework & Operating Model
- Modelling of 0 dimensional (spot), 1 dimensional (term structure) and 2 dimensional (surfaces) risk factors
- Capitalisation of risk factors
- Leveraging other regulatory initiatives for observations data and
- How to choose a data pooling utility

Presenter: Santosh Erukulla: Director, Regulatory Advisory, **Strapper Consulting**

16:30 - 17:30 UNDERSTANDING AND MANAGING THE IMPACT OF NMRFS ON PROFITABILITY, RISK MANAGEMENT AND OPERATING MODEL

- Why so many NMRFs? The wicked properties of trade arrival patterns
- Drivers for the impact of NMRF on capital demand, limits of observability and the inevitable conversation with the regulator
- Credibility of observations, the "clear and apparent relationship" and the inevitable conversation with your traders
- Trade-offs in risk factor definition
- Risk management in the presence of NMRF – when regulatory capital and economic risk do not align anymore
- Operational framework around NMRF: From product development through the lifecycle
- Potential operating model and data integration with a market data utility
- Relationship with IFRS9
- Market structures and liquidity regimes: Should a bank actively manage modellability?

Presenter: Thomas Obitz: Director, **RiskTransform**

MAIN CONFERENCE DAY 2: FRIDAY 4TH MAY

08:30 MORNING WELCOME COFFEE

09:00 - 09:45 FRTB AND MODEL USE TEST

FRTB Implementation: Where are we now?

- Status of FRTB implementation
- Interpretation of existing rules
- Implementation challenges
- Interplay between the entire framework
- Regulatory perspective - Governance & Control
- Approaching the approval process
- Consistency/Crossover with MiFID , BCBS 239, IFRS 9 etc.
- What are the FAQ's and how are these dealt with by Basel?

Keynote: Adolfo Montoro: Director of Market Risk Methodology, **Deutsche Bank**

09:45 - 10:30 FRTB PRACTICAL IMPLEMENTATION CHALLENGES

- Risk Factor Modelling
- PLA Test
- MA Idiosyncrasies
- IMA Idiosyncrasies application to Emerging Markets
- SBA Idiosyncrasies – Calibration, Cliff effects, Disjoint Risk Silos
- BA Idiosyncrasies – Low correlation scenario
- SBA Idiosyncrasies - Commodity Base Metals example
- Budget constraints vs. Capital visibility – The regulatory Spanner in the works
- Optimizing SBA / IMA usage and mixed approaches

Presenter: Sylvain Martinez: Head of Market Risk and Analytics, **ICBI Standard Bank**

10:30 - 11:00 MORNING BREAK AND NETWORKING OPPORTUNITIES

11:00 - 11:45 DEFINING OPTIMAL SOLUTIONS FOR EXHAUSTIVE RISK FACTOR MODELLING ACROSS VARIOUS COMPONENTS OF THE FRTB'S TWISTY PUZZLE

FRTB requires institutions to cope with a multitude of methodologies (VaR, Expected Shortfalls, Reduced and Full Risk Factor sets, Non-Modellable Risk Factors and RTPL definition) that would need to be coherently linked and interacting with each others. Ensuring that traded products and their underlying risk factors are modelled consistently across the various components of the framework raise additional implementation challenges that would need to be dealt from a modelling perspective with direct consequences on the architecture. The speaker will illustrates the topic by means of stylised use cases.

Presenter: To be confirmed

MAIN CONFERENCE DAY 2: FRIDAY 4TH MAY

11:45 - 12:30 FRTB PANEL DISCUSSIONS:

REVIEW OF THE LATEST MODELLING, MODEL VALIDATION & CAPITAL REQUIREMENTS CHALLENGES

- Discuss the Revised Minimum Capital Requirements for Market Risk
- Discuss the Interplay Between Capital and Collateral from Regulatory and Modelling Perspectives
- Model Validation under FRTB
 - Review the validation aspects for the new internal models Under FRTB
 - Discuss the Internal Model Validation Process
 - Eligibility of Trading Activities for IMA
 - Capital and collateral requirements: regulatory developments and timelines
- Overcoming the latest Modelling Challenges for SBA and IMA
- Assess the Pro's And Con's of IMA Implementation or using Standardised Approaches
- Using the standardised approach in parallel with Internal Models
- Discuss the outstanding issues in the Standardized Approach
- In the standardised approach what are the complexities that are expected?

DESK ELIGIBILITY - HOW TO IMPLEMENT THE P&L ATTRIBUTION AND THE CHALLENGES BEHIND NMRF

- Latest interpretation of Eligibility test stemming from CRR publication
- Discuss Implementation challenges behind NMRF and eligibility test such as Risk Theoretical P&L attribution
- Ongoing desk eligibility for IMA – Implementation challenges in P&L attribution and backtesting
- Discuss the current P&L testing issues
- NMRFs and Data Availability
- Potential challenges for using 3rd party vendors for the modellability assessment
- Challenges posed by effective implementation of Non-modelable Risk Factors (NMRF)
- Discuss Modellable and Non-Modellable Risk Factors: Assessment & Interpretations of The Current Regulations Given the huge step in data quality that will be required to meet P&L explain and backtesting requirements under FRTB, how well prepared do we expect banks to be for this?
- Discuss the model validation challenges for the FRTB modelling approaches, NMRFs & Expected Shortfall
- Examining the capital implications of NMRFs and the impact on products

Moderator:

- **Adolfo Montoro:** Director of Market Risk Methodology, **Deutsche Bank**

Panel:

- **Sylvain Martinez:** Head of Market Risk and Analytics, **ICBI Standard Bank**
- **Satinder Jandu:** Director, **Viewset Ltd**
- **Dionisis Gonos:** Director, Co Head Quantitative Analytics for Market Risk, **Barclays**
- **Tim Becker:** Head of VaR methodology, Head of FRTB Non-Modellable Risk Factors, **Deutsche Bank**

12:30 - 13:30 LUNCH

MAIN CONFERENCE DAY 2: FRIDAY 4TH MAY

13:30 - 14:15 LEARNING MORE ABOUT THE NON-MODELLABLE RISK FACTOR FRAMEWORK:

Observability Assessment

- How many risk factors will be non-modellable
- What risk factors do we expect to be non-modellable across markets
- Is data pooling the solution

Capitalisation of NMRFs

- EBA's feedback on capitalisation
- Conservativeness of the aggregation scheme
- Illustrating the appropriateness of the zero-correlation assumption

Presenter: Tim Becker: Head of VaR methodology, Head of FRTB Non-Modellable Risk Factors, **Deutsche Bank**

14:15 - 15:00 DELIVERING IMA – CLOSING THE FRTB GAP

- How to identify the FRTB GAP for IMA (Calculators)
- How to close the GAP – what works and what doesn't
- Key dependencies
- Lessons learnt

Presenter: Satinder Jandu: Director, **Viewset Ltd**

15:00 - 15:05 QUICK AFTERNOON BREAK

15:05 - 15:45 CAN AI HELP FRTB?

"Time Series Data & FRTB - time to get it right"

Presenter: John Barclay: Managing Director, **RiskTensor**

15:45 - 16:15 APPLYING MACHINE LEARNING TO REDUCE THE COMPUTATIONAL BURDEN OF FRTB IMA

Presenter: To be confirmed

END OF CONFERENCE

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