



FRTB Scenario Service

Cross-asset historical pricing derivation, from time series gap-filling to proxying and configurable scenario generation for FRTB

KEY STATS

10,500

CDS curves

30+

currency yield curves

The Fundamental Review of the Trading Book (FRTB) includes new stress testing rules and requirements for pricing data going back to 2007. In order to comply, banks face the challenge of identifying and processing appropriate market data sources, filling time series gaps and making justified proxy decisions. The FRTB Scenario Service, which helps banks meet these challenges, is comprised of two distinct products:

- **The Risk Factor Utility (RFU)**, a cloud-based risk factor modelling environment
- **The FRTB Data Service**, a repository of historical pricing data and other FRTB-related data

As part of the FRTB Scenario Service, the RFU comes prepopulated with historical pricing data from the FRTB Data Service. Banks have the option of supplementing this time series data with proprietary and third-party data.

The service supports banks by delivering historical time series derivation and producing transparent, scalable, flexible scenarios, which can be consumed by risk engines as part of backtesting, profit and loss attribution (PLA), expected shortfall (ES) and stressed expected shortfall (SES) calculations.

When combined with the FRTB Modellability Service, the FRTB Scenario Service also supports NMRP proxying, which makes FRTB internal models approach (IMA) scenarios fully transparent for ES, SES and PLA.

Unique historical pricing datasets

The FRTB Scenario Service comes prepopulated with IHS Markit's cross-asset historical pricing datasets. Banks can use these datasets in combination with their own or third-party time series. IHS Markit's price histories are cleansed and validated, ensuring integrity and consistency over time.

Flexible Notebooks

The service includes a flexible, polyglot Notebook interface which end-users can design and configure themselves using a variety of languages, including R, Python, SQL or Scala. Notebooks give end-users the power of analytics and rich visualisations at production scale, creating a financial data scientist capability that dramatically reduces 'time to insight' and 'time to approval'. Notebooks can also be used as the basis for model approval document submissions, further reducing IMA implementation costs.

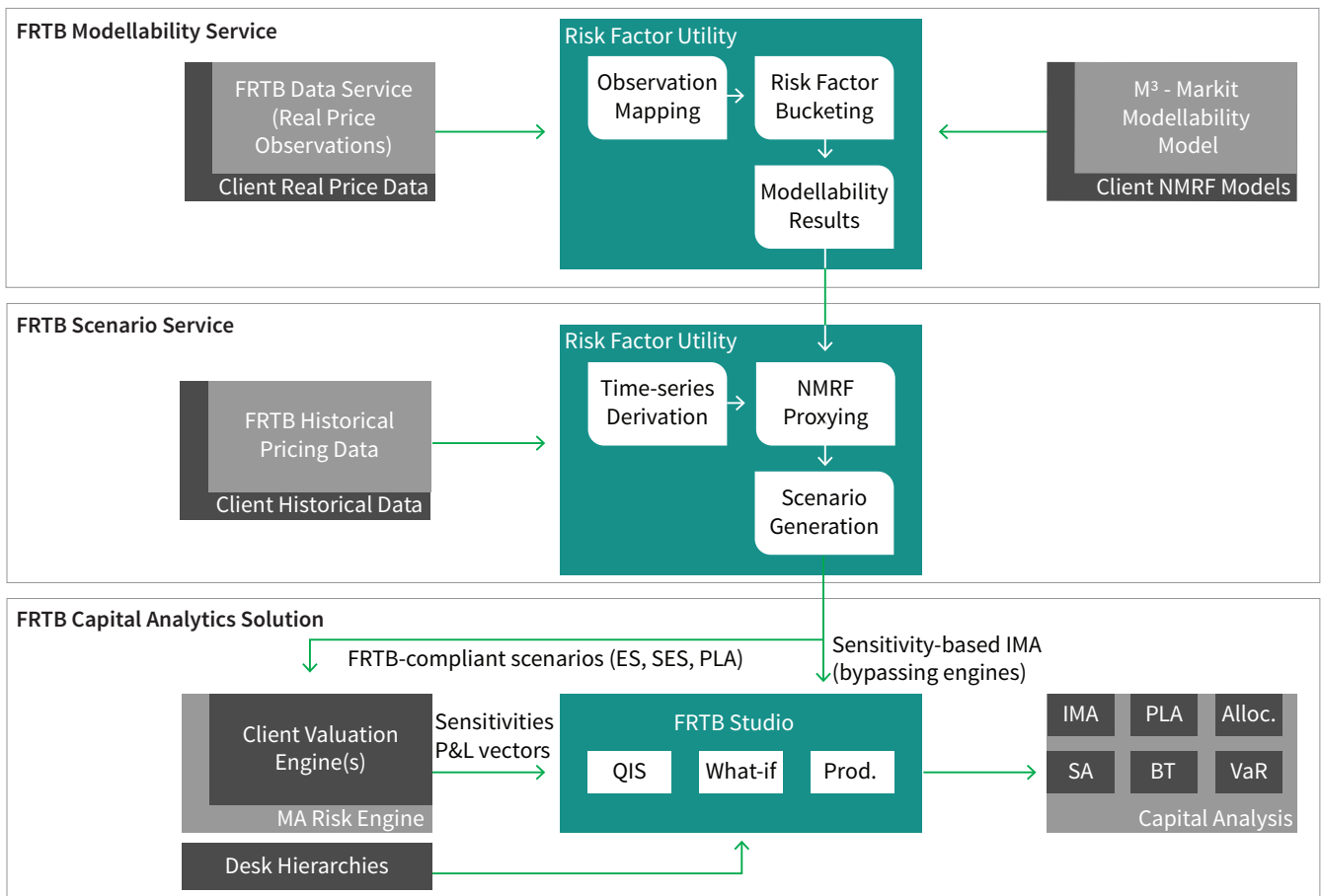
Flexible, modular design

Banks have the flexibility to mix and match the different functionality offered by the FRTB Scenario Service with their existing infrastructure, and to increase their use of the service over time. For example, they may initially choose to only use the FRTB Scenario Service for NMRF proxying and gap filling. However, at a later stage, they may decide to also use the service to generate their scenarios.

Operational from day one

Because it is hosted, the FRTB Scenario Service is immediately operational and pre-configured to generate scenarios when implemented. Users have the ability to customise the pre-configured models and develop their own.

FRTB Solution Suite



More information on IHS Markit products and services

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