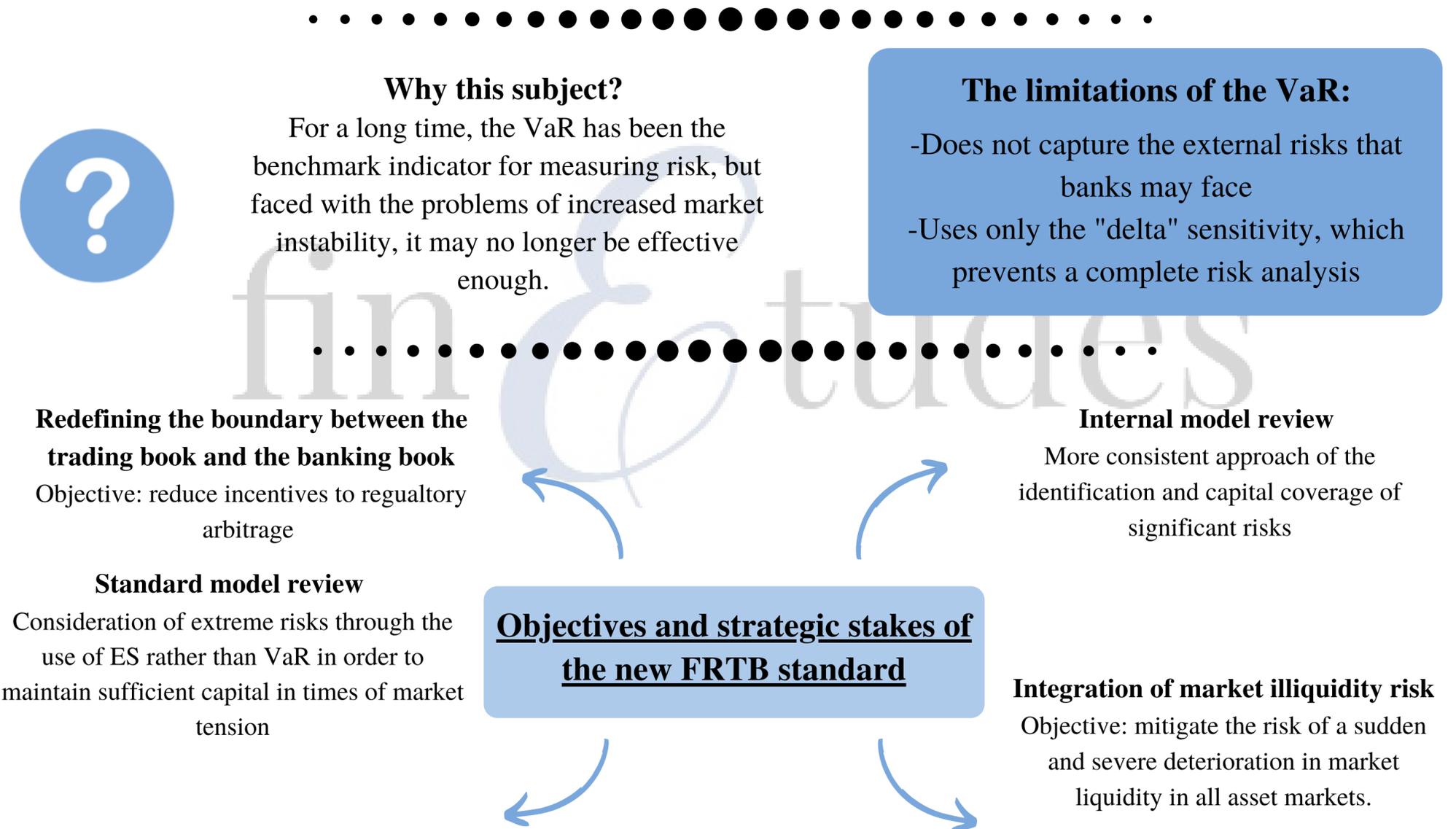


What would be the impact of changes in market risk measurement models on banks' regulatory capital?

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*Banking activity is changing and markets are increasingly volatile. This volatility creates risks that were previously measured by VaR. However, in view of the internal limits of the calculation of the VaR, the Basel Committee has decided to use a new and more comprehensive model. We will see how this new model could impact the banks' capital charge.*



**How is the proportion of capital (equity) reserved for market risk measured?**

**Standard Model**

Calculation of required capital = Charge for risk sensitivity + Charge for default + Charge for residual risk

**Internal Model**

-Estimation of ES at the 97,5% threshold  
-Variable time horizon of up to 120 days

**Impact of FRTB on banks**

Median (weighted average) increase of approximately 22% (40%) in total capital required for market risk  
Decrease in certain risks weights (e.g. foreign exchange risk -50%)  
Emergence of new challenges in terms of data management and data quality

**Conclusion and recommendations**

The new FRTB standard enables better management of market risks and closes VaR gaps by providing a better estimate of market risk and the associated capital charge. The capital charge is increasing as a result of improved measurement methods. To cope with this increase, banks should develop new investment strategies, while taking into account the cost that these strategies will generate.