

MSCI's Regulatory Capital Module for FRTB

MSCI's innovative solution for calculating capital charges, designed to facilitate more efficient implementation of the Fundamental Review of the Trading Book (FRTB)

Fresh challenges facing banks due to the new FRTB changes

In January 2016, the Basel Committee on Banking Supervision (BCBS) published the revised rules for minimum capital requirements under its Fundamental Review of the Trading Book (FRTB) regulations.

The new regulation mandates two capital charge approaches - **the mandatory Standardized Approach and the optional Internal Model Approach** - both of which may add additional complexities to how banks calculate their capital charge for market risk.

Banking experts have been vocal about the lengthy and complex implementation of the new rules, with compliance expected as early as 2022. Many banks may consider starting on work now to ensure they have the time and resources to meet the early 2022 deadline.

The MSCI advantage

- Hosted/ASP solutions designed to mitigate the need for additional hardware, budget or extra staff to deploy
- Market data available in the FRTB capital module of RiskManager
- Built-in security master, with market and reference data compiled from multiple vendors
- Access to a global research team with expertise in financial regulation

MSCI's Capital Module to address Standardized & Internal Model changes

MSCI combines robust analytics and market data via a new Capital Module in RiskManager that banks can use as part of their process to comply with the Standardized and the Internal Model changes.

Our expertise in modeling complex risk calculations and long-term investment in data and reporting infrastructure enables us to help clients by offering:

a) Packaged solutions that aim to enhance operational efficiency

- Jurisdiction-specific configurations that let clients calculate capital requirements in one step
- Market data includes their terms and conditions
- Post-processing and aggregation can be conducted by clients directly in MSCI RiskManager

b) Flexibility in fine-tuning configurations to your needs, and to validate specific risk results

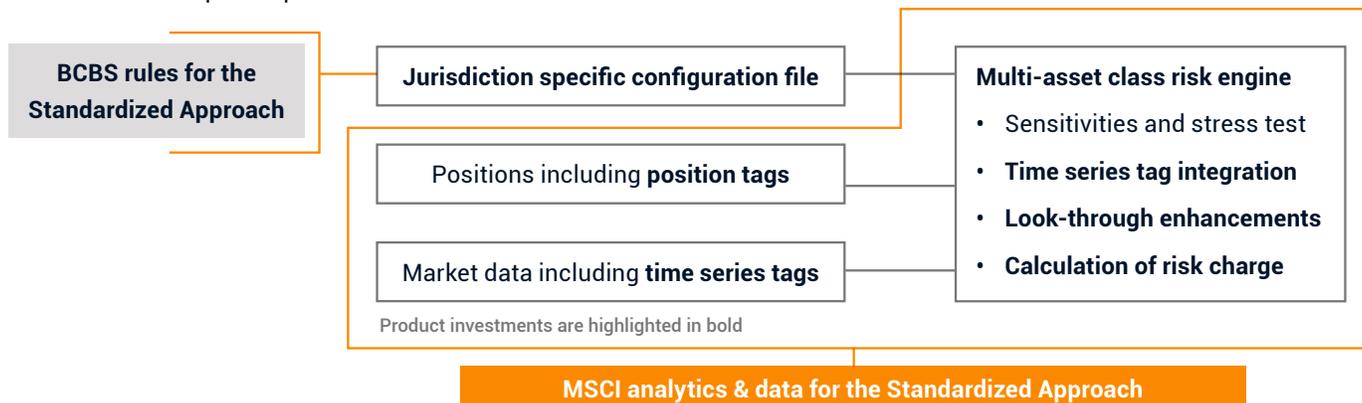
- Ability to substitute MSCI's data with your own (for example – user-defined time-series tags, or bucketing liquidity risk factors)
- Custom reporting designed to allow you to better understand and validate the capital charge

Flexible delivery options

- RiskManager, our multi-asset class risk management platform
- Web-based Application Programming Interfaces (APIs)
- Managed services including optional operational support and data management from MSCI

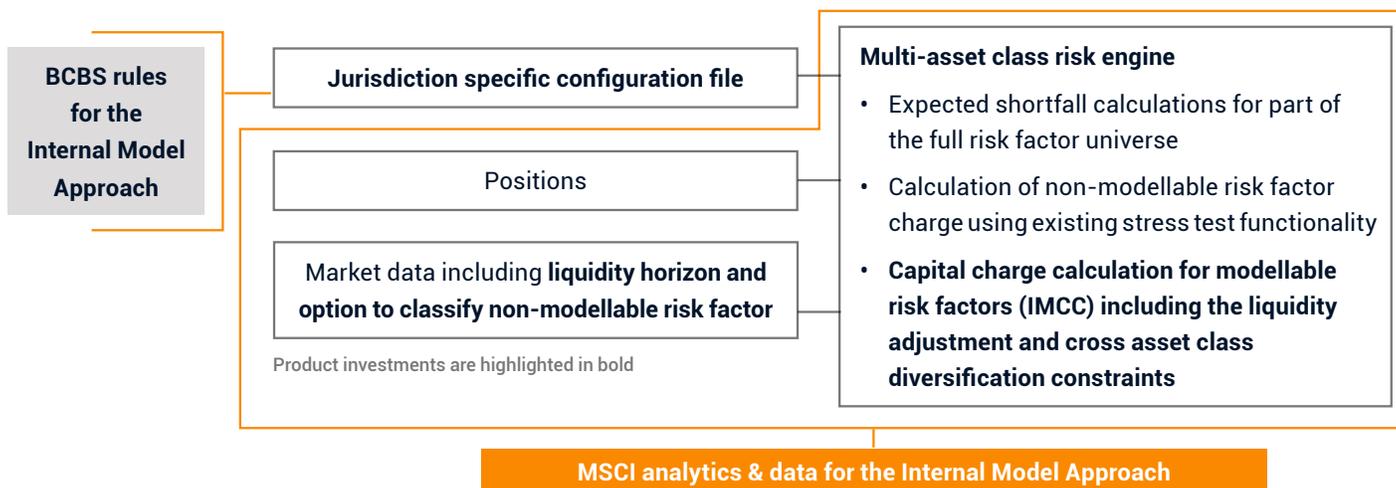
MSCI calculations under the Standardized Approach

MSCI can provide calculations for prescribed risk sensitivities, assign them to the risk weights and derive the capital charge, based on a bank's specific position information.



MSCI calculations under the Internal Model Approach

Several large banks already use MSCI's Regulatory Capital Module for FRTB to help them calculate their capital charge using the Internal Model Approach. Based on a bank's specific position information, the model can help you determine the capital charge, which entails the calculation of all underlying expected shortfalls on the MSCI platform.



About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

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