Calculating and understanding the Fundamental Review of Trading Book (FRTB) Standardized Capital charge has never been so easy.

**The solution**
FIS’ FRTB Standardized Service is Risk-as-a-Service to compute FRTB Standardized Capital for all stakeholders.

**Easy capital**
Upload standard sensitivities and see your market risk capital. The solution supports the latest Basel methodology and will include local variations as they are released. With over 20 years’ experience in risk management, FIS has the expertise in capturing all aspects of the calculation.

**Understand capital**
The engine comes equipped with a suite of analysis tools in an intuitive web-based navigation to explain the components of standardized market risk capital. The rich in-memory calculations allow a drill-down to trade-level contributions, sensitivities and capital change explain. With desk heads wanting to explain capital impacts, a fast, ergonomic what-if allows you to understand pre-deal costs of trading.

**Run when you want**
The Risk-as-a-Service concept means you can start the calculation and run it when you want, scaling up or down as requirements change. The flexible model alleviates the need for upfront commitment in a fluid environment.

**Background**
The FRTB is the biggest overhaul of market risk capital in 20 years. All banks with anything other than the tiniest trading book will have to calculate capital under the Standardized measure – either as their market risk capital, or as part of the floor for internal capital model calculations. While the new capital amounts will not be posted until January 2022, banks are looking to understand the impacts now, as trades done today may still be live in 2022; and regulators are requiring industry self-assessment.

The current standardized market risk capital calculation is extremely simple, if not very risk-sensitive, and is usually calculated by the finance department of banks. The FRTB Standardized Capital is much more complex and is influenced by many risk factors; it is widely considered too complex to be calculated by a bank’s finance group. Moreover, it is not only regulators interested in this new measure – capital-constrained front-office desks are eager to understand the impacts of new trades or strategies under FRTB and the management teams are expecting to factor in capital costs of trading when assessing desk profitability. Larger banks will also be considering if an internal model application will be beneficial, and understanding the Standardized measure provides one side of the equation.

**The challenge**
Implementing FRTB Standardized poses challenges for any bank. The measure is standardized, but not simple; there are many details requiring careful implementation, including factors for general market risk, default risk and exotics risk. Banks need a calculation that is lightweight, can integrate easily with existing systems, uses industry standard input formats and is transparent to explain sources of risk.

Such a calculation is required firstly for the end-of-month computation of capital requirements, but with front-office desks being charged for all the costs they incur, desk heads or treasurers will soon be demanding to know the capital impacts of certain positions or strategies. The ability to perform high-performance what-if will inevitably be an important requirement for these stakeholders. Further, it is crucial for the risk analyst working with the calculation to be able to fully explain the numbers to all stakeholders and ideally suggest how to minimize capital.
How do you differentiate yourself?

How does a bank differentiate from the competition? You identify your strengths, invest in them and remove the weaknesses.

In the traditional model where software is purchased from a vendor, clients are maintaining software, hardware and configuration of specific requirements and requests. Is this the best allocation of resources, or could this be outsourced to a trusted partner?

FIS’ risk services, or risk as a service, allow the firm to outsource non-differentiating tasks, enabling the bank to focus on steering the business and increased growth and profit.

Risk-as-a-Service Model

FIS takes on all the provision of a one-stop solution: creating and calibrating the calculation, updating it to be in line with regulatory guidance, ensuring the service is 24*7 available, is backed with sufficient compute power and providing best in class analysis tooling. All that is left for you is to get on with running the business!
Why FIS Risk Service?

Adaptiv Risk-as-a-Service

Respond to Business Demands
- Operational agility
- Scale to business cycles
- On-demand additional power

Full-Breadth Disaster Recovery
- Full environment for business continuity
- Pay when needed, not in case

Managing Total Cost of Ownership
- Utility pricing
- OpEx, not CapEx
- Time-sharing SMEs

Outsourced Application Management
- Free up expert resources
- Vendor application expertise
- Leading edge functionality
- Regular upgrades

Elastic Scalability
- As many as you need
- When you need it

What does FIS risk service do?

- **Web delivered** – You are up and running in days as no implementation required
- **Elastic scalability** – Use as much or as little as you want
- **On demand information** – Allow management views of data, easy drilldown to explain changes and flexible what-if tools to predict changes.
- **Guaranteed compliance** – FIS supports the current Basel regulations and will update for local jurisdictions’ implementations. The service includes Sensitivity-based approach (SBA) for general market risk, Default Risk Charge (DRC) to capture default events and Residual Risk add-on to capture more exotic risk factors.
- **Drive calculation via UI or API** – It can be natively embedded and called from the firm’s processes. Integration with R, Microsoft Excel and other common business intelligence tools allow users flexible and powerful access to results.
This is all delivered through a subscription model, meaning no large upfront commitments. You can start light and scale up as required.

Looking to the future
FRTB capital is just one of many new requirements hitting regulated banks. They are looking to understand how to tick all these boxes in a cost-effective manner, with minimal upfront investment, while maximizing profitability.

With increasing overlap and intersection of regulations and costs, firms need to be able to manage all the regulatory numbers in a consistent and coherent manner. You need an impact assessment, which includes all the ratios, margins, cashflow and capital impacts. FIS is building a suite of risk services on a single platform – FRTB Standardized Approach and Initial Margin (SIMM) in early 2018, a CVA risk service later in the year, and more to follow. These services working together will provide the firm of the future the full picture to steer by.
About FIS
FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 53,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index. For more information about FIS, visit www.fisglobal.com

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