

February 5<sup>th</sup>, 2018  
KAP 414  
2:00 P.M. – 3:00 P.M.

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## “Capital allocation under Fundamental Review of Trading Book”

**Abstract:** The Fundamental Review of Trading Book (FRTB) from the Basel Committee overhauls the regulatory framework for minimum capital requirements for market risk. Facing the tightened regulation, banks need to allocate their capital to each of their risk positions to evaluate the capital efficiency of their strategies. This paper proposes two computational efficient allocation methods under the FRTB framework. Simulation analysis shows that both these two methods provide more liquidity horizon weighted, more stable, and less negative allocations than the standard methods under the current regulatory framework.

This is a joint work with Luting Li.