



# FRTB REAL-PRICE OBSERVATIONS DATA SERVICE

**DTCC**

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## OVERVIEW

The Fundamental Review of the Trading Book (“FRTB”) released by the Basel Committee on Banking Supervision on January 14, 2016<sup>1</sup> overhauls the minimum capital requirements for market risk to address shortcomings of the current Basel III market risk capital framework.

One of the major changes to market risk capital under FRTB is the introduction of the risk factor modellability assessment framework based on real price criteria. This new framework requires banks to evidence sufficient market liquidity for the market risk factors related to the positions in their regulatory trading book that are capitalized using approved internal models.

The evidencing of market liquidity is based on these risk factors meeting minimum standards with respect to actual transactions and committed quote volume. These real price requirements to assess risk factor modellability have attracted attention among market participants due to the significant implementation challenges and the potentially large increases in market risk capital that banks may be required to maintain as a result of these rules.

Banks have the opportunity, however, to reduce the operational implementation burdens and their market risk capital charges by pooling observable transaction data to evidence that associated risk factors can meet the real price standards.

## FRTB REAL-PRICE OBSERVATIONS DATA SERVICE

### **LEVERAGES THE PREMIER POST-TRADE MARKET INFRASTRUCTURE FOR THE GLOBAL FINANCIAL SERVICES INDUSTRY**

DTCC’s FRTB Real-Price Observations (RPO) Data Service, leveraging the premier post-trade market infrastructure, is positioned to deliver an FRTB RPO data service to assist the industry with demonstrating the modellability of risk factors. The RPO service leverages the existing data collection and processing infrastructure already used by DTCC to support global post-trade activity. User owned and governed, DTCC is uniquely positioned to help support banks’ implementation of the new risk factor modellability assessment framework and critical NMRF assessment work.

### **A PRIMARY SOURCE OF AGGREGATED GLOBAL REAL PRICE OBSERVATION DATA**

DTCC has unsurpassed data collection capabilities across all asset classes, including the more illiquid securities in the OTC derivatives market. Each year, DTCC handles more than \$2 quadrillion in securities transactions, mitigating risk and enabling markets to operate cost-effectively and efficiently.

### **REAL-WORLD NMRF ASSESSMENT RESULTS ACROSS MULTIPLE ASSET CLASSES**

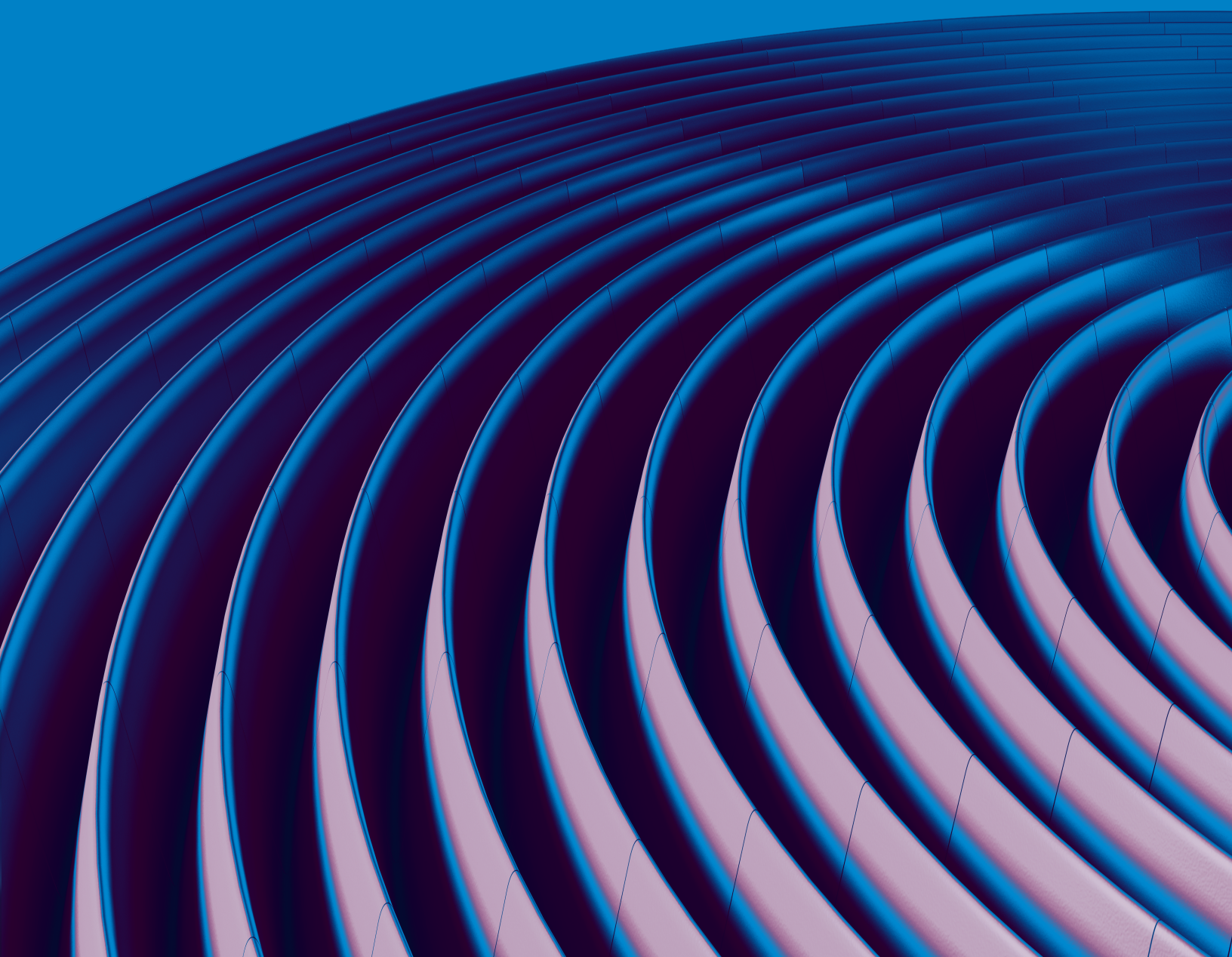
The value proposition of an NMRF impact assessment using real price observations data is supported by real-world findings from an internal DTCC real price study<sup>3</sup>. This study proved a high level of modellability across asset classes and the potential to see relative reductions of non-modellability across multiple asset classes via industry data through the use of an industry pool.

### **POISED TO ADDRESS OUR CLIENTS’ IMMEDIATE FRTB DATA CHALLENGES**

The FRTB RPO Data Service will leverage DTCC’s extensive experience in post-trade data collection and processing capabilities to pool data provided to DTCC by participating banks. The RPO service is built upon DTCC’s existing infrastructure links with the participating banks to ensure minimal implementation efforts and system changes. Helping to lower operational risk associated with new technologies and promote high continuity.

## KEY FEATURES

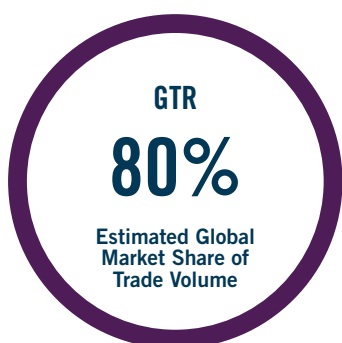
- Promote standard product and sub-product taxonomy by aligning with the ISDA Product Taxonomy
- Reduce market fragmentation by creating a primary source of real price observation data aggregated globally and across asset classes
- Assessment of continuous availability of “market observable trades” to evidence instrument-level modellability based on a set of criteria
- Business rules-based filtering and drill-down capabilities allow users to specify the level of granularity and attributes to view the transaction dataset
- Support for message-based API as well as file uploading and downloading
- Web-based user interface with the capability to create a Risk Factor library to query instrument data and modellability metrics
- RPO monitoring function enables monitoring of trade volume and frequency changes for a specified instrument and automatically pushed reports to the users with an early indicator or alert
- Audit trail to allow users and regulators to drill down into the transaction level details





## KEY DATA SOURCES BY ASSET CLASS, TRADE VOLUME AND LOCATION

DTCC's FRTB Service leverages DTCC's global set of financial data and vast infrastructure to pool observable transaction data, helping banks meet framework requirements to optimize balance sheet capital. The following table highlights the volumes and breadth of data utilizing DTCC's post-trade processing coverage across jurisdictions and asset classes.



Type	Source*	Asset Class	Daily Volume	Location
Derivatives	GTR	Commodities	+1.5M	Global
Derivatives	GTR	Credit	< 2M	Global
Derivatives	GTR	Equity	+5M	Global
Derivatives	GTR	FX	+6M	Global
Derivatives	GTR	Rates	+10M	Global
Derivatives	TIW	Credit	40k	Global (Superset)
Cash	DTC	Structure Finance	5k	U.S. Domestic
Cash	NSCC	Corp Bonds	47k	U.S. Domestic
Cash	NSCC	Equity	+115M	U.S. Domestic

\* GTR - Global Trade Repository; DTC - Depository Trust Company; TIW - Trade Information Warehouse; NSCC - National Securities Clearing Corporation

# ABOUT DTCC

With over 45 years of experience, DTCC is the premier post-trade market infrastructure for the global financial services industry. From operating facilities, data centers and offices in 15 countries, DTCC, through its subsidiaries, automates, centralizes and standardizes the processing of financial transactions, mitigating risk, increasing transparency and driving efficiency for thousands of broker/dealers, custodian banks and asset managers. Industry owned and governed, the firm simplifies the complexities of clearing, settlement, asset servicing, data management, data reporting and information services across asset classes, bringing increased security and soundness to financial markets. In 2019, DTCC's subsidiaries processed securities transactions valued at more than U.S. \$2.15 quadrillion. Its depository provides custody and asset servicing for securities issues from 170 countries and territories valued at U.S. \$63.0 trillion. DTCC's Global Trade Repository service, through locally registered, licensed, or approved trade repositories, processes over 14 billion messages annually.

# DTCC

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**\$2.3**  
Quadrillion

Total Value of Securities Processed in 2020

#### FIXED INCOME CLEARING

**\$1.5**  
Quadrillion



in government securities & **\$70 trillion** in mortgage-backed securities processed

#### EQUITIES CLEARING

**\$1.7**  
Trillion

cleared daily in broker-to-broker transactions for **50+** exchanges & trading venues

#### SETTLEMENT & ASSET SERVICES

World's largest depository holds

**1.37**  
Million

of active U.S. issues with **561 million** transactions settled per year, valued at **\$131 trillion**.

#### DERIVATIVES TRADE REPORTING



**15**  
Billion

messages annually across **11** trade repositories reporting to **60+** global regulators in **35** countries.

## FOR MORE INFORMATION

DTCC Data Services team: [dataservices@dtcc.com](mailto:dataservices@dtcc.com)

Visit [www.dtccdata.com](http://www.dtccdata.com) for additional product details and to learn more about DTCC Data Services entire suite of offerings.

<sup>1</sup> <https://www.bis.org/bcbs/publ/d352.htm>

<sup>2</sup> Go to [story.dtccdata.com](http://story.dtccdata.com)

<sup>3</sup> Go to <https://www.dtcc.com/-/media/Files/Downloads/WhitePapers/FRTB-White-Paper.pdf> to download DTCC's FRTB White Paper – March 2020