**Assignment Lecture 5: Michele Marzano**

“The financial crisis highlighted weaknesses in the risk management of trading book positions, and modelling and sufficiency of market risk capital.” Discuss and critique the regulatory authorities’ response.

**Below is a list of references that you may find useful.**

• **“Value at Risk - Second Edition”, Philippe Jorion. McGraw-Hill (2001).**

• **“Risk Management and Analysis Volume 1 – Measuring and Modelling Financial**

**Risk”, Carol Alexander, John Wiley & Sons (1998).**

• **“Banking on Basel – the Future of International Financial Regulation”, Daniel K**

**Tarullo, Peterson Institute for International Economics (2008).**

• **BCBS Consultative Document – Principles for sound stress testing practices and**

**supervision, January 2009, issued for comment by 13 March 2009.**

**http://www.bis.org/publ/bcbs147.pdf?noframes=1**

• **FSA CP 09/ 29, December 2009 – Strengthening Capital Standards.**

• **BCBS Final Document - Revisions to Basel II Market Risk framework (July 2009).**

**http://www.bis.org/publ/bcbs158.pdf?noframes=1**

• **FSA Handbook Prudential Source for Banks Building Societies and Investment**

**Firms, Release 081, September 2008. Known as “BIPRU”.**

**http://fsahandbook.info/FSA/html/handbook/BIPRU**

• **IIF – Reform in the Financial Services industry: Strengthening practices for a more**

**stable system – December 2009 – Section I and Appendix 4 are very useful**

[**http://www.iif.com/press/press+releases+2009/press+125.php**](http://www.iif.com/press/press+releases+2009/press+125.php)

**BIPRU 7.10 Use of a VaR Model**

**http://fsahandbook.info/FSA/html/handbook/BIPRU/7/10**

• **BCBS Guidelines for Computing Capital for Incremental Risk in the Trading Book,**

**July 2009. http://www.bis.org/publ/bcbs159.htm**

• **FSA – The Prudential regime for Trading Activities: A Fundamental Review,**

**Discussion paper 10/4, August 2010.**

**http://www.fsa.gov.uk/pubs/discussion/dp10\_04.pdf**

• **Financial Stability Forum – Working group on market and institutional resilience –**

**Interim report February 2008**

**http://www.financialstabilityboard.org/publications/r\_0804.pdf , final report –**

**April 2008 - http://www.financialstabilityboard.org/publications/r\_0802.pdf and**

**update on implementation – April 2009**

**http://www.financialstabilityboard.org/publications/r\_0904d.pdf**

• **Senior Supervisors Group – Risk Management lessons from the Global banking**