

# V.R. Machine - RENTD Calculation

## A Patent Pending Invention for the Volcker Rule Compliance



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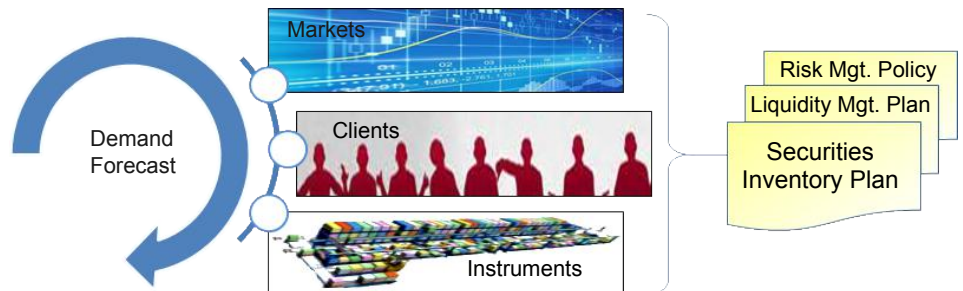


*Nominated for Best Regulatory Compliance Solution*

### What it is?

- Method to perform RENTD (reasonably expected near term demands) forecast
- Making it easy to calculate the absurdly complicated "reasonable" demand
  1. Pick a combination of markets scenarios, client segments, and instruments (Fixed Income, Equity, Derivatives and Others)
  2. Utilize in-house views, assumptions, and market feeds
    - Risk management policy (appetite and tolerance levels)
    - Liquidity management plan
    - Bayesian model, statistics (demand & supply factors)
    - Order imbalances and more
  3. Crunch-out daily inventory projection
- Consider market dynamics and other event-driven factors
- Interface with order books, and banks may mark-off "instruments" that will be squared-off in a certain time horizon
- Optimize time to replenish inventory

### Why you should care?



- ERM - Risk appetite statement  $\neq$  RENTD
- Volcker's "instrument approach" to inventory is different from risk limits
- Value-at-Risk would never be able to cope with the impending problem of when it is the right timing to get in or out of a position (a critical factor to determine "reasonableness" of trade activities)
- Banks need justification for those outlier instruments (infrequent trade with turnover > 60 days) to ensure related market risks are deemed "reasonable"
- No bank wants the regulators to use one "generic" template to measure the effectiveness of a bank's securities inventory plan in comparison to others

### Our Offerings

- Historical projection and outliers justification
- Scholastic models that don't follow historical projection
- Customize parameters to fit different trading desk natures

### Advantages in using our algorithm:

- (a) Validity has already been proven
- (b) Parameters are customizable to ensure fit-for-purpose
- (c) Saves time and costs to deal with nuances in daily reforecast



Scenario planning for the right amount of trades at the right time!

### ContactUs

Phone: 617.237.6111

Email: [info@databoiler.com](mailto:info@databoiler.com)



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