

# FRTB Banking Book – Trading Book Boundary

The old boundary was based on a loosely defined “intent to trade”. Now certain products must be BB and certain products and activities must be TB. Some products are presumed to be TB. Anything failing to qualify as TB is BB. Documented policies and procedures must exist to cover the designation.

## Trading Book

### TB Activities

- Held for short-term resale
- Held to profit from short-term price movements
- Held to lock in arbitrage profits
- Held to hedge any of the above

### TB Instruments

- Correlation trading portfolios
- Trading Desk instruments
- Net short equity or credit risk positions
- Underwriting positions

### Instruments presumed to be TB

- Accounted for as trading assets/ liabilities
- Market making
- Listed equities
- Repos and similar
- Options and embedded derivatives on credit or equity risk

Explicit regulatory approval is required to deviate from the presumption

## Banking Book

### Default Position

Any instrument not held for a “TB Activity” is BB

### BB Instruments

- Unlisted equities
- Instruments designated for securitisation warehousing
- Real estate holdings
- Retail and SME Credit products
- Funds which have no daily price or where looking through to the fund holdings is not possible
- Hedges on any of the above
- Derivatives on any of the above