MARKET RISK MODELS PERFORMANCE AND ECONOMIC PARAMETERS IN THE ASIA-PACIFIC FX RATE MARKET

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Abstract
The market risk capital charge of financial institutions is mostly calculated by internal models based on integrated Value at Risk (VaR) approach since introduction of the Amendment to Basel Accord in 1996. The internal models should fulfil several quantitative and qualitative criteria, including backtesting procedure. In relation to assumed extension of capital risk charge calculation by conditional Value at Risk or Expected Shortfall (ES) we study performance of selected market risk models from various perspectives, including the similarities in the arrival of exceptions (ie. model errors) and potential relation between FX risk model quality and economic performance of selected countries in the Asia-Pacific region.

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