

ABSTRACT

(TITLE OF PAPER / PRESENTATION TO APPEAR IN PROGRAM)

(Name of Author/s)

Backtesting ES: A simple multinomial test

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Key words: (enter up to 8 key words applicable to your abstract / paper / presentation)

backtesting; coherence; (conditional) elicibility; expected shortfall; risk measure; risk management; (tail) value-at-risk

Purpose of your paper: (To assist delegates / readers searching for your paper on the website after the event, please enter a brief description (maximum 220 characters) on the purpose of your paper.)

To suggest a new and simple backtesting procedure for Expected Shortfall to practitioners

Abstract: (Place text here using font size Calibri (Body) 11)

Although Expected Shortfall (ES) is in general a better risk measure than Value-at-Risk (VaR) because of its mathematical properties, it has also been proved to be non elicitable, leading to less straightforward backtesting methods than, e.g., for VaR. It gave rise to a debate, necessary as it might be seen in practice as a drawback when new regulation rules reinforce the process for model validation.

A popular backtesting procedure for VaR is a binomial test, based on a violation process. Following the idea by Emmer et al. (2015) of considering an empirical approach that consists in replacing ES by a set of a small number of quantiles for the backtesting, comes the natural proposition of a simple multinomial backtesting test for ES.