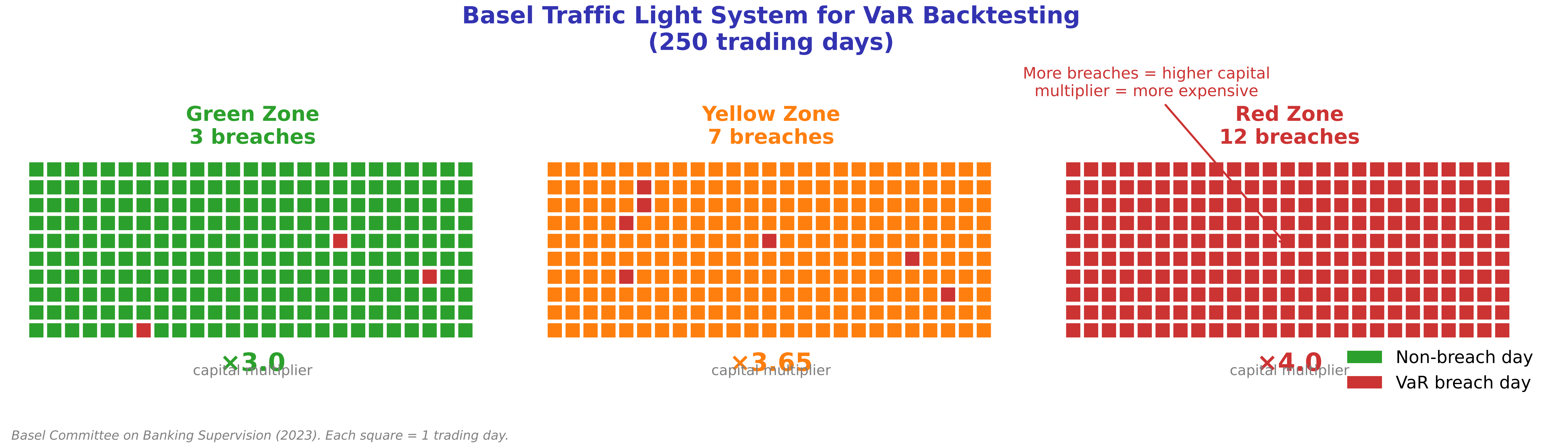
Basel Traffic Light System for VaR Backtesting
(250 trading days)
More breaches = higher capital
multiplier = more expensive
Green Zone
3 breaches
Yellow Zone
7 breaches
Red Zone
12 breaches
×3.0
capital multiplier
×3.65
capital multiplier
×4.0
capital multiplier
Non-breach day
VaR breach day
Basel Committee on Banking Supervision (2023). Each square = 1 trading day.