



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

ECB-PUBLIC

## **Instructions on the template for the notification regarding an ex-ante non-material change or extension of the permission for IRB, IMM, A-CVA, IMA and AMA<sup>1</sup>**

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<sup>1</sup> Internal Ratings Based Approach (IRB Approach), Internal Model Method (IMM), Advanced Method for Credit Valuation adjustment risk (A-CVA), Internal Models approach (IMA), Advanced Measurement Approach (AMA).

## 1. Introduction

The aim of this document is to provide instructions on how to fill in the template to notify ex-ante non-material changes or extensions to the ECB.

The template is designed to notify one single change or extension per time (please use as many templates as the number of changes or extensions you need to notify). Changes or extensions may affect more than one risk type and more than one rating system or internal model; for this dedicated information is required in the template. All the relevant documents must be submitted together with the filled template.

Ex-post non-material changes or extensions shall be notified with the corresponding form, provided separately by the ECB.

## 2. Description of the template

### 2.1 Explanation of the fields

This chapter provides a description of the meaning of the fields and the expected information that should be recorded therein.

#### ➤ Section 1: General information

The section ‘General information’ captures the basic institution (group) data, a basic description of the change or extension and the risk types that are affected by the change or extension.

Name of the institution	Name of the institution submitting the notification
Entities affected by the modification	List of all legal entities that are affected by the change or extension. If all the legal entities are affected, please indicate “All legal entities of the group”.
Date of notification	Date (dd/mm/yyyy) of this notification.
Modification type	Indicate one between (only one selection allowed): <ul style="list-style-type: none"> <li>• Change</li> <li>• Extension</li> </ul>
Change or extension classification by institution according to the relevant Regulation	Indicate the appropriate regulation and article considered for the classification of the Modification Type (Delegated Regulation (EU) No 529/2014 (amended by Delegated Regulation (EU) No 2015/942), and EGMA (ECB Guide for

	<p>Materiality Assessment of IMM and A-CVA model extensions and changes).</p> <p>E.g. Article 5(1)(a)(iii) of Regulation (EU) No 529/2014.</p>
Description of the change or extension	<p>Provide a brief description of the rationale and the objective of the change/extension in accordance with Article 8(1) of Delegated Regulation (EU) No 529/2014 or Section 8(1) of the EGMA respectively.</p> <p>In case the change is triggered by a Supervisory measure (e.g. Decision on internal models or similar communication), indicate the reference of such document and the precise reference number of the measures (e.g. Obligation number).</p>
Affected risk type(s)	<p>Select between (multiple selections are possible):</p> <ul style="list-style-type: none"> <li>• Credit risk</li> <li>• Market risk</li> <li>• Operational risk</li> <li>• Counterparty credit risk</li> <li>• Credit Valuation Adjustment risk</li> </ul>
Model version number	<p>If relevant, please provide the internal version number of the model before and after the change/extension.</p>
Planned implementation date of the change or extension	<p>Indicate the planned date (dd/mm/yyyy) of the implementation of the change or extension.</p>
Impact on consolidated level	<p>Provide Tier 1 Capital Ratio and Common Equity Tier 1 Capital Ratio before and after change/extension.</p>
Relevant competent body and date of internal approval	<p>Indicate the name of the competent body and the date for internal approval.</p>
List of relevant documents	<p>List the attached relevant documents in accordance with (whichever applies):</p> <ul style="list-style-type: none"> <li>• Article 8 of EU Delegated Regulation (CDR) No 529/2014</li> <li>• Section 8 of the EGMA (ECB Guide for Materiality Assessment of IMM and A-CVA model extensions and changes).</li> </ul>

➤ **Section 2: IRB information**

The section must be filled in in case the notification is related to IRB permission and if the type of change is subject to requirements of Articles 4 and 5 of CDR 529/2014.

The impact of the change is measured in terms of absolute and relative<sup>2</sup> changes in risk weighted assets (RWA) and expected loss (EL). The measures are evaluated on rating system level and on consolidated group level.

If more than one rating system is affected by the change or extension, the institution is expected to report the impact for each rating system separately. To this end, the institution shall add an additional row for each relevant rating system.

In general, the template is referring to rating system; in case of equity exposure the information requested shall be referred to the approach used in accordance with CRR art. 155.

<p>Exposure class(es) affected by the change or extension</p>	<p>Indicate between (multiple selections are possible):</p> <ul style="list-style-type: none"> <li>• Central govern. or central banks</li> <li>• Institutions</li> <li>• Corporates</li> <li>• Retail</li> <li>• Equity</li> <li>• Securitisation positions</li> <li>• Other non-credit-obligation assets</li> </ul>
<p>Basic properties of the population of clients/exposures</p>	<p>Number of observations/exposures, minimum/maximum exposure, mean/median exposure, first/third quartile.</p>
<p>Rating system(s) affected by the change or extension</p>	<p>Indicate the number of affected rating systems.</p> <p>For each affected rating system, indicate the name of the rating system, the EAD and RWA in the range of application, the absolute and the relative changes of RWA due to the change or extension. Indicate the reference date, currency and unit (e.g. million, billion) used to determine the figures.</p> <p>Please add as many rows as necessary in relation to the number of rating system affected.</p>
<p>Impact on consolidated level</p>	<p>Indicate the currency and the unit (e.g. million, billion) used for the information provided related with the impacts (see below). Moreover the reference date shall be indicated.</p>

<sup>2</sup> To calculate the relative impact, please use the following formula e.g applied to RWA:  $RWA\%change = (RWA\ after\ change - RWA\ before\ change) / RWA\ before\ change$ .

	Indicate the absolute and relative change of RWA and EL.
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➤ **Section 3: IMA information**

The section must be filled in in case the notification is related to IMA.

The quantitative impact of the change is measured in terms of absolute and relative<sup>3</sup> changes in own funds requirements (OFR)<sup>4</sup> and relative changes in the risk numbers VaR, SVaR, IRC and CRM in accordance with CDR 529/2014<sup>5</sup> Art. 7a(1)(c). The measures are evaluated on consolidated level and on solo/(sub)consolidated levels with IMA approval<sup>6</sup> which are affected by the model change or extension respectively<sup>7</sup>.

Risk number(s) affected by the change or extension	<p>Indicate between (multiple selections are possible):</p> <ul style="list-style-type: none"> <li>• VaR</li> <li>• SVaR</li> <li>• IRC</li> <li>• CRM</li> </ul>
Impact on consolidated level (Currency, Unit, Time period of reference, OFR impacts)	<p>Indicate the currency and the unit (e.g. million, billion) used in the information provided for the impacts (see below). Moreover, provide the time period (start and end date) of the testing of the impact of the extension or change.</p> <p>Indicate the highest<sup>8</sup> absolute and relative change of OFR observed over the testing period (derived in accordance with CDR 529/2014<sup>5</sup> Art. 7a(1)(c)(i)).</p>
Impact on solo/(sub)consolidated levels with IMA approval (Time period of reference, Entity name, Level of consolidation, VaR impact, SVaR impact, IRC impact, CRM impact)	<p>Provide the time period (start and end date) of the testing of the impact of the extension or change.</p> <p>Indicate the name of the entity and the level of consolidation referred to.</p> <p>Provide the highest<sup>9</sup> relative change on VaR, SVaR,</p>

<sup>3</sup> To calculate the relative impact, please use the following formula e.g. applied to OFR:  $OFR\%change = (OFR\ after\ change - OFR\ before\ change) / OFR\ before\ change$ .

<sup>4</sup>  $OFR = (previous\ day\ VaR * model\ based\ multiplier) + (most\ recent\ stressed\ VaR * stressed\ model\ based\ multiplier) + (most\ recent\ incremental\ risk\ capital\ charge) + (most\ recent\ comprehensive\ risk\ measure\ charge) + capital\ charge\ according\ to\ standardized\ approach$

<sup>5</sup> Amended by CDR (EU) No 2015/942

<sup>6</sup> If more than one entity/level with IMA approval is affected by the change or extension, the institution is expected to report the impact for each one separately. The institution should add an additional row for each relevant level.

<sup>7</sup> In accordance with CDR 2015/942 Art. 7a(1)(c) and EBA Single Rulebook Q&A 2015\_2466.

<sup>8</sup> i.e. the maximum in absolute terms (e.g. changes are: -1%, +3%, -5%; notified maximum change should be -5%).

	IRC and CRM observed over the testing period (derived in accordance with CDR 529/2014 <sup>5</sup> Art. 7a(1)(c)(ii)).
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➤ **Section 4: AMA information**

The section must be filled in in case the notification is related to AMA and if the type of change is subject to requirements according to Articles 6 and 7 of CDR 529/2014.

The impact of the change is measured in terms of absolute and relative<sup>10</sup> changes in Operational risk own funds requirements (OFR)<sup>11</sup>. The measures are evaluated on consolidated group level and should be filled in the corresponding table. If the parent institution is not using AMA approach, impact at subsidiary level should be provided (considering that notification in this case is at subsidiary level as the parent does not have AMA permission).

Impact on consolidated level (Currency, Unit, date of reference, OFR impacts)	Indicate the currency and the unit (e.g. million, billion) used in the information provided for the impacts (see below). Moreover the reference date shall be indicated.  Indicate the absolute and the relative change of OFR.
Impact on subsidiary level (if parent institution is not using AMA) (Currency, Unit, date of reference, OFR impacts)	If the parent institution is not using AMA approach, indicate the currency and the unit (e.g. million, billion) used in the information provided for the impacts (see below). Moreover the reference date shall be indicated.  Indicate the absolute and the relative change of OFR.

➤ **Section 5: IMM and A-CVA information**

The first table in the section must be filled in if the notification is related to IMM; the second table is used for changes to A-CVA that do not coincide with either IMM or IMA model changes in accordance with EGMA Section 1 (4)(c)(iii).

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<sup>9</sup> i.e. the maximum in absolute terms (e.g. changes are: -1%, +3%, -5%; notified maximum change should be -5%).

<sup>10</sup> To calculate the relative impact, please use the following formula e.g. applied to RWA:  $RWA\%change = (RWA\ after\ change - RWA\ before\ change) / RWA\ before\ change$ .

<sup>11</sup> To calculate the relative impact, please use the following formula applied to total OFR for Operational risk (considering the entire perimeter BIA, TSA, ASA and AMA if applicable) e.g.  $OFR\%change = (AMA\ OFR\ after\ change - AMA\ OFR\ before\ change) / Total\ Operational\ risk\ OFR\ before\ change$ .

The impact of the change is measured in terms of absolute and relative<sup>12</sup> changes in RWA, OFR, VaR and SVaR respectively. The measures are evaluated on consolidated level. Here, consolidated level refers to the consolidated level for institutions belonging to a group subject to consolidated capital requirements or, in the case of an institution which is neither a parent institution nor a subsidiary, at the level of that institution.

For extensions or changes to IMM approach:

<p>Impact on consolidated level (Currency, Unit, Time period of reference, RWA impacts)</p>	<p>Indicate the currency and the unit (e.g. million, billion) used in the information provided for the impacts.</p> <p>Provide the time period (start and end date) of the testing of the impact of the extension or change.</p> <p>Indicate the highest<sup>13</sup> absolute and relative change of RWA observed over the testing period (derived in accordance with Section 4 (1)(c) of the EGMA).</p>
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For changes to the A-CVA approach that do not coincide with either IMM or IMA model changes in accordance with EGMA Section 1 (4)(c)(iii):

<p>Impact on consolidated level (Currency, Unit, Time period of reference, OFR impacts, VaR impact, SVaR impact)</p>	<p>Indicate the currency and the unit (e.g. million, billion) used in the information provided for the impacts.</p> <p>Provide the time period (start and end date) of the testing of the impact of the extension or change.</p> <p>Indicate the highest absolute and relative change of OFR observed over the testing period (derived in accordance with Section 6 (1)(c)(ii) of the EGMA) as well as the highest<sup>14</sup> relative change of VaR and SVaR observed over the testing period (derived in accordance with Section 6 (1)(c)(i) and (iii) of the EGMA).</p>
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<sup>12</sup> To calculate the relative impact, please use the following formula e.g applied to RWA:  $RWA\%change = \frac{RWA\ after\ change - RWA\ before\ change}{RWA\ before\ change}$ .

<sup>13</sup> i.e. the maximum in absolute terms (e.g. changes are: -1%, +3%, -5%; notified maximum change should be -5%).

<sup>14</sup> i.e. the maximum in absolute terms (e.g. changes are: -1%, +3%, -5%; notified maximum change should be -5%).

➤ **Section 6: Contact details**

In this section, the name, job title, business address, telephone and e-mail address of the contact person shall be included. Requests and information related to the notification send by Supervisors will be addressed to the indicated contact person.

➤ **Section 7. Declaration and signatures**

This section includes a declaration to be signed by the person authorised to represent the institution. Please specify the role of the person signing the notification. For the notification process, the institution is additionally requested to confirm that the accompanying documentation have been approved through the institution's(s') approval processes by the competent bodies. If the notification is submitted also on behalf of other institutions or jointly with other institutions, please attach a power of attorney of those institutions.

➤ **Section 8. Annex**

In this section, the list of further useful attached documents has to be reported by the institution.