



Template for comments

ECB report on "Sound practices in counterparty credit risk governance and management"

Institution/Company

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General comments

Template for comments

ECB report on "Sound practices in counterparty credit risk governance and management"

Please enter all your feedback in this list.

When entering feedback, please make sure that:

- each comment deals with a single issue only;
- you indicate the relevant article/chapter/paragraph, where appropriate;
- you indicate whether your comment is a proposed amendment, clarification or deletion.

Deadline: 14 July 2023

ID	Chapter	Paragraph	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	Personal data
1	CCR governance	3.2.9	20	Clarification	To avoid any confusion, the final "Sound practices" should not imply a "one size fits all" process for customer due diligence, and take into account the various organisations and business models of EU banks. Typically, in retail banks there's only one customer due diligence process to fit both the credit granting process and the KYC requirements. In other banks, the 2 processes are separate and serve completely different objectives and have different outcomes. The outcome of the KYC process is binary : failure to provide the necessary documentation in the KYC process will result in not opening the account at all. The outcome of credit granting process is flexible : by adjusting the amount of limit and / or a requirement for collateral. The documents collected for the KYC process and the credit granting process are also different.			Don't publish
2	CCR governance	3.2.12	20	Amendment	The relatively low weight of CCR in risk cartography of some entities may justify to include this topic in a wider audit scope such as "Risk departement" or "market activities". We recommend the following formulation: « While ad hoc investigations on specific aspects might become necessary from time to time, a holistic coverage of CCR, when deemed material is ensured on a regular basis. »			Don't publish
3	Risk control, management and measurement	4.2.20	26	Clarification	The expectation is not clear: the ECB should clarify at which level the illiquidity & concentration assessment of portfolio must be performed. - If it is at counterparty level, it makes sense from CCR perspective; - If it is at bank overall portfolio level, it is not a CCR issue but a market risk issue.			Don't publish
4	Risk control, management and measurement	4.2.21	26	Amendment	We believe these additional measures are specifically relevant for prime bokerage activities. The guidance should target the institutions conducting prime brokerage activities. Prime brokers indeed must build and maintain a capacity to wind down the portfolios of their hedge fund clients, if and when those high-risk counterparties default. It is an inherent part of their business to do so, and as such complement the application of the regulatory MPOR with economic measures of winding down costs. As long as the institution does not conduct any prime brokerage activities, the significant costs of developping such a tool are not justified, the MPOR setup being sufficient. We recommend the following formulation : 21. For institutions conducting prime brokerage activities , appropriate economic measure for costs of CCR portfolio wind-down For risk management purposes, institutions go beyond the sole application of the regulatory MPOR and deploy economic measures for the costs of winding down portfolios with high-risk counterparties or netting sets comprising less liquid collateral or hard-to-replace transactions. When deploying such economic measures, due consideration is paid to the effects of a netting set wind-down on hedging positions with other counterparties, and to potential additional market risk losses from the unmatched hedging positions.			Don't publish