



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Template for comments

ECB Guide to the internal capital adequacy assessment process (ICAAP)

Institution/Company

DekaBank Deutsche Girozentrale

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General comments

Template for comments

ECB Guide to the internal capital adequacy assessment process (ICAAP)

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: 4 May 2018

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	Principle 1	15	5	Clarification	<p>We understand that the management board has to explicitly approve key elements of the ICAAP. However, the relevance and the intention regarding the approval of internal documentation requirements is less clear for us. The term "internal documentation" leaves a lot of room for interpretation including the documentation of operational processes which should not be subject to requirements approved by the management board.</p> <p>Therefore, we ask for clarification regarding this requirement (e.g. approval of reporting requirements) or, if these requirements are already covered by other regulation (e.g. BCBS 239), deletion to avoid duplication.</p>	<p>A clarification would help to prove the involvement of the management board for important ICAAP aspects.</p>		Don't publish

2	Principle 1	19	6	Deletion	<p>While we understand and agree with certain aspects of paragraph 19 there are several others which do not seem to fit together or which are unclear:</p> <ul style="list-style-type: none"> - We cannot find a plausible interpretation regarding "performance measurement" in the context of paragraph 19 and therefore ask for a deletion of the term. - We regularly compare the target figures of the capital plan and actual figures. However, we regard this as part of the management process and would not describe it as part of the internal review and validation of the ICAAP. Therefore, we suggest a deletion of "capital plan" in this paragraph. - We do have a regular process to review our stress scenarios. Even if the parametrisation can be based on historical data, a back-testing of the scenarios is not expedient in our point of view. We suggest not to combine the words "back-testing" and "scenarios". 	The combination of the different aspects of the requirement do not seem to fit together and might be misleading.		Don't publish
3	Principle 2	27	8	Clarification	<p>Management concepts differ significantly between institutions. Each institute applies its institution-specific ways to comply with the agreed risk boundaries set out in the risk appetite statement. Each (risk-taking) division has to comply with its respective stipulations. Whether those stipulations/targets refer to financial and other outcomes should be a free choice of each institute.</p>	Management concepts should be the free choice of each institute.		Don't publish
4	Principle 2	33	10	Clarification	<p>Paragraph 33 explains the requirement for consistency and coherence across groups. This is a reasonable requirement for the consolidated view of the parent company. However, there are plausible reasons for the stand-alone view of subsidiaries to differ (e.g. other regulatory requirements, unnecessary complexity of models). To avoid misinterpretation, we ask for a clarification that the requirement only relates to the consolidated view of the parent company.</p>	Prevention of misinterpretation		Don't publish
5	Principle 3	(iv)	11	Clarification	<p>In our opinion it is not helpful to use two sophisticated limit systems, one based on the economic and another one based on the normative perspective. Whenever an effective limit system for the economic perspective exists it should be fully adequate to use thresholds for the normative perspective at a higher level. We ask for clarification.</p>	Clarification in order to prevent misunderstandings		Don't publish

6	Principle 3	38	19	Clarification	The interaction from the economic to the normative perspective remains partly unclear. Our understanding of paragraph 38 is that RWAs can only be calculated on the basis of the regulatory requirements as stipulated in the CRR. There should be no obligation to determine additional RWAs not defined in the CRR (for example for zero weighted exposure or for the interest rate risk in the banking book). However, RWAs may be influenced by the economic perspective. For example, a reduction in market values of properties has a reducing effect on property-related RWAs in the scenario. Risks quantified economically can also influence regulatory ratios in the scenarios via equity. In this connection, risks take effect via loss allowance, changes in net interest income, exchange rate losses, etc.	The provisions set out in section 38 require a high degree of interpretation. We therefore propose to provide clarification that the choice of scenario does not affect the methodology of Pillar I calculations.		Don't publish
7	Principle 4	55	22	Clarification	The idea of a "gross approach" is not in line with the management approach of many banks. (Example: The quantification of credit risk is not done without collateral). Furthermore, we cannot see an additional value of a gross approach for risks which are recognized as material based on a net approach. Therefore, this requirement should be limited to risks assessed as not material.	Insignificant change which significantly enhances the acceptance of the results of the risk identification process.		Don't publish
8	Principle 4	56	22-23	Deletion	The risk of shadow banking entities should be recognised and monitored by institutions. The EBA Guidelines mentioned provide instruction regarding this topic. However, there is no reason to highlight this topic explicitly in the risk identification process. It would be disproportionate compared to other relevant topics.	The reference to this special case is opposed to the principle-based approach of the ICAAP-Guide.		Don't publish
9	Principle 4	Example 4.4	25	Deletion	The risk identification in case of outsourcing is usually a completely different process than the overall risk identification process which is approved by the management board. There seems to be no reason to mention this topic explicitly in this context.	The reference to this special case is opposed to the principle-based approach of the ICAAP-Guide.		Don't publish
10	Principle 5	(ii), 64 and example 5.1	26-27	Clarification	We welcome the expectation that the definition of the internal capital needs to be consistent with the internal risk quantification of the institute. However, there are risks (based on the definition in paragraph 43) which would not occur in case of continuation of the institute. Therefore, the availability of AT1 and Tier 2 capital should not be generally excluded.	Allows the institute-specific definition of an overall coherent approach		Don't publish

11	Principle 7	(iii)	33	Clarification	The necessity to assess at least quarterly whether the stress-testing scenarios remain appropriate depend in our point of view on the definition of the scenarios. Scenarios which are based on current market data should be treated differently compared to those which are only based on predefined (fixed) developments. Furthermore, the development of the stress-testing results over time can be seen as useful management information. Permanent changes to the scenarios would prevent comparability.	Allows the institute-specific definition of an overall coherent approach	,	Don't publish
12	Principle 7	(iii)	33	Clarification	The word scenario is used for stress-testing as well as for the capital planning. Therefore, the requirement to update the impact of the scenarios regularly (e.g. quarterly) might be misleading. It should be clearly stated that capital planning is only a yearly process.	Prevention of misinterpretation	,	Don't publish
13	Principle 7	85, 86	34	Clarification	Stress testing and capital planning (incl. adverse scenarios) are different management instruments aiming to provide different information. While stress testing aims to assess the effects of severe, but plausible macroeconomic assumptions (focus: key vulnerabilities; result: material impact on the institution's internal and regulatory capital; aim: ensure continuity, reveal danger), capital planning needs to reflect the effects of scenarios with a higher probability to be an effective management tool. Therefore, the severity of adverse scenarios should not be the same as in stress testing. The current wording might imply a different interpretation.	Clarification in order to prevent misunderstandings	,	Don't publish
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