EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Template for comments

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

Institution/Company

Commerzbank

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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 3	37	15	Deletion	According to ECBs guidance on ICAAP MREL should - among other regulatory requirements - be considered in the normative perspective as well. From our point of view this is premature because up to now MREL is not finalized. Further changes concerning the definition of eligible liabilities and the calculation methodology of MREL are expected.	consideration of MREL is premature because MREL is not yet finalized	,	Don't publish
2	Principle 3	37	15	Clarification	By the calculation of a loss absorption and a recapitalization amount MREL is concerned twice by a decrease of own funds in adverse scenarios. ECBs guidance on ICAAP tolerates lower CET1 ratios in adverse scenarios compared to baseline scenarios (see figure 2). Corresponding reliefs for MREL are necessary and should be added in the ECB guidance. Conceptual differences between the normative perspective of the ICAAP, which is based on a going-concern assumption, and the calculation of the recapitalization amount, which represents more or less the regaining of going-concern, have to be taken into account.	Interdependencies between capital and MREL are not taken into account. For adverse scenarios a relief is necessary.	,	Don't publish

3	Principle 3	(iv)	11	Amendment	We suggest to inform banks, in the context of the SREP letter, explicitly about the amount of the P2R component for each risk type. In case this is rejected, we see the danger of potential double counting (e.g. IRRBB, credit spread risks) when transferring risks from the economic perspective into the normative perspective.	We believe that a normative and an economic perspective in the context of risk bearing capacity concepts is fundamentally meaningful. The concept can't be entirely implemented though due to the practice of the ECB. In order to put all capital components consistently in perspective to the single risks and valuation types, banks would need transparency on the exact amounts and constituents of P2R for all risks. Otherwise a double counting of risks can't be ruled out: On the one side in form of a SREP capital requirement (P2R), based on the regulatory assessment of risks not covered in Pillar I and at the same time through transfer of a risk quantified within the economic internal perspective into the normative perspective (e.g. when determining management buffers or assessing the impact of adverse scenarios).	,	Don't publish
4	Principle 5	(i), example 5.1	26	Clarification	Principle 5 suggests to implement a consistent internal economic capital and risk definition in the sense of the continuity of the institution. Example 5.1 lists items that need to be deducted from the internal economic capital (e.g. hidden losses, DTA). It should be clarified that these items need not to be fully deducted within a continuity approach.	A complete deduction of all mentioned items might not be adequate in a consistent treatment of capital and risks within a continuity perspective.	,	Don't publish
5	Principle 6	68, footnote 23	29	Deletion	We suggest to delete paragraph 68 and footnote 23. Principle 4 (iv) states that institutes are “expected either to allocate capital to cover the risk or to document the justification for not holding capital.”	Compared to principle 4, paragraph 68 in principle 6 is misleading or at least unclear in the necessity of risk quantification and we want to clarify that institutes can exclude (material) risks from allocating capital as set out in principle 4 (iv) and that institutes can set adequate materiality thresholds to exclude risks from a risk quantification.	,	Don't publish

6	Principle 7	83	33	Clarification	Inline with the information given in the public hearings in March and April 2018 it should be clarified that ECB is not expecting a dedicated economic stress-testing programme as this is already implicitly incorporated in the economic perspective.	In the economic perspective, a point-in-time risk quantification with high confidence level is applied and complemented by an analysis of economic impacts on the normative perspective (paragraph 48 ff.). Multi-year economic stress projections are no longer required and a stressed point-in-time (1-year-horizon) quantification is with little to no use.	,	Don't publish
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