

Template for comments

Public consultation on the ECB guide to internal models - General topics chapter

Institution/Company
German Banking Industry Committee (GBIC)
Contact person
Mr/Ms
Mr
First name
Silvio
Surname
Andrae
Email address
silvio.andrae@dsgv.de
Telephone number
+49 30 20225-5437
Please tick here if you do not wish your personal data to be published.

General comments

In principle, we support the ECB's objective of achieving transparency in the consistent application of relevant European and national legislation in the ECB's examination of internal models by means of the guide to internal models. A document such as the guide can potentially help the institutions con-cerned to better understand the ECB's concrete expectations regarding individual aspects, in particular in cases where the relevant legislation itself offers greater scope for interpretation or does not comment in detail on certain issues. The ECB also uses this document to reduce the effort at the institutions that could arise because of differing interpretations of the corresponding prudential re-quirements, which in turn would result in a need for adjustments

In addition, we expressly welcome the fact that the ECB has taken up GBIC's individual suggestions from the first consultation phase on the first draft of the TRIM Guide in this guide on internal models. In our view, the document has already gained(March 2017) considerable consistency and com-prehensibility as a result

However, we do gain the impression from some passages in the guide that the interpretations made there go well beyond the existing regime governing the IRB models. By contrast, in the case of other passages in the guide, we would suggest expanding on them in greater detail or limiting quite sweep-ing requirements somewhat so that no interpretations are made that go beyond the actual prudential requirements themselves

In particular, in the validation chapter we consider the requirements for restricting the exchange of information between the credit risk control unit (CRCU) and the validation function as well as the re-quirements for validating significant changes under the heading "initial validation" to be excessive and not practical. In addition, some of the guidelines contain requirements that we believe conflict with each other or with specifications in other regulatory documents such as the RTS on Assessment Methodology for IRB

Deadline: 28 May 2018

ID	Section	Paragraph	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be incorporated
	Overarching principles for internal models	Guidelines at consolidated and subsidiary levels	4	Clarification	In footnote 5, the model life cycle is expected to be defined. We regard this as an excessively heavy intervention in a bank's definition of its processes and therefore suggest indicating that the life cycle cited in the footnote is merely an example. This should therefore be worded as follows: "For instance, a possible model life cycle could include the following steps: requirements analysis, development, implementation, testing, use, validation, mainterance and changes."	
:	Overarching principles for internal models	Documentation of internal models	5	Deletion	Under paragraph 11, "the institution should be able to demonstrate how its documentation and the register of its internal models facilitate the internal and external understanding of the models and any related decisions that have been made. It is not clear what shape their evidence should take. In an extreme case, it would be necessary to document for each model-related decision whether the deci-sion was affected by the model documentation or the register. This is an unnecessary workload that we do not believe offers any value added. We therefore propose deleting this sentence.	
	Overarching principles for internal models	Please select data	6	Deletion	As regards the establishment of a model risk management framework (sub-chapter 2.3), it should be noted that there is no legal basis whatsoever for any of the three model categories, either at Level 1 or at Level 2. This sub-chapter is should therefore be deleted. It a decision is taken not to delete this sub-chapter, we wish to propose the following alternative: *Footnote 8 expects institutions to implement a model risk management framework for "all models". This should be restricted in the first instance to read that only "relevant" models must be governed by such a framework. Its outduid also be clarified that the requirements set out in paragraph 14 (a) to [0] do not constitute minimum requirements for the general model risk management framework (meaning the framework going beyond Pilar 1). This footnotes should therefore be reworded as follows: "Institutions are expected to implement an effective model risk management framework for relevant models in use. However, section 2 focuses only or internal models approved for use for the calculation of own funds requirements for red market and counterpanty credit risk. Section 2 does not constitute minimum requirements for red market and counterpanty credit risk. Section 2 does not constitute minimum requirements for red market and counterpanty credit risk. Section 2 does not constitute minimum requirements for red market and holistic understanding of individual models. We believe that it should be sufficient if the register creates a general understanding, and that reference can be made to the model documentation for a "holistic" understanding. *Paragraph 14(f) requires the measurement of model risk. However, it is entirely unclear however, it is not sufficient if the register creates a general understanding, and that reference can be made on the model documentation for a "holistic" understanding in the seasurement of model risk. However, it is entirely unclear how exactly this model risk measurement is supposed to be designed and whether the "meas-urement" of	
	Overarching principles for internal models	Identification of management body and senior management	7	Clarification	Sub-chapter 2.4 merely refers to Capital Requirements Directive (CRD IV) requirements. However, from our point of view CRD requirements cannot be a legal basis for the investigative activities of the ECB, as this must be reserved for the national implementations in the relevant jurisdictions. Thus, the corresponding national requirements, rather than the CRD, must be observed and applied by the ECB. We would ask you to clarify this and incorporate the appropriate references	
	Overarching principles for internal models	General principles for internal validation	8-9	Amendment	Relating to paragraph 23 (p.8.1) an organizational separation of the development function and validation function into two different units is not useful for smaller institutions including smaller subsidiaries of Sts. G-Si	
•	Roll-out and permament partial use	Application of the IRB Approach	11-12	Amendment	As a matter of principle, institutions should not be forced for roll-out the IRBA to portfolios for which the data situation makes it extremely difficult to estimate the relevant parameters, just to comply with overambitious coverage ratios. The 80% target ratio suggested in paragraph 24 of the first draft TRIM guide of February 2017 is, therefore, preferable compared to German national law (section 10(3) of the Solvenor, Regulation, Solvi), in which institutions that use the IRBA positions and risk-weighted IRBA positions. However, this target ratio von 80% is no longer contained in the second draft of the TRIM guides. Instead—as already explained in the course of the hearing—there will be an individual approval pro-cedure on the basis of Article 150 of the CRR which, as we understand it, will be no longer contain a general submissionation to permanently exclude a defined percentage of the exposure from the IRBA. In order to swold what we face could become a considerable additional parameterable for the individual approval of IRBAs, we therefore propose to the control of the proposed of the second considerable additional parameterable for the individual approval of IRBAs, we therefore propose the second considerable additional parameterable additiona	
	Roll-out and permament partial use	Application of the IRB Approach	12	Amendment	Moreover, application of Article 150 of the CRR results in a variety of additional questions of interpreta-tion for which reasonable, consistent interpretations must be arrived at in close collaboration with the barrking industry. In the control of the communication of the control of the IRBA requirements at an international level. We therefore assume that the EBA will not launch any further activities in this direction before the implementation of the considerably more re-reaching partial use options in the final Basel III document in the EU before the beginning of 2022. In order to enhance the process stability of the "return" of model approvals, we wish to propose the following addition to the TRIM guide as a voluntary commitment by the ECB. If an institution intends to return to less sophisticated approaches in accordance with Article 140 of the CRR, and if has demonstrated to the competent authorities that it satisfies the requirements of Article 149(1a) of the CRR, the permission to return to these sophisticated approaches in accordance with Article 140 etc. (The CRB of the CRB of	
ŧ	Internal governance	Internal reporting	18	Amendment	Sub-chapter 4.3 expects the 'management body' and 'senior management to be informed about the performance of the IRBA model (under sub-chapter 24, senior management is a level below the management body). Sis generally use a variety of internal rating systems. We believe that it is excessive to establish such a responsing system. In this case, it should be possible for the management body/senior management to delegate responsibility to lower levels of the hierarchy.	
4	Internal governance	The CRCU	20	Amendment	At many institutions, the rating systems are continuously monitored by rating development (which provides use support on methodological issues, among other things), the credst staff (which provides user support on process-related issues, among other things) and rating validation (which im-plements quarterly reporting to management regarding the individual IRB rating systems, among other things). Monitoring of the rating systems should not – as proposed in paragraph 62—be as-signed to only a single unit (in this case the CRCU). Alternatively, the CRCU would have to be structured on a very broad footing, in particular so that it can perform the tasks listed above.	
10	Internal validation	Content and frequency of tasks of the validation function	22-28		Paragraph 69 of the guidelines contains detailed guidelines on both the expected validation content and the validation process. In our view, the dimensions of validation listed in the individual sub-tems of (fi) (i)-(vii) make sense in principle and enable a meaningful assessment of the model by the vali-dation function.	

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11 Internal validation	Content and frequency of tasks of the validation function	23-24	Amendment	In paragraph 69 h) (iii), the analyses of representativeness refer to comparisons between the 'data set used to build the model' and the current portfolio. However, it should be kept in mind that the initial model development may have taken place more than 10 years ago and that the model may have undergone several model changes since then. Certain pool models, for example, were developed and the years 2000 to 2004 and implemented afte a prototype phase. Many of the (sub-'modules were developed based on benchmarking methods since there were noflew defaults availab-lie. They were validated for the first time in 2005 or 2006 before being presented the supervisory as "Promises for initial REMA approval. Again, many of the (sub-'modules were validated based on bench-marking methods since there were noflew defaults available. Since then the modules have been re-viewed and validated every year (in depth every two or three years) and re-optimised, adjusted and recalibrated very year (in depth every two or three years) and re-optimised and recalibrated reviews/validations, referred to as Standard Reviews', extensive bottom-year panalyses on the core models are performed and models are re-optimised or comparison. These measures are also based on the entire data pot available at a given time, covering all institutions and years. As a consequence, in many cases the comparison with the very old development samples will not produce meaningful results. We, therefore, suggest including at least further cybinos for analyses of representativeness. In our view, a comparison with the last adjustment of (hypothetical) re-optimisation of a model would make more sense for the pool models mentioned above. This (hypothetical) re-optimisation of a model would make more sense for the pool models mentioned above. This (hypothetical) re-optimisation of a subsulty performed during a standard every in any performed and model and re-optimisation of a model would make more sense for the pool models mentioned above. This (hypothetical) re-optim	
12 Internal validation	Content and frequency of tasks of the validation function	24-25	Amendment	From our point of view, some of the provisions for validation activities in paragraph 69 are excessive regarding an annual frequency, while drilling down to each individual risk factor when analysing de-criminatory power (69h)(iii) or comparing the weights of each risk driver to a hypothetical re-optimised mode (69h)(iii) should certainly be performed at regular intervals, performance on an annual basis will not provide more insight than performance very two or three years, depending on the model and protriol characteristics. Eurthermore, while the performance of such analyses may be comparatively easy for models that are developed on a purely statistical basis, it will be very butden-some to perform these analyses annually for models that are at least partially based on expert judgment and/or external data as well, which is a common scenario for models concerning low de-fault portfolios. As a consequence, we recommend allowing greater flexibility for scheduling such 'deep dive' validation activities.	,
13 Internal validation	Content and frequency of tasks of the validation function	23-28	Amendment	We consider the extensive restrictions in paragraph 69(h) regarding the admissibility of taking into account information from the credit risk control unit (CRCU) by the validation function to be incomprehensible. According to the proposed regulation, the investigations should be carried out by the validation unit alone without recourse in information from the CRCU, unless explicitly regulated on-threvible elsewhere. For example, the validation function limits benchmarking analyses of the CRCU to initial validation (point (h) (kc)), with regard to analyses and extensive statement of the course of the validation function (point (h) (kc)) with regard to analyses and examples of the cRCU can be a simple validation (point (h) (kc)), with regard to an effective regardent regardent proposed to the paragraph of the validation function to existing information sources to be neither expedient nor practical with regard to an effective independent validation of the models. We do not want to question the fact that the validation function must have conceptual so-vereignty over all validation dimension mentioned in (h). However, as long as this prerequisite is fulfilled, we cannot undestand why, for example, the validation function should not take into account a benchmarking analysis prepared by the CRCU according to the specifications of the validation concept as part of the annual validation, especially since the validation function should not take into account a benchmarking analysis prepared by the CRCU according to the specifications of the captionment of the validation function should not take into account a benchmarking analysis prepared by the CRCU according to the specifications of the CRCU into the validation is not only greated by the desident, but is explicitly demanded. Especially in the event that the CRCU into the decidation is not only greated by the desident, but is explicitly demanded. Especially in the event that the CRCU into the decidation is not only greated by the desident, but is explicitly demanded. Es	i s
14 Internal validation	Content and frequency of tasks of the validation function	22-28	Clarification	Validation of the data selection and processing process (including quality assurance), as well as repli-cating model development in the initial validation of a central element must certainly be a core element of independent validation. However, it should also be possible to implement this, at least in part, in such a way that the CRCU's designs and assumptions as part of model development are re-viewed by the independent validation function in terms of their pausibility, methodological accuracy and completeness. The stipulation contained in the draft ECB guide should be limited to this require-ment.	
15 Internal validation	Content and frequency of tasks of the validation function	22-28		If the independent validation function were to dispense entirely with any input from the CRCLINte users of the rating when it validates the process of data selection and processing, as well as the repli-cation of the model development phase, the implementation of this in practice would consepond to essentially the complete duplication of model development, which would coliminate in the provision of a second rating system. However, because every model development process must always incorporate qualitative input from experts and users this second rating developed in parallel would not have any concrete, practical relevance for the validation decision about the actual rating system to be validation.	
16 Internal validation	Content and frequency of tasks of the validation function			In the specifications in paragraph 69 for the individual dimensions of validation, a distinction is made with regard to procedure and content between intellivalidation and annual validation. Some dimensions of validation are only required for initial validations (e.g., "Data Classranja Analyses" (port (h) (k)), "Replication of the model are only required (h) (h) (h), "Quality assurance of the computer codes used" (point (h) (all). We consider a differentiation with regard to the validation requirements for the initial validation of a model in	n
17 Internal validation	Content and frequency of tasks of the validation function			comparison to the annual regular validation to be quite reasonable in principle. However, the way in which the Guide defines the term 'initial validation' in this context seems problematic to us. According to paragraph 19, it refers not only to the initial validation of a model after a new develop-ment, but also to the validation in the ever of a significant model change (see paragraph 19). In this context, paragraph 19 explicitly uses the terms 'material changes and extensions to approved mod-els' in the context of the initial validation of new models, no of 'significant changes'.	
18 Internal validation	Content and frequency of tasks of the validation function			We do not deny that additional validation analyses may be required in the event of changes to the model in order to fulfill the tasks of the validation function within the meaning of RTS ISB Assessment A.1 1 para. 2 (I) ("verify all changes related to internal ratings and risk parameters"). However, in our view, the procedure for this must be based on the respective concrete content of the change and must be geared to this in the type and scope of the analyses.	
19 Internal validation	Content and frequency of tasks of the validation function			On the other hand, the ECB's approach of determining the type and scope of validation by the formal categorisation of an amendment on the basis of Regulation (EU) 523/2014 does not seem reasonable to us: "Quality assurance often the computer code" can only represent a meaningful validation action if there have been any major changes to the algorithm at all. A registaction of the model development phase can only be appropriate if the model's methodology has actually been changed to a greater extent. However, according to the criteria mentioned in Regulation 522/2014, this is by no means the case for all "significant changes." For example, according to Annex I, Part II, Section 1 point 3, minor changes to the default criteria with potentially low retreactive fleed rue also to be classified as significant, as well as according to this, point 4 changes to the validation methods that lead to a different assessment of the accuracy or consistency of the estimation of the risk parameters, even if the model stell has changed at all. In bloth cases, "Quality assurance often the computer code" or "Repli-cation of the model development phase" are inappropriate validation methods becaus they com-pletely ignore the content character of the changes. Paragraph 19 does not mention significant changes in connection with initial validation.	e
20 Internal validation	Content and frequency of tasks of the validation function			We therefore propose that the validation procedure should not be based on the formal Model Change Policy classification and that, accordingly, the reference to validation in the case of significant changes in paparagnet 1 should be delived with regard to the term "initial validation". Instead, we propose to include a guideline according to which the procedure of validation for model changes is to be determined by the substance of changes to be considered to the procedure of validation methods and processes must be appropriate in the part of the procedure of the procedure of the procedure of the proposition of	9
21 Internal validation	Content and frequency of tasks of the validation function			As mentioned before, the TRIM guide requires that the initial validation of a model should include a replication of the model development phase by the independent validation unit. While this may be feasible for simple sconcards that are developed purely based on statistical methods and data, a replication of the complete model development will not be realistic for more complex models, especially if the model development also relies on expert judgment. For such models, the development phase naturally includes economic assessments and extensive discussions with economic experts, which the independent validation unit will not be realistic for more complete, which the independent validation unit to check the transparency and traceability of each development step from a holistic perspective and without simply evilying on the results from the development team to ensure independence without expecting a complete reproduction.	al .
22 Internal audit	Scope and frequency of the review of the rating systems	32	Amendment	Paragraph 84 contains requirements relating to the inclusion of the internal audif function in the case of model changes. We believe that the requirement for the internal audif function to review material changes in the validation methodology or the validation processes is substantially understandable in order to ensure a review that is independent from the validation function. However, in our opinion the review of process-related appects of material changes in the model could be undertaken both by the validation function and by internal audit. We suggest giving the banks flexibility as regards the division of responsibilities for this between internal audit and the validation function.	

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23	Model use	Risk management, credit approval and decision-making process	35-36	Deletion	The requirement in sub-chapter 7.1, paragraph 88(6(iii) to take into account the expected loss best estimate (ELRE) in specific provisioning cannot be rationally implemented. For example, the respon-able staff membra factor certain aspects of the individual exposure into specific provisioning that cannot be captured in a statistically backed LOIELIEE mode because a relevant quantity of these aspects is not available in the development sample. As a result, deviations are to be expected from the outset for which continuous monitorin is not appropriate due to costhemeliat considerations. In addition, the proposed approach contradicts the requirements in the Addendum to the NPL Guidance, which state that full prudential provisioning of unsecured exposures is required within two years and of secured exposures is required within two years and of secured exposures is required within two years. The requirement in paragraph 89(d)(ii) should therefore be deleted.	
24	Model use	Assignment of exposures to grades or pools	38	Deletion	In our view, the requirements in section 7.4.1 also go beyond the scope of the existing regime. This relates to outdated ratings. We welcome the ECB's proposal to accept a three-month transition peri-od. In accordance with Final draft RTs on assessment methodology for IRB, conservative adjust-ments in the shape of an MbC must be applied to outdated ratings. The present ECB guide goes be-yond this and requires institutions to define internal processes to monitor outdated ratings and treat them properly. For example, downgrading and the application of the worst performing rating grade to runtated exposures are proposed for the conservative treatment. In our opinion, this goes far beyond the existing requirements and should betrefor be deleted seen. Instead, the requirement should be expanded to stipulate that outdated ratings should be analysed to identify any increased riskiness, whereby it should be possible to demonstrate using these analyses that (marginally) out-dated ratings do not require any especially conservative treatment (downgrades).	
25	Model use	Assignment of exposures to grades or pools	39	Deletion	In this context, paragraph 95(b) should also be deleted or at least not formulated as a requirement. At some institutions, the number of outdated ratings is insufficient to serve as a basis for producing meaningful statistical analyses to demonstrate conservativeness. This is in particular the case be-cause it is objectively necessary to assess outdated ratings from a variety of sub-portfolios (e.g. ex-posure classes outdated satings from a variety of sub-portfolio. For each sub-portfolior for each sub-portfolior for each sub-portfolior.	
26	Model use	Assignment of exposures to grades or pools	40		The requirement in paragraph 99(a) to prepare a list of exhaustive justifications cannot rationally be implemented. The specific objective of any overrides is to capture any aspects that are not (or cannot be) processed in the statistical rating tool. This can amount to a large number of widely differing indi-vidual aspects if the intention is to systematise ex arte all conceivable individual aspects for poten-fiel overrides, this can only be reasonably done at a categorical level.	
27	Model use	Assignment of exposures to grades or pools	40		Limiting the amount of overrides (notches up or down) and their frequency (share of overridden ex-posures) — required by paragraph 09(b)—does not make sense technically. The mean predictions delivered by statistically based rating processes are correct, but may devide sharply in individual cases. For this reason, it is technicall appropriate and meassary to be able to perform overrides without restriction. Additionally, many institutions have established a quarterity override report that reports all inconsistencies.	s /
28	Model use	Assignment of exposures to grades or pools	40		If a restriction will be imposed despite our arguments, any restriction on frequency should not result in a ban or further overrides, in particular because event-drive overrides (increasing PD) should al-ways be possible in ord to capture available information that is relevant for credit quality.	or
29	Management of changes to the IRB approach	Classification	44		With regard to the classification of model changes in accordance with Delegated Regulation (EU) 5292014, paragraph 107 Stoulates that a change to be notified in advance may not be split into sever-all individual changes of lower materiality in the sense of an MCP arbitrage ("ex post" category). At the same time, it is required that a change to be notified in advance must not be combined with oth-er changes in order to obtain at overall change that would only be classified as "ex post."	1
30	Management of changes to the IRB approach	Classification	44	Clarification	The requirement not to divide a material change into several changes to be notified in advance can already be found in the Delegated Regulation (EU) \$29/2074 in Art. 3 part 3. While it appears prudent to extend this provision not to split one change into several changes of lower materially to ex rate changes. It entains totally considered the split of th	
31	Management of changes to the IRB approach	Classification	44		So, what could be the purpose of this regulation in the ECS Guide? Regarding the Risk-weighted As-sets (RWA) triggers and the thresholds for determining the significance of changes of rank order and/or rating distribution for changes of the triange components are possible of course. On the other hand the question has to be risked what kind of risk will be avoided analysing the RWA impact of different change components separately since the change will be implemented as a whole, including all its components, in the end. So the "leaf" RVA impact and the "real" changes in rank order and rating distribution will make those that were calculated for the whole change. Apart from that, there are a lot of questions concerning practical realshilly. What level of detail is expected concerning the breakdow into different model components? In which sequences should the different model components? All things considered, this requirement hether seems to address any concerned risk for each model component? All things considered, this requirement hether seems to address any concerned risk for can the real or a practicable way. In any case it would considerably further complicate the implementation of model changes according to Delegated Regu-lation (EU) No. 52/2014.	
32	Management of changes to the IRB approach	Classification	44		The first version of the TRIM Guide from 2017 contained a corresponding requirement not to avoid a higher category by combining changes, also for the differentiation between significant changes and changes to be reported in advance. We expressly evectome the deletion of this requirement in the present ICB guide. However, we consider it necessary to delete the corresponding specification for the distinction between model changes to be reported in advance and those to be reported after implementation. As unsuitable and practicable this regulation was for the essential changes, as little is it for changes to be announced in advance.	•
33	Management of changes to the IRB approach	Re-rating process	46		Neither the CRR, Delegated Regulation No. 529/2014 nor the Final draft RTS on assessment methodology for IRB contain guidance on the ne-rating process (paragraph 118 ft.). It certainly makes sense for the institutions the establish processes for re-taining to ensure that any material model changes are also reflected promptly in the rating. However, the present ECB guide stipulates that the re-taining process should be immediate following a material change in the model. It is not clear in this context what is meant by 'mmediate', in particular in the case is a possible' heatise? If may case, the context is not to the present of the process of t	
34	Management of changes to the IRB approach	Re-rating process	46		There are also automated ratings that are always performed at the end of the month, for example. If the IT implementation is already made at the beginning of a month, then we believe that it should also be possible for the new ratings to be performed in the next batch run at the end of the month, with no ad hoc implementation being required.	
35	Management of changes to the IRB approach	Re-rating process	46	Amendment	For the required sample of ratings performed prior to a change in the model for non-retail rating sys-tems, the text should be modified to read that this must only happen if the manual inputs have a high weighting in the model, and are also the subject of the change. This would otherwise result in unnecessary effort (for example if there is no change at all in the criteria for the manual inputs).	
36	Management of changes to the IRB approach	Re-rating process	47		The procedure for removing the simulated RWA surcharge from a material model change described in the second bullet of paragraph 121(b) punishes institutions that re-rate their exposures as quickly as posted because the RWA surcharge must be applied until such time as the last exposure has been re-rated and must be removed linearly over time. For example, an institution that has already re-rated 90% of the exposures after half a year must still apply 50% of the simulated RW exposure amount in addition to the higher RWA requirements from the 90% re-rated exposures, although only 10% of the portfolio has not been re-rated. Using this procedure, on the other hand, an institution with a re-rating ratio of 10% after half a year would, without any justification, be in an considerably better position. For this reason, there should be no linear removal of the simulated RWA surcharge. Rather, the RWA surcharge should be removed proportionately to the exposures that have already been re-rated.	
37	Third party involvement	Third party involvement in internal functions and tasks	49-50	Clarification	Paragraph 127 (d) stipulates that when an institution outsources model development tasks to a third party, the same third party may not simultaneously perform validation tasks for the same institution. In this wording, however, it is not clear whether 'perform tasks' also includes the support of the in-stitution by the third party in the implementation of development or validation.	
38	Third party involvement	Third party involvement in internal functions and tasks	49-50		Within the framework of a pool model approach, it is required by design that the central outsourcing unit operating the pool solution supports the institutions both in developing and validating the pool models by providing analyses and other evaluations that require access to the data pool. Of course, the ultimate responsibility for developing and validating the models remains with each institute, not the outsourcing unit.	

		Third party involvement in int functions and tasks	49-50		in addition to the requirements laid down in paragraph 2 competent authori-ties shall verify that the validation activities with regard to those rating systems and those risk estimates are not performed by that third party. However, the third party may provide the institution with the information necessary for those validation activities Where, for the purpose of developing a rating system and risk estimation, the institution uses data that is poole across institutions and a third party is developing the rating system, the third party may assist the institution in ta validation activities by performing those tasks of vali-dation which require access to the pooled data."	
In order to avoid misunderstandings, we therefore consider it necessary to make a corresponding differentiation also in the provisions of the ECB guidelines and to clarify that a third party specially in the context of a pool solution, may support the institutes the value of the institutes have outsourced model development tasks to this third party. For simplicity's sake, it may be appropriate to adopt the wording of Art. 4 para. 3 RTS IRB Assessment or at leasts to refer to it.	40		ernal 49-50	Clarification	also in the provisions of the ECB guidelines and to clarify that a third party, especially in the context of a pool solution, may support the institutes in their validation activities even if the institutes have outsourced model development tasks to this third party. For simplicity's sake, it may be appropriate to adopt the wording of Art. 4	
To ensure that model reviews are independent and free from any undue influence, also when performed by third party involvement in internal functions and tasks 49-50 To ensure that model reviews are independent and free from any undue influence, also when performed by third parties, institutions may establish internal independence policies with regard to third parties to ensure that the third party participates in the validation activities of the institution does not exceed its competences granted under Art. 4 para. 3 of the RTS.	41		ernal 49-50		parties, institutions may establish internal independence policies with regard to third parties to ensure that the third party that participates in the validation activities of the institution does not exceed its competences granted.	