

## Template for comments

Public consultation on the ECB Guide on assessment methodology (EGAM)

**Institution/Company**

UCG

**Contact person**

**Mr/Ms**

**First name**

**Surname**

**Email address**

**Telephone number**

Please tick here if you do not wish your personal data to be published.

**General comments**

## Template for comments

### Public consultation on the ECB Guide on assessment methodology (EGAM)

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 section/subsection/paragraph, where appropriate;
- you indicate whether your comment is a proposed amendment, clarification or deletion.

Deadline: 18 March 2020

ID	Section	Subsection	Paragraph (if applicable)	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be incorporated
1	ECB Guide on the assessment methodology for the internal model method for calculating exposure to counterparty credit risk and the advanced method for own funds requirements for credit valuation adjustment risk	Chapter 7 - Exposure quantification	37-3c	54	Amendment	Article 289(5) of the CRR does not mention cashflows within MPOR: Even if we understand, the inclusion of cashflows has now become a requirement for CCR internal models, the reference to the CRR article seems misleading	Refinement of the reference to a CRR article
2	ECB Guide on the assessment methodology for the internal model method for calculating exposure to counterparty credit risk and the advanced method for own funds requirements for credit valuation adjustment risk	Chapter 11 - Specifics for the A-CVA	66-1c	84	Amendment	The sentence "the composition of their underlying CDS baskets (or single name proxies) is stable over time" seems to refer to a specific methodology to create CDS indices based on averages over basket of constituents. Application of such requirement is difficult in case alternative (e.g. regression-based) methodologies are used. We suggest to specify "where applicable" to the sentence or to rephrase in a more generic way.	To prevent requests that would be cumbersome to satisfy by the insitutions
3	ECB Guide on the assessment methodology for the internal model method for calculating exposure to counterparty credit risk and the advanced method for own funds requirements for credit valuation adjustment risk	Chapter 11 - Specifics for the A-CVA	66-1c	84	Clarification	In the sentence "the composition of their underlying CDS baskets (or single name proxies) is stable over time", clarification is sought about the meaning of the sentence in case of single-name proxies.	To remove ambiguity in case of single name proxies

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4	ECB Guide on the assessment methodology for the internal model method for calculating exposure to counterparty credit risk and the advanced method for own funds requirements for credit valuation adjustment risk	Chapter 11 - Specifics for the A-CVA	66-1f-i	85	Deletion	<p>Insitutions are required to capture "basis risk between" [...] "counterparties that are mapped to the same bucket under sub-paragraph (1)(b)".</p> <p>No matter how granular proxy spreads can be, there will always be more than one counterparty in each bucket. Hence the requirement implicitly calls for the introduction of arbitrary stochastic or deterministic parameters that would be difficult to calibrate and justify based on market information on the creditworthiness of the counterparties and that would likely mark a deviation from the IMA model for Market Risk, potentially in contrast to CRR.</p> <p>It's also worth mentioning that the imposed requirement will most likely decrease the mutual correlation between counterparties. As such, since A-CVA approach neglects the DVA component and hence minimizes netting effects between counterparties P&amp;Ls, the requirement would potentially represent a non-conservative driver of the RWA calculation.</p>	To remove a requirement whose added value on the quality of CVA VaR estimation is unclear.
5	ECB Guide on the assessment methodology for the internal model method for calculating exposure to counterparty credit risk and the advanced method for own funds requirements for credit valuation adjustment risk	Chapter 6 - Documentation and design	25 2 (i)	43	Clarification	<p>when referring to "stochastic model" our interpretation is that the wording refers to pricing models implemented in the pricing functions</p>	
6	ECB Guide on the assessment methodology for the internal model method for calculating exposure to counterparty credit risk and the advanced method for own funds requirements for credit valuation adjustment risk	Chapter 6 - Documentation and design	25 2 (j) (ii)	43	Deletion	<p>We would suggest to remove "together with a description of required conventions (such as day count and compounding conventions for interest rates, quotation type for foreign exchange against which reference currency);" Pricing functions manage market data with different conventions. Adding all the possible choices in the documentation would be cumbersome, without adding any value</p>	To remove a part that would require an extension of the documentation without adding much value
7	ECB Guide on the assessment methodology for the internal model method for calculating exposure to counterparty credit risk and the advanced method for own funds requirements for credit valuation adjustment risk	Chapter 7 - Exposure quantification	32 3 d & c	51	Deletion	<p>It seems that c requires carve out, while d monitoring, remediation and exposure correction for the same transactions. Previous version of EGAM did not have this inconsistency</p>	Removal of an inconsistency deleting par c

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8	ECB Guide on the assessment methodology for the internal model method for calculating exposure to counterparty credit risk and the advanced method for own funds requirements for credit valuation adjustment risk	Chapter 7 - Exposure quantification	44 2 (g)	61	Amendment	We would add to point (g) a sentence that allows the bank to show immateriality of cashflows within MPOR after point (g) "the institution explains to what extent the chosen time grid and its specific modelling make spikes visible implicitly (e.g. through interpolation) or explicitly (e.g. through grid point setting) and how these spikes are input into the calculation of expected exposure considering the DMP under sub-paragraph (2)(c), or shows that cashflows within MPOR have an immaterial impact on RWA"	Amendment to avoid inclusion of immaterial components
9	ECB Guide on the assessment methodology for the internal model method for calculating exposure to counterparty credit risk and the advanced method for own funds requirements for credit valuation adjustment risk	Chapter 8 - Validation methodologies	56 3	73	Clarification	We assume that "benchmarking both the collateral balance and the IM, as modelled in the IMM" for collateral balance is not necessary if at grid point t0 an institution uses real collateral	
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