EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Template for comments

Public consultation on the revised ECB guide to internal models

Institution/Company

ABN AMRO Bank N.V.

Contact person

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General comments

Template for comments

Public consultation on the revised ECB guide to internal models

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

Deadline: 15 September 2023

ID	Chapter	Section	Paragraph	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be incorporated
1	General topics	1.8 General principles on climate-related and environmental risks	25	12	Clarification	Not clear how to incorporate climate-related environmental risk drivers in market risk models (VAR, SVaR, IRC). Some clarification or examples are needed.	Not clear how to incorporate climate-related environmental risk drivers in market risk models (VAR, SVaR, IRC).
2	General topics	1.8 General principles on climate-related and environmental risks	25	12	Clarification	Although the Guide claims to clarify how banks should go about including material climate-related and environmental risks in their models, it does not provide sufficient information about how material climate or environmental risks should be taken into account.	The ECB should not claim that there is guidance where there is not. Industry practice involving. EBA discussion paper part 2 expected this year.
3	General topics	1.8 General principles on climate-related and environmental risks	25	12	Clarification	Definition of relevant and material C&E risk drivers - ECB Guide to internal models (2023), General topics/par. 25: "Institutions should assess the materiality of all risks in the life cycle of their internal models as set out in paragraph 2 of this chapter, including climate-related and environmental risks [Footnote 24]. Where climate-related and environmental risks drivers are found to be relevant and material, institutions should include such risk drivers in their internal models approved for use for the calculation of own funds requirements for credit and market risk." - ECB Guide to internal models (2023), General topics/Footnote 24: "This principle is defined in the context of the Guide on climate-related and environmental risks"	When referring to the context of Guide on climate-related and environmental risks, does ECB mean specifically Expectation 7.2 of that Guide? Given that ECB expects banks "by the end of 2024 at the latest, to be fully aligned with all supervisory expectations, including having in place a sound integration of C&E risks in their stress testing framework and ICAAP" (ECB Walking the talk, 2022), does it mean that ECB expects that internal models shall be adjusted to account for material and relevant C&E risks and shall be used for the calculation of own funds requirements before end of 2024?
4	General topics	1.8 General principles on climate-related and environmental risks	25	12	Clarification	What is considered 'material'? How should this be determined?	This is subjective wording and requires clarity.
5	General topics	1.9 General principles for the implementation of a changed or extended model	26	12	Clarification	It is not clear whether ECB expects similar requirements for the implementation of reversion requests (including slotting approach, and other less sophisticated approaches, e.g. SA or F-IRB approach). Under Section 2.6, a similar requirement can be added with a reference to paragraph 26.	Correct implementation of the SA, F-IRB is also important for RWA reporting.
6	General topics	1.9 General principles for the implementation of a changed or extended model	26	12	Clarification	The paragraph states that exceptions to ECB expectation for the implementation in 3 months, should be requested by the institution in question. However, the process for this request is not clear. Considering the processing timelines for the requests, we understand that this should be done as early as possible i.e during the assessment of the material change application and should be aligned with the ECB before the notification of the decision. Also, we want to confirm that, according to Article 3 paragraph 6 of the CDR 529/2014, institutions can still present an updated plan if unexpected delays with regards to the implementation of the change arises after the decision. A footnote can be added to clarify these points.	Alignment with CDR 529/2014 and further clarification of the ECB expectations will be beneficial.

7	General topics	2 Roll-out and permanent partial use		13	Clarification	Additional guidance is needed regarding new (types of) exposures, which do not fall under range of application of approved rating systems (e.g. as it is a new type of exposure, or because the products is extended to new segments, e.g. a new country) or use of SA: In this case, an institution can neither use IRB (as IRB model is not approved for new exposures), nor SA (as there was no PPU request submitted). Our understanding is that this case should fall under CRR Article 146 and use of SA should be allowed before approvals are received. As such we would suggest to add a paragraph providing this guidance: xx. In case of introduction of new product, and/or acquisition of the portfolio leading to new exposures for an institution, the institution is expected to analyze if the new exposures 1) fall under scope of approved rating systems, 2) fall under scope of approved permanent partial use of SA and 3) if any notifications or requests are needed in line with Commission Delegated Regulation (EU) No 529/2014. In case no applicable rating system or approval for the use of SA exist, or notifications/requests are needed before the use of IRB approach, institutions are expected to use SA for the new exposures until appropriate approvals are granted or notifications submitted as long as new product is immaterial (in line with CRR art. 146(a), and provide ECB a remediation plan (covering submission of relevant requests/notifications) if exposures become material in line with CRR art. 146(b).	Guidance is needed if SA approach can be applied to new products/exposures, before a formal requests for model extension, new model or PPU/SA are submitted and approved. Without this clarity, introduction of new (innovative) products can be slowed down in IRB banks, leading to unlevelled playing field
8	General topics	2.6 Reversion to a less sophisticated approach	42	17	Amendment	The footnote 42 references only "the use of the SA", while the application of F-IRB approach is also subject to the same requirement. Suggestion to rephrase to "… that the use of a less sophisticated approach ...".	Editing suggestion.
9	General topics	2.6 Reversion to a less sophisticated approach	42	18	Clarification	The last paragraph of the paragraph 42 (after point (d)) sets expectations for "convincing evidence" for reversions leading to non-negligible reduction of own funds requirements. Suggestion to provide guidance regarding what could be considered "convincing evidence", e.g. by adding an example in brackets after the words "convincing evidence": "The reduction of capital requirement is caused by excessive conservatism of the current RWEA, e.g. due to application of conservative corrections, missing (collateral) data, (over) conservative (expert) based model, and not by nature (high risk) of the exposures. In this case, institutions are expected to estimate a "best-estimate" RWEA for the purposes of the point 4(d) of this paragraph". Without this guidance, a unwarranted feedback loop can be created: the current model is not fulfilling requirements, as such RWEA add-ons/MoC is added, which in turn does not allow for reversion to less sophisticated approach, as it leads to decrease in RWEA.	Certain requests for reversions do lead to reduction of RWEA, however, this is not the purpose, and the decrease is justified as current RWEA is too high (i.e. not reflecting risk of the portfolio). A guidance is needed on which evidence ECB considers "convincing" to avoid re-submission of requests.
10	General topics	2.6 Reversion to a less sophisticated approach	42	18	Clarification	The last paragraph of the paragraph 42 (after point (d)) sets expectations for reversions leading to "non-negligible reduction" of own funds requirements. Suggestion to provide guidance regarding "non-negligible reduction", e.g. by adding a sentence to the paragraph: "The following reduction is presumed to be negligible: no more than 1.5% of decrease in the overall EU parent institution's consolidated risk- weighted exposure amounts for credit and dilution risk (or other relevant consolidation level) AND no more than a decrease of 15% or less of the risk-weighted exposure amounts for credit and dilution risk associated with the range of application of the internal rating systems, which covered exposures reverting to a less sophisticated approach." The above thresholds are aligned with Commission Delegated Regulation (EU) No 529/2014 and would set a consistent expectations.	Providing guidance on thresholds for "negligible" decreases in RWEA will simply the preparation and review of requests, and allow for consistent practice in the EU.
11	General topics	2.6 Reversion to a less sophisticated approach	43	18	Amendment	In general, we understand the goal of the expectation: to avoid regulatory arbitrage amongst similar exposures, e.g., by applying for SA only for high-risk exposures (in an absurd case: requesting SA only for loans with delinquency) and keeping IRB for "good" exposures. However, the expectation is defined with terms that are not defined in CRR, e.g., "similar features in terms of modelling", "similar exposures of this kind" (i.e., "kind of exposures"). And it sets the expectation that goes beyond CRR requirements, e.g., as CRR art. 149 specifically allows to revert exposures classes and apply SA in line with art. 150. In the latter case, it even provides certain specific requirements for "sovereign" and "institution" exposure classes. Exposure classes cover by definition different exposures with different (risk) characteristics, as such requirement to look at "similar" exposure classes does not seem to be justified. Furthermore, it is not clear how the own funds impact analysis on "similar" exposures will help to identify cases of regulatory arbitrage, as paragraph 44(d) already requires analyzing impact for the exposure in scope and justify the non-negligible decreases in own funds. As such we suggest to amend the paragraph, replacing reference to "kind of exposure" to "type of exposures", "features in terms of modelling" to "key risk characteristics" and removing reference to exposure classes and impact analysis. "43. Institutions should consistently segment the whole (credit) portfolio into types of exposures, with same key risk characteristics, amongst other in terms of data and modelling (in particular with regard to points (a) and (b) of paragraph 42 above). Institution should avoid excessive and unjustified (artificial) splits to lower materiality of types of exposures or to lower (absolute) impact of reversions. Where a request is made to revert to a different approach (the SA or the F-IRB approach) for a type of exposure, institutions are also expected to provide convincing evidence that the request is not being made in order to reduce own funds requirements by applying an unjustified split of a type of exposure (e.g., by keeping IRB approach only for relatively low risk exposures). For instance, providing information on criteria used for exposure type segmentation and evaluation if type of exposures is defined consistently may help to inform the assessment."	The expectations should be revised as it uses terms not defined in CRR and requires analysis which might not have direct contribution to the goal of the expectations

12	General topics	2.6 Reversion to a less sophisticated approach	44	18	Clarification	We understand that the single comprehensive and consistent request that is expected in the paragraph, should also include any notifications triggered by the model scope changes and evaluation of these changes in the performance of the models that are continued to be used for the own fund calculations.	More guidance on the expected application package will ensure preparation of proper requests and improve regulatory compliance.
13	General topics	2.7 Internal models in the context of consolidations	47	19	Clarification	The scope of application of ECB's Guide on the supervisory approach to consolidation in the banking sector excludes intra-group transactions (footnote 1): "The term “consolidation” is used in this document to mean any business combination of pre-existing independent legal entities that is relevant from the perspective of prudential supervision of institutions by the SSM, including mergers between institutions and acquisition by one institution of another institution, but excluding intra-group transactions" We suggest to provide guidance how intra-group transaction should be treated. In particular in case of mergers/re-organisation of subsidiaries, a simplified treatment could be considered for the (sub) consolidated reporting, i.e. in general allowing to continue using same IRB models or SA approach as applied to the exposures before merger. All potential cases on incompliance can be a part of "return to compliance" plan.	Please clarify which ECB expectations apply to intra-group transactions.
14	Credit risk	2.2 IT systems: infrastructure and implementation testing	7	61	Deletion	New requirement is introduced for when applying for an initial model approval or for roll-out of the IRB approach. The part of the first sentence in brackets should be deleted so that the first sentence reads: "When applying for a material model change, the institution should provide evidence that it is able to provide a new version of the relevant IT systems ready to be put into production once the change is approved."	A requirement to have a non-live production version of the model implemented and the implementation fully tested before applying for a major change would be onerous and could unnecessarily delay the application, particularly if the scope of the change only becomes clear late in the process. *The ECB proposed approach is not according to IT best practice:* *after finalizing the user acceptance test and go live approval the lead time to deploy in production should be as short as possible.* *Although model implementation is not suitable for continuous integration / continuous delivery (CI/ CD), the lead time should be as short as possible to ensure:* *• All new components are in sync with the IT production environment* *• Latest (regulatory) requirements are incorporated (not possible if requirements are frozen approx. 9 months before go live approval)*
15	Credit risk	2.2 IT systems: infrastructure and implementation testing	8	62	Deletion	Propose to delete second sentence in brackets: "It should also […] in paragraphs 7(a) to (f) above". It is not stated that hard in other relevant regulations, i.e. CRR: 144(1), 175(1), CDR 2022/439: recital (33), art 75(1), (2).	*Supervised entity should provide* "proof of implementability", instead of having full implementation ready. *The proof of implementability should consist of:* *• detailed description of architectural overview and necessary changes* *• implementation plan* *• completed system tests* *• governance of data attributes (covered in implementation plan and functional designs)*
16	Credit risk	2.2 IT systems: infrastructure and implementation testing	8	62	Clarification	The paragraph relates to the IT implementation of a material change. While this paragraph is included in the Credit Risk section, it reads very general and therefore not clear whether it is applied for a material change in market risk models.	Please confirm that this section applies only to credit risk.
17	Credit risk				Clarification	Topic: Use of forward-looking data for the calculation of own funds requirements for credit risk References: ECB Guide to internal models (2023), Credit Risk / par. 94, Credit Risk / Footnote 50, Credit Risk / par. 172, Credit Risk / Footnote 79, Credit Risk / par. 191, Credit Risk / Footnote 86	Questions: Banks would benefit from clarifications on use of forward-looking data for internal estimations: a) Does ECB expect banks to use forward-looking data for the calculation of own funds requirements for credit risk? b) Does ECB expect banks to use adverse or most-likely scenario for projected forward-looking data for the calculation of own funds requirements for credit risk? c) Does ECB expect banks to use specific horizon of the forward-looking data for the calculation of own funds requirements for credit risk? Here we note on the horizon of 2 -3 years that shall be accounted for in the rating assignment as per ECB Guide to internal models (2019), Credit Risk / par. 64 (“it is the ECB’s understanding that the rating/grade/pool assignment process should also adequately anticipate and reflect risk over a longer time horizon and take into account plausible changes in economic conditions. In order to achieve this objective: … (b) a horizon of two to three years is considered to be appropriate for most portfolios;”) d) Does ECB see that banks can use projected forward-looking financial data (e.g. CapEx, EBITDA), whose projections would be based on projected C&E factors (e.g. forecasted GHG emissions), for the calculation of own funds requirements for credit risk? If so, is use of projected forward-looking financial data seen by ECB as input override (in the context of CRR Art. 172(3))?
18	Credit risk	3.6 Use of human judgement	47	74	Clarification	C&E-driven overrides - ECB Guide to internal models (2023), Credit Risk / par. 47: "Overrides should be limited to information relevant to the obligor’s creditworthiness, if this is not captured well by the pre-defined components of the model [Footnote 34]”. - Credit risk / Footnote 34: “Where climate-related and environmental risk drivers are assessed to be relevant and material and the rating system does not include information related to these risk drivers, institutions should consider whether it would be appropriate to take a more conservative approach in the assignment of ratings to the related facilities or obligors by applying an override to the final output of the rating assignment process”.	- When referring to the direction of C&E-driven overrides, ECB mentions use of ‘a more conservative approach’. Banks would benefit from clarification whether C&E-driven overrides, in view of ECB, can be applied only for downgrading the credit rating of an obligor. Here we note on the EBA Discussion on the role of environmental risks in the prudential framework, where both upgrade and downgrade overrides are mentioned as possible in the context of rating adjustment (par. 118, “assignment of exposures to grades or pools should generally use the model developed in the previous steps, the CRR mentions the possibility of further adjustment, … in the form of overrides, for instance in the form of a rating upgrade or downgrade (113).“ '- In addition, banks would benefit from clarification wrt. use of C&E-driven overrides in light of potential application of additional MoC in cases when information on relevant and material C&E risk drivers is not available.

19	Credit risk	4.2 Consistency of the application	62	79	Clarification	The paragraph suggests that the default is triggered if the materiality threshold is exceeded 90 days or more (including the 90th day), while paragraphs 59(b) and 66 suggest more than 90 days (excluding the 90th day). (62) 62. The materiality thresholds for the purpose of the definition of default applied by an institution outside the SSM area and a parent significant institution may be different, even if both belong to the same banking group, because a materiality threshold which differs from the one set by the ECB may apply under national law outside the SSM area. This scenario is one of those addressed by paragraphs 83 to 85 of the EBA Guidelines on DoD. If an obligor has exposures under both SSM and non-SSM jurisdictions, institutions should check both the ECB materiality threshold and the materiality threshold (if any) applicable in the other jurisdiction. The default will be triggered in the jurisdiction where the materiality threshold is first exceeded for 90 consecutive days, and institutions are then expected to apply additional unlikely to pay triggers, making use of the provisions set out in paragraph 58 of the EBA Guidelines on DoD, to achieve a consistent default status across all jurisdictions. (59.b) 59. According to Article 178(1) and (2)(d) of the CRR in conjunction with Article 3 of the ECB Regulation on discretion on materiality threshold and Article 4 of the ECB Regulation on options and discretions, a default must be considered to have occurred with regard to a particular obligor when either or both of the following have taken place: (b) the obligor is more than 90 consecutive days past due on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries ("days past due" criterion), considering that a credit obligation past due is material when it: (i) exceeds €100 if it is a retail exposure or €500 if it is an exposure other than retail exposure; and (ii) represents more than 1% of the total amount of all on-balance sheet exposures to that obligor for the credit institution, the parent undertaking or any of its subsidiaries, excluding equity exposures. (66.) 66. When the days past due criterion is met, institutions should classify the exposures to defaulted status without further ado. This means that at the onset of the 91st consecutive day after the materiality threshold is exceeded for the first time, the institution should activate the default flag for all affected exposures. Moreover, it is the ECB's understanding that the days past due criterion is driven by the exact number of days in which material past due amounts are present. Therefore, proxies in which defaults are triggered, for example, after three months of missed payments or three missed monthly payments ("months in arrears" approach) are not considered an appropriate implementation of this criterion.	Please remove the inconsistency between paragraphs 62, 59.b and 66 in Credit risk chapter.
20	Credit risk	4.3 Days past due criterion	69	81	Clarification	This paragraph states that non-EUR past due amounts should be converted to EUR using the exchange rate quoted every day, but there is no reference to a relevant regulation currently in force.	Please clarify whether there is an existing legal reference for this requirement.
21	Credit risk	4.4 Unlikeness to pay criterion	79	84	Clarification	The last sentence in this paragraph might suggest that a default trigger based on a threshold on the diminished financial obligation does not need to be back-scored after adjustment of the threshold.	Please clarify that this applies to the DoD process, but back-scoring should still be done for model development/calibration purposes.
22	Credit risk	4.7 Adjustments to risk estimates in the case of changes to the definition of default	92	88	Amendment	The requirement is about making changes to the DoD and in particular about retrospectively simulation of the proposed DoD. There is an explicit expectation that the RDS covers at least two years of data adjusted at granular level by means of a retrospective simulation. While we agree that retrospective simulation is good and the way to go, it may not be possible for each individual default trigger (in particular UtP) to back-score the proposed UtP for at least 2 years, in particular when human judgement is applied. It may be that the requirement is not so strict, e.g., that it is oke if for certain triggers requiring human judgement less than 2 years of data is also accepted, but this is not explicitly stated. Suggestion is to amend the text to mention that this is a general expectation, and that exceptions are possible for individual triggers if duly justified.	Requirement to have may be unrealistic, or require institution to weight 2 years until the data is available, slowing down improvements in the model landscape.
23	Credit risk	5.1 Structure of PD models	103	94	Clarification	What is 'Very granular'? More guidance on how many grades will be considered as very granular will be very helpful.	Very granular is very vague and is subject to interpretation. An indication of > 8 or 10 grades for example will provide more clarity.
24	Credit risk	5.1 Structure of PD models	109	97	Clarification	How would you define 'extensively' in relation to the use of third-party support as an indication for an override? More guidance on when this will be seen as extensively wil be very helpfull.	Extensively is subject to interpretation. Is there a certain thresshold or a bit more guidance on this?
25	Credit risk	5.1 Structure of PD models	113	98	Clarification	How would you define 'material' in relation to the number of exposures within a rating system? More guidance on when this will be seen as material will be very helpfull.	Material is subject to interpretation. A concrete definition of material in this context (f.i. as can be found in 'Credit Risk 4.1 art. 59 b') would provide more clarity.
26	Credit risk	5.2 PD risk quantification	122(d)	101	Amendment	Supplement with "present at the beginning of the one-year observation period", as also mentioned in par 73 of EBA GL on PD and LGD, so that it becomes "(...) it is the ECB's understanding that each obligor – or each facility in cases where point (a) above applies – present at the beginning of the one-year observation period, should be counted (...)".	For clarification
27	Credit risk	5.2 PD risk quantification	122(e)	101	Clarification	Not clear what is meant with "obligors that cease to exist". Do they mean deceasing persons? Or change in set of obligors that are identified as joint-obligor? Or credit obligation that ceases to exist (migration/write-off/sale/closed/etc)?	For clarification
28	Credit risk	5.2 PD risk quantification	126	103	Amendment	It is not clear what should be done to conclude that there is not material difference between average PD and the LRA DR in case of no statistical difference. Probably it is meant that we should verify that the directions and magnitudes are random (similar to par. 135), but this is not explicitly stated. Suggestion to include this here as well in that case.	Please clarify this requirement and explicitly state whether banks should verify that the directions and magnitudes are random (similar to paragraph 135).

29	Credit risk	6.1 Realised LGD	143	113	Clarification	Some/most climate-related and environmental information will not be available nor retrievable for historical defaults. No indication how to tackle this. MoC? Overrides? Also, due to the progressive -- in time that is -- nature of climate/environment risk (more extreme weather, more wildfires, more river draughts/floods, higher sealevels, etc etc), it is intrinsically impossible to use statistical modelling based on historical empirical data. This comment is relevant for footnotes 74, 86 and 50.	Climate/environmental risks are obviously important for credit risk, but not enough guidance on how to incorporate this in IRB modelling.
30	Credit risk	6 Loss given default	143	113	Clarification	The paragraph mentions that Institutions should ensure that their own historical experience contains a minimum number of defaults in order to determine whether external data are sufficiently representative. Any reference to how the minimum number should be calculated would be helpful.	The statement as is is subject to Institution's own interpretation and can result in differences in application.
31	Credit risk	7 Loss given default	143	113	Clarification	In the footnote 74, it is mentioned that In accordance with paragraph 109 of the EBA Guidelines on PD and LGD, the RDS should contain all relevant information in relation to losses and recovery processes. This should also include climate related and environmental information where relevant and material. More clarity about the data collection requirements to the climate related and environmental information would be helpful. As the Institution is inot yet mature in tis topic, it would help to clarify minumum length of data required for these information to be considered in the models.	Minimum period of data required for development of PD and LGD parameters are clear in the guidelines and regulation. The similar clarity for the climate related and environmental information would help Institution to set up the data collection plan.
32	Credit risk	6.2 LGD structure	172	121	Clarification	The requirement states "where risk drivers vary over time, an approach consisting of a fixed time horizon before default, ..., should not be used" which does not seem to be aligned with the requirement in the draft CRR3 on CCF, specifically article 182 (1)(g), stating that IRB-CCF shall be estimated using a 12-month fixed horizon approach. (172) 172. LGD estimates must be based on the material drivers of risk.78 To comply with this requirement, institutions should identify and analyse potential risk drivers under paragraphs 121 to 123 of the EBA Guidelines on PD and LGD.79 When selecting the risk drivers, institutions should take into consideration any changes in product mix or characteristics between the reference and default dates. According to paragraph 122 of the EBA Guidelines on PD and LGD, “institutions should analyse the risk drivers not only at the moment of default but also at least within a year before default and should use reference dates for risk drivers that are representative of the realisations of the risk drivers within a year before default”. In the ECB’s understanding, this means that the choice of reference dates for risk drivers should ensure consistency with the expected distribution of defaults over the one-year horizon (and corresponding changes in the value of the risk driver) that are expected for the exposures to which the estimates are applied. In this context, where risk drivers vary over time, an approach consisting of a fixed (for all defaults) time horizon before default, particularly where this time horizon is less than 12 months, should not be used unless the institution is able to show that such an approach does not result in a lack of representativeness (in the sense of the previous sentence) leading to the final LGD estimates (at grade or pool level) being underestimated. Draft CRR3 (182.1.g) ... ‘(g) institutions’ IRB-CCF shall be developed using a 12-month fixed-horizon approach. For that purpose, for each observation in the reference data set, default outcomes shall be linked to relevant obligor and facility characteristics at a fixed reference date defined as 12 months prior to default day;	Please assure consistency between this revised provision in the revised ECB Guide and future CRR3 (Art 182.1.g).
33	Credit risk	6.3 Risk quantification	182	126	Clarification	In CRR3 a sentence will be: collateral valuation will take ESG into account (if material). Same sentence is already in ECB Guide CER.	Consider specifying that collateral valuation shall account for ESG risks.
34	Credit risk	6.3 Risk quantification	188	128	Deletion	Footnote 85 is rather strict, and there is no mention of a maximum common period in art 179(1) of the CRR. However, art 179(2)(b) states: "Where an institution uses data that is pooled across institutions it shall meet the following requirements: (b) the pool is representative of the portfolio for which the pooled data is used", which implicates something similar to footnote 85, but is more open to interpretation.	Please delete the footnote align it directly wiht art179(1) and art 179(2)b
35	Credit risk	7.2 Realised CCFs	199	135	Amendment	Typo: paragraph 0	Broken reference
36	Credit risk	8.1 Relevant regulatory references	208	140	Clarification	It is not clear whether a tie in rank ordering is considered a change compared to non-tie. The background of this question is related to the situation where MoC on pool level does change the rank ordering, and we are interested if it is considered compliant if we merge those pools.	Please explain whether a tie in rank ordering is considered a change compared to non-tie.
37	Credit risk	8.1 Relevant regulatory references	208	140	Clarification	Topic: Margin of conservatism ECB Guide to internal models (2023), Credit Risk / par. 208: “the MoC should consider any deficiencies stemming from missing or inaccurate information including, where relevant and material, any missing or inaccurate climate-related information considered in risk estimates.”	Questions: Banks would benefit from clarifications on cases when MoC shall assigned. a) Where C&E risks are relevant and material for a segment subject to the internal model, however no C&E data is at hand to be accounted in the internal model for this specific segment for the calculation of own funds requirements, shall banks apply MoC for absence of C&E data? b) Considering that C&E data is available for rather limited observation period, does ECB expects specific observations period (e.g. at least 5 years) of C&E data to be available for accounting for in the internal models for the calculation of own funds requirements, where C&E risks are relevant and material for a segment?
38	Credit risk				Amendment		Please prolong the time banks have to include C&E risks in the calculation of own funds for credit risk.
39	Market risk	3.2 Scope of application of regulatory back-testing			Deletion	This paragraph (paragraph 52, page 134 in 2019 version) has been deleted from the June 2023 version. Does this mean that positions that are excluded from the regulatory trading book for the purpose of calculating capital requirements on the basis of Article 106(3) of the CRR should now be included in the scope of application of the back-testing.	A paragraph has been deleted. Does it mean that positions that are excluded from the regulatory trading book for the purpose of calculating capital requirements should now be included in the scope of application of the back-testing?

40	Market risk	5.2 General requirements	109	179	Clarification	The paragraph states that institution should be able to provide an inventory of analyses that have been conducted with the purpose of developing the VaR and sVaR models. Given that VaR and SVaR models can be quite mature, in other words developed a few years ago, for how many years should a bank provide an inventory of analyses?	Does this implies having the underlying information for annual reviews and/or monitoring available or also other analyses done that might not have been mandatory so far? And how many years should a bank provide an inventory of analyses for VaR and SVaR, if the models are developed many years ago. Is it restricted to IMA and monitoring reports?
41	Market risk	5.2 General requirements	144	192	Clarification	The paragraph states that institution should be able to provide an inventory of analyses that have been conducted with the purpose of developing the IRC model. Given that IRC model can be quite mature, in other words developed a few years ago, for how many years should a bank provide an inventory of analyses?	Does this implies having the underlying information for annual reviews and/or monitoring available or also other analyses done that might not have been mandatory so far? And how many years should a bank provide an inventory of analyses for IRC, if the model was developed many years ago. Is it restricted to IMA and monitoring reports?
42	Market risk	6.5 Ratings, probabilities of default and recovery rate assumptions	158	197	Clarification	The paragraph states that institutions should analyse any observed differences between these estimates and estimates that are derived in combination with current market prices where the relevant corrections were performed to obtain real-world PDs. It is unclear how the corrections should be obtained. More clarification is needed.	It is unclear how the corrections should be obtained. More clarification is needed.
43	Market risk	6.5 Ratings, probabilities of default and recovery rate assumptions	161	198	Clarification	The paragraph states that that institutions should identify which terms, information or assumptions in the methodology used to estimate PDs for IRC are different from the terms, information or assumptions used to account for expected losses. What does the ECB refer to when mentioned here PD used for expected losses? Basel PDs? It is not clear how to compare IRC PDs to the PDs used for estimation of expected losses, especially if IRC PDs are obtained from external vendors.	What exactly are the PDs 'used to account for expected losses'? It is unclear how to compare IRC PDs to the PDs used for estimation of expected losses, especially if IRC PDs are obtained from external vendors.
44	Market risk	7.5 Management of RNIME and implementation in an institution's risk engines	186	213	Amendment	Footnote 97 in point (c), paragraph 186 in section 7.5 (Management of RNIME and implementation in an institution's risk engines) states that *"The calculation should be made at the end of the quarter by comparing the sum of impact quantification of the RNIME, e.g. at the end of the quarter, with the 60-business-day average of the VaR or sVaR, or the 12-week average of the IRC or CRM amount of the preceding quarter."*" The comparison of the RNIME numbers for the purpose of the calculation of this ratio should be in line with VaR and sVaR methodology. For VaR and sVaR, the 60-day average, or 12 week average for IRC or CRM amount, is suggested in the same footnote. To note, this feedback has already been provided by the industry (see Feedback statement: Responses to the public consultation on the draft ECB guide to internal models, July 2019 – risk-type-specific chapters, section 4.7 Risk not in the model engines (MR Section 7), point 10, p. 29). However, it seems that the ECB might have misinterpreted the feedback provided as it referred, as part of its response to the feedback, to the need to use the 60-day (or 12-week for IRC) average risk numbers to increase the stability and make it possible to use the same basis (denominator), although this did not lead to a change in the aforementioned footnote (last column). In order words, we totally agree with the explanation (stability and same basis for comparison), although we still deem it important to clarify (and amend), as this is creating confusion to the industry.	Please clarify whether the 60-day average of the RNIME used in the numerator of the CIQ risk number can be used instead of the RNIME at the end of the quarter, and please subsequently amend the footnote in order to align the numerator and denominator of the CIQ risk number in terms of methodology (both using the average with the same periodicity).