

Comments

by the German Banking Industry Committee¹ on the European Banking Authority's draft Regulatory Technical Standards (RTS) on the conditions according to which competent authorities may grant permission for data waiver (EBA/CP/2014/02)

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*The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent more than 2,000 banks.*

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¹ Enrolled in EU transparency register unter the register number 52646912360-95.

Comments on EBA: "Specifying conditions according to which competent authorities may permit institutions to use relevant data covering a shorter time period (data waiver permission)"

Dear Sir or Madam,

We appreciate the opportunity to comment on the RTS draft "Specifying conditions according to which competent authorities may permit institutions to use relevant data covering a shorter time period (data waiver permission)"; please find our respective comments below.

The Regulatory Technical Standards (RTS) specify the conditions according to which the permission may be granted to use data covering a period of merely two years rather than five years ("data waiver permission") for the estimation of PD's, own LGDs and own CCFs within the meaning of Article 180(1)h, 180(2)e, 181(2) or 182(3) when implementing the IRB approach.

The following issues already result in a substantial limitation of the eligibility for data waiver permissions:

- On principle, the so-called low default portfolios (central government, central banks, institutions) shall be exempt from the waiver
- Compliance with the qualitative requirements set out under Article 6 is mandatory ("longer time series are unavailable", "appropriate margin of conservatism applied", "enhanced data input vetting process")

Furthermore, compliance with the extremely low limits concerning the "total exposure values" and the "risk weighted exposure amounts" of merely 5% is mandatory. In our view, this quantitative requirement is overly restrictive and we advocate in favour of a limit of at least 25%.

First, it is worth noting that the waiver's underlying rationale which already exists since the CRDI consists in facilitating access by banks to the IRBA. In light of this, to date banks were allowed to use the shorter data history for the entire portfolio. Said transition from the use for the entire portfolio to merely 5% of the portfolio constitutes a very considerable and excessively far-reaching tightening of the rules.

A certain mitigation should remain intact. Apparently, this is also the CRR regulator's underlying intention. In the event of such a restrictive application as the one proposed in the current RTS draft, however, such a mitigation is *de facto* abrogated which is why the RTS' current proposals are inconsistent with the CRR's intents and purposes. In our view, a higher threshold is perfectly justified given the aforementioned further qualitative restrictions (which are equally new and which we do not criticise).

We would welcome it if you shared our reasoning.

Yours sincerely,

on behalf of the German Banking Industry Committee (GBIC)
National Association of German Cooperative Banks

p.p. Bernhard Krob