Name of respondent: Adrian Rossignolo

Date: 20 June 2018

Comment:

Paragraph 54

In some circumstances, it may be necessary to carry out specific empirical correlation analysis taking into consideration local markets and particular assets in order to ascertain whether the movements of the domestic markets respond to the Standard methodology proposed, particularly in times of very low volatility or highly stressed markets where correlations do not often behave according to the theoretical expectations.

Therefore, local or domestic regulators should develop a more active role in evaluating, or perhaps adjusting, the official recipe to the particular realities.

Annex B - Revisions to the internal models approach

The structure of the validation tests may bias the selection towards leptokurtic or heavily leptokurtic models, which could foster the perception of a crackdown on the modelling approaches. Even though this outcome might enhance the comparability across the different jurisdictions as many banks would have to resort to the Standardised Approach, it may be necessary to generate a battery of evaluation tests and proofs capable of matching the SA to a range of Internal Models specifications.

Paragraph 192

The Committee is right in establishing an add-on to the mc factor, and it is correct to give more leeway to the local regulators to increase it. However, the qualitative multiplier could also be related to a host of other variables (ranging to the quality of risk management, risk management and compliance processes, historical performance of the models, etc.) in addition to the ("current") ex-post performance of the model.