

Set up in 1990, the Czech Banking Association (CBA) is the voice of the Czech banking sector. The CBA represents the interests of 40 banks and foreign branches operating in the Czech Republic: large and small, wholesale and retail institutions. The CBA is committed to supporting quality regulation and supervision and consequently the stability of the banking sector. It advocates free and fair competition and supports the banks' efforts to increase their efficiency and competitiveness.

We appreciate the opportunity to comment on d362 Consultative Document **REDUCING VARIATION IN CREDIT RISK-WEIGHTED ASSETS – CONSTRAINTS ON THE USE OF INTERNAL MODEL APPROACHES**.

Output floors

According to the proposal (chapter 1, page 2) an output floor should be introduced in the range of 60% - 90%.

1. We propose that the limit be applied only at the level of the whole institution, and not at more granular levels.

Specialized lending

According to the proposal (chapter 2.1, page 2), specialized lending exposures should be eligible only for either the standardized approach or the IRB slotting approach; use of banks' own parameter estimates will not be allowed.

2. Does the proposal assume that the supervisory slotting approach should be set up as described in EBA/CP/2015/09, or is the current regulatory framework assumed to remain valid?
3. The new framework should support a solution where the slotting approach is supplemented by underlying internal estimates of precise PD and LGD values, i.e. where the outputs of an internal managerial model are used to assign the exposure to a specific regulatory slot. The mapping of internal estimates to regulatory slots should be subject to individual approval by the competent regulatory authority.

The proposal also considers the rule that if a bank wants to use the IRB approach for a certain portfolio, it must use the IRB approach for all portfolios for which IRB remains available (chapter 5, page 13).

4. Would this proposal mean that if IRB is used for other portfolios, then specialized lending exposures must be handled by slotting criteria? Or would it still be possible

to leave specialized exposures in the standardized approach even if some other portfolios are in IRB?

Parameter floors

The proposal sets minimal LGD values for the secured parts of the exposure (chapter 3, page 6).

5. In table 2, column LGD / Secured, what exactly is meant by "Secured"? Do these values represent the minimal LGD applied to the market value of the collateral, or the minimal LGD applied to collateral value accepted by the bank? We would need to understand what the consequences of the floors are in a situation where the collateral value accepted by the bank already includes a significant haircut that reflects real loss/recovery experience with the given type of collateral.

CCF estimation

6. What exactly is meant by the requirement that "EAD estimates must use a 12-month fixed horizon estimation approach"? (chapter 4.3, page 11)

We hope that our response to the Consultation Document is sufficiently clear and our views are helpful.