



Comments of the KNF - Polish Financial Supervision Authority to the Consultative Document *Standards: Capital floors: the design of a framework based on standardized approaches*, issued for comment by 27 March 2015.

The Polish Financial Supervision Authority is pleased to be given an opportunity to provide comments to the Consultative Document *Standards. Capital floors: the design of a framework based on standardized approaches* issued by the Basel Committee on Banking Supervision.

Defining various floor levels for different risk categories enables a more flexible and efficient supervisory policy over entities (e.g. allowing for modifications of limits in respect of one risk category). Moreover, application of risk category-based floors will render impossible offsetting of capital gains arrived at through the use of internal approaches between capital requirements for particular risk categories. Simultaneously it needs highlighting that such construction of floors seems to have a more motivating effect on the banks to introduce internal approaches.

Application of floors for particular exposure classes, despite the fact it allows a more precise mitigation of credit risk by appropriate supervisory authorities, constitutes, at the same time, a solution that is more difficult and costly to implement by banks.

With reference to the proposed options regarding the application of adjustments for differences in the treatment of provisions, the preferred solution is embraced by the option 1 as set out in the Consultative Document. The above-mentioned option provides for an application of consistent rules for both, banks that use the standardized approach and the ones using the IRB. The principal disadvantage of option 2 is the non-intuitive adjustment of RWA.