

Opinion to the document „Reducing variation in credit risk-weighted assets – constraints on the use of internal model approaches”

The main purpose of the document „Reducing variation in credit risk-weighted assets – constraints on the use of internal model approaches” is to reduce variability of parameters used under advanced credit risk measurement methods. In the same time The committee proposes changes in standardized approach, which will cause more risk sensitivity and in the same time be simple for all users. In the next step this will mean unification of all advanced and standardized methods.

In my opinion to address all purposes regarding credit risk are three elements which will unify these methods:

- Defined by the supervisory authority risk weight for large international corporates, financial institutions and sovereigns;
- Internal model for some parameters for other corporates of course with some limits for institutions without the supervisory authority acceptance for this model;
- Full version of model, with all parameters estimated for SME companies and retail.

In more and more globalized economy, there is a problem of large corporates. It is crucial to develop model of risk calculation for this sort of clients. This is low default portfolio. For such a portfolio's the supervisor should assess their risk at the level of particular jurisdiction, standardized approach or advanced model but developed by supervision authority.

In my opinion it is a good proposal to limit low default portfolio's models and replace them by simpler and less vulnerable approach. I am against proposal to use standardized approach. This should be more risk vulnerable than risk weight depending on external rating.

When we discuss the possibility of using FIRB, it is a good proposal. This limits the problem of too small samples and causes that risk weights are more risk sensitive.

Fully internal developed model should be used for large number of clients. Models at the level of particular organization can show real risk profile of the portfolio. Furthermore limits for particular parameters gives more conservatism to risk management.

As a result of all of proposed changes, capital requirements for developed countries will increase relatively higher than for less developed. This will cause flow of capital from Western to Central Europe as more profitable.