RCAP jurisdictional assessments: self-reporting monitoring template for RCAP follow-up actions

Jurisdiction: United States

Status as of: 31 December 2017

With reference to RCAP report(s): Assessment of Basel III regulations – United States (December 2014) and G-SIB framework – United States (June 2016)

The information provided in Part A related to the US RCAP-Capital report below is identical to the information contained in Part A of the 2016 US post-RCAP follow-up report published on the BIS website. There was nothing new to report from calendar year 2017.

Part A[1]

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

Table A

(1) Issue and/or relevant Basel paragraph number(s)	(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)	(3) Detailed reference to the domestic legislation/regulation that addresses the finding	(4) Summary description of amendment or rectification made
BII, Capital, 395	Basel II, paragraph 395 requires for banks that use multiple systems, that the rationale for assigning a borrower to a rating system must be documented and applied in a manner that best reflects the level of risk of the borrower. Banks must not allocate borrowers across rating systems	80 FR 41415, Sec. 122(b)(1)(ii)[2]	New section 122 (b)(1)(ii) provides that if a banking organisation uses multiple rating or segmentation systems, the banking organisation's rationale for assigning an obligor or exposure to a particular system must be documented and applied in a manner that best reflects the obligor or exposure's level of risk. A banking organisation

1 To be completed only for those findings where action has been taken or initiated. Any plans for addressing other findings may be indicated in Part B.

2 The Board of Governors of the Federal Reserve System (FRB), Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) issued a joint final rule published in the Federal Register on July 15, 2015. The citations to this final rule included in this document reference page numbers to rule text pertaining to FRB-regulated institutions, which is substantively identical to that applicable to the OCC- and FDIC-regulated institutions.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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	inappropriately to minimise regulatory capital requirements (ie cherry-picking by choice of rating system).		must not inappropriately allocate obligors or exposures across systems to minimise regulatory capital requirements.
BII, Capital, 401-402	Basel II, paragraphs 401 and 402 require that rating systems for retail exposures must capture all relevant borrower and transaction characteristics, including product and/or collateral types and cross-collateral provisions, and delinquency of exposures. Banks are required to demonstrate that the assignment process provides for a meaningful differentiation of risk, provides for a grouping of sufficiently homogenous exposures, and allows for accurate and consistent estimation of loss characteristics at pool level.	80 FR 41415-16, Sec. 122(b)(1)(i), (3)(i) and (3)(ii)	New section 122(b)(1)(i) provides that a banking organisation must have an internal risk rating and segmentation system that accurately, reliably, and meaningfully differentiates among degrees of credit risk for the banking organisation's wholesale and retail exposures. New section 122(b)(3)(i) provides that a banking organisation must have an internal system that groups retail exposures into the appropriate retail exposure subcategory and groups the retail exposures in each retail exposure subcategory into separate segments with homogeneous risk characteristics that provide a meaningful differentiation of risk. New section 122(b)(3)(ii) provides that a banking organisation must have an internal system that captures all relevant exposure risk characteristics, including borrower credit score, product and collateral types, as well as exposure delinquencies, and must consider cross collateral positions, where present.
BII, Capital, 411	Basel II, paragraph 411 requires that banks must use all relevant and material information in assigning ratings to borrowers and facilities. In particular, information must be current and the less information a bank has, the more	80 FR 41415, Sec. 122 (b)(1)(iii) and (b)(3)(ii)	New section 122 (b)(1)(iii) provides that, in assigning ratings to wholesale obligors and exposures, including loss severity ratings grades to wholesale exposures, and assigning retail exposures to retail segments, a banking

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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	conservative must be its assignments of exposures to borrower and facility grades or pools.	78 FR 62209, Sec. 122 (c)(3)[3]	organisation must use all relevant and material information and ensure that the information is current. New section 122 (b)(3)(ii) provides that a banking organisation must have an internal system that captures all relevant exposure risk characteristics, including borrower credit score, product and collateral types, as well as exposure delinquencies, and must consider cross collateral provisions, where present. Section 122 (c)(3) of the regulatory capital rule provides that a banking organisation's risk parameter qualification process must produce appropriately conservative risk parameter estimates where the banking organisation has limited relevant data, and any adjustments that are part of the quantification process must not result in a pattern of bias toward lower risk parameter estimates.
BII, Capital, 414-416	Basel II, paragraphs 414 to 416 establish requirements for the rating assignment horizon. Banks are expected to use a time horizon longer than one year in assigning ratings. A borrower rating must represent the bank's assessment of	80 FR 41415-16, Sec. 122 (b)(1)(iv), (b)(2) and (b)(3)	New section 122 (b)(1)(iv) provides that, when assigning an obligor to a PD rating or retail exposure to a PD segment, a banking organisation must assess the obligor or retail borrower's ability and willingness to contractually perform, taking a conservative view of projected information.

[3] The FRB and the OCC issued a joint final rule published in the Federal Register on October 11, 2013. The citation to this final rule included in this document references a page number to rule text pertaining to FRB-regulated institutions, which is substantively identical to that applicable to the OCC-regulated institutions. The FDIC adopted an interim final rule that was substantively identical to the revised capital framework in July 2013 and later issued a final rule in April 2014 identical to the FRB's and the OCC's final rule.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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	the borrower's ability and willingness to contractually perform despite adverse economic conditions or the occurrence of unexpected events, consistent with current conditions and those that are likely to occur over a business cycle within the respective industry/geographic region. A bank must take a conservative view of projected information and, where limited data are available, a bank must adopt a conservative bias to its analysis.		Sections 122(b)(2) and (3) were updated to include requirements for the risk parameter qualification process for estimates of risk parameters, for retail and wholesale exposures.
BII, Capital, 426	Basel II, paragraph 426 requires for corporate, sovereign and bank exposures in particular that banks have an effective process to obtain and update relevant and material information on the borrower's financial condition, and on facility characteristics that affect LGDs and EADs.	80 FR 41415, Section 122 (b)(2)(iii)	New section 122(b)(2)(iii) provides that a banking organisation must have an effective process to obtain and update relevant and material information on obligor and exposure characteristics that affect PD, LGD, and EAD.
BII, Capital, 427	Basel II, paragraph 427 requires for retail exposures an annual review of the loss characteristics and delinquency status of pools and of assignment to pools.	80 FR 41416, Sec. 122(b)(3)(iii)	Section 122(b)(3)(iii) was updated to provide that banking organisations must review and update assignments of individual retail exposures to segments and the loss characteristics and delinquency status of each identified risk segment whenever the banking organisation receives new information, but generally no less frequently than quarterly, and, in all cases, at least annually.
BII, Capital, 443	Basel II, paragraph 443 requires that internal audit must review at least annually the bank's rating	80 FR 41416, Sec. 122(c)(5)	Section 122(c)(5) was updated to provide that a banking organisation must have an internal audit function or

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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	system and its operations, including the operations of the credit function and the estimation of PDs, LGDs and EADs. It requires in particular that areas of review include adherence to all applicable minimum requirements.		equivalent function that is independent of business-line management that, at least annually: (i) reviews the banking organisation's advanced systems and associated operations, including the operations of its credit function and estimations of PD, LGD, and EAD; (ii) assesses the effectiveness of the controls supporting the banking organisation's advanced systems; and (iii) documents and reports its findings to the banking organisation's board of directors (or a committee thereof).
BII, Capital, 448	Basel II, paragraph 448 requires that internal estimates of PD, LGD, and EAD must incorporate all relevant, material and available data, information and methods, and that a bank must demonstrate that its estimates are representative of long run experience.	80 FR 41416, Section 122 (c)(2)	Section 122(c)(2) was updated to provide that a banking organisation's estimates of PD, LGD, and EAD must incorporate all relevant, material and available data. In addition, subsections (i) through (v) set out further requirements, including providing that a banking organisation demonstrate its estimates are representative of long run experience.
BII, Capital, 449	Basel II, paragraph 449 requires in particular that any changes in lending practice or the process for pursuing recoveries over the observation period must be taken into account. A bank's estimates must promptly reflect the implications of technical advances and new data and other information, as it becomes available.	80 FR 41416, Section 122 (c)(2)(ii)	New section 122 (c)(2)(ii) provides that a banking organisation must account for any changes in lending practice or the process for pursing recoveries for over the observation period.
BII, Capital, 450	Beyond requiring comparability of exposures represented in the data used for estimation, of lending standards and of other relevant characteristics with those of the bank's exposures	80 FR 41416, Sections 122 (c)(2)(i), (ii), (iii), and (iv)	New section 122 (c)(2)(i) provides that a banking organisation must demonstrate that its estimates are representative of long run experience, including periods of

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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	and standards, Basel II, paragraph 450 requires additionally that (i) banks must demonstrate that economic or market conditions that underlie the data are relevant to current and foreseeable conditions, (ii) that the number of exposures in the sample and the data period used for quantification must be sufficient to provide the bank with confidence in the accuracy and robustness of its estimates.		economic downturn conditions, whether internal or external data are used. New section 122 (c)(2)(ii) provides that a banking organisation must take into account any changes in lending practice or the process for pursuing recoveries over the observation period. New section 122 (c)(2)(iii) provides that banking organisations must promptly reflect technical advances, new data, and other information as they become available. New section 122 (c)(2)(iv) provides that banking organisations must demonstrate that the data used to estimate risk parameters support the accuracy and robustness of those estimates.
BII, Capital, 456	Basel II, paragraph 456 requires in particular that banks must record actual defaults on IRB exposure classes using the reference definition of default. Banks using external data that is not itself consistent with that definition must demonstrate to their supervisors that appropriate adjustments to the data have been made to achieve broad equivalence with the reference definition.	80 FR 41416, Section 122 (c)(9)	New section 122 (c)(9) provides that if a banking organisation uses internal data obtained prior to becoming subject to subpart E of the regulatory capital rule or external data to arrive at PD, LGD, or EAD estimates, the banking organisation must demonstrate to its primary federal regulatory agency that the banking organisation has made appropriate adjustments if necessary to be consistent with the definition of default in section 101 of the regulatory capital rule. Internal data obtained after the banking organisation becomes subject to subpart E of the regulatory capital rule must be consistent with the

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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			definition of default in section 101 of the regulatory capital rule.
BII, Capital, 463	Basel II, paragraph 463 requires for corporate, sovereign and bank exposures in particular, if the available observation period spans a longer period for any data source, and this data are relevant and material, that this longer period must be used.	80 FR 41416, Section 122 (c)(6)	Section 122(c)(6), which applies to wholesale and retail exposures, was updated to provide that if a banking organisation has relevant and material reference data that span a longer period of time than the minimum time periods specified elsewhere in section 122(c)(6), the banking organisation must incorporate such data in its estimates, provided it does not place undue weight on periods of favourable or benign economic conditions relative to periods of economic downturns.
BII, Capital, 466	Basel II, paragraph 466 requires for retail exposures in particular, if the available observation period spans a longer period for any data source, and this data are relevant and material, that this longer period must be used.	80 FR 41416, Section 122 (c)(6)	Section 122(c)(6), which applies to wholesale and retail exposures, was updated to provide that if a banking organisation has relevant and material reference data that span a longer period of time than the minimum time periods specified elsewhere in section 122(c)(6), the banking organisation must incorporate such data in its estimates, provided it does not place undue weight on periods of favourable or benign economic conditions relative to periods of economic downturns.
BII, Capital, 470	Basel II, paragraph 470 prohibits in particular LGD estimates that are solely based on the collateral's estimated market value and requires that LGD estimates must be grounded in historical recovery rates. To the extent, that LGD estimates take into account the existence of collateral, banks must establish internal requirements for collateral management, operational procedures, legal	80 FR 41417, Section 131 (d)(5)(iii)	New section 131 (d)(5)(iii) provides that, in order to take into account the risk reducing effects of collateral in support of a wholesale exposure when quantifying the LGD of the exposure or in support of a retail exposure quantifying the PD and LGD of the segment, the banking organisation must have established internal requirements for collateral management, legal certainty, and risk management processes.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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	certainty and risk management process that are generally consistent with those required for the standardised approach.		
BII, Capital, 472	Basel II, paragraph 472 requires for corporates, sovereign and bank exposures in particular, if the available observation period spans a longer period for any data source, and the data are relevant, that this longer period must be used.	80 FR 41416, Section 122 (c)(6)	Section 122(c)(6), which applies to wholesale and retail exposures, was updated to provide that if a banking organisation has relevant and material reference data that span a longer period of time than the minimum time periods specified elsewhere in section 122(c)(6), the banking organisation must incorporate such data in its estimates, provided it does not place undue weight on periods of favourable or benign economic conditions relative to periods of economic downturns.
BII, Capital, 476	Basel II, paragraph 476 requires in particular that a bank must be able to provide a breakdown of its EAD experience by the factors it sees as the drivers of EAD. Furthermore a bank must use all relevant and material information in its derivation of EAD estimates, and must review its estimates of EAD in particular when material new information comes to light.	80 FR 41416, Section 122 (b)(5) and (c)(5)	Section 122(b)(5) was updated to provide that a banking organisation's internal risk rating system for wholesale exposures must provide for the review and update (as appropriate) of each obligor rating and (if applicable) each loss severity rating whenever the national bank or Federal savings association obtains relevant and material information on the obligor or exposure that affects PD, LGD and EAD, but no less frequently than annually. Section 122(c)(5) was updated to provide that a banking organisation must be able to demonstrate which variables have been found to be statistically significant with regard to EAD. The banking organiation's EAD estimates must reflect its specific policies and strategies with regard to account management. The section also requires that the banking organisation have adequate systems and

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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			procedures in place to monitor current outstanding amounts against committed lines, and changes in outstanding amounts per obligor and obligor rating grade and per retail segment.
BII, Capital, 477	Basel II, paragraph 477 requires that EAD estimates must consider the bank's specific policies and strategies adopted for account monitoring and payment processing, and its ability and willingness to prevent further drawings in circumstances short of payment default, such as covenant violations or other technical default events. It also stipulates detailed requirements for monitoring outstanding.	80 FR 41416, Section 122 (c)(5)	Section 122 (c)(5) was updated to provide that a banking organisation's EAD estimates must reflect its specific policies and strategies with regard to account management, including account monitoring and payment processing, and its ability and willingness to prevent further drawdowns in circumstances short of payment default. Section 122 (c)(5) also provides that a banking organisation must have adequate systems and procedures in place to monitor current outstanding amounts against committed lines, and changes in outstanding amounts per obligor and obligor rating grade and per retail segment.
BII, Capital, 478	Basel II, paragraph 478 requires for corporates, sovereign and bank exposures in particular, if the available observation period spans a longer period for any data source, and the data are relevant, that this longer period must be used. Also, EAD estimates must be calculated using a default-weighted average and not a time-weighted average.	80 FR 41416, Section 122 (c)(6)	Section 122(c)(6), which applies to wholesale and retail exposures, was updated to provide that if a banking organisation has relevant and material reference data that span a longer period of time than the minimum time periods specified above, the banking organisation must incorporate such data in its estimates, provided it does not place undue weight on periods of favourable or benign economic conditions relative to periods of economic downturns.
BII, Capital, 487	Basel II, paragraph 487 requires for adjusting borrower grades or LGD estimates (or in the case of retail and eligible purchased receivables, the process of allocating exposures to pools) to	80 FR 41417, Section 131 (d)(5)(ii)	Section 131 (d)(5)(ii) was updated to provide that a banking organisation must consider all relevant available information when taking into account the risk reducing effects of guarantees and credit derivatives in support of

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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	reflect the effects of guarantees and credit derivatives, that banks must take all relevant available information into account.		retail exposures in a segment when quantifying the PD and LGD of the segment.
BIII, Capital, 403	Basel II, paragraph 403 requires for corporate, sovereign, and bank exposures that banks must have a meaningful distribution of exposures across grades with no excessive concentrations, on both its borrower-rating and its facility-rating scales.	BCC Bulletin 15-2 Wholesale work program: section III.B.3, Work Program Question 3.03's Review Questions and Procedures on Obligor Ratings, Question nos. 1.b and 2 (page 20) and 4.02's Review Questions and Procedures on Loss Severity Ratings (page 22)	Wholesale work program section III.B.3 Question 1.b asks whether there is a meaningful distribution of exposures with no significant concentrations within a single rating or grade. Wholesale work program section III.B.3 Question 2 asks banking organisations to provide analysis to support the concentration if one exists. Wholesale work program section III.B.4.02 asks, "If the banking organisation employs loss severity rating grades, does the banking organisation have a sufficiently granular loss severity rating system to avoid grouping together exposures with widely ranging LGDs?"
BII, Capital, 406	Basel II, paragraph 406 requires that banks with loan portfolios concentrated in a particular market segment and range of default risk must have enough grades within that range to avoid undue concentrations of borrowers in particular grades. Significant concentrations within a single grade or grades must be supported by convincing empirical evidence that the grade or grades cover reasonably narrow PD bands and that the default risk posed by all borrowers in a grade fall within that band.	BCC Bulletin 15-2 Wholesale work program: section III.B.3, Work Program Question 3.03's Review Questions and Procedures on Obligor Ratings, Question no. 2 (page 20)	Wholesale work program section III.B.3 Question 2 asks, "If the (banking organisation) has significant concentrations within a single rating grade or grades, what analysis it provides supporting the level of concentration?"

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

Table A

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BII, Capital, 409	Basel II, paragraph 409 requires for grouping retail exposures into pools that the level of differentiation must ensure that the number of exposures in a given pool is sufficient so as to allow for meaningful quantification and validation of the loss characteristics at the pool level. There must be a meaningful distribution of borrowers and exposures across pools. A single pool must not include an undue concentration of the bank's total retail exposure.	BCC Bulletin 15-2 Retail work program: section III.B.2, Work Program Question 2.04's Review Questions and Procedures on Risk Segmentation Systems for Retail Exposures, Question no. 1 (page 12)	Retail work program section III.B.2.04 Question 1 asks, "Are exposures within each retail subcategory grouped into separate segments with homogeneous risk characteristics?"
BII, Capital, 417	Basel II, paragraph 417 establishes requirements for statistical models and other mechanical methods used to assign borrower or facility ratings or in estimation of PDs, LGDs, or EADs. Included are (i) ensuring a good predictive power (in particular the model must be accurate on average across the range of borrowers or facilities to which the bank is exposed and there must be no known material biases), (ii) having a data process that ensures accuracy, completeness and appropriateness of data inputs, in particular having a process for vetting data inputs into a statistical default or loss prediction model which includes an assessment of the accuracy, completeness and appropriateness of the data specific to the assignment of an approved rating, (iii) ensuring that the data used to build the model are representative of the population of the	BCC Bulletin 15-2 Wholesale work program: section III.B.3, Work Program Question 3.01's Review Questions and Procedures on Obligor Ratings, Question no. 1 (page 17) BCC Bulletin 15-2 Wholesale work program, Sections III.F.13 Work Program Question 13.03 on Validation, Stress Testing, and Review (pages 82-83) BCC Bulletin 15-2 Wholesale work program, Sections III.F.13 Work Program Questions 13.01 – 13.06 on Validation, Stress Testing, and Review (pages 81 – 85) BCC Bulletin 15-2 Retail work program: section III.E.8 Work Program Questions	Wholesale work program section III.B.3 Question 3.02 addresses a banking organisation's validation of conceptual soundness. Wholesale work program section III.B.3 Question 13.03, sub-question 1.a asks for ongoing process verification, including whether correct data are used to segment the portfolio and quantify risk parameters. Question 3.03 asks about the banking organisation's monitoring processes. Wholesale work program section III.B.3 Questions 13.01 – 13.06 on Validation, Stress Testing, and Review include requirements on model validation, including the accuracy and reliability of the quantification process, outcomes analysis with backtesting, and evaluation of independent review.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

Table A

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	bank's actual borrowers or facilities, (iv) having a regular cycle of model validation that includes monitoring of model performance and stability; review of model, relationships; and testing of model outputs against outcomes, (v) having appropriate procedures for human review of model-based rating assignments, and (vi) having a regular cycle of model validation that includes monitoring of model performance and stability; review of model relationships; and testing of model outputs against outcomes.	8.01 – 8.06 on Validation, Stress Testing, and Review (pages 28 – 31)	Retail work program section III.E.8 Question 8.01-8.06 asks questions regarding the validation of a banking organisation's advanced systems, including requirements on model validation, the accuracy and reliability of the quantification process, outcomes analysis with backtesting, and evaluation of independent review.
BII, Capital, 418-421	Basel II, paragraphs 418 to 420 require written documentation of rating systems' design and operational details and specify all the details banks are required to document, in particular responsibilities of parties that rate borrowers and facilities, definition of what constitutes a rating exception, parties that have authority to approve exceptions, including the requirement that such documentation must support identification of changes made to the risk rating process subsequent to the last supervisory review. Banks are also required to document the specific definitions of default and loss used internally and demonstrate consistency with the reference definitions. In particular for statistical models used in the rating process, besides a detailed outlined theory and empirical basis, also	BCC Bulletin 15-2 Wholesale work program: section III.A.1 Work Program Question 1.06 on documentation (pages 9 – 10) BCC Bulletin 15-2 Retail work program: section III.A.1 Work Program Question 1.05 on documentation (pages 8 – 9)	Wholesale work program section III.A.1 Question 1.06 asks whether an organisation adequately documents all aspects of its advanced systems, including changes to rating processes. Retail work program section III.A.1 Question 1.05 asks whether an organisation adequately documents all aspects of its advanced systems, including changes to rating processes.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

Table A

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	establishing a rigorous statistical validation process that includes out-of-time and out-of-sample performance tests is required, and indicating any circumstances under which the model does not work effectively. Basel II, paragraph 421 stipulates that use of a model obtained from a third-party vendor that claims proprietary technology is not a justification for exemption from documentation or any other of the requirements for internal rating systems.		
BII, Capital, 425	Basel II, paragraph 425 requires for corporate, sovereign and bank exposures in particular that ratings for higher risk borrowers or problem exposures must be subject to more frequent review than annually.	BCC Bulletin 15-2 Wholesale work program: section III.B.2 Work Question 2.04 on General Wholesale Risk-Rating Systems (page 18)	Wholesale work program Section 2.04 Question 1.b asks whether the frequency of updates reflect the risk characteristics of wholesale obligors and exposures. Wholesale work program Section 2.04 Question 2 asks how the banking organisation ensures that updates are sufficiently frequent to monitor changes in the underlying credit quality.
BII, Capital, 428	Basel II, paragraph 428 establishes requirements for guidelines and processes a bank must have for cases of overrides to the output of the rating process for rating assignments, which includes specification of the situations and the extent to which overrides are allowed, identifying and monitoring cases of overrides and separate tracking of their performance.	BCC Bulletin 15-2 Wholesale work program: section III.B.2 Work Program Question 2.01, Question no. 4 on General Wholesale Risk-Rating Systems (page 15); BCC Bulletin 15-2 Wholesale work program: section III.C.5 Work Program Question 5.07, in particular Question nos.	Wholesale work program section III.B.2 Question 2.01, sub-question 4 asks how the banking organisation measures and monitors overrides, including for override tolerances to inform management of potential issues with the rating system, and whether each override conforms to the banking organisation's policy.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

Table A

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		12 – 18 on Data Management and Maintenance (page 34)	2 Wholesale work program section III.C.5 Question 5.07, sub-questions 12-18 also ask for authorisation, tracking, policies, controls etc. related to overrides.
BII, Capital, 429-433	Basel II, paragraph 429 requires in particular that the data which bank must collect and store should be sufficiently detailed to allow retrospective reallocation of obligors and facilities to grades (for example if increasing sophistication of the internal rating system suggests that finer segregation of portfolios can be achieved). Basel II, paragraphs 430 requires for corporate, sovereign and bank exposures that banks in particular store data on rating histories, including the person/model responsible, rating migration, default events and the timing and circumstances of such defaults, PD estimates and realised default rates. Basel II, paragraph 431 requires that banks using the advanced IRB approach collect and store data in particular on LGD and EAD estimates and key data to derive these estimates, and data on loss or recovery for defaulted exposures. Basel II, paragraph 433 requires that banks must retain for retail exposures in particular data on borrower and transaction risk characteristics, on PDs, LGDs and EADs and realised outcomes and other data for defaulted exposures.	BCC Bulletin 15-2 Wholesale work program: section III.C.5 Work Program Questions 5.01 – 5.07 on Data Management and Maintenance (pages 23 – 31) BCC Bulletin 15-2 Retail work program: section III.C.3 Work Program Questions 3.01 – 3.04 on Data Management and Maintenance (pages 13 – 15)	Wholesale work program section III.C.5 Questions 5.01 – 5.07 on Data Management and Maintenance addresses the data management and maintenance systems that support its advanced systems. Wholesale work program section III.C.5 Question 5.01 sub-question 6 and question 5.07, sub-question 12 ask for capturing and retaining ratings and data related to rating assignments, in particular key borrower and exposure characteristics, ratings for obligors and facilities, key factors used to assign the ratings, date ratings assigned Wholesale work program section III.C Question 5.07, sub-questions 6.b to 6.d and 8 ask for retention of data for individual defaulted loans, including for periods of economic stress or high loss, in particular collection, charge-off and recovery information and documentation of asset sales. Wholesale work program section III.C Question 5.07, sub-question 7 asks, "Are risk drivers not currently used to risk rate and quantify risk, but with a potential explanatory power, retained in the (banking organisation's) data systems?"

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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(1) Issue and/or relevant Basel paragraph number(s)	(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)	(3) Detailed reference to the domestic legislation/regulation that addresses the finding	(4) Summary description of amendment or rectification made
			Retail work program section III.C.3 Question 3.01 - 3.04 on Data Management and Maintenance addresses the data management and maintenance systems that support a banking organisation's advanced systems. Retail work program section III.C.3 Question 3.04 sub-question 1 asks whether sufficient data elements related to key risk drivers are retained to permit adequate monitoring, validation, and refinement of its advanced systems.
BII, Capital, 434-437	Basel II, paragraph 434 requires in particular a sound stress testing process that involves identifying possible events or future changes in economic conditions that could have unfavourable effects on a bank's credit exposures and assessment of the bank's ability to withstand such changes. Basel II, paragraph 435 requires in particular that the credit risk stress test to assess the effect of certain specific conditions on a bank's IRB regulatory capital requirements must be meaningful and reasonably conservative. Basel II, paragraph 436 requires that banks must include three sources of information: (i) a consideration of the bank's own data which should allow estimation of the ratings migration of at least some of its exposures, (ii) information about the impact of smaller deterioration in the credit environment on the bank's ratings, and (iii)	BCC Bulletin 15-2 Wholesale work program: section III.F.13 Work Program Question 13.06 on Stress Testing (pages 84 – 85) BCC Bulletin 15-2 Retail work program: section III.E.8 Work Program Question 8.06 on Stress Testing (page 31)	Wholesale work program section III.F.13 Question 13.06 on Stress Testing asks banking organisations whether it stress tests its wholesale risk rating and qualification system, including whether the effects of migrations across segments are considered. Retail work program section III.E.8 Question 8.06 on Stress Testing asks a banking organisation whether it stress tests its wholesale risk rating and qualification system, including whether the effects of migrations across segments are considered.

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	evidence of ratings migration in external ratings, including the bank broadly matching its buckets to rating categories.		
BII, Capital, 440	Basel II, paragraph 440 requires that internal ratings must be an essential part of the reporting to the bank's board of directors and senior management. Reporting must include risk profile by grade, migration across grades, estimation of the relevant parameters per grade, and comparison of realised default rates (and LGDs and EADs for banks on advanced approaches) against expectations.	BCC Bulletin 15-2 Wholesale work program: section III.A.1 Work Program Questions 1.01, 1.02, and 1.10 on Governance (pages 5 – 6; 10) BCC Bulletin 15-2 Retail work program: section III.A.1 Work Program Questions 1.01, 1.02, and 1.09 on Governance (pages 4 – 6; 9	Wholesale work program section III.A.1 Questions 1.01, 1.02, and 1.10 address whether the senior management and board of directors reviews the IRB information and evaluates the banking organisation's advanced systems, specifically whether senior management effectively uses IRB information and reports to identify, monitor, measure and control credit risk at the banking organisation. Retail work program section III.A.1 Questions 1.01, 1.02, and 1.09 on Governance address whether the senior management and board of directors reviews the IRB information and evaluates the banking organisation's advanced systems, specifically whether senior management effectively uses IRB information and reports to identify, monitor, measure and control credit risk at the banking organisation.
BII, Capital, 444	Basel II, paragraph 444 requires that internal ratings and default and loss estimates must play an essential role in the credit approval, risk management, internal capital allocations, and corporate governance functions of banks using the IRB approach. Ratings systems and estimates designed and implemented exclusively for the purpose of qualifying for the IRB approach and	Wholesale work program: section III.A.1 Work Program Question 1.07 on Governance, Control, Documentation, and Use (pages 9) Retail work program: section III.A.1 Work Program Question 1.06 on Governance, Control, Documentation, and Use (page 9)	Wholesale work program section III.A.1 Question 1.07 asks whether the IRB systems and processes used for wholesale credit risk-based capital purposes are consistent with the banking organisation's internal risk-management processes and management information reporting systems. Wholesale work program section III.A.1 Question 1.07 sub-question 2 asks for justification of differences of risk

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	used only to provide IRB inputs are not acceptable. Furthermore, where banks not use exactly the same estimates for both IRB and all internal purposes, a bank must document them and demonstrate their reasonableness to the supervisor.		parameters used for credit risk management and IRB risk parameters and sub-question 3 asks in general for justification of differences of IRB system results compared to internal credit risk management process Retail work program section III.A.1 Question 1.06 asks whether the IRB systems and processes used for retail risk-based capital purposes are consistent with the banking organisation's internal risk-management processes and management information reporting systems.

Part B

Nil.