

CEBS

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Your Ref., Your message dated	Our Ref., Official in charge	Extension	Date
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CEBS - CP 10 revised

We would like to comment on the CP 10 (rev.) as follows:

First of all, the Bank and Insurance Division of the Austrian Federal Economic Chamber as representative of the interests of the entire Austrian banking industry would like to put on record that we particularly welcome the fact that the principle of proportionality will now be considered at several points.

The remarks on use of expert systems (Chapter 3.3.3 Rating systems and risk quantification) have also been largely considered in the Paper.

Again, we would like to refer, in particular, to the following issues which as yet have not been implemented:

3.3.3.1. Probability of Default - PD Estimation Methodology and Chapter 3.5.3 Low-default portfolios

The present Consultation Paper merely lists the disclosure criteria. Permissible procedures for assessing PD are not included. More detailed information for orientation of supervisors and banks should be available here, because otherwise primarily subjective criteria of the relevant supervisory authority would be decisive for acceptance of a method.

Also in case of low-default portfolios admissible procedures for assessing PD should be listed. It is not sufficient to refer to "adequate margins of conservatism" (item 349) or to the requirement of "use-tests" (item 351). If no admissible methods of validation and estimation are stated, bank groups operating in several Member States run the risk that a method is accepted in one country but not in another, the foregoing being subject to the proviso that the guidelines formulated by CEBS have the character of a recommendation and must not be binding minimum requirements.

P. 53 - Documentation of rating systems

Here it is intended that all internal documents of the bank shall be made available to supervisors in the course of the acceptance procedure for a rating system. However, it should be sufficient that only those documents are made available which are necessary for assessment of acceptance of the rating system. Internal minutes of meetings and similar documents which are not essential for a judgement on acceptance should not have to be made available to the supervisors.

Yours sincerely,

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