



CEBS draft proposals on IRB

CEBS public hearing

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CEBS

Committee of European
Banking Supervisors

IRB (1)

38. Specialised lending: subject to certain conditions, more favourable risk weights (50% and 70%) for SL exposures (slotting criteria) ⇒ *“the bank’s underwriting characteristics are substantially strong for the relevant category”*

CEBS proposal is to **keep it as a supervisory decision** which is part of the approval process

But ... **CEBS invites participants’ feedback:**

- on the criteria used in practice to assign the preferential risk weights

IRB (2)

41. and 45. Protection providers: Corporate (41) and retail exposures (45)
Allow the recognition as eligible of other unfunded credit protection providers for dilution risk ⇒ permissive treatment

CEBS tentative proposal is to remove the provisions from the CRD
unless further input is provided by respondents

CEBS welcomes participants' input for the cost/benefits analysis

Annex VIII point 26 – list of eligible providers of unfunded credit protection to the CI; other providers deemed eligible can be added by comitology

IRB (3)

43. and 44. Regulatory value for M: CA may allow more favourable treatment for exposures to corporates situated in the Community in certain conditions :

- consolidated sales and consolidated assets < 500 mln euros
- consolidated assets < 1.000 mln euros if investing primarily in real estate

⇒ less risk sensitive approach

CEBS proposal is to remove the provisions from the CRD with a transitional period of 10 years and grandfathering clauses

High impact on the markets of some MS and especially on funding possibilities for SMEs in those MS?

CEBS welcomes participants' feedback and substantiating evidence

IRB (4)

112 and 113. Definition of default:

- definition of the threshold for the “reasonable level of risk”
- for retail and PSE exposures: between 90 and 180 days past due (unlike the SA, where the option to 180 days expires in 2011)

CEBS tentative proposal is to keep these NDs in their current form

More time is necessary to gain experience and assess the need for these NDs

CEBS welcomes participants’ feedback on:

- costs and benefits of the proposal

IRB (5)

116, 117, 118 and 119. Permanent partial use

This provision is not a ND; it sets out the criteria for the use on a permanent basis of the Standardised approach by IRB banks

In CEBS view the wording of art. 89.1 might be improved

CEBS welcomes participants' feedback on the need to distinguish between:

- supervisory decisions on a case by case basis - part of the IRB approval process [para a), b) c)]
- general supervisory decision which will be applied to all institutions in its jurisdiction [para d), e) f) g), h) i)]

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