

**Response from the EBA Banking Stakeholder Group to Draft Regulatory
Technical Standards specifying conditions according to which competent
authorities may permit institutions to use relevant data covering shorter time
period (data waiver permission)**

(EBA/CP/2014/02)

Introduction

It should be considered that limiting the possibility for data waiver permission to exposures existing at the initial permissions, as well as five years from the time of the initial permissions, could prove disadvantageous to institutions which are not full-service at the time of the initial permission. It is therefore recommended that it be taken into consideration whether the data waiver permissions should also be eligible for new exposure types (and new legal entities) as well as past the five year period after the initial permission. Regarding quantitative conditions on the data waiver permissions, it should be considered whether the same conditions should be required to be fulfilled both at an individual and a consolidated level.

Detailed comments

Article 4 (4) limits the exposures that are eligible for the data waiver permission to those existing at the time of the initial permission to use the IRB Approach. Considering the exposures considered eligible for the data waiver according to paragraphs 1 through 3, it would seem that the significance clause in article 145 (3) would provide adequate limitations on the eligibility of data waiver program on exposures which are not covered during IRB first use or the sequential roll out. However, in the view of BSG, restricting the eligibility to exposures present at the initial permission to use the IRB-approach seems strict. Given an existing permission, and as such an existing infrastructure, the limiting factor is likely to be the length of the time-series rather than a lack of accuracy. This is also relevant for the timing conditions.

With respect to the proposal “No data-waiver permissions should be granted after five years have elapsed from the time of the initial permission”, the rationale behind this is that sufficient data should already be collected by the institution given the applicable requirements. However, relevant data of appropriate length is not necessarily available for institutions which introduce new product types after the initial permissions have been given. This should especially be considered for the LGD- and CCF-parameters for retail exposures. The timing condition would, however, still be relevant for exposures existing at the time of the initial permission.

It is not clear whether the quantitative condition should be applied on an individual or consolidated level or whether it is simultaneously applicable to both. Applying the same quantitative conditions on an individual and consolidated basis may cause situations where the legal structure of an institution makes certain exposures non-eligible. It should be clarified whether this is intended or not.

An unintended consequence of both the timing and exposure conditions of the data waiver could be to encourage institutions to use time-series which might be unsuitable for the particular type of exposure. Putting more weight to the quantitative conditions, rather than timing and exposure types, would have the benefit of making it easier for institutions to extend the use of the IRB approach.

Submitted on behalf of the Banking Stakeholder Group

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