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European Banking Authority

Draft RTS on identification of the geographical location of the relevant credit exposures for the counter cyclical buffer

General comments

To be able to calculate the institution-specific countercyclical buffer and to identify the geographical location of a relevant credit exposure it is of importance that the concept of "relevant credit exposure" is perfectly clear. Article 140.4 states all exposures that should be included in the weighting of the CCCB rate. It is for us unclear which exposures in the trading book that are to be considered as relevant credit exposures. For example, should specific equity risk be considered as a relevant credit exposures? If so, how should holdings in equity index be treated?

In addition, when specifying the relevant credit exposure under article 140.4, it is also stated that exposure classes referred to in article 112 (a) to (f) should be excluded. It is however unclear how this should be applied for institutions using the exposure classes in article 147.2

The draft RTS defines "trading book exposure" as the exposures referred to in article 140.4 (b) in CRD IV, thus own funds for specific risk according to CRR or incremental default and migration risk according to CRR. In article 3.4 it is referred to the institutions "total trading book risk-weighted exposures". There is an uncertainty regarding the meaning of "total" since there is no definition neither in CRR, CRD IV nor the draft RTS. Also, there is an inconsistency in relation to the reasoning at page 8 in the RTS, were own funds requirement for specific risk is mentioned. The RTS needs to be clearer in this aspect.



Detailed comments

Q3. Should other exposures, such as residential or commercial mortgages, also use the guarantor principle? If yes, please justify the answer.

No.

Q4. Do you agree with the inclusion of a threshold for credit risk exposures? Would this threshold lead to any substantial reduction in the burden for institutions? Should guidance be provided on the re-calculation frequency?

It would be beneficial if there were two thresholds, one for total risk-weighted assets in foreign exposures and one for each country. Also, we are of the opinion that the 2% threshold is set too low. A maximum error of 0.05% (as stated on page 7 in the RTS) is deemed a highly unlikely scenario as this assumes that 98% of the portfolio has a 0% (2.5%) CCB rate and the remaining 2% have a 2.5% (0%) rate. In addition, as the error margin is very low, the value added is questionable. We therefore deem a threshold of 5% more appropriate.

Furthermore, it might be beneficial to set the threshold also as an absolute amount.

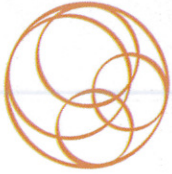
Q5. Do you agree with approach chosen and is the approach sufficiently clear? If not, please describe the best method for allocating the total specific and IRC capital charges and describe its rationale and practical implementation.

For institutions applying the advanced internal model approaches the parallel use of the methodology set out in the standardised approach will be administrative burdensome and cost some. The institutions have to implement new processes to be able to run these parallel evaluations with the only purpose of being able to do a rough estimate of the identification of the geographical location, i.e. perceived limited added value. It is therefore our proposal to instead use the same geographical locations as identified for credit risk exposures or based on the same proportions as the positions.

Q6. Do you agree with the inclusion of a proportionality threshold for trading book exposures?

We agree to that a threshold is necessary in order to avoid unduly burdensome administrative tasks for institutions with limited trading book exposures.

Similar to the response to question 4, we question the benefit of such a low threshold. In addition, the allocation of a portfolio measure is questionable and the benefit of including market risk exposures is even more limited. Hence, it could be



reasoned that the threshold should be even higher than the suggested 5% threshold for credit risk exposures.

Q7. Do you agree with the application of a look-through approach for securitisation exposures? Can the approach proposed be implemented for re-securitisation exposures? Should other exposures such as CIUs also use the look-through approach? If yes, please justify the answer.

We agree with implementing a look-through approach for securitisation exposures.

However, for CIUs implementing a look-through approach would require significant investment in new information systems and processes. We do not believe the added value corresponds to the cost and effort required to implement such an approach.

SWEDISH BANKERS' ASSOCIATION



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