



Press Release
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CEBS OPENS SECOND ROUND OF CONSULTATION ON THE VALIDATION AND ASSESSMENT OF CREDIT AND OPERATIONAL RISK APPROACHES

The Committee of European Banking Supervisors (CEBS) today starts a second round of public consultation on some aspects of the validation and assessment of the risk management and risk measurement systems used by credit institutions and investment firms to calculate their capital requirements. The consultation runs until 16 February 2006.

CEBS received 20 responses from industry associations and other market participants during the initial consultation period, which ended on 30 October 2005. The responses generally supported CEBS' work as an important step towards convergence in supervisory practices, but they also criticised the proposed guidelines as being too detailed and prescriptive.

CEBS has analysed the feedback and amended the guidelines to include many of the changes proposed by the respondents. For example, CEBS has introduced a good faith clause in the revised paper to provide some flexibility to institutions that developed their models before final supervisory guidance was issued. CEBS has also streamlined the internal governance parts of the guidelines and changed several provisions in the paper to be read as illustrative examples instead of formal guidance.

As it announced it would do when it published the original consultation paper (CP10), CEBS has elaborated on a number of subjects to fill gaps in CP10. These include guidance on the assignment of exposures to the equity exposure class, on the securitisation exposure class, and on purchased receivables; guidance on the estimation of loss given default under economic downturn conditions (downturn LGDs); and guidance on quantitative aspects of Advanced Measurement Approach (AMA). The industry is invited to comment on the parts of the guidelines covering these new issues.

Please use the following link for more information:

http://www.c-eps.org/Consultation_papers/consultationpapers.htm

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