

Feedback statement

Responses to the public consultation on the draft ECB Guides to the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP)

1 ICAAP Guide – General comments

#	Institution	General comment	ECB reply
1	BBVA	BBVA welcomes the ECB's publication of the draft Guide to the Internal Capital Adequacy Assessment Process (ICAAP) and the opportunity to comment on it. We see this Guide as being part of the ECB's ongoing efforts to provide transparency on its expectations on the ICAAP and on ICAAP requirements, following from Article 73 CRD IV, and to assist institutions in strengthening their ICAAP and at encouraging the use of best practices. We, therefore, appreciate the ECB's efforts to improve the ICAAP framework and for our part, we also fully commit to working together with supervisors to make ICAAP play a key role in the risk management of institutions and also in the supervisory practices, as it feeds into the Supervisory Review and Evaluation Process (SREP). Before going into the template with detailed comments, our general assessment of this Guide is very positive, since we consider it incorporates the supervisor flavour (as compared to the narrower regulatory vision of the EBA Guidelines of February 2017), which brings it much closer to our management approach. Specifically, we quite sympathize with concepts such as (i) ICAAP-based risk-adjusted performance indicators (para. 23), (ii) ICAAP as an ongoing process (para. 26), (iii) consistency and coherence between ICAAP and recovery planning (para. 32), (iv) capital adequacy at relevant levels of consolidation and for relevant entities within the group (para. 33) or (v) aiming for sufficient management buffers over the medium-term horizon (para. 35).	The content-related points raised are answered in the respective detailed comments. Regarding the implementation date, please note that the overall direction of the ECB supervisory expectations (nature of ICAAP perspectives, continuity assumption, etc.) has not changed since their first publication in January 2016. Therefore, significant institutions are encouraged to start following the ECB's supervisory expectations as spelled out in the Guides as soon as possible and to take the new Guides into consideration from the SREP 2019 onwards when they submit ICAAP and ILAAP information packages to
2	FBF	The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers. General comments The French Banking Federation welcomes the opportunity to comment on the ECB's consultation on the guide to the internal capital adequacy	

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		assessment process (hereafter “the ICAAP Guide”). Indeed, the ICAAP Guide provides banks a better understanding of ECB’s expectations on Institutions’ ICAAPs. In our view, the ICAAP Guide should set an adapted generic framework in which Banks can develop internal methodologies. As a consequence, we generally concur with the implementation of economic internal perspectives based on internal models consistent with the regulatory framework. Even so, we would like to take the opportunity of this response to highlight 3 key topics for which our views are significantly different from the ones developed in the ICAAP Guide: • The economic internal perspective should remain consistent with the objective of the ICAAP to maintain Institutions’ solvency on an ongoing basis. According to the ICAAP Guide, ICAAP frameworks are expected to rely on a normative internal perspective and an economical internal perspective, which inform each other in order to build a comprehensive view of Institutions’ capital adequacy. Both perspectives should be fully integrated into Institutions’ solvency monitoring frameworks, i.e. be useful for Institutions’ internal steering purposes and contribute to Management decision processes. In our opinion, some of the specifications of the revised ICAAP Guide are contradictory with these objectives, in particular: • The Principle 3 introduces within the economic internal perspective “fair value considerations” that are fully disconnected from the current solvency framework, where capital aims at covering the unexpected loss on an ongoing basis. In our view, the ICAAP should not drift towards an alternative concept that would be irreconcilable with the current accounting and prudential frameworks. • Furthermore, the ICAAP Guide describes the way Institutions should use the “hidden losses” concept within the economic internal perspective. Beyond the fact that the “hidden losses” concept is contradictory with the going concern approach retained within the ICAAP Guide, it may also be contradictory with Institutions’ business models. • The suggested approaches based on “fair value considerations” and “hidden losses” would require a complex implementation programme that would be disproportionate compared to the very limited added-value creation in terms of capital adequacy monitoring.	their Joint Supervisory Teams.
3	AEB	The Spanish Banking Association welcomes the ECB’s publication of the draft Guide to the Internal Capital Adequacy Assessment Process (ICAAP) and the opportunity to comment on it. We see this Guide as part of the ECB’s ongoing efforts to provide transparency on its expectations on the ICAAP and on ICAAP requirements, following from Article 73 CRD IV, and to assist institutions in strengthening their ICAAP and at encouraging the use of best practices. Therefore, our members appreciate the ECB’s efforts to improve the ICAAP framework and for our part, and fully commit to work together with supervisors to make ICAAP play a key role in the risk management of institutions and also in the supervisory practices, as it feeds into the Supervisory Review and Evaluation Process (SREP). Before going into the template with detailed comments, our general assessment of this Guide is very positive, since we consider it incorporates the supervisor point of view (as compared to the narrower regulatory vision of the EBA Guidelines of February 2017), which brings it much closer to our members’ management approach. Specifically, we quite sympathize with concepts such as i) ICAAP-based risk-adjusted	

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		performance indicators (para. 23), ii) ICAAP as an ongoing process (para. 26), iii) consistency and coherence between ICAAP and recovery planning (para. 32), iv) capital adequacy at relevant levels of consolidation and for relevant entities within the group (para. 33) or v) aiming for sufficient management buffers over the medium-term horizon (para. 35). We also want to draw attention to the principles included in the guide on economic calculation. In particular and responding to the model of some of our members, the particularity of the diversified banks, in which the goodwill located in the different subsidiaries .represents a real economic value that may be tapped into in case of need.	
4	EBF	The links between the normative and economic perspectives need to be clarified. Capital adequacy is expected to reflect both the economic and the normative approaches. Both perspectives are expected to mutually inform each other in order to build a comprehensive view of institutions' capital adequacy. The ECB guides should provide more details on these interactions. It should also be noted that double counting of risks should be avoided, in particular due to the potential overlaps between Pillar 1 and the economic approach. • The level of conservatism of the guides is too high. The guides are focused towards the purpose of achieving an economic approach as a second conservative measure of risks. We are of the opinion that the ICAAP should reflect a real/fair measure of risks. In addition, it must be the responsibility of banks to define the level of validation that will apply to the key elements of the ICAAP, depending on their governance arrangements, but also on their size and complexity. • The benefits of risk diversification should be better reflected into the guides. The guides should take into account the correlation between risks and the fact that the correlation of risks varies across jurisdictions or business activities • The introduction of the guides into the SREP should be postponed from 2019 to 2020. Considering the degree of complexity and ambiguity of the Guide, the numerous dilemmas raised by the banking industry (particularly relating to the 3rd Principle) and last but not least, the shortage of time for implementation we believe that it would be beneficial for all stakeholders if the Guide would step into force one year later. • Further clarification on the use of ICAAP outcomes by the ECB and their interactions with the SREP would be appreciated. • More insight on how to capture possible links between liquidity and solvency stress tests would be appreciated	
5	BAS	Considering the degree of complexity and ambiguity of both Guides, numerous dilemmas raised by the banking industry during the first (spring 2017) and second stage (spring 2018) of improvements of the Guides and, last but not least, the shortage of time for implementation which does not provide sufficient time for the banks to upgrade their ICAAPs/ILAAPs we suggest to postpone their effectiveness at least for one year (i.e. that the ECB Supervision will take them into account when assessing the banks' ICAAPs/ILAAPs as of 2020 or later). On the topic of proportionality, we would welcome more specific definition of this principle in order to enable banks to be ensured in advance what the ECB expects for each of them (considering the nature, scale and complexity of their activities). In our view, the contents of the 3rd Principle of the Guides (especially relating to ICAAP) needs to be clarified further, particularly the interaction	

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		between the economic and normative perspective, in order to provide a better understanding for all stakeholders. We would welcome further clarification of the relations and interaction between Risk Appetite Framework ("RAF") and ICAAP/ILAAP and their hierarchy; interconnectedness and/or interdependence between RAF and ICAAP/ILAAP is not clear from the current wording of the Guides and we therefore suggest to either a) elaborate on this subject further in the final version of the Guides or b) exclude the existing paragraphs of the Guides which relate to RAF/RAS and publish a new unbinding guideline on this subject.	
6	GBIC	The German Banking Industry Committee (GBIC) is pleased to participate in the ECB's Public Consultation on the draft ECB Guide to the Internal Capital Adequacy Assessment Process.	

2 ICAAP Guide – Specific comments

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1	EAPB	1- Introduction	2	2	Clarification	"Adequate" vs. "prudent": In para. 2, reference is made to Art. 73 CRD IV as the reason for establishing a "prudent" basic orientation. However, Art. 73 CRD IV requires only "sound, effective and comprehensive" processes for assessing internal capital. In our view, the conservative approach demanded in this text passage and later in the Guide cannot be inferred from CRD IV. Instead, it talks about adequate hedging of the risks (see footnote 3). The text of the Guide should be changed accordingly.	At the fundamental level, in our opinion, this also offers room to interpret the balance between "right" and "prudent" more in the direction of "according to the actual impact on the balance sheet". This would allow better usability for the bank management. More details should be discussed in each case and should be determined, in particular, from the point of view of consistency (cf. discussion on hidden losses/reserves).	van der Donck, Jeroen	Some changes have been made to address comments like this one. Please refer to the clarifications regarding the economic value-based approach in spite of the continuity assumption (e.g. Comment 1) and to the explanations regarding the level of conservatism (e.g. Comment 2).
2	GBIC	Introduction	2	2	Clarification	"Adequate" vs. "prudent": section 2 refers to Article 73 of CRD IV in order to substantiate the "prudent" general direction. However, Article 73 of CRD IV only requires "sound, effective and comprehensive" procedures for assessing internal capital. In our view, CRD IV does not provide the basis for the conservative approach required in this section and throughout the remainder of the guideline. Instead, Article 73 refers to adequate risk cover (cf. footnote 3). The text of the guideline should be adapted accordingly.	In our opinion, this also provides scope for a fundamental discussion as to whether the balance between "correct" and "prudent" should be interpreted "according to the actual impact on the balance sheet". This would render the concepts more suitable for the purposes of bank management. A more detailed discussion is required for each specific issue; in particular, this should focus on the aspect of consistency (also refer to the discussion on hidden burdens and reserves).	Friedberg, Jörg	

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3	BBVA	1- Introduction	3	2	Clarification	According to this introductory paragraph "In the ECB's view, a sound, effective and comprehensive ICAAP is based on two pillars: the economic and the normative perspectives". Both perspectives are expected to complement and inform each other".	We sympathize with this, however, paragraphs 38 and following, in our opinion, tend to blur both perspectives; in particular, it seems to us that the economic perspective could end up being contaminated by certain normative requirements, jeopardizing the credibility of the model and limiting its usefulness for internal capital management.		We have not changed the Guide in the suggested direction. The key purpose of the economic perspective is to develop a picture of risks and capital that is not obscured by accounting or regulatory provisions. The financial crisis has shown the urgent need for institutions to manage their economic situation. The
4	AEB	1- Introduction	3	2	Clarification	According to this introductory paragraph "In the ECB's view, a sound, effective and comprehensive ICAAP is based on two pillars: the economic and the normative perspectives". Both perspectives are expected to complement and inform each other".	We sympathize with this, however, paragraphs 38 and following, in our opinion, tend to blur both perspectives; in particular, it seems to us that the economic perspective could end up being contaminated by certain normative requirements, jeopardizing the credibility of the model and limiting its usefulness for internal capital management.	Rizo, Carmen	"zombie" banks that looked fine in terms of their accounting and regulatory figures were simply no longer able to find counterparties for trades because other banks knew that the economic situation of the institution had deteriorated. The lesson from this is that, to be able to survive, it is not sufficient to follow accounting rules and to fulfil regulatory capital ratio requirements. Rather, this requires active management of the economic situation of the institution. Accordingly, investing in sound methodologies, processes and

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									data quality to facilitate this active management of economic capital adequacy is essential. The ECB has changed the wording on the economic perspective in Principle 3 in order to clarify that it expects a full economic value-based approach in spite of the fact that risks quantified in line with this approach may not "materialise" as losses in an accounting view, given the continuity assumption. For example, increasing credit risks that lead to decreasing market values of assets will not materialise in an accounting view for assets that are not accounted for at fair value if the institution follows a buy-and-hold strategy and assumes its continuity in its ICAAP. Nonetheless, institutions are also expected to take credit spread risk fully into account in the economic perspective for assets that are not recorded at

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									fair value because the economic perspective is about managing the true economic situation, i.e. economic risk and economic value, irrespective of accounting rules or regulatory provisions.
5	Deutsche bank	1- Introduction	2	2	Deletion	Remove the term "conservative" (see justification regarding conservatism above)	See above	Orestis Nikou	It has been clarified that the ECB accepts that an institution may consider a range of different levels of conservatism to produce a range of risk quantifications in order to comprehensively inform strategic decisions, pricing and capital management. An institution may, for example, decide to apply a lower level of conservatism when pricing certain products, as long as there are processes in place that ensure that rare tail events and severe future developments are being effectively managed and are covered by sufficient capital. Regarding the reference to the level of conservatism, we have clarified that this refers to the

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									overall level of conservatism, rather than any single parameter / assumption. We added a sentence saying that this means that an approach can, in practice, still be sufficiently conservative, even if certain assumptions are less conservative, as long as the overall level of conservatism remains high. The level of conservatism of internal Pillar 1 credit risk approaches serves as a reference point for what the ECB expects regarding the risk quantifications in the economic perspective. Whereas the level of conservatism for risk quantifications under the economic perspective is described in Principle 6, the level of conservatism regarding the selection of adverse scenarios and their impact on regulatory capital ratios in the normative perspective is described in Principle 7.
6	FBF	1- Introduction	4	2	Amendment	Sentence: It "feeds" into the SREP	It should be explicitly described how the		No change has been made

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						assessment	ICAAP outcomes are used for the purposes of the SREP assessment and in what manner the Pillar 2 Requirements and Pillar 2 Guidance are calibrated.		because the ICAAP Guide describes the ECB's expectations regarding institutions' ICAAPs. The role of the ICAAP in the SREP is a separate topic and is described in other communications like the SREP booklet. Please note that the ECB has already indicated several times that the role of the ICAAP and the ILAAP in the SREP will become more important and the ECB is working internally on this topic.
7	BAS	1- Introduction	13	4	Clarification	We would welcome more specific definition of the proportionality principle; statements such as »it remains the responsibility of individual institutions to implement ICAAP in a proportionate and credible manner« and that »ICAAPs have to be proportionate to the nature, scale and complexity of the activities of the institution« are simply too vague and institutions cannot be assured a priori what the expectations of the ECB for each of them are (considering the nature, scale and complexity of their activities).	As explained in the comment – to provide clear guidance concerning the expectations.	Hvala, Kristijan	No change has been made because the ECB is of the opinion that institutions are so different in many respects that a general concept of what proportionality means in detail is not meaningful. Institutions are responsible for implementing ICAAPs and ILAAPs that are adequate for their individual situations.

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8	EBF	1- Introduction	13	4	Clarification	We would welcome more specific definition of the proportionality principle; statements such as »it remains the responsibility of individual institutions to implement ICAAP in a proportionate and credible manner« and that »ICAAPs have to be proportionate to the nature, scale and complexity of the activities of the institution« are simply vague and institutions cannot be ensured a priori of what the ECB expects for each of them (considering the nature, scale and complexity of their activities).	As explained in the comment –to provide clear guidance concerning the expectations.	Chaibi, Saif	
9	POP Bank Group	2-Principle	1.2	4	Clarification	We understand the guidelines are principally aimed at SI banks, as is stated under "scope and proportionality". We see it necessary to formulate under the same chapter how the local authorities should apply the guidelines on LSIs that are out of scope of these ECB guidelines. The risk is that by letting this matter to the hands of local NCAs, operating as a bank in different jurisdictions will result in different level of granularity regarding ICAAP and ILAAP processes, and thus would create an unlevel playingfield for LSI banks. Some NCAs might apply the guidelines directly as-is to LSIs, whereas some might not	To ensure level regulatory playing field across member states by clarifying how different NCAs should interpret the guidelines, and how bindingly they should be applied on LSIs.		The ICAAP and ILAAP Guides do not establish any regulatory requirements but rather convey the ECB's understanding of ICAAP and ILAAP requirements stemming from Articles 73 and 86 of the CRD IV. The ILAAP and ICAAP Guides are relevant for significant credit institutions which are directly supervised by the ECB.

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						apply these at all.			
10	EBF	Scope and proportionality	1.2	4	Clarification	Although the guide is principally aimed at SI banks, as stated under "scope and proportionality", the probability that national supervisors apply this guide to LSIs is high. In this sense, we recommend specifying that in this case, a level playing field must be ensured across the EU.	To ensure a level playing field in the potential application of the guide to LSIs.	Chaibi, Saif	
11	Finance Finland	Scope and proportionality	1.2	4	Clarification	We understand the guidelines are principally aimed at SI banks, as is stated under "scope and proportionality". We see it necessary to formulate under the same chapter how the local authorities should apply the guidelines on LSIs that are out of scope of these ECB guidelines. The risk is that by letting this matter to the hands of local NCAs, different jurisdictions will result in different level of granularity regarding ICAAP and ILAAP processes, and thus would create an unlevel playing field for LSI banks. Some NCAs might apply the guidelines directly as-is to LSIs, whereas some might not apply these at all.	To ensure level regulatory playing field across member states by clarifying how different NCAs should interpret the guidelines, and how bindingly they should be applied on LSIs.		
12	EBF	Glossary		38	Amendment	The main text speaks of the "normative perspective", while the economic perspective uses "internal capital" to		Chaibi, Saif	Headlines under Principle 3 have been changed to stress that both perspectives are

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						cover risks. The Glossary doesn't mention the "normative perspective", but instead speaks of the "normative internal perspective".			"internal" perspectives of the institution, although one is expressed in externally provided (regulatory) ratios, whereas the other one is based on internally defined indicators.
13	BBVA	Principle 1	17	6	Clarification	"According to Article 73 CRD IV, the ICAAP shall be subject to regular internal review Both qualitative and quantitative aspects, including, for example, the use of ICAAP outcomes, the stress-testing framework, risk capture and the data aggregation process, are expected to be considered by this regular internal review, ⁷ including proportionate validation processes for internal risk quantification methodologies used. For this purpose, the institution is expected to have in place adequate policies and processes for internal reviews".	We would like to have further clarification on the expectation about this point, mainly regarding roles and responsibilities of second and third lines of defense.		The meaning of "adequate policies and processes for internal reviews" has been clarified by moving the footnote on the three lines of defence to the main text, by adding a reference to the EBA Guidelines on internal governance (EBA/GL/2017/11) and by providing additional guidance on the nature and scope of internal reviews.
14	AEB	Principle 1	17	6	Clarification	"According to Article 73 CRD IV, the ICAAP shall be subject to regular internal review Both qualitative and quantitative aspects, including, for example, the use of ICAAP outcomes, the stress-testing framework, risk capture and the data aggregation process, are expected to be considered by this regular internal review, ⁷ including proportionate	We would like to have further clarification on the expectation about this point, mainly regarding roles and responsibilities of second and third lines of defense.	Rizo, Carmen	

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						validation processes for internal risk quantification methodologies used. For this purpose, the institution is expected to have in place adequate policies and processes for internal reviews".			
15	EBF	Principle 1	17	6	Clarification	"According to Article 73 CRD IV, the ICAAP shall be subject to regular internal review Both qualitative and quantitative aspects, including, for example, the use of ICAAP outcomes, the stress-testing framework, risk capture and the data aggregation process, are expected to be considered by this regular internal review,7 including proportionate validation processes for internal risk quantification methodologies used. For this purpose, the institution is expected to have in place adequate policies and processes for internal reviews".	We would like to have further clarification on the expectation about this point, mainly regarding roles and responsibilities of second and third lines of defense.	Chaibi, Saif	
16	Deutsche bank	Principle 1	17-19	6	Clarification	We would appreciate additional clarifications on the scope of the internal review (in addition to a validation process). Currently we interpret this as an annual description of upcoming changes to the overall ICAAP framework (as provided to regulators as part of the ICAAP document). We would appreciate if no additional / more formal expectations on this review process	Current text might create confusion on regulatory expectation regarding scope of internal review process.	Orestis Nikou	

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						would be set. Additionally, footnote 7 is unclear since it requires business lines and other functions (e.g. compliance) to carry out such an internal review, while we currently interpret this to be an internal review process of the team in charge to define the overall ICAAP framework (which is part of Risk).			
17	EBF	Principle 1		5	Clarification	We understand that a “regular review” refers to an audit risk-assessment based approach to plan ICAAP audit activities. Therefore based on the risk assessment results the audit activities on ICAAP would be planned over a multi-year horizon both on qualitative and quantitative aspects.	To better understand the approach to be followed by the Audit to review regularly ICAAP activities.	Chaibi, Saif	
18	BBVA	Principle 1	15	5	Amendment	“The management body is expected to [...] approve the <i>key elements</i> of the ICAAP, for example: the governance framework; internal documentation requirements; the perimeter of entities captured, the risk identification process, and the internal risk inventory and taxonomy, reflecting the scope of material risks; risk quantification methodologies, including high-level risk measurement assumptions and parameters (e.g. time horizon, diversification assumptions, confidence	The management body defines and oversees the implementation of the strategy, key policies and governance arrangements to ensure effective and prudent management of the institution (EBA guidelines on internal governance, Title II, section 1). The operational implementation of these strategies on a day-to-day basis, on the other hand, corresponds to the senior management. In our opinion, some of the elements listed as examples of those matters		The wording has been partially changed: Bullet 1: The term “internal documentation requirements” has been replaced with the broader term “internal documentation framework”. Bullet 2: The wording has been changed. The aspect of which material risks are to be covered with capital has been added. Bullet 3: The wording has not

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						levels, and holding periods), supported by reliable data and sound data aggregation systems; methodologies used to assess capital adequacy (including the stress-testing framework and a well-articulated definition of capital adequacy)."	expected to be approved by the management body (such as the "internal documentation requirements" or the "risk identification process") cannot be considered "key" or strategic elements of the ICAAP. Instead, they are part of the day-to-day capital management and, as such, within the remit of the senior management. In particular, we suggest the following amendments / deletions: • Delete "internal documentation requirements" for its minor relevance; • Amend the reference that the management body is expected to approve "the risk identification process and the internal risk inventory and taxonomy"; as it is not consistent with paragraph 57, stating that the management body is also responsible for deciding which types of risk are material and to be covered with capital. • Amend the paragraph regarding "risk quantification methodologies", including a reference to the governance framework and the role and responsibilities of the		been changed because the proposed changes would go into too much detail.

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							management body regarding risk quantification methodologies and ICAAP established in other ECB Guides and supervisory guidelines, to ensure consistency.		
19	AEB	Principle 1	15	5	Deletion	"The management body is expected to [...] approve the key elements of the ICAAP, for example: the governance framework; internal documentation requirements; the perimeter of entities captured, the risk identification process, and the internal risk inventory and taxonomy, reflecting the scope of material risks; risk quantification methodologies, including high-level risk measurement assumptions and parameters (e.g. time horizon, diversification assumptions, confidence levels, and holding periods), supported by reliable data and sound data aggregation systems; methodologies used to assess capital adequacy (including the stress-testing framework and a well-articulated definition of capital adequacy)."	The management body defines and oversees the implementation of the strategy, key policies and governance arrangements to ensure effective and prudent management of the institution (EBA guidelines on internal governance, Title II, section 1). The operational implementation of these strategies on a day-to-day basis, on the other hand, corresponds to the senior management. In our opinion, some of the elements listed as examples of those matters expected to be approved by the management body (such as the "internal documentation requirements" or the "risk identification process") cannot be considered "key" or strategic elements of the ICAAP. Instead, they are part of the day-to-day capital management and, as such, within the remit of the senior management. In particular, we suggest the following amendments / deletions: Delete "internal documentation	Rizo, Carmen	

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							requirements" for its minor relevance; - Amend the reference that the management body is expected to approve "the risk identification process and the internal risk inventory and taxonomy"; as it is not consistent with paragraph 57, stating that the management body is also responsible for deciding which types of risk are material and to be covered with capital; - Amend the paragraph regarding "risk quantification methodologies", including a reference to the governance framework and the role and responsibilities of the management body regarding risk quantification methodologies and ICAAP established in other ECB Guides and supervisory guidelines, to ensure consistency.		
20	EBF	Principle 1	15	5	Amendment	"The management body is expected to [...] approve the key elements of the ICAAP, for example: the governance framework; internal documentation requirements; the perimeter of entities captured, the risk identification process, and the internal risk inventory and	The management body defines and oversees the implementation of the strategy, key policies and governance arrangements to ensure effective and prudent management of the institution (EBA guidelines on internal governance, Title II, section 1). The operational	Chaibi, Saif	

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						taxonomy, reflecting the scope of material risks; risk quantification methodologies, including high-level risk measurement assumptions and parameters (e.g. time horizon, diversification assumptions, confidence levels, and holding periods), supported by reliable data and sound data aggregation systems; methodologies used to assess capital adequacy (including the stress-testing framework and a well-articulated definition of capital adequacy)."	implementation of these strategies on a day-to-day basis, on the other hand, corresponds to the senior management. In particular, we suggest the following amendments / deletions: Delete "internal documentation requirements" for its minor relevance; Amend the reference that the management body is expected to approve "the risk identification process and the internal risk inventory and taxonomy"; as it is not consistent with paragraph 57, stating that the management body is also responsible for deciding which types of risk are material and to be covered with capital. Amend the paragraph regarding "risk quantification methodologies", including a reference to the governance framework and the role and responsibilities of the management body regarding risk quantification methodologies and ICAAP established in other ECB Guides and supervisory guidelines, to ensure consistency.		
21	BBVA	Principle 1	15 and 21	5 and 6	Amendment	According to the guide, "The management body is expected to produce and <i>sign</i> the CAS [...]". "The authority to sign the CAS on behalf of the management body is expected to	Please note that the formal execution of the CAS would not increase the stringent diligence duty the management body has to comply with in each and all of its decisions, and it would add more		The wording has not been changed. The management body has full responsibility for the sound governance of the ICAAP. In order to make it

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						be decided by the institution in light of national regulations and relevant prudential requirements and guidelines..."	operational complexity. Additionally, the expectation that the document is signed on behalf of the management body is a mere formality which is not consistent with the decision-making process of the management bodies (through voting majorities) foreseen in national regulations. Therefore, we suggest amending the wording as follows: "the management body is expected to produce and approve the CAS."		aware of this obligation, the management body is expected to sign the capital adequacy statement (CAS).
22	EBF	Principle 1	15 and 21	5, 6	Amendment	According to the guide, "The management body is expected to produce and sign the CAS [...]". "The authority to sign the CAS on behalf of the management body is expected to be decided by the institution in light of national regulations and relevant prudential requirements and guidelines..."	Please note that the formal execution of the CAS would not increase the stringent diligence duty the management body has to comply with in each and all of its decisions, and it would add more operational complexity. Additionally, the expectation that the document is signed on behalf of the management body is a mere formality which is not consistent with the decision-making process of the management bodies (through voting majorities) foreseen in national regulations. Therefore, we suggest amending the wording as follows: "the management body is expected to produce and approve the CAS."	Chaibi, Saif	

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23	AEB	Principle 1	15&21	5&6	Amendment	According to the guide, "The management body is expected to produce and sign the CAS [...]". "The authority to sign the CAS on behalf of the management body is expected to be decided by the institution in light of national regulations and relevant prudential requirements and guidelines..."	Please note that the formal execution of the CAS would not increase the stringent diligence duty the management body has to comply with in each and all of its decisions, and it would add more operational complexity. Additionally, the expectation that the document is signed on behalf of the management body is a mere formality which is not consistent with the decision-making process of the management bodies (through voting majorities) foreseen in national regulations. Therefore, we suggest amending the wording as follows: "the management body is expected to produce and approve the CAS."	Rizo, Carmen	
24	GBIC	Principle 1	15	5	Clarification	According to the guideline, the ECB expects a method for assessing capital adequacy to be established and approved. However, the exact scope of the concept "method" is unclear. Presumably, this is supposed to refer to a comparison of capital and risk, and that the concept of methodology is being interpreted too broadly. Said comparison is seen as part of the ICAAP.	A clarification would provide a clearer picture of the efforts required for implementation – moreover, this would facilitate a more targeted approach.	Friedberg, Jörg	The wording has been changed. The term "methodologies" has been replaced by "approach". What is expected from institutions in this regard is explained in the Guide.
25	GBIC	Principle 1	19	6	Deletion	In connection with the requirement that	Clarification or removal, due to a lack of	Friedberg,	The wording has been

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						ICAAP results and assumptions must be analysed retrospectively, we request that the "capital planning" be deleted from the examples stated. Whilst backtesting is an established statistical validation method for scenarios and the quantification of risk (PDs, VaR models), backtesting of the entire capital planning process (including scenarios, projections, business development, ...) is not an adequate method. Only sensibly selected planning input factors (such as scenarios) should be subject to backtesting. Likewise, performance measurement is not a suitable method for capital planning, but for measuring performance or success. Looking at the capital planning process as a whole, institutions should be left free to choose the method for target/actual comparison, together with corresponding causal analysis – which are undoubtedly necessary.	availability of adequate procedures.	Jörg	changed. The terms "back-testing" and "performance measurement" have been replaced by "internal review" and it has been clarified what this process is expected to be about. In addition, it has been highlighted that the review can be more qualitative or more quantitative, depending on the nature of the element assessed.
26	EAPB	Principle 1	19	6	Deletion	In connection with the requirement to back-test ICAAP outcomes and assumptions we ask for a deletion of the "capital planning" example. Whereas back-testing risk quantifications methodologies (PDs, VaR models) are	Clarification and deletion "capital planning" since no established methodologies are available, respectively	van der Donck, Jeroen	

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						established procedures for statistical validation, back-testing the entire capital planning (scenarios, business planning, etc.) is not an adequate method. A useful approach would be to back-test single parameters. A performance measurement is not a proper methodology for capital planning, too. With regard to the entire capital planning process, the methodologies for an essential variance analysis should stay completely with the institution.			
27	BAS	Principle 1	19	6	Clarification	We would welcome clarification of the back-testing and performance measurement exercise envisaged under this paragraph (e.g. which parameters should be tested).	Further clarification would be welcomed.	Hvala, Kristijan	
28	AFME	Principle 1	Feedback template not used			Paragraphs 151 of both the ICAAP and ILAAP guides require the management body to produce and sign the CAS and LAS respectively, and to approve the respective key elements of the ICAAP and ILAAP. We agree broadly with the intention of these paragraphs but have two comments. Firstly, the formal signature of the CAS and LAS is in our view an unnecessary formality that would add operational complexity	Feedback template not used		The wording has been partially changed: Bullet 1: The wording has not been changed. The management body has full responsibility for the sound governance of the ICAAP. In order to make it aware of this obligation, the management body is expected to sign the CAS.

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						without adding value or changing the need for compliance with its content. We recommend that this be changed in both guides to refer to the management body having to “produce and approve” the CAS and LAS respectively. Secondly, according the EBA Guidelines on Internal Governance, the management body defines and oversees the implementation of the strategy, key policies and governance arrangements to ensure effective and prudent management of the institution whereas the operational implementation of these strategies on a day-to-day basis is the responsibility of senior management. Some of the elements listed in paragraphs 15 as examples of those element of the ICAAP and ILAAP requiring approval of the management body, such as “internal documentation requirements” or “the risk identification process and the internal risk inventory and taxonomy” are not key or strategic elements of the ICAAP or ILAAP. Instead, they are related to daily capital and liquidity management and as such should fall under the remit of senior management. We recommend that the examples in paragraphs 15 be adapted			Bullet 2: We regard the listed items as key elements which should be approved by the management body. To avoid any misinterpretations, the term “internal documentation requirement” has been replaced by “internal documentation framework”.

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						accordingly.			
29	EBF	Principle 1		5	Clarification	The current Technical Implementation Guidelines require a limited number of pages for the CAS, while the Draft ECB Guidelines ask for an extensive range of information to be covered (risk identification, measurement, methodologies, etc.). Do you expect the CAS to be a succinct summary with all the topics covered in the additional documentation, or do you expect the CAS to become a fully-fledged document covering all the required topics?	To better understand the content of the CAS.	Chaibi, Saif	The wording has not been changed. As stipulated in the Guide, the management body is expected to provide its assessment of the capital adequacy of the institution and to explain its main supporting arguments, backed by information it considers relevant, including ICAAP outcomes, in the CAS. A technical implementation note has been shared with the institutions. However, we will not prescribe a specific design for the CAS. It is an internal document. The decision on its content is the institutions' responsibility.
30	BAS	Principle 1	20	6	Clarification	We would ask for a sample / draft of the Capital Adequacy Statement (despite our full understanding that such statement is specific to each individual institution and that no uniform solution could be »prescribed«); we also think that CAS should be a concise and relatively short statement which provides key information of the capital adequacy and not a document containing 15+ pages, as requested in some instances from banks by the regulators.	Providing an illustrative example would assist banks in preparing their CAS.	Hvala, Kristijan	
31	GBIC	Principle 1	15	5	Clarification	The wording "... the management body is expected to produce [...] the CAS, ..." might give rise to misunderstandings. In	This clarification is necessary because a false expectation might arise regarding the Management Board's involvement in	Friedberg, Jörg	The wording has not been changed. The management body has full responsibility for

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						fact, it is not intended that the Management Board produces the document – merely that it knows the content of the CAS and assumes responsibility for it.	preparing the CAS. After all, it is not intended that the Management Board is actively involved in preparation of the document.		the sound governance of the ICAAP. In order to make it aware of this obligation, the management body is expected to sign the CAS.
32	EBF	Principle 1	other	5	Amendment	We suggest replacing the following sentence in the principle: "In view of the major role of the ICAAP for the institution, all of its key elements are expected to be approved by the management body." by: "In view of the major role of the ICAAP for the institution, all of its key elements are expected to be approved by the management body according to the governance arrangements of the institution."	Our view is that the "governance arrangements of the institution" should be mentioned in the principle itself.	Chaibi, Saif	The wording has been changed. For clarification a sentence has been added, stating that the approval of the management body should be reflected in the institution's internal governance arrangements.
33	FBF	Principle 1	Other	5	Deletion	We suggest to delete section 15. "The management body approves key elements of the ICAAP 15. The management body is expected to produce and sign the CAS, and approve the key elements of the ICAAP, for example: - the governance framework; - internal documentation requirements; - the perimeter of entities captured,	The list of the ICAAP key elements and associated documentation has to be defined internally by each institution. Depending on its governance arrangements, each institution will define the level of approval that should apply. Indeed, the form and content of the ICAAP key elements that will be directly approved by the Management Body vary depending on the size and complexity of the considered institution.		The wording has been changed. For clarification a sentence has been added, stating that the approval of the management body should be reflected in the institution's internal governance arrangements. In addition, the term "internal documentation requirements" has been replaced with the broader term

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						the risk identification process, and the internal risk inventory and taxonomy, reflecting the scope of material risks; • risk quantification methodologies, including high-level risk measurement assumptions and parameters (e.g. time horizon, diversification assumptions, confidence levels, and holding periods), supported by reliable data and sound data aggregation systems; • methodologies used to assess capital adequacy (including the stress-testing framework and a well-articulated definition of capital adequacy).			"internal documentation framework". However, the general message remains unchanged. As the ICAAP is considered to be of fundamental importance for institutions' ability to remain viable, the top decision-making body is expected to approve the key elements of the ICAAP.
34	FBF	Principle 1	Other	5	Amendment	We suggest to replace the following sentence in the principle: "In view of the major role of the ICAAP for the institution, all of its key elements are expected to be approved by the management body." by: "In view of the major role of the ICAAP for the institution, all of its key elements are expected to be approved by the management body according to the	Our view is that the "governance arrangements of the institution" should be mentioned in the principle itself. Indeed, it is the responsibility of the Institutions to define the level of validation applicable to the key elements of the ICAAP, depending on its governance arrangements, but also depending on its size and complexity.		

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						governance arrangements of the institution."			
35	DeKa	Principle 1	15	5	Clarification	We understand that the management board has to explicitly approve key elements of the ICAAP. However, the relevance and the intention regarding the approval of internal documentation requirements is less clear for us. The term "internal documentation" leaves a lot of room for interpretation including the documentation of operational processes which should not be subject to requirements approved by the management board. Therefore, we ask for clarification regarding this requirement (e.g. approval of reporting requirements) or, if these requirements are already covered by other regulation (e.g. BCBS 239), deletion to avoid duplication.	A clarification would help to prove the involvement of the management board for important ICAAP aspects.		
36	DeKa	Principle 1	19	6	Deletion	While we understand and agree with certain aspects of paragraph 19 there are several others which do not seem to fit together or which are unclear: We cannot find a plausible interpretation regarding "performance measurement" in the context of paragraph 19 and	The combination of the different aspects of the requirement do not seem to fit together and might be misleading.		The wording has been partially changed: Bullets 1 and 3: The terms "back-testing" and "performance measurement" have been replaced by "internal review" and it has been clarified what this process

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						therefore ask for a deletion of the term. - We regularly compare the target figures of the capital plan and actual figures. However, we regard this as part of the management process and would not describe it as part of the internal review and validation of the ICAAP. Therefore, we suggest a deletion of "capital plan" in this paragraph. - We do have a regular process to review our stress scenarios. Even if the parametrisation can be based on historical data, a back-testing of the scenarios is not expedient in our point of view. We suggest not to combine the words "back-testing" and "scenarios".			is expected to be about. In addition, it has been highlighted that the review can be more qualitative or more quantitative, depending on the nature of the element assessed. Bullet 2: The comparison between target figures and actual figures of the capital plan is not sufficient to ensure the adequacy of the ICAAP outcomes and assumptions for the capital planning. Future developments are also expected to be considered in the assessment.
37	GBIC	Principle 1	17, foot-note 7	6	Clarification	Footnote 7 refers to the concept of the three lines of defence, which we welcome in principle. In particular, we believe it is right to orient internal reviews upon the respective tasks of the internal control functions. It is also clear that the first line of defence (the business units) must also fulfil certain tasks within the scope of this concept. Having said that, we cannot imagine	The existing wording might be misunderstood as a new requirement for the distribution of tasks within the framework of the three lines of defence concept – which, presumably, was not intended in this form.	Friedberg, Jörg	The footnote has been moved to the main text and a reference to the EBA guidelines on internal governance has been added. In those guidelines, more details can be found about the exact roles of each of the three lines of defence.

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						which tasks exactly the business units should be assigned in connection with internal ICAAP reviews. Against this background, we suggest restricting the required checks to the internal control functions.			
38	BBVA	Principle 2	33	10	Clarification	“The ICAAP is expected to ensure capital adequacy at relevant levels of consolidation and for relevant entities within the group, as required by Article 108 CRD IV.”	The scope of the ICAAP as foreseen in this paragraph is not clear. We understand that the reference to “relevant entities” should be interpreted as “applicable entities” (i.e. those entities individually falling under the scope of Article 108 CRD IV). This understanding is in line with paragraph 11 of the guide (“[...] a parent institution in a Member State [...] shall meet the ICAAP obligations set out in Article 73 CRD IV on a consolidated basis”). The current wording of this paragraph could also be interpreted as a requirement that parent institutions’ ICAAPs should also cover “significant” (relevant) subsidiaries’ ICAAPs. However, this interpretation would not be consistent with the scope of Article 108 CRD IV and disregards the fact that subsidiaries may be subject to their own individual ICAAP requirements under local regulations.		The wording of the Guide has been changed to clarify that the scope of the ICAAP follows the provisions of Article 108 of the CRD IV.

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							We suggest replacing “relevant entities” with “applicable entities”.		
39	AEB	Principle 2	33	10	Clarification	“The ICAAP is expected to ensure capital adequacy at relevant levels of consolidation and for relevant entities within the group, as required by Article 108 CRD IV.”	The scope of the ICAAP as foreseen in this paragraph is not clear. We understand that the reference to “relevant entities” should be interpreted as “applicable entities” (i.e. those entities individually falling under the scope of Article 108 CRD IV). This understanding is in line with paragraph 11 of the guide (“[...] a parent institution in a Member State [...] shall meet the ICAAP obligations set out in Article 73 CRD IV on a consolidated basis”). The current wording of this paragraph could also be interpreted as a requirement that parent institutions' ICAAPs should also cover “significant” (relevant) subsidiaries' ICAAPs. However, this interpretation would not be consistent with the scope of Article 108 CRD IV and disregards the fact that subsidiaries may be subject to their own individual ICAAP requirements under local regulations. We suggest replacing “relevant entities” with “applicable entities”.	Rizo, Carmen	

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40	FBF	Principle 2	33	10	Clarification	We seek clarification on the definition of "relevant entities" in the sentence "The ICAAP is expected to ensure capital adequacy at relevant levels of consolidation and for relevant entities within the group, as required by Article 108 CRD IV."	The ICAAPs' scope (at solo level, sub-consolidated level) should be clarified, taking into account that the Group performs an ICAAP.		
41	EBF	Principle 2	33	10	Clarification	We seek clarification on the definition of "relevant entities" in the sentence "The ICAAP is expected to ensure capital adequacy at relevant levels of consolidation and for relevant entities within the group, as required by Article 108 CRD IV."	The ICAAPs' scope (at solo level, sub-consolidated level) should be clarified, taking into account that the Group performs an ICAAP. This request may be linked to #1 of this document.	Chaibi, Saif	
42	EBF	Scope and proportionality	1.2	4	Clarification	According to the statement "...a parent institution in a Member State and institutions controlled by a parent financial holding company or a parent mixed financial holding company in a Member State shall meet the ICAAP obligations set out in Article 73 CRD IV on a consolidated basis or on the basis of consolidated situation of that financial holding company or mixed financial holding company...", can we assume that, for an Holding Company operating under different jurisdictions, only one ICAAP at Group consolidated level will	To better understand the scope of application of the ICAAP framework.	Chaibi, Saif	

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						be required?			
43	EBF	Principle 2	28-30	9	Clarification	§28-30 refer to "institution", but also of "group-wide". Are "institution" and "group" used here interchangeably or is there a difference?		Chaibi, Saif	A footnote has been added, clarifying that for the purpose of the Guide, the term "institution" also refers to groups, conglomerates or sub-groups.
44	PWC Romania	Principle 2	24	8	Clarification	Discussing about the ICAAP as an integral part of an institution's management framework, the guideline makes reference to the fact that "ICAAP-based risk-adjusted performance indicators are expected to be used in the decision-making process and, for example, when determining variable remuneration or when discussing business and risks at all levels of the institution, including, inter alia, in asset-liability committees, risk committees and meetings of the management body" We consider that the more practical examples should be provided with regards to expectations in terms of risk-adjusted performance indicators/metrics that institutions could use to show effective use of ICAAP outcomes. We note that the only other reference to	Key concept with limited practical guidance available	Dochia, Andrei	A reference to the EBA Guidelines on sound remuneration policies (EBA/GL/2015/22) has been added, where further examples of risk-adjusted performance indicators can be found.

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						ICAAP based/linked metrics is provided in EBA's Guidelines for Sound Remuneration The lack of practical examples on such an important topic in the entire prudential framework does not ensure convergence of institution practices.			
45	GBIC	Principle 2	23	8	Deletion	In our view, the blanket inclusion of risk-adjusted performance indicators required at this point is not sufficiently specific, and too far-reaching in the context of determining variable remuneration. Each SSM institution must adhere to the requirements of the EBA Guidelines on Sound Remuneration Policies (EBA/GL/2015/22): any further determination is an internal decision of the respective institution. The addition "and, for example, when determining variable remuneration" should therefore be deleted.	Avoidance of implementation issues.	Friedberg, Jörg	
46	EAPB	Principle 2	Para. 23	8	Deletion	The general inclusion of risk-adjusted performance indicators required here is in our view too unspecific and far-reaching when determining variable remuneration. Every institution in the SSM has to abide by the provisions of the EBA "Guidelines on Sound	To avoid implementation problems	van der Donck, Jeroen	

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						Remuneration Policies" (EBA/GL/2015/22). All other stipulations are internal decisions by the respective institutions. The words "and, for example, when determining variable remuneration" should therefore be deleted.			
47	GBIC	Principle 2	23	8	Amendment of the German version	In the sentence "ICAAP-based risk-adjusted performance indicators ...", a translation error needs to be rectified in the German version: the word "risikogewichtete" (risk-weighted) needs to be removed and replaced by "risikoadjustierte" (risk-adjusted; in line with the English text). The term "risk-weighted" is typically used in the context of RWAs. The proposed amendment helps avoid confusion.	Rectification of a translation error in the German version.	Friedberg, Jörg	The wording has been corrected.
48	EACB	Principle 2	30	9	Amendment	It is unclear which "management buffers" are meant here. It seems that the reference would be to the buffer between the regulatory requirement and the Risk Appetite Limit. If (also) the buffer between the Target and the Risk Appetite limit is meant, we do not see the logic in the ECB's expectation that this management buffer is to be set as part of the RAF.			The wording has not been changed. The term "management buffer" is consistently used throughout the report. For a definition please refer to the glossary and read the explanations under Principle 3.

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49	DeKa	Principle 2	27	8	Clarification	Management concepts differ significantly between institutions. Each institute applies its institution-specific ways to comply with the agreed risk boundaries set out in the risk appetite statement. Each (risk-taking) division has to comply with its respective stipulations. Whether those stipulations/targets refer to financial and other outcomes should be a free choice of each institute.	Management concepts should be the free choice of each institute.		The wording has not been changed. The wording provides sufficient flexibility. In order to ensure that the ICAAP is part of the overall management framework, ICAAP outcomes are expected to be considered as a key performance benchmark and target for measuring outcomes.
50	EAPB	Principle 2	Para. 29	9	Deletion	Para. 29 requires that the risk appetite statement should contain statements on "avoiding certain types of risks, products or regions". We think this is far too much detail for the RA statement. Such a thing would be found in a specific risk strategy or in limit systems.	Deleting the passage "or avoiding certain types of risks, products or regions" avoids unnecessary detail in the risk appetite statement relevant to the management board.	van der Donck, Jeroen	The wording has not been changed. The risk appetite statement is expected to contain motivations for taking on or avoiding certain types of risks, products or regions. A more detailed description may follow in the documents on specific risk types.
51	GBIC	Principle 2	29	9	Deletion	Section 29 requires the risk appetite statement to contain statements on the "types of risk, products or regions" to be avoided. We consider this to be clearly too detailed for the risk appetite statement; such detail would be found in the specific risk strategy, or in limit systems.	Deleting the wording "... for taking on or avoiding certain types of risks, products or regions" would avoid unnecessary detail in the risk appetite statement to be issued by the Management Board.	Friedberg, Jörg	
52	EAPB	Principle 2	Para. 32	9	Change	Para. 32 requires the adjustment of the recovery plan without delay to include management actions. In important parts	The inclusion of a materiality condition avoids unnecessary work.	van der Donck, Jeroen	The wording has been changed to account for the materiality of the impact on the

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						of the EU market, adjustments to the recovery plan during the year are limited to cases that have a significant impact on the recovery plan. We therefore propose the insertion of a materiality condition. In-year adjustments to the plan should remain the absolute exception.			recovery plan / ICAAP.
53	GBIC	Principle 2	32	9-10	Amendment	Whilst section 32 requires potential management actions to be reflected in the recovery plan "without delay", German legislation restricts amendments to the recovery plan during the course of the year to cases which have a material impact upon the recovery plan. We therefore propose to include a materiality clause. Amendments to the recovery plan during the course of a year should clearly remain an exception.	Incorporating a materiality clause would avoid unnecessary effort.	Friedberg, Jörg	
54	DeKa	Principle 2	33	10	Clarification	Paragraph 33 explains the requirement for consistency and coherence across groups. This is a reasonable requirement for the consolidated view of the parent company. However, there are plausible reasons for the stand-alone view of subsidiaries to differ (e.g. other regulatory requirements, unnecessary complexity of models). To avoid misinterpretation, we ask for a	Prevention of misinterpretation		The wording has been changed. The original text refers to the consolidated level. A paragraph has been added, clarifying that the implementation may require a certain degree of diverging approaches where national ICAAP provisions or guidance differ for certain entities or sub-

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						clarification that the requirement only relates to the consolidated view of the parent company.			groups. However, this should not interfere with the effectiveness and consistency of the ICAAP at the consolidated level.
55	EAPB	Principle 2	(iii)	5	Clarification	The requirement for consistency and coherence, as we understand it, refers to the inclusion of the consolidated group perspective. Especially in the case of conglomerates in different jurisdictions and sectors, the design of the ICAAP at the level of individual institutions can and, depending on the legal situation, must differ from the consolidated group perspective.		van der Donck, Jeroen	
56	GBIC	Principle 2	(iii)	7	Clarification	We believe that the requirement for consistency and coherence refers to the inclusion of a consolidated group perspective. Especially where conglomerates covering different jurisdictions and sectors are concerned, the structure of the ICAAP at the single-entity level may, and – and depending on the legal situation – must, differ from the consolidated group view.	Prevention of methodological limitations within groups of institutions.	Friedberg, Jörg	
57	EBF	Principle 2	17	6	Clarification	The content of footnote 7 would be better placed within the text of point 17 rather than as footnote.	The expectation of a three-level internal review is a relevant point that should not be relegated in a footnote.	Chaibi, Saif	The footnote has been moved to the main text.
58	GBIC	Principle 2	27	8	Deletion	The provision proposed in this section	Given its general nature, the requirement	Friedberg,	The wording has not been

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						constitutes an intervention into the internal management power of any given institution. Institutions should be free to decide whether to apply performance benchmarks – and if so, which ones – for specific business units: for instance, there is little point in calculating RAROC for the promotional business. We therefore propose to delete section 27.	cannot be viably implemented for all of a bank's business units.	Jörg	changed. The expectation is linked to risk-taking divisions.
59	EAPB	Principle 2	Para. 27	8	Deletion	This paragraph impinges on the internal management autonomy of the institution. Institutions should be allowed to decide for themselves whether they establish performance benchmarks for individual business units and, if so, which ones. For example, it is not logical to calculate a RAROC ratio for development business. We therefore propose the deletion of para. 27.	The specification in this general form cannot be implemented meaningfully in all areas of a bank.	van der Donck, Jeroen	
60	FBF	Principle 2	28 to 31	9	Deletion	There is a real need to have a clear definition of the RAF and RAS as there is no European guidelines. But the RAF and RAS should be detailed in a specific document not within the ICAAP guidelines.	Need of a RAF and RAS guidelines		A reference to the <i>SSM supervisory statement on governance and risk appetite</i> , ECB, June 2016, and the <i>Principles for An Effective Risk Appetite Framework</i> , FSB, November 2013, has been added.

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61	EACB	Principle 2	23	8	Clarification	We understand the aim to make ICAAP a central element of the overall management of the institutions. What should be further elaborated and clarified is however what is meant by and how the ECB expects the ICAAP to ensure the ongoing effectiveness of the Risk Appetite Framework.			
62	BAS	Principle 2	28-31	9	Amendment	We would welcome further clarification of the interaction and hierarchy between RAF/RAS and ICAAP (perhaps in a separate guideline, given the complexity of the RAF/RAS concept; interconnectedness and/or interdependence (e.g. is ICAAP part of RAF or vice versa) is not clear from the current wording). Alternatively, it might be better to exclude the existing paragraphs of the Guide which relate to RAF/RAS (i.e. paragraphs 28-31 and references in other paragraphs, e.g. 67) from this Guide as they do not sufficiently clarify the relations with ICAAP, and to publish a separate Guide on the subject of RAF/RAS.	As explained in our comment.	Hvala, Kristijan	
63	EBF	Principle 2	26	8	Clarification	We suggest clarifying in greater detail what is meant by "management reporting" in order to avoid any possible	As explained in our comment.	Chaibi, Saif	The wording has been partially changed. To indicate that the reporting is directed towards

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						misunderstanding. Does it refer (only) to reporting to the management body or to the broader management of the institution? In addition, we would welcome clarification on whether ICAAP outcomes which are expected to be included in the management reports include also internal calculation of capital requirements / management buffer. Considering the examples provided in the current wording of this paragraph (i.e. material evolution of risks, key indicators etc.) and the fact that internal management buffers take into account also estimation of capital needs under stressed conditions which should be conducted on a yearly basis in accordance with Principle 7 we understand that these calculations/estimates are not required to be included in the quarterly report.			the broader management of the institution, i.e. management body and senior management, the term "management reporting" has been replaced with "reporting to different managerial levels". The wording on the contents of the reporting has not been changed. To ensure an efficient management of capital adequacy, internal reporting is also expected to include internal risk quantifications. The reporting frequency is expected to be set in accordance with the institution's size, complexity, business model and risk types.
64	BAS	Principle 2	26	8	Clarification	We suggest to clarify in greater detail what is meant by »management reporting« in order to avoid any possible misunderstanding. Does it refer (only) to reporting to the management body or to the broader management of the institution? In addition, we would welcome clarification on whether ICAAP	As explained in our comment.	Hvala, Kristijan	

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						outcomes which are expected to be included in the management reports include also internal calculation of capital requirements / management buffer. Considering the examples provided in the current wording of this paragraph (i.e. material evolution of risks, key indicators etc.) and the fact that internal management buffers take into account also estimation of capital needs under stressed conditions which should be conducted on a yearly basis in accordance with Principle 7 we understand that these calculations/estimates are not required to be included in the quarterly report.			
65	EBF	Principle 2	26	8	Amendment	We suggest replacing the following sentence: "The ICAAP is an ongoing process. Institutions should integrate ICAAP-related outcomes (such as material evolution of risks, key indicators, etc.) into its internal management reporting at an appropriate frequency. This frequency of the reporting is expected to be at least quarterly, but, depending on the size, complexity, business model and risk types of the institution, reporting might need to be more frequent to ensure	Our view is that a monthly frequency is not appropriate for capital monitoring. The appropriate frequency should be defined by the institution according to its steering needs and specificities. Of course, ad-hoc analyses can be performed in addition to the regular reporting if needed (impact of a new acquisition on the bank's solvency for instance).	Chaibi, Saif	The wording has not been changed. The wording provides sufficient flexibility by linking the frequency of reporting to "the size, complexity, business model and risk types of the institution".

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						timely management action." by: "The ICAAP is an ongoing process. Institutions should integrate ICAAP-related outcomes into their internal management reporting at an appropriate frequency. This frequency of the reporting is expected to be quarterly, but, depending on the institution, its business model and risk types; it could be adapted by the institution to ensure timely management action when needed."			
66	FBF	Principle 2	26	8	Amendment	We suggest to replace the following sentence: "The ICAAP is an ongoing process. Institutions should integrate ICAAP-related outcomes (such as material evolution of risks, key indicators, etc.) into its internal management reporting at an appropriate frequency. This frequency of the reporting is expected to be at least quarterly, but, depending on the size, complexity, business model and risk types of the institution, reporting might need to be more frequent to ensure timely management action.." by "The ICAAP is an ongoing process. Institutions should integrate ICAAP-related outcomes into their internal	Our view is that a monthly frequency is not appropriate for capital monitoring. The appropriate frequency should be defined by the institution according to its steering needs and specificities. Of course, ad-hoc analyses can be performed in addition to the regular reporting if needed (impact of a new acquisition on the bank's solvency for instance). In addition, it is the responsibility of the institution to define the form and content of the ICAAP reporting that are presented to the Management Body. Indeed, the design of the ICAAP reporting framework largely depends on the Institutions' specific ICAAP methodologies.		

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						management reporting at an appropriate frequency. This frequency of the reporting is expected to be quarterly, but, depending on the institution, its business model and risk types; it could be adapted by the institution to ensure timely management action when needed."			
67	EACB	Principle 2	29	9	Clarification	We understand that the "intended actions with regard to its risk" only relate to ex-ante actions such as the once mentioned and not to ex-post actions (e.g. what specific actions are taken once risks materialize and/or RA limits are breached). We would appreciate a clarification in this respect.			The wording has not been changed. The term "intended" clearly indicates that these are ex ante actions.
68	Deutsche bank	Principle 2	(ii)	7	Deletion	We would recommend to remove the distinction between a quantitative and a qualitative framework. From our point of view, there should only be one overall ICAAP framework which combines quantitative and qualitative aspects.	Current text gives the impression of separate qualitative and quantitative frameworks and overcomplicates expectations.	Orestis Nikou	The text has not been changed. It is stated, that the quantitative and qualitative aspects of the ICAAP (which together form the ICAAP) are expected to be consistent with each other. This implies that they should not be dealt with independently.
69	Deutsche bank	Principle 2	24	8	Amendment	We would recommend to replace the new term "overall ICAAP architecture" with "overall ICAAP framework" in line with the term used in the EBA Guidelines	Introduction of new term (for an already defined aspect) would create confusion.	Orestis Nikou	The term has not been changed. The term "ICAAP architecture" was deliberately chosen in order to have a

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						on ICAAP and ILAAP information for SREP (section 6.1).			unique term which does not create any misunderstanding.
70	EBF	Principle 2	19	6	Clarification	We would welcome clarification of the back-testing and performance measurement exercise envisaged under this paragraph (e.g. which parameters should be tested).	Further clarification would be welcomed.	Chaibi, Saif	The wording has been changed. The terms "back-testing" and "performance measurement" have been replaced by "internal review" and it has been clarified what this process is expected to be about. In addition, it has been highlighted that the review can be more qualitative or more quantitative, depending on the nature of the element assessed.
71	BAS	Principle 2	V	7	Amendment	Would it not be more appropriate to use the term »return« instead of »rewards«? If not, please clarify.	"Reward" is a generic term; in financial management term "return" seems to be more appropriate.	Hvala, Kristijan	The term "reward" has not been changed. It is considered to be more appropriate, since it also comprises non-monetary benefits (e.g. from green finance).
72	PWC Romania	Principle 3	20 & 53	6 & 18	Clarification	Figure 6 - Overview of ICAAP perspectives and key features : In order to ensure appropriate measurement from both perspectives" Adequate, consistent and independently validated internal risk quantification methods" placed in the figure under the economic perspective,	Increase clarity	Dochia, Andrei	The figure has been adjusted in accordance with the comment. Indeed, the methodologies used for quantifying the projected regulatory capital ratios in the normative perspective are also

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						should also be applied for normative perspective. To support this, note that paragraph 20 makes reference to the fact that ICAAP outcomes are expected to be subject to adequate back-testing/ validation. We suggest the requirement is moved to the common area at the bottom of the Figure 6. It is also not clear what is the difference between the wordings used for normative and economic perspectives to describe seemingly similar concepts. For example, the normative perspective talks about Additional management buffers determined by the institution while the economic perspective about Internal indicators, thresholds and management buffers.			expected to be subject to regular internal validation. The difference in wordings used is the consequence of the differences in concepts. While there is a clear reference for capital levels in the normative perspective, no such clear (externally provided) reference is available in the economic perspective. That is why, in the normative perspective, institutions are expected to explicitly determine management buffers in relation to those externally provided references, whereas, in the economic perspective, they may use a combination of internal indicators, thresholds or management buffers to express capital levels they consider necessary and desirable in order to sustainably follow their business model.
73	Commerz-bank	Principle 3	37	15	Deletion	According to ECBs guidance on ICAAP MREL should - among other regulatory requirements - be considered in the	consideration of MREL is premature because MREL is not yet finalized		We have inserted wording clarifying that MREL is expected to be taken into

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						normative perspective as well. From our point of view this is premature because up to now MREL is not finalized. Further changes concerning the definition of eligible liabilities and the calculation methodology of MREL are expected.			account once it is applicable.
74	PWC Romania	Principle 3	47	17	Amendment	Although the economic perspective plotted in <i>Figure 5 - Management considerations under the economic perspective</i>, is a different perspective from normative perspective, the figure is not comparable with Figures 3 and 4 (where TSCR, OCR, P2G are included). There is also no comparable time dimension added to the Figure 5 which makes comparison of the two concepts even more difficult to grasp. We consider that a combined graph/figure outlining commonalities and differences between normative and economic perspectives would give valuable insights to institutions and ensure a better understanding of the two dimensions that need to be assessed.	Improvement in understanding of differences between the two perspectives	Dochia, Andrei	No change has been made because the two perspectives are so different with regard to, for instance, the starting points (external capital requirements vs. full internal view), the time horizon (formalised 3-year minimum vs. institution's own decision), etc. The ECB is of the opinion that these differences cannot be meaningfully presented in a common chart and that the Guide also makes them clear without such a chart.
75	GBIC	Principle 3	35	11-12	Amendment	As shown in figures 2 to 4 and in example 3.1, an additional and general requirement for a management buffer should be left out, from an economic	An additional buffer in economic perspective may lead to effects which are no longer relevant for management purposes.	Friedberg, Jörg	The comment is not fully clear. Please refer to the ECB's answers to comments on the management buffer and on the

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						point of view. For instance this could not be viable in combination with the confidence level used in risk measurement. In this context, we request a review of the entire guideline with regard to the management buffer from a normative perspective.			expected level of conservatism.
76	Commerz-bank	Principle 3	37	15	Clarification	By the calculation of a loss absorption and a recapitalization amount MREL is concerned twice by a decrease of own funds in adverse scenarios. ECBs guidance on ICAAP tolerates lower CET1 ratios in adverse scenarios compared to baseline scenarios (see figure 2). Corresponding reliefs for MREL are necessary and should be added in the ECB guidance. Conceptual differences between the normative perspective of the ICAAP, which is based on a going-concern assumption, and the calculation of the recapitalization amount, which represents more or less the regaining of going-concern, have to be taken into account.	Interdependencies between capital and MREL are not taken into account. For adverse scenarios a relief is necessary.		No change has been made because we are not the relevant authority for specifying MREL expectations.
77	EAPB	Principle 3	Ex-ample 3.2	20	Clarification	Example 3.2 attempts to use the particular example of interest rate income, but unfortunately it does not	The example is not entirely correct from a technical point of view.	van der Donck, Jeroen	No change has been made because we consider our current wording to be sufficient

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						entirely fulfil its aim. In our view, it does not take into account the fact that under the economic perspective, in the event of a present-value shock, only the effect on the already contracted actual portfolio is considered, while under the normative perspective in the multi-period world, future new business plays the dominant role with regard to future interest income. The nominal coupon payment of the existing business will remain unchanged even after an interest rate shock (at least for fixed business without prepayment). Two effects are therefore mixed together here.			to allow institutions to implement a meaningful approach. The way the normative perspective is informed by the economic perspective is not meant to be a one-to-one transfer of risk figures. Rather, institutions are responsible for using the economic perspective for informing the normative perspective in a meaningful and consistent way.
78	Deutsche bank	Principle 3	Fig.1	12	Deletion	Figure 1 does not help to clarify any ICAAP expectations and should be removed.	Figure does not add any value	Orestis Nikou	No change has been made because, in our view (and most commenters seem to share this view), Figure 1 helps to illustrate the role of the ICAAP.
79	EAPB	Principle 3	Para. 39 (foot-note 14)	13	Clarification	Footnote 14 requires that even changes that are highly unlikely to occur in future, but which would have such a huge impact in the event that they occurred that contingency measures would be needed, should be taken into account in the normative perspective. Changes (e.g. SA-CCR) should only be taken into account in the capital plan if they are	Clarification regarding the relevant changes in the legal, regulatory and accounting framework	van der Donck, Jeroen	No change has been made, as the ECB thinks that the wording is illustrative, intentionally leaving responsibility for deciding how to treat regulatory changes in specific cases with the institution. Limiting institutions' considerations to changes that

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						binding. In addition, they should be significant changes. They can generally only be taken into account with a flat-rate surcharge and this would not result in the proper observation of the new regulations.			are certain or highly likely could leave institutions with less time to prepare for regulatory changes.
80	GBIC	Principle 3	38	12-13	Clarification	Here the term "risks" is used quite often. In our opinion, apart from the adverse scenario, this is not a question of (calculated) risks but of expected values regarding material risks otherwise taken into account. Rather, the concept of risk is associated with the economic perspective – or is methodically defined there. An impression should be avoided that risks (as defined in the economic perspective) are expected to be transferred to the normative perspective.	A clarification is required that the base scenario is an 'expected' scenario – and that risks (as seen in the economic perspective) are not expected to be transferred. Failing that, we see a logical break in this context.	Friedberg, Jörg	It is not clear where the commenter sees a "logical break". A number of enhancements made in the final version refer to the mutual information concept. These changes should address the comment.
81	DeKa	Principle 3	(iv)	11	Clarification	In our opinion it is not helpful to use two sophisticated limit systems, one based on the economic and another one based on the normative perspective. Whenever an effective limit system for the economic perspective exists it should be fully adequate to use thresholds for the normative perspective at a higher level. We ask for clarification.	Clarification in order to prevent misunderstandings		We have not amended the Guide in this regard because we leave it in the hands of each institution to implement management tools and processes that allow it to ensure an adequate capitalisation in the normative and the economic perspective.

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82	EAPB	Principle 3	Para. 43	16	Deletion	The hard requirement for capital (adequacy) management according to economic requirements represents interference in the methodologic freedom of the institutions. In addition, it is unclear what management implications the ECB associates with this - especially in light of the finalised Basel III / IV requirements. For some institutions, it can be expected that the capital in Pillar 1 will become the bottleneck factor due to the implementation of the capital floor; management purely in accordance with economic requirements can lead to erroneous management mechanisms.	Interference in the methodological freedom of the institutions should be avoided. In addition, the new ICAAP rules must not lead to erroneous management mechanisms.	van der Donck, Jeroen	
83	EBF	Principle 3	39	13	Amendment	We understand that the notion to take into consideration the impact of upcoming changes in legal, regulatory and accounting framework is limited only to known final changes for which clear established rules are already published.	Only certain and well-known changes should be considered.	Chaibi, Saif	No change has been made, as the wording is illustrative, intentionally leaving responsibility for deciding how to treat regulatory changes in specific cases with the institution. Limiting institutions' considerations to changes that are certain or highly likely could leave institutions with less time to prepare for the regulatory changes.
84	BAS	Principle 3	39	13	Amendment	We understand that the notion to take into consideration the impact of upcoming changes in legal, regulatory and accounting framework is limited only to known final changes for which clear established rules are already in published (as you are well aware, most	Only certain and well known changes should be considered.	Hvala, Kristijan	

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						of upcoming regulatory changes are in the form of drafts and therefore not final as such, also the time of implementation is not clear in many instances).			
85	EBF	Principle 3	39	13	Amendment	The intention to incorporate legal, regulatory and accounting upcoming changes should be restricted to known / established future implementation changes. All the rest should be left to buffer determination.	Limiting changes to “changes that are certain (ex: final version of guidelines)” reduces uncertainty and volatility in capital requirements.	Chaibi, Saif	
86	GBIC	Principle 3	39, foot-note 14	13	Clarification	Footnote 14 requires that even changes which are unlikely to occur in the future but which, if they do occur, have such an impact that contingency measures are necessary, should be taken into account in the normative perspective. Any changes (e.g. SA-CCR) should only be taken into account in the capital plan when they have binding effect – especially as it is very difficult to implement a probability analysis of regulatory changes. Moreover, any such changes should be material. On a general note, inclusion would only be possible by way of a flat-rate add-on, and would thus not correctly incorporate the new regulations.	Clarification regarding the relevant amendments to the legal, regulatory, and accounting framework.	Friedberg, Jörg	

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87	BAS	Principle 3	43	16	Clarification	In terms of economic capital adequacy, it should be clarified into more methodological details how the fair value of the institution's capital should be estimated (e.g. the net present value concept or other possible approaches), including the criteria for selection of the institution's adequate discount factor. Any practical examples of such calculations would be highly appreciated. In addition, the proposed discount factor for IRRBB in the footnote 16 is not consistent with IFRS9. Namely, in EBA's Guidelines on the management of IRRBB on p. 30 it is stipulated that "When assessing IRRBB, institutions are encouraged to use different types of yield curve, including instrument/credit-specific yield curves, for their own internal calculations of IRRBB. The set of calculations should always include a measurement of the IRRBB using a 'risk-free' yield curve that does not include instrument-specific or entity-specific credit risk spreads or liquidity risk spreads." and in BCBS's Standards for Interest rate risk in the banking book (April 2016) on p. 15 it is stipulated that "Cash flows should be discounted using	As explained in our comment.	Hvala, Kristijan	No change has been made, as the comment is unclear. It is the institution's own responsibility to select adequate methodological assumptions, including discount factors. As the Guide is not prescriptive regarding discount factors, it is unclear how there can be an inconsistency with IFRS 9.

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						either a risk-free rate or a risk-free rate including commercial margins and other spread components", while for IFRS9 it is strictly requested to use effective interest rate (EIR) to discount the expected cash flows.			
88	EBF	Principle 3	38	12	Clarification	It is necessary to further specify how the economic and Normative capital are linked, in particular: a. What are the risks that are to be included in each one of the approaches? Is it correct to say that only "material" risks are to be taken into account on both perspectives (e.g "normative perspective is expected to take into account all material risks affecting the relevant regulatory ratios")? b. If a Pillar 1 risk is non-material should it still be considered? c. Some risks may be neither Pillar 1 nor assessed as material. If their quantification is "requested/recommended" by the competent supervisor, should these be considered? "When assessing its capital adequacy under the normative perspective, the institution is expected to take into account all relevant risks it has quantified under the economic perspective and assess to what extent those risks may materialise over the	The "economic" and "normative" perspectives are cornerstones in the new Guide and should therefore be totally clarified.	Chaibi, Saif	The Guide has been enhanced in the area of the mutual information concept. More examples are given. As a general rule, only risks that are material under the perspective concerned are expected to be taken into account. Responsibility for determining whether a risk is material or not lies with each institution, but, of course, supervisors may challenge institutions on all ICAAP-related decisions, including decisions on the materiality of risks. What risks are expected to be taken into account depends on the perspective. Under the normative perspective, it is all risks that can have an impact on the regulatory capital ratios. Under the economic

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						planning period, depending on the scenarios applied", does it mean the economic perspective merely acts as a complement to the normative perspective through the inclusion of additional risks/fair value approach (economic = normative at point in time/fair value concept underlying the economic perspective.)? If so, is such an approach proportional (i.e. ie, considering "economic" risks but not the economic capital)?			perspective, it is all risks that can have an impact on the economic value of the institution. The Guide clearly says that institutions are expected to actively manage their capital adequacy from an economic perspective; i.e. the economic perspective has a value in itself, beyond its function to inform the normative perspective assessments.
89	FBF	Principle 3	43	16	Deletion	We suggest to delete the following sentence: "[...] taking into account fair value considerations for its current assets, liabilities and risks."	Our view is that the ICAAP should present an economical perspective, but should not divert from accounting principles e.g. by changing the asset valuation rules. Otherwise, the normative and the economic perspective will not be comparable anymore, and ICAAP outcomes will consequently become useless for internal solvency steering purposes.		We have not changed the Guide in the suggested direction. The key purpose of the economic perspective is to develop a picture of risks and capital that is not obscured by accounting or regulatory provisions. The financial crisis has shown the urgent need for institutions to manage their economic situation. The "zombie" banks that looked fine in terms of their accounting and regulatory figures were simply no longer able to find
90	FBF	Principle 3	52	19	Amendment	Management of the capital adequacy cannot be both from the economic perspective and from the normative perspective when the internal model method is used for the normative	It is not possible to manage risks with the implementation of two perspectives and keep a good level of data quality.		

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						perspective. One can be derived from the other one to calibrate the management buffer.			counterparties for trades because other banks knew that the economic situation of the institution had deteriorated.
91	FBF	Principle 3	Figure 6	19	Deletion	We suggest to delete the following point in the economic internal perspective: "Capital adequacy concept based on fair value considerations (e.g. net present value approach)"	If we consider credit portfolios calculated on amortised cost, it does not make sense to calculate them on fair value for the capital adequacy purposes. On the one hand, it would be contradictory with the aim to maintain capital adequacy on an ongoing basis. On the other hand, it would raise important technical issues for credit institutions because such requirement would be too complex to implement in the IT systems.		The lesson from this is that, to be able to survive, it is not sufficient to follow accounting rules and to fulfil regulatory capital ratio requirement. Rather, this requires active management of the economic situation of the institution. Accordingly, investing in sound methodologies, processes and data quality to facilitate this active management of the economic capital adequacy is essential.
92	FBF	Principle 3	Other	20	Deletion	We suggest to delete the following sections: "Another example is hidden losses. While assets are conceptually taken into account at fair value/net present value under the economic perspective, the normative perspective is based on accounting and prudential values. Hidden losses become apparent when comparing accounting values and fair values. Having determined the total volume of hidden losses, the institution needs to decide the extent to which	The aim of capital is to cover the unexpected loss that could arise at a 1 year horizon at a 99,9% confidence interval on a going concern basis. The "hidden loss" concept is contradictory with this definition of capital, and with the objective of the ICAAP, that is to maintain Institutions' solvency on an on-going basis (going concern). Indeed, assets are accounted for within accounting classifications that reflect the management intention. Within a given		The ECB has changed the wording on the economic perspective in Principle 3 in order to clarify that it expects a full economic value-based approach in spite of the fact that risks quantified in line with this approach may not "materialise" as losses in an accounting view, given the continuity assumption. For

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						those hidden losses may also materialise in the balance sheet/P&L account, and this is expected to be taken into account in the normative perspective." If, for example, an institution has a government bond portfolio that is subject to total hidden losses of 100, it is expected to determine what part of those hidden losses would affect its projected regulatory own funds, subject to the respective underlying medium-term scenarios. In this example, the institution may conclude that accounting losses of 10 and 20 would occur in years 1 and 2, respectively, owing to haircuts on the nominal value of the underlying bonds. These losses would need to be taken into account in the projections produced under the normative perspective.	accounting category, if the value of assets is not determined according to the market fair value, but determined on the basis of the amortised cost, it is because the intention of the institution is to keep the asset in its balance sheet until maturity date. Therefore, within a going concern perspective, assets will be kept within the balance sheet and will not be sold, which is finally a gone concern situation. ECB specifies in Principle 2 that the ICAAP should be realised under a going-concern perspective. Gone-concern and fair value considerations are consequently outside from the scope of the ICAAP. As a general principle, our view is that the ICAAP should contribute to management decisions based on adequate information. Therefore, the ICAAP should remain consistent with accounting principles and do not drift towards an alternative concept that would be irreconcilable with the accounting and prudential frameworks.		example, increasing credit risks that lead to decreasing market values of assets will not materialise in an accounting view for assets that are not accounted for at fair value if the institution follows a buy-and-hold strategy and assumes its continuity in its ICAAP. Nonetheless, institutions are also expected to take credit spread risk fully into account in the economic perspective for assets that are not recorded at fair value because the economic perspective is about managing the true economic situation, i.e. economic risk and economic value, irrespective of accounting rules or regulatory provisions.
93	FBF	Principle 3	Ex-ample	21	Amendment	The so called hidden losses cannot be taken into account if they lead to a third calculation. If neither the accounting	The so called hidden losses should be used only to provide an example.		

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			3.2			point of view nor the prudential regulation give a proper view and measurement of the risk, there will be no efficient data quality when a third valuation is required.			
94	AEB	Principle 3	49	18	Clarification	The expectation "to assess under the normative perspective the extent to which the risks identified and quantified under the economic perspective may impact on its own funds and total risk exposure amount (TREA) in the future. Hence, the projections of the future capital position under the normative perspective are expected to be duly informed by the economic perspective assessments" again, seems to blur normative and economic perspectives.	In our opinion, normative perspective should be independent from economic perspective. The current wording hybridizes normative perspective with economic perspective, leading to confusion. This paragraph requires clarification. The suggested approach would make banks create alternative normative calculations whose implications are not clear. Other risks not considered in Pillar 1 are already being considered in the regulatory view through the P2R.	Rizo, Carmen	
95	EBF	Principle 3	figure 6	19	Deletion	We suggest to delete the following point in the economic internal perspective: "Capital adequacy concept based on fair value considerations (e.g. net present value approach)".	If we consider credit portfolios calculated on amortised cost, it does not make sense to calculate them on fair value for the capital adequacy purposes. It would be contradictory with the aim to maintain capital adequacy on an ongoing basis.	Chaibi, Saif	
96	EBF	Principle 3	3.2	20	Deletion	The so-called hidden losses cannot be taken into account if they lead to a third calculation. If neither the accounting point of view nor the prudential	To avoid another layer of complexity, a third calculation should be avoided.	Chaibi, Saif	

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						regulation give a proper view and measurement of the risk, there will be no efficient data quality when a third valuation is required.			
97	EBF	Principle 3	Ex-ample 3.2	20	Clarification	Determination of hidden losses may overlap with the Expected Loss/NPE backstop deductions. Hidden losses cannot be taken into account if they lead to a third calculation. If neither the accounting point of view nor the prudential regulation give a proper view and measurement of the risk, there will be no efficient data quality when a third valuation is required.	Need to avoid double counting of capital deductions. The difference between the market value and the BV is, in a sense, already captured in the expected loss, which is already deducted from capital. Hidden losses should be used only to provide an example.	Chaibi, Saif	
98	EAPB	Purpose	Ex-ample 5.1. Para 43, Principle 5(i)	27, 16, 26	Clarification	According to Example 5.1, the T2/subordinated funds are to be deducted from the economic cover assets because they do not achieve a loss-bearing function in a continuation scenario. It can initially be understood from this line of reasoning that the aim should be long-term survivability. However, Principle 5 (i) rightly requires consistency between the definition of capital and the quantification process. This is a contradiction, as in para. 43, the full fair value perspective is required on the risk quantification side. Various risk components, such as credit spread	The consistency between the risk calculation and the risk cover assets is of fundamental importance and determines the usability of the overall concept in bank management. In the interests of consistency, for the new ICAAP methodology, it should be decided whether: a) a complete FV-related risk perspective (including risks that materialise during liquidation) is desired (thus taking into account subordinated capital and hidden	van der Donck Jeroen	

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						risk in the asset book, large parts of the migration risk (unless stage migration under IFRS 9), real estate risks on the institution's own portfolio etc., show high risk amounts from a fair value perspective, which are nevertheless never recognised in equity (hold category). Losses from these risks (for example from the sale of assets before maturity) only occur in the event of liquidation and could then be covered by losses for subordinated creditors - according to the liquidation perspective. On the other hand, the new, symmetrical treatment of hidden losses and reserves in Example 5.1 is consistent with the FV concept. It explicitly states that the inclusion of hidden reserves on the capital side must be accompanied by corresponding risk calculations. This creates a meaningful, present-value basic concept, meaning that the risk calculation is finally based on the current cash value of the instrument.	losses/reserves + the associated broader risk position), or whether b) a perspective on the going concern without subordinated capital (according to IFRS) is preferred. This clear separation is also important for Pillar 1+ concepts. Even today, economic risks are compared to regulatory risks and the economic surplus is interpreted as P2R in CET1. This can obscure the fact that parts of the risk quantification are FV-oriented and, in the event of survival, they will not impact on the core capital. This could result in a P2R for the hard core capital ratio that is systematically too high. Here, too, a differentiation may be required between the P2R for total and core capital ratios.		
99	EAPB	Purpose	Ex-ample 5.1. Para 43,	27, 16, 26	Clarification	According to Example 5.1, the T2/subordinated funds are to be deducted from the economic cover assets because they do not achieve a loss-bearing function in a continuation	The consistency between the risk calculation and the risk cover assets is of fundamental importance and determines the usability of the overall concept in bank management. In the interests of	van der Donck, Jeroen	

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			Principle 5(i)			scenario. It can initially be understood from this line of reasoning that the aim should be long-term survivability. However, Principle 5 (i) rightly requires consistency between the definition of capital and the quantification process. This is a contradiction, as in para. 43, the full fair value perspective is required on the risk quantification side. Various risk components, such as credit spread risk in the asset book, large parts of the migration risk (unless stage migration under IFRS 9), real estate risks on the institution's own portfolio etc., show high risk amounts from a fair value perspective, which are nevertheless never recognised in equity (hold category). Losses from these risks (for example from the sale of assets before maturity) only occur in the event of liquidation and could then be covered by losses for subordinated creditors - according to the liquidation perspective. On the other hand, the new, symmetrical treatment of hidden losses and reserves in Example 5.1 is consistent with the FV concept. It explicitly states that the inclusion of hidden reserves on the capital side must be accompanied by	consistency, for the new ICAAP methodology, it should be decided whether: a) a complete FV-related risk perspective (including risks that materialise during liquidation) is desired (thus taking into account subordinated capital and hidden losses/reserves + the associated broader risk position), or whether b) a perspective on the going concern without subordinated capital, but then limited to the risks directly affecting the capital (according to IFRS) is preferred. This clear separation is also important for Pillar 1+ concepts. Even today, economic risks are compared to regulatory risks and the economic surplus is interpreted as P2R in CET1. This can obscure the fact that parts of the risk quantification are FV-oriented and, in the event of survival, they will not impact on the core capital. This could result in a P2R for the hard core capital ratio that is systematically too high. Here, too, a differentiation may be		

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						corresponding risk calculations. This creates a meaningful, present-value basic concept, meaning that the risk calculation is finally based on the current cash value of the instrument.	required between the P2R for total and core capital ratios.		

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100	GBIC	Cross-sectional issue / consistency across principles	Example 5.1; 43; Principle 5 (i) in conjunction 64/65	16, 26-27	Amendment	According to example 5.1, an orientation of the internal capital definition to CET1 capital is required and in example 5.1.Tier 2/subordinated capital instruments are to be deducted from the internal capital because – according to the explanations given – they only fulfil its loss-absorbing function in the event of liquidation, whereas the ICAAP is based on long-term viability. However, Principle 5 (i) correctly requires consistency between capital definition and quantification methods: this constitutes a logical break, since paragraph 43 requires a full fair-value perspective for the purposes of risk quantification. Various risk components (such as credit spread risk in the banking book), large portions of migration risk (except for stage migration under IFRS 9), risks from own property holdings, etc. exhibit significant risk exposures when taking a fair value view. However, these will never affect a bank's equity during ongoing operations ("hold" category). Losses from these risks (e.g. from an asset sale prior to maturity) only occur in the event of liquidation – in which case they could be covered by losses sustained by	Consistency between risk calculation and aggregate risk cover is fundamentally important; it determines the usability of the overall concept in bank management. In the interests of consistency, the new ICAAP methodology should decide whether: a) a full fair value-related risk view is desired, including risks materialising in the event of liquidation (in that case, including subordinated capital as well as hidden burdens/reserves, plus the associated extended risk position); or b) a going-concern view excluding subordinated capital is preferred, but then restricted to the risks directly affecting capital (in accordance with IFRSs). This clear separation is also important for the "Pillar 1+" concept: already today, economic risks are juxtaposed to regulatory risks, and the economic surplus is interpreted as the P2R in CET1. What is being ignored in this context is that parts of risk quantification are based on a fair value view, meaning that they will not affect tier 1 capital in the going-concern scenario – which may	Friedberg, Jörg	

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						subordinated creditors, in accordance with the liquidation perspective. Furthermore, it should be noted that tier 2 instruments are not per se homogeneous in their loss-absorption capacity, and regarding the timing of when they materialise. For this reason alone, a more differentiated approach is required than the complete exclusion of these instruments. Conversely, the new, symmetrical treatment of hidden burdens and reserves is consistent with the fair-value concept in example 5.1: an explicit reference is provided that the inclusion of hidden reserves in capital must be accompanied by a corresponding risk calculation. In contrast to previous German practice (asymmetrical deduction of burdens), this leads to a viable, basic present value concept; after all, the risk calculation is based on the current present value of the instrument.	lead to a systematically excessive P2R for the purposes of the CET1 ratio. A differentiation between the P2R for the total capital ratio and the tier 1 ratio may be necessary.		

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101	EACB	Principle 3	43-52	18	Amendment	We understand that it is prudent/reasonable to take certain material fair value/mark-to-market losses into account in the negative scenarios of the normative perspective as these losses may materialize in these scenarios. Therefore these losses should be made transparent and appropriately taken into account in the normative approach. However, we do not agree that a fully fledged economic value perspective of the complete balance sheet is necessary to achieve that goal. Furthermore, currently the definition of “economic perspective” remains unclear, leading to (a lot of) uncertainty in the calculation of the economic perspective, which in turn makes it difficult to come up with a consistent economic view for the total balance sheet. Our proposal would therefore be to avoid a full economic view on the balance sheet, but instead let banks focus on those portfolios for which the fair value/mark-to-market losses may have a material impact on the capital adequacy under the negative scenarios that are being run in the normative approach.			We have not changed the Guide in the suggested direction. The key purpose of the economic perspective is to develop a picture of risks and capital that is not obscured by accounting or regulatory provisions. The financial crisis has shown the urgent need for institutions to manage their economic situation. The “zombie” banks that looked fine in terms of their accounting and regulatory figures were simply no longer able to find counterparties for trades because other banks knew that the economic situation of the institution had deteriorated. The lesson from this is that, to be able to survive, it is not sufficient to follow accounting rules and to fulfil regulatory capital ratio requirements. Rather, this requires active management of the economic situation of the institution. Accordingly, investing in sound methodologies, processes and

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						In relation to this, in example 3.3, how can e.g. management actions and dividend payments be taken into account in the “forward looking view of the economic internal perspective”?			data quality to facilitate this active management of the economic capital adequacy is essential. The ECB has changed the wording on the economic perspective in Principle 3 in order to clarify that it expects a full economic value-based approach in spite of the fact that risks quantified in line with this approach may not “materialise” as losses in an accounting view, given the continuity assumption. For example, increasing credit risks that lead to decreasing market values of assets will not materialise in an accounting view for assets that are not accounted for at fair value if the institution follows a buy-and-hold strategy and assumes its continuity in its ICAAP. Nonetheless, institutions are also expected to take credit spread risk fully into account in the economic perspective for assets that are not recorded at

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									fair value because the economic perspective is about managing the true economic situation, i.e. economic risk and economic value, irrespective of accounting rules or regulatory provisions. Regarding Example 3.3, we have clarified that only those aspects that are relevant for the time horizon of the economic perspective and that are already certain are expected to be included.
102	PWC Romania	Principle 3	44	17	Amendment	Paragraph 44, presenting the economic perspective, makes use of terms/ concepts such as fair value of risks and economic risks. The concepts/ terms are not defined in the Glossary section and are not to be found in other Regulatory/Supervisory guidance on the topic. These concepts should be adequately defined before being used to defined the economic perspective. The same paragraph states that / <i>The institution is expected to manage economic risks and adequately assess them in its sensitivity analysis and its</i>	New concepts used need further explanation for proper understanding by market participants	Dochia, Andrei	The wording of the Guide has been adjusted to make clearer what is expected in the economic perspective. The glossary has also been supplemented accordingly.

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						<i>monitoring of capital adequacy.</i> The statement inconsistently makes use of the concept sensitivity analysis, a simpler method to perform stress testing, while the rest of the document mentioned scenario analysis as a stress testing methodology. The overall meaning of the above mentioned phrase is unclear (the bank is expected to manage economic risks?)			
103	Deutsche bank	Principle 3	(i)	11	Deletion	Remove the term "conservative" (see justification regarding conservatism above)	See above	Orestis Nikou	The ECB response to the comments on "conservatism" can be found under Principle 6.
104	FBF	Principle 3	Other	11	Amendment	We suggest to replace the following sentence: "The ICAAP plays a key role in maintaining the continuity of the institution by ensuring its adequate capitalisation. In order to ensure this contribution to its continuity, the institution is expected to implement a proportionate ICAAP that is prudent and conservative and integrates two complementary internal perspectives." by: "The ICAAP plays a key role in maintaining the continuity of the institution by ensuring its adequate	Although we agree that the normative perspective should provide a conservative framework for managing Institutions' solvency, our view is that the ICAAP should focus on providing an economical view of Institutions' solvency that should be useful for steering purposes. In order to be useful for steering purposes, the ICAAP should not consider conservatism as a objective in itself. The ICAAP should indeed be cautious, cover all material risks, and provide the Management body with an economical - risk sensitive - view on		

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						capitalisation. In order to ensure this contribution to its continuity, the institution is expected to implement a proportionate ICAAP that is prudent and integrates two complementary internal perspectives."	capital adequacy.		
105	PWC Romania	Principle 3	35	11	Clarification	The document makes reference to the fact that: "The institution is expected to reflect this continuity objective in its RAF (as specified under Principle 2) and use the ICAAP framework to reassess its risk appetite and tolerance thresholds within its overall capital constraints, taking into account its risk profile and vulnerabilities" This is the only paragraph where the concept of "risk tolerance" is introduced to complement the concept of "risk appetite". We note that "risk tolerance" is not defined in the Glossary section. We also note that while the latest EBA Guidelines on Internal Governance (EBA/GL/2017/11), makes the following statement: The guidelines align the terminology used regarding risk appetite and risk tolerance with the EBA guidelines on	Ensure consistency with other guidelines, recent developments	Dochia, Andrei	The "risk tolerance" terminology has been clarified in the glossary.

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						common procedures and methodologies for the supervisory review and evaluation process (SREP) (EBA/GL/2014/13) and also with the revised BCBS principles; they use the term 'risk appetite' to refer to the aggregate level of risk and the types of risk an institution is willing to assume, while 'risk capacity' is the maximum amount of risk an institution is able to assume. We note that EBA/GL/2017/11 and BCBS Corporate Governance principles for banks (July 2015) do not use the term risk tolerance, but only risk appetite and risk capacity. We consider that "risk tolerance" should either be properly defined or eliminated altogether from the guidance to eliminate implementation confusion.			
106	GBIC	Principle 3	Ex-ample 3.2	20	Clarification	The entire document fails to clearly show whether economic risks are already taken into account in the normative view, in the baseline scenario, or 'only' in the adverse scenarios. We ask for clarification in the document. Example 3.2 (page 22) deals with hidden losses: does the requirement only apply to adverse scenarios or also to the baseline scenario?	Clear harmonisation (which therefore prevents misinterpretations) required between the baseline and adverse scenarios.	Friedberg, Jörg	No change has been made. It is the responsibility of institutions to decide what economic perspective effects could materialise in the respective scenarios of the normative perspective. Regarding hidden losses, it could well be that the institution expects parts of them to

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									materialise even in the baseline scenario. In that case, it would be expected to account for that fraction of hidden losses in baseline projections under the normative perspective.
107	EAPB	Principle 3	Para. 51 / Example 3.3	18	Clarification	The interaction of the normative --> internal perspective remains unclear. In particular, larger capital measures, company acquisitions and planned growth should be taken into account here. It should be noted that in the economy, due to the present value concept, it is only meaningful to calculate shock-like scenarios. It is not clear whether the supervision beyond the application of the scenario anticipates a methodological effect on the economy - we cannot think of any meaningful effects here.	It should be clarified that the normative à economic interaction extends to a straightforward transfer of the portfolio- and environment-related scenario into a point-in-time consideration of the economy. Methodological aspects cannot be meaningfully transferred in terms of the present value and periodic basis due to their divergence.	van der Donck, Jeroen	The comment is not entirely clear. The wording in Example 3.3 has been changed to clarify what information from the normative perspective is expected to be taken into account in what assessments under the economic perspective, in particular regarding the distinction between point-in-time and medium-term assessments.
108	Deutsche bank	Principle 3	Fig. 2	14	Amendment	The own funds supply bar in the adverse scenario graph should be lower (somewhere above the absolute minimum)	Figure 2 gives wrong impression regarding capital requirements under stress	Orestis Nikou	We have changed the figure accordingly.
109	EAPB	Principle 3	Para. 52 / Ex-	18	Clarification	The requirement for a forward-looking view of the economic perspective is mentioned in para. 44 and example	Unambiguous wording required to prevent misinterpretations.	van der Donck, Jeroen	Example 3.3 has been amended to address the comment, specifying that the

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			ample 3.3			3.3.We recommend clarifying explicitly that a present value (point-in-time) concept by definition adheres to a forward-looking view, because all future cash flows are included..			impact of projected management actions foreseen in the normative perspective, e.g. capital measures, dividend payments, or acquisitions or sales of business lines, is also expected to be assessed to establish their impact on the economic situation of the institution. This is expected to be done in the forward-looking view in the economic internal perspective to ensure that those actions do not threaten economic capital adequacy.
110	EBF	Principle 3	44	16	Amendment	The requirement to take into account also expected losses for credit risk should be deleted as these losses are not meant to be covered by internal capital – its function is to cover the institution against unexpected losses.	As explained in our comment.	Chaibi, Saif	No change has been made because the wording is sufficiently open. The intention behind mentioning "expected losses" is just to remind institutions that such losses are
111	BAS	Principle 3	44	16	Amendment	The requirement to take into account also expected losses for credit risk should be deleted as these losses are not meant to be covered by internal capital – its function is to cover the institution against unexpected losses.	As explained in our comment.	Hvala, Kristijan	also expected to be tackled in a meaningful way. How institutions do this is their decision.
112	EBF	Principle 3	3.3	20	Clarification	The section should report examples that		Chaibi, Saif	Further examples have been

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						clarify how the normative internal perspective is expected to inform the economic perspective, but it is not very clear from the example reported; maybe further examples could help to understand.			added to help clarify what is expected.
113	EAPB	Principle 3	Ex-ample 3.2	20	Clarification	It is not clear from the overall document whether in the normative perspective economic risks are already taken into account in the baseline scenario or "only" in adverse scenarios. We request clarification on this matter in the document. Example 3.2 (p. 22) deals with hidden losses - does the requirement only refer to adverse scenarios or also to the baseline scenario? Furthermore, the concept of hidden losses is broadly defined as the difference between accounting values and fair values which can stem from multiple factors (e.g. change in interest rates, credit spread). It is not clear how such a hidden loss should materialize in the normative perspective. Fair value losses for example disappear due to the pull to par effect. Overall then, the interaction between the economic and normative perspective should be clarified.	A clear alignment (which cannot be misinterpreted) between the baseline scenario and the adverse scenarios is required.	van der Donck, Jeroen	We have extended the examples of how the economic perspective is expected to inform the normative perspective and vice versa, including with regard to non-Pillar 1 risks. The latter may, of course, impact Pillar 1 ratios and, hence, are expected to be taken into account in the normative perspective to the extent that this is the case. Regarding the information flow from the normative to the economic perspective, the wording of Example 3.3 has been changed to clarify what information from the normative perspective is expected to be taken into account in what assessments under the economic perspective, in particular regarding the

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114	BBVA	Principle 3	38	12	Clarification	The statement that "the normative perspective is not limited to the Pillar 1 risks recognised by the regulatory capital requirements. When assessing its capital adequacy under the normative perspective, the institution is expected to take into account all relevant risks it has quantified under the economic perspective" seems to blur normative and economic perspectives.	In our opinion, normative perspective should stick to Pillar 1 risks; other risks are considered within P2R. Current wording hybridizes normative perspective with economic perspective, leading to confusion.		distinction between point-in-time and medium-term assessments.
115	BBVA	Principle 3	49	18	Clarification	The expectation "to assess under the normative perspective the extent to which the risks identified and quantified under the economic perspective may impact on its own funds and total risk exposure amount (TREA) in the future. Hence, the projections of the future capital position under the normative perspective are expected to be duly informed by the economic perspective assessments" again, seems to blur normative and economic perspectives.	In our opinion, normative perspective should be independent from economic perspective. The current wording hybridizes normative perspective with economic perspective, leading to confusion.		
116	AEB	Principle 3	38	12	Clarification	The statement that "the normative perspective is not limited to the Pillar 1 risks recognised by the regulatory capital requirements. When assessing its capital adequacy under the normative perspective, the institution is expected to	In our opinion, normative perspective should stick to Pillar 1 risks; other risks are considered within P2R. Current wording hybridizes normative perspective with economic perspective, leading to confusion.	Rizo, Carmen	

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						take into account all relevant risks it has quantified under the economic perspective" seems to blur normative and economic perspectives.			
117	DeKa	Principle 3	38	19	Clarification	The interaction from the economic to the normative perspective remains partly unclear. Our understanding of paragraph 38 is that RWAs can only be calculated on the basis of the regulatory requirements as stipulated in the CRR. There should be no obligation to determine additional RWAs not defined in the CRR (for example for zero weighted exposure or for the interest rate risk in the banking book). However, RWAs may be influenced by the economic perspective. For example, a reduction in market values of properties has a reducing effect on property-related RWAs in the scenario. Risks quantified economically can also influence regulatory ratios in the scenarios via equity. In this connection, risks take effect via loss allowance, changes in net interest income, exchange rate losses, etc.	The provisions set out in section 38 require a high degree of interpretation. We therefore propose to provide clarification that the choice of scenario does not affect the methodology of Pillar I calculations.		
118	EAPB	Principle 3	Para. 38	12	Clarification	By definition (risk = event affected by uncertainty), no probability can be given for the quantified risks or the probability	The current provisions of para. 38 have considerable scope for interpretation, which may lead to non-compliance with	van der Donck, Jeroen	

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						arises inversely from the confidence level - but this cannot be intended. The economic and normative perspective are the building blocks of the Guide. As such, they should be made totally clear – taken into account proportionality - in order to ensure a common approach both by practitioners as well as the regulator: the type of risks which should be taken into account under each perspective, the interaction, how to avoid double counting, etc	the supervisory expectations.		
119	EAPB	Principle 3	Para. 38	12	Clarification	The interaction of the internal --> normative perspective remains partially unclear. Our understanding of para. 38 is that, even in the scenario, the RWAs can only be calculated on the basis of the regulatory requirements of the CRR. Changes to the regulatory method, definition of risk, scale of risks to be covered are not required even in the scenario. In the scenario, however, RWAs may be influenced by economic risk positions. For example, a reduction in the market values of real estate has a reducing effect on the real estate RWAs in the scenario. In addition, economically quantified risks can influence the regulatory ratios via equity in the	The explanation in para. 38 should be clarified.	van der Donck, Jeroen	

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						scenarios. Here, risks have an effect, for example, via risk provisions, changed net interest, exchange rate losses, etc.			
120	EBF	Principle 3	49	18	Clarification	The expectation that institutions must assess the extent to which the risks identified and quantified under the economic perspective may impact on its own funds and total risk exposure amount (TREA) under the normative perspective in the future is confusing and not clearly defined. It may also be redundant with P2R.	This paragraph needs to be clarified. The suggested approach would make banks create alternative normative calculations whose implications are not clear. Other risks not considered in Pillar 1 are already being considered in the regulatory view through the P2R.	Chaibi, Saif	
121	PWC Romania	Principle 3	44 & 49	16 / 18	Clarification	As presented in the guideline, the economic perspective should provide for a fully comprehensive view of risks. The same is valid though under the normative perspective, where within TSCR institutions try to capture all other Pillar 2 risks. The key example provided is the one of the IRRBB, with the two known perspectives (earnings and EVE perspective). We note that while the guideline somehow suggests that the NPV/EVE concept is captured in the economic perspective and earnings in the normative perspective, we can confirm from practice that institutions (and NCAs) currently include (require) IRRBB with a capital charge within	Example provided is not sufficient to differentiate between the two perspectives	Dochia, Andrei	

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						TSCR (normative) at an amount closely linked to the outcome of the EVE measurement. Due to the fact that economic perspective is mentioned to represent a more comprehensive risk capture, and given above comment on IRRBB, we strongly believe that the guideline should provide clear guidance on the key differences between the normative and economic perspectives starting with risk capture differences.			
122	GBIC	Principle 3	38	12-13	Amendment	The interaction from the internal to the normative perspective remains partly unclear. Our understanding of section 38 is that RWAs can only be calculated in the scenario on the basis of the regulatory requirements as stipulated in the CRR. Moreover, the scenario does not require any changes to the regulatory methodology, the definition of risk, and the scope of the risks to be covered. In the scenario, however, RWAs may be influenced by economic exposures. For example, a reduction in market values of properties has a reducing effect on property-related RWAs in the scenario. Risks quantified economically can also influence	The provisions set out in section 38 require a high degree of interpretation. We therefore propose to provide clarification, by way of a footnote, that the choice of scenario does not affect the methodology of Pillar 1 calculations.	Friedberg, Jörg	

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						regulatory ratios in the scenarios via equity. In this connection, risks take effect via loss allowance, changes in net interest income, exchange rate losses, etc.			
123	GBIC	Principle 3	Ex-ample 3.2	20	Clarification	Due to the different effects of burdens in both perspectives, we believe that risks determined economically should not have to flow directly into the adverse scenarios of the normative perspective. Rather, the focus is on findings from the economic risk assessment, which have to be incorporated into the definition of adverse scenarios.	Clarification required that risks from the economic perspective do not have to be taken over 1:1 into the normative perspective.	Friedberg, Jörg	
124	GBIC	Principle 3	51, footnote 20, ex-ample 3.3	18, 20-21	Deletion	The interaction from the normative to the economic perspective remains unclear. In particular, larger capital changes, acquisitions or planned growth are supposed to be taken into account here. It should be noted that only shock-like scenarios are calculated for the purposes of the economic assessment. It is unclear whether regulators expect a methodological effect upon the economic perspective, beyond the application of the scenario. In fact, we cannot think of any meaningful effects here. The reference in footnote 20 that "this is	For the very reason that the economic assessment differs from the periodic perspective, it is not possible to sensibly transfer methodological aspects in the direction described.	Friedberg, Jörg	

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						particularly relevant for risks that are more difficult to quantify" is also difficult to understand. If the intention is to adopt results of Pillar 1 in doubtful cases, we would ask for clarification. In our view, risks must be adequately determined within the economic perspective. This is within the institution's sphere of responsibility.			
125	GBIC	Principle 3	46, figure 5	17	Amendment	The term „Observed internal capital ratio" in figure 5 (identifying the blue line) is misleading as there is no mentioning of a capital ratio in the economic perspective. There is rather a likelihood of confusion with the normative perspective. Suggestion: "observed internal capital (coverage of risks)" as used in the beginning of Section 46.	Changes to avoid a misunderstanding .	Friedberg, Jörg	We have changed the wording to "observed internal capital level (risk coverage)" to avoid the "capital ratio" terminology.
126	PWC Romania	Principle 3	43	15	Clarification	The underlying scenario for the recovery plan might very well be much more adverse than the capital planning scenario (e.g. reverse ST). Adversity might be reflected in the speed of capital depletion and thus in the commensurate assumptions around management actions. Assumptions for management actions (e.g. duration of an action, expected impact) might very well not be consistent in Capital Plan scenario and	Increase clarity of ECB expectations in the area of CP and RP coherence	Dochia, Andrei	The ECB has revised the wording on consistency between the ICAAP, the ILAAP and recovery plans and has added some examples to clarify the expectations.

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						Recovery Plan scenario. More clarity should be provided with regards to the intended meaning of the referred part of Paragraph 43 (assumptions are expected to be consistent..)			
127	EBF	Principle 3	35	11	Amendment	There should be no obligation to set an addition management buffer within the economic perspective as this would not be meaningful in our view.	An addition management buffer within the economic perspective would not have an additional effect on management decisions.	Chaibi, Saif	No change has been made because the idea behind the management buffer is important. Institutions should assess what capital levels are necessary and internally desired in order to sustainably follow their business model. How a specific institution implements this expectation is its own decision.
128	PWC Romania	Principle 3	45		Clarification	Under the economic perspective, paragraph 45 makes reference to the need to perform a point-in-time risk quantification should. Supplementary clarification is needed in this area in order to grasp the information strictly from the point of view of the economic perspective (or why this should not be used also under the normative perspective/TSCR).	New concepts used need further explanation for proper understanding by market participants	Dochia, Andrei	No change has been made, as the comment is not clear. The difference between the economic perspective and the normative perspective is that, under the normative perspective, the ECB expects a formalised multi-year capital planning process, whereas, under the economic perspective, the institution is

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									expected to assess its current risk situation and complement this by assessing its sensitivity to changes in its situation, taking into account information from capital planning, but also all the information that is relevant from an economic point of view. All these inputs, however, do not have to be translated into formalised multi-year projections of the potential future economic capital adequacy.
129	EBF	Principle 3	48	18	Clarification	Under the economic perspective, the ECB Guide seems to only allow for the application of economic value as basis for the calculation of internal capital (see e.g. page 18 where it is stated that 'under the economic perspective, economic risks and losses affect internal capital immediately and to their full extent', and where they also refer to the EBA guidelines for IRRBB). This probably means that internal capital for e.g. capital investments should be based on the potential value change if rates/spreads go up, thereby possibly limiting the ability of banks to invest long		Chaibi, Saif	The effects described have been considered, but the approach has not been changed. The Guide makes it clear that the economic value of the institution is expected to be actively managed, including with regard to positions for which the institution follows a long-term (buy-and-hold) strategy. Such active management is expected because an economic value that is too low may impede the ability to sustainably follow

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						term and reduce earnings volatility. Has this consequence been considered?			such a long-term strategy. Therefore the ECB does not consider that the ICAAP Guide interferes with the possibility of investing long term.
130	EAPB	Principle 3	Paras 43-47	16	Clarification	Under the economic perspective, the requirement is repeatedly made that from an economic perspective, capital adequacy serves to enable an institution to "remain economically viable" and "follow its strategy". This implies that this perspective is based on a continuation premise.		van der Donck, Jeroen	We have clarified that, although the ICAAP is aimed at the continuation of the institution, it should nonetheless be based on the economic value, because otherwise the institution would not be able to actively manage its economic value, which, in turn, would threaten its ability to continue its operations.
131	EBF	Principle 3	36	12	Clarification	Under the normative perspective it is stated "to cope with other external financial constraints".	This paragraph needs to be clarified, as it is not clear what "other financial constraints" refers to.	Chaibi, Saif	No change has been made, as it is the responsibility of the institutions themselves to identify their own external constraints, and those constraints may differ between institutions and over time.
132	EACB	Principle 3	i	11	Amendment	We believe it is necessary to elaborate further on the criteria used by the ECB to determine the proportionality of the ICAAP to allow institutions to have a comprehensive outlook on whether/how			No change has been made, as it is not possible and not our intention to further differentiate our expectations between different types of institutions,

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						their internal processes would meet supervisory expectations.			because a) institutions are too heterogeneous to be categorised in a meaningful way for ICAAP/ILAAP purposes, and b) we have intentionally given the responsibility for implementing adequate ICAAPs/ILAAPs to individual institutions.
133	Austrian Federal Economic Chamber	Principle 3	35	11	Amendment	We believe that a situation of redundant covered capital needs should be avoided. In the SREP process the ICAAP calculations are part of the determining process of additional own funds to cover unexpected losses. Also, the P2G as defined in the CRD V proposal is intended to be a “buffer” to avoid any breach of own funds requirements (Pillar 1 and Pillar 2). Obliging institutions to hold an additional management buffer above the P2G would lead to an unnecessary and disproportionate double-safety-situation where the P2G is used as a safety buffer for the P2G and the management Buffer as a safety buffer to the P2G. Therefore, we call for amending this proposal in a way as follows: If the institution comes to an outcome that a higher management	Currently institutions are faced with enormous capital expectations resulting from the SREP, capital buffers and the MREL. We believe that any further additional burden should be avoided to enable the functioning of banks. Also, the above mentioned own funds safeguards are considered as already sufficient.	Rudorfer, Franz	The wording of the Guide has not been changed. In our view, the management buffer is about expecting institutions to give due consideration to and be very clear (i.e. take well-reflected decisions) on an aspect that institutions usually already consider carefully. It might be presumed that every institution would aim to operate at a certain margin above regulatory and supervisory capital needs in order to be able to sustainably follow its business model. After all, what counterparty would lend money to a bank that merely fulfils its TSCR (i.e. where there is a risk that it could lose its banking

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						buffer compared to the P2G is needed, it should determine the buffer to an extent and quality appropriate to the capital needs.			licence at any moment)? We therefore clarified that institutions are expected to anticipate how much capital they would need under various circumstances (reflected in the capital planning scenarios), to assess whether they would have sufficient capital to meet this internal capital need, and, if not, to decide on what actions to take. Management buffers are clearly not an additional formal capital requirement or demand, but an internal management instrument. It has also been clarified that the management buffer does not refer to available capital (the "headroom" above what is needed), but that it is an internally determined capital need. That need may vary from bank to bank and from scenario to scenario, and it may also vary over time within a scenario. Some wording has been added to explain this and the charts have been changed.
134	EACB	Principle 3	35	11	Amendment	We believe that redundant coverage of capital needs should be avoided. In the SREP process the ICAAP calculations are part of the determination of additional own funds to cover unexpected losses. Also, the P2G as defined in the CRD V proposal is intended to be a "buffer" to avoid any breach of own funds requirements (Pillar 1 and Pillar 2). Obliging institutions to hold an additional management buffer above the P2G would lead to an unnecessary and disproportionate double fail-safe where the P2G is used as a safety buffer for the P2R and the management Buffer as a safety buffer to the P2G. We rather suggest that if the institution comes to a situation where a higher management buffer than the P2G is needed, it should determine the buffer to an extent and quality appropriate to the capital needs.	Institutions currently face enormous capital expectations from the SREP, capital buffers and the MREL. Any further additional burden should be avoided to enable the smooth functioning of credit provision. Also, the above mentioned own funds safeguards should be considered as already sufficient.		
135	EAPB	Principle 3	Fig. 3 &4	15,16	Change	The figures seem to suggest that the institution is supposed to be operating above it's management buffer both in the		van der Donck, Jeroen	

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						base line as well as in the adverse scenario's. Moreover, it is not clear whether the size of the buffer is expected to be of the same magnitude or not. The figures could be changed to more consistently reflect the desired situation.			If institutions determine that their management buffer differs between scenarios and also over time within scenarios, this would indicate that they have thoroughly assessed this aspect.
136	EBF	Principle 3	40/41	14/15	Clarification	From our point of view, it is not clear enough which capital requirements or expectations are to be met and in which perspective, and what role the management buffer plays in this. Therefore, it should first be made clear that the subject of paragraph 41 is the consideration of scenarios within the framework of the normative perspective. In our understanding, the management buffer, if defined, could in principle be breached. This is also shown in Figs. 3 and 4: Here the absolute minimum is characterized as a red line above the OCR plus P2G (baseline scenario) or TSCR (adverse scenarios). The Draft Guidelines on institution's stress testing (EBA/CP/2017/17; para. 191) also only require compliance with the TSCR for stress. With regard to the consistency of the EBA Guidelines and the ECB Guide, it should be clarified that the management buffer in the baseline	Clarification necessary which ratios have to be met in which scenarios and perspectives. A management buffer should not be mandatory in the baseline scenario.	Chaibi, Saif	

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						scenario (para. 40) and in the adverse scenario (para. 41) can be breached. In addition, we doubt the need for a management buffer in the baseline scenario. Insofar as institutions prepare their planning with due care, it is planned that all regulatory requirements, including capital expectations (P2G), will be met for the planned three subsequent periods, at least in terms of projections. A management buffer could then only be relevant for the adverse scenario - and only if this is desired from aspects of the risk appetite. It should therefore not be expected that a management buffer must also be adhered to in the plan scenario.			
137	EBF	Principle 3	41	15	Clarification	"to fulfil, for example, market expectations even under adverse conditions over the medium-term horizon" is a highly subjective concept, what are "market expectations" / Analysts' consensus under adverse conditions, as recognised in example 3.1 (page 21) – buffers will be institution specific, external environment, time dependent... Such buffer needs to be in conjunction to any RWA capital add on that the institution may use to account for unknown/miscalculated risk.		Chaibi, Saif	

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138	EBF	Principle 3	39-42	14-16	Clarification	Page 14 refers to management buffers in plural, suggesting various management buffers may exist. Figure 2 shows a management buffer above P2G under normal circumstances and another one above the TSCR under stress and figures 3 and 4 seem to show a different development of the management buffer. So should there be a single management buffer (per entity) or should there be several different ones?		Chaibi, Saif	
139	EBF	Principle 3	40-42	15-16	Clarification	Figures 3 and 4 seem to suggest banks should operate significantly above the management buffer. We are of the opinion, that once the management buffer is set, we should manage capital at that level, not above.		Chaibi, Saif	
140	PWC Romania	Principle 3	41 and 43	14 & 15	Amendment	The OCR level (that includes TSCR +P2R+CBR) from "Figure 3 -Baseline capital ratio projection under the normative perspective" shows an upward trend over the planning horizon. In contrast, the TSCR level in "Figure 4- Adverse capital ratio projections under the normative perspective" is presented as constant on the same three year horizon. It is expected that, under the adverse	Ammendements would provide clearer understanding of the concepts form maket participants	Dochia, Andrei	

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						scenario, reflecting increases in required internal capital the TSCR level would increase over the planning horizon. Also, in case of adverse scenarios, we consider that the management buffer should have a decreasing trend (having in mind that in case of prolonged stressed periods the buffer's main objective is to absorb losses/ be used).As per Figure 4, the lowest outcome point under stress corresponds to the highest level for the Management Buffer. Even if we do understand the Figures are for illustration purposes, we consider an ammendment to the Figure 4 would be beneficial to the proper understanding of the guidance/ principle in question.			
141	PWC Romania	Principle 3	43	15	Amendment	In Figure 4, the adverse scenarios 1, 2, n are presented as having a similar evolution (timing) but with varying severity levels. Under capital planning, running the same adverse scenario but only changing the severity level is less informative than having a different construction of alternative scenarios. E.g. Scenario 1 assumes imediate impact of risk factors, duration 1 year,	Ammendements would provide clearer understanding of the concepts form maket participants	Dochia, Andrei	

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						severity high. Scenario 2 assumes deferred impact of risk factors from year 2 onwards, duration 2 years, severity mild. We consider an amendment to the shape of the alternative adverse scenarios outcomes would be beneficial, highlighting potential hitting TSCR/Management Buffer levels in multiple adverse scenarios (not only in the most severe scenario).			
142	PWC Romania	Principle 3	43	15	Amendment	In case of adverse capital projections (Figure 4), we consider that plotting the early intervention trigger (Directive 2014/59/EU - set as trigger of 1.5% over TSCR) above TSCR and below the Management Buffer should increase information relevance consequently providing valuable information and alignment with the BRRD framework.	More complete picture depicted including BRRD concepts.	Dochia, Andrei	
143	GBIC	Principle 3	40 and 41	14-15	Clarification	From our point of view, provisions are not sufficiently clear as to which capital requirements or expectations are to be met, and from which perspective, and what role the management buffer plays in this context. Therefore, it should first be made clear that section 41 refers to a scenario analysis within the framework	Clarification of requirements – avoiding contradiction to the EBA Guideline.	Friedberg, Jörg	

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						of the normative perspective. In our understanding, the management buffer (if defined) in principle does not have to be met at all times – this is also shown in figures 3 and 4, where the absolute minimum is shown as a red line above OCR plus P2G (baseline scenario) or TSCR (adverse scenarios). The "Draft Guidelines on Institutions' Stress Testing" (EBA/CP/2017/17; section 191) also only require compliance with the TSCR for the stress scenario. With regard to the consistency of the EBA Guidelines and the ECB Guide, it should be clarified that a shortfall below management buffer in the baseline scenario (section 40) and in the adverse scenario (section 41) will be tolerated. In addition, we doubt the need for a management buffer in the baseline scenario within the framework of the normative perspective. Assuming that institutions prepare their planning with due care, it is envisaged – at least for the purposes of projections – that all regulatory requirements, including capital expectations (P2G), will be met for the three subsequent periods			

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						planned. In that case, a management buffer would only be relevant for the adverse scenario (where possible deviations from the plan are outlined), and only if this is desired for risk appetite purposes. This means that there should be no expectation that a management buffer is to be adhered to, without exception, in the baseline scenario.			
144	PWC Romania	Principle 3	42	15	Clarification	Paragraph 42 states that in sufficiently adverse scenarios, it "might be acceptable" that the institution does not meet its P2G and combined buffer requirement. It is also expected that institutions maintain adequate management buffers on top of the TSCR to fulfil market expectations under adverse conditions. We consider that the wording "might be acceptable" could be replaced with a less judgmental expression for example "under sufficiently adverse scenarios, while institutions are normally allowed to use P2G and combined buffer requirements, they should aim to maintain an adequate management buffer above TSCR and early intervention triggers". While we agree that management	Eliminate judgmental wording on when buffers are allowed to be used - enhance clarity	Dochia, Andrei	No change has been made. The management buffer concept is, by its nature, highly judgement-based. While external constraints like TSCR requirements are a given, the actual level of management buffer that an institution considers appropriate depends on its own internal assessment, since it is the institution's own responsibility to develop an adequate management buffer concept to ensure that it can sustainably follow its business model.

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						buffers above TSCR are a sound prudential risk amangement practice, we draw attention that supevisory ratios are not public as per current disclosure requiements and as such the management of market expectations vis-a-vis positioning above TSCR is somehow not a practical aspect. Using reference to supervisory & resolution authorities would be more appropriate.			
145	PWC Romania	Principle 3	i)	11	Clarification	We consider the document should make consistent use of the terms available internal capital (capital supply) and required internal capital (capital demand) to avoid misunderstanding of the concepts presented (multiple paragraphs use internal capital interchangeably, either referring to supply or demand for capital).	Avoid misunderstanding when referring to internal capital	Dochia, Andrei	No change has been made. The comment is unclear, as the term "internal capital" always refers to available internal capital (i.e. supply), unless otherwise indicated (e.g. by adding "needed" or similar).
146	EBF	Principle 3	42	16	Clarification	We request clarification on how to read Figure 4. From the figure it is not clear what the starting point of the capital numbers are. Is it the current level or the capital planning target? The size of the management buffer seems to vary during the stress horizon. It will be useful to provide more insights on how to interpret this information.	Clarification on how to read Figure 4 will avoid misinterpretation of the information it provides.	Chaibi, Saif	No change has been made. The starting point is the current level of own funds. Regarding management buffers, see separate entry.

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147	Deutsche bank	Principle 3	Fig. 5	17	Deletion	We suggest to delete the last sentence below figure 5. While we agree with the expectation to link both perspectives (despite being difficult given current intransparency of P2R setting), this should not be the most important focus of the economic internal perspective. Assessing capital adequacy under the economic internal perspective should provide its own additional value and not only be considered an input into the normative internal perspective. Additionally, it is unclear how an increase of non-pillar 1 risks under stress should feed into the normative perspective given the lack of transparency.	Current text gives the impression that the economic internal perspective only serves the purpose to feed into the normative internal perspective.	Orestis Nikou	The ECB agrees with this point and has deleted "most importantly" in the sentence concerned in order to show that informing the normative perspective is not the only purpose of the economic perspective. It is also needed to allow institutions to actively manage their capital adequacy from an economic perspective, because and institution's ability to continue its operations also depends on its economic situation.
148	BAS	Principle 3	(ii)	11	Clarification	We understand that the baseline scenario which the institution applies in its multi-year assessment of the ability to fulfil its capital-related regulatory and supervisory requirements/demands under the normative perspective is the same as the baseline scenario which is used in its multi-year capital planning and budgeting exercise (referred to in paragraph 39) and ask you for your confirmation. In addition, we question why are more adverse scenarios necessary and not only one. Namely, this	As explained in our comment.	Hvala, Kristijan	No change has been made. Whenever the Guide refers to the baseline scenario in the normative perspective, this is always the same scenario. Regarding the number of adverse scenarios, it should be sufficiently clear that, depending on the business model and the operating environment, there will usually be more than one plausible combination of severe

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						causes the challenge of selecting the most appropriate one with no clear selection criteria. Please comment.			developments in the most relevant markets/risk drivers for the institution. This is also explained in a footnote in Principle 7 of the ICAAP Guide
149	EBF	Principle 3	49, 51	18	Clarification	When discussing the interaction between the normative and economic perspective, we would welcome further guidance on the application of results of both perspectives which are different when using the same scenario (e.g. under the IRRBB exercise a simulation of the shift in interest rates can lead to positive effects under one perspective and negative effects under another perspective, and vice versa; increase of interest rate curve has positive effect on net interest income under normative perspective and negative effects under economic perspective as it reduces the economic value of capital). How we should consider positive effects in any of these scenarios, or how we should argue different scenarios in different perspectives to aim for negative effect in both scenarios?).	As explained in the comment and example – to provide clear guidance concerning the expectations.	Chaibi, Saif	As, by their nature, the economic and normative perspectives are different, the same scenarios can lead to different results. Accordingly, the scenarios that are the most meaningful to assess in the two perspectives may differ, and institutions are generally expected to assess the most meaningful developments for each perspective. It should be noted, however, that the adverse scenarios used in the normative perspective are also expected to be assessed from the economic perspective, but not necessarily by projecting future economic capital adequacy figures.
150	BAS	Principle 3	49, 51	18	Clarification	When discussing the interaction between the normative and economic perspective, we would welcome further	As explained in the comment and example – to provide clear guidance	Hvala, Kristijan	Background: as the adverse scenarios in question are "severe, but plausible" and

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						guidance on the application of results of both perspectives which are different when using the same scenario (e.g. under the IRRBB exercise a simulation of the shift in interest rates can lead to positive effects under one perspective and negative effects under another perspective, and vice versa; increase of interest rate curve has positive effect on net interest income under normative perspective and negative effects under economic perspective as it reduces the economic value of capital). How we should consider positive effects in any of these scenarios, or how we should argue different scenarios in different perspectives to aim for negative effect in both scenarios?).	concerning the expectations.		have a certain likelihood of occurring, they could actually materialise and would then potentially also have an impact on capital adequacy from an economic perspective.
151	Deutsche bank	Principle 3	(iv) + 48 - 52	11, 18	Amendment	While we generally agree that the normative and the economic internal perspective should mutually inform each other, this would only be possible in practice if regulators provide more transparency on their pillar 2 requirement setting, e.g. a risk-by-risk decomposition. The paragraph should therefore be amended such that banks are only expected to implement such a mutual information process to the extent	Without additional transparency on pillar 2 requirements, banks would not be able to meet this expectation.	Orestis Nikou	We have included additional wording to address the comments regarding P2R transparency and future P2R levels, indicating that, regarding the future levels of P2R and P2G, institutions are expected to take into account all the information they have about future changes in these levels. P2R and P2G levels are

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						possible given the information provided by regulators.			set by the ECB. In their capital planning, institutions are expected to treat these capital needs as externally determined figures. In the absence of specific information to the contrary, the future P2R and P2G used in capital planning are expected to be at least as high as the current levels. The ECB is working on the enhancement of the risk-by-risk determination of P2R. At present, institutions should not expect to receive information on P2R amounts by risk type. Regarding the argument of double-counting of risks from the economic perspective that are translated into impacts on Pillar 1 and other regulatory ratios, P2R is in principle no different from Pillar 1 risks. Even after a part of the credit portfolio has defaulted, thereby reducing own funds, there will still be credit risks under Pillar 1 that have to be covered by own funds. The same basic reasoning may be applied to
152	Deutsche bank	Principle 3	38	12, 13	Amendment	Requiring banks to take all material risks into account in the normative internal perspective would require more transparency on the establishment of pillar 2 requirements by regulators (see above)	See above	Orestis Nikou	
153	Commerzbank	Principle 3	(iv)	11	Amendment	We suggest to inform banks, in the context of the SREP letter, explicitly about the amount of the P2R component for each risk type. In case this is rejected, we see the danger of potential double counting (e.g. IRRBB, credit spread risks) when transferring risks from the economic perspective into the normative perspective.	We believe that a normative and an economic perspective in the context of risk bearing capacity concepts is fundamentally meaningful. The concept can't be entirely implemented though due to the practice of the ECB. In order to put all capital components consistently in perspective to the single risks and valuation types, banks would need transparency on the exact amounts and constituents of P2R for all risks. Otherwise a double counting of risks can't be ruled out: On the one side in form of a SREP capital requirement (P2R), based on the regulatory assessment of risks not covered in Pillar I and at the same time through transfer of a risk quantified within the economic internal perspective into the normative perspective (e.g. when determining management buffers or assessing the		

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							impact of adverse scenarios).		risks captured by P2R. For
154	EACB	Principle 3	37	12	Amendment	It is still unclear how the P2R and P2G are determined by the ECB. Thus it is difficult for the banks to perform appropriate projection for the P2R & P2G for the remaining part of the 5 year horizon. The ECB should provide more details on this to allow banks to better forecast.			instance, even after materialising IRRBB has had a negative impact on Pillar 1 ratios in the first year, there will (if the bank does not change its risk profile) still be IRRBB after that year which the ECB will consider in its P2R determination process for the
155	EBF	Principle 3	38	12	Clarification	In the normative perspective, all material risks that are not taken into account in Pillar I are assumed primarily through the consideration of P2R. A simulation of the development of this important capital component via a three-year period is not possible in all scenarios due to the lack of transparency in determining this capital requirement. We therefore suggest in a footnote to point out the consideration of other material risks in the P2R and to explicitly mention the assumption of a stable quota in the scenarios.	Needs to be clarified that P2R could remain stable in the stressed scenario.	Chaibi, Saif	second year. This means that in the normative perspective the institution is expected to take into account IRRBB-related impacts on its future Pillar 1 ratios, even though IRRBB may be captured in its current P2R.
156	EBF	Principle 3	37	12	Clarification	"the institution is expected to take into account, in particular, Pillar 1 and Pillar 2 capital requirements, the CRD IV buffer framework and the Pillar 2 capital guidance". However, P2R and P2G are	Given that ICAAP / ILAAP is a forward-looking process, it is important to clarify if the capital requirements are to be understood dynamically, i.e., should banks make their own estimation of P2R	Chaibi, Saif	

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						set on an annual basis. How are these elements expected to be included in a forward looking manner?	and P2G for the 3 years horizon or simply consider the buffers established by the supervisor static during that period.		
157	EBF	Principle 3	48-51	18	Clarification	The difference between normative and economic seems very blurred as “the projections of the future capital position under the normative perspective are expected to be duly informed by the economic perspective assessments”, once again raising the abovementioned issue of proportionality / consistency between risks considered and capital considered. As stated on §51, “the normative and economic perspectives are expected to mutually inform each other”, seems to show no clear cut existence between the two perspectives. In the end, the ICAAP modelling exercise corresponds to an “enlarged normative”, considering the inclusion of additional risks and fair value assessment.	The “economic” and “normative” perspectives are cornerstones in the new Guide and, as such, they should be made totally clear. Some (more) examples of this mutual information would help.	Chaibi, Saif	
158	EBF	Principle 3	Fig. 6	19		We suggest informing banks, in the context of the SREP letter, explicitly about the amount of the P2R component for each risk type. In case this is rejected, we see the danger of potential double counting (e.g. IRRBB, credit spread risks) when transferring risks	We believe that a normative and an economic perspective in the context of risk bearing capacity concepts is fundamentally meaningful. The concept can't be entirely implemented though due to the practice of the ECB. In order to put all capital components consistently	Chaibi, Saif	

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						from the economic perspective into the normative perspective.	in perspective to the single risks and valuation types, banks would need transparency on the exact amounts and constituents of P2R for all risks. Otherwise a double counting of risks can't be ruled out: On the one side in form of a SREP capital requirement (P2R), based on the regulatory assessment of risks not covered in Pillar I and at the same time through transfer of a risk quantified within the economic internal perspective into the normative perspective (e.g. when determining management buffers or assessing the impact of adverse scenarios).		
159	GBIC	Principle 3	38	12-13	Amendment	In the normative perspective, all material risks that are not sufficiently covered by Pillar 1 are primarily incorporated through the consideration of P2R. However, it is not possible to simulate the development of this key capital component over the three-year period, across all scenarios, due to the lack of transparency in determining this capital requirement. We therefore suggest to refer to the inclusion of other material risks in the P2R, by way of a footnote, and to explicitly mention the assumption of a stable ratio in the scenarios.	Facilitating interpretation of the text – clarifying a key issue.	Friedberg, Jörg	

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160	EAPB	Principle 3	Para. 49	18	Clarification	It should be clarified to what extent specifically double cover or additional capital backing in the sense of a Pillar 1+ approach is required, or whether a qualitative assessment is required. Methods for measuring risk under the economic perspective unify potential event timings. How should this be reconciled with a 3-year perspective decided under the normative perspective?	There may be significant capital requirement implications.	van der Donck, Jeroen	
161	GBIC	Principle 3	46, figure 5	17	Amendment	The last sentence under figure 5 reads: "Most importantly, the quantifications of risks and available internal capital are expected to feed into the projections under the normative perspective". If this sentence was to be interpreted in detail, the P2R requirement would need to be changed in the projections. Given that this is impossible due to the lack of methodological transparency, we propose to delete this sentence, and to replace it by: "The projections of the future capital position under the normative perspective are expected to be duly informed by the economic perspective assessments".	Clarification concerning the limits of adjustments to the normative perspective, based on the results of the economic perspective.	Friedberg, Jörg	
162	AFME	Principle 3	Feedback template not used			While we generally agree with the high-	Feedback template not used		A number of changes have

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						level statement in the introductory section to the ICAAP guide that “a sound, effective and comprehensive ICAAP is based on two pillars: the economic and the normative perspectives”, we find that these perspectives become confused in the guidance provided to illustrate Principle 3. In our view, the normative perspective should clearly be based on regulatory minima in Pillar 1, whereas the economic perspective complements this by going further and capturing all material risks identified by the institution from its own internal perspective. As currently drafted, Principle 3 does not provide a sufficiently clearly distinction between these two approaches. Indeed, the concept of “normative internal” perspective is somewhat confusing and appears to be a contradiction in terms. By way of illustration of some areas that reinforce the confusion, statements such as those in paragraph 38 of the ICAAP guide which says “the normative perspective is not limited to the Pillar 1 risks recognised by the regulatory capital requirements. When assessing its capital adequacy under the normative			been made in response to this and other similar comments. For example, the general concept and the terminology used in the economic perspective have been explained more clearly, and examples of the mutual information between the perspectives have been enhanced. Regarding the regulatory changes, please see the ECB’s replies to similar comments in this document. The ECB has also added new expectations with regard to regulatory changes that might occur beyond the capital planning horizon. Regarding the use of ICAAP information for setting Pillar 2 capital requirements, the ECB does not intend to specify this in the ICAAP Guide. Information on this has already been communicated via other channels, and the ECB will communicate any changes

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						perspective, the institution is expected to take into account all relevant risks it has quantified under the economic perspective" do not convey the difference between the two approaches or the concept of complementarity between the two perspectives. Elsewhere there are references to "hidden losses" – distinctions between accounting values and fair values (supposedly economic values?) are very difficult to understand for institutions that are operating within standardised valuation frameworks. Moreover, although simple on the surface, the reference to taking future changes in legal, regulatory and accounting frameworks into account in the ICAAP is likely to subject to various interpretations. Is a regulatory change considered to be an international standard, a level 1 EU Regulation under negotiation, a level 1 EU Regulation that is adopted but with an implementation date beyond the planning horizon, etc.? We would welcome further discussion with the ECB to better understand how it sees the normative and economic perspectives being different and			once the current work on the matter has been finalised.

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						informing each other so that we can assist in articulating these expectations more clearly. In particular, it may help institutions' understanding if the ECB could articulate how in practice it views the normative and economic perspectives of ICAAP being used to generate Pillar 2 capital requirements. Finally, while the above comments are made in relation to the ICAAP guide, the same type of clarifications would also be welcome in the ILAAP guide where the normative and economic perspectives are also used.			
163	GBIC	Principle 3, Principle 5:	5: (ii), 61, 63, 65	26-27	Amendment	The wording concerning the economic perspective is inconsistent: (ii) states that the continuity of operations has to be ensured. This can be interpreted in a way that minimum capital requirements have also to be fulfilled in the economic perspective. In this case, figure 5 should resemble figure 3 and 4 (Principle 3). Fair value considerations of assets and liabilities and the resulting risk-bearing capacity according to Section 61 are only useful if the institution is liquidated. If operations continue most assets and liabilities cannot be transformed into	Changes are necessary. At present a reasonable design of the economic perspective is not possible due to various inconsistencies in the wording.	Friedberg, Jörg	Clarifications on the combination of continuity and economic value have been added. Examples have also been enhanced to resolve the apparent inconsistency between the concept of economic value and continuation in the economic perspective.

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						liquidity to cover risks. According to Section 65 the internal capital definition can be disconnected from the regulatory own funds, but is still expected to be generally consistent with the loss-absorbing capacity of CET 1 capital. This requirement is not in line with the wording in Section 63 as well as with a fully developed net present value concept. The requirement in Section 65 can hardly be fulfilled with regard to components of own funds besides CET 1 as well as components of a net present value concept. As a consequence, but in contrast to various Sections in Principles 3 and 5, these components could not be considered as risk-bearing capacity.			
164	PWC Romania	Principle 4	58	23	Amendment	Paragraph 58 refers to the fact that the management body is responsible for deciding which risk types are to be considered material and which of these should be covered with capital. In our view, the management body should be primarily responsible with the design/approval of the risk assessment methodology (as a component of the larger risk mgm framework). Such risk assessment methodology should also include list of objective risk criteria to	Alignment to market practice/ risk management standards taxonomy	Dochia, Andrei	No change has been made because the decision on the risks that the institution considers material is absolutely key for an institution's ICAAP. Accordingly, this aspect is expected to be subject to a management board decision and cannot be delegated.

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						which the risk level (probability x likelihood) is evaluated against when deciding if a risk is material or not. We recommend the paragraph to be amended in line with the above and/or more comprehensive risk management standards (e.g. revised COSO ERM, BS ISO 31100).			
165	PWC Romania	Principle 4	54	22	Amendment	Principle 4 makes reference to the need for institutions to identify all material risks and take them into account in the ICAAP. In addition, Paragraph 54 refers to the need to implement a regular process for risk identification and inclusion into a risk inventory, all based on an internal definition of materiality. We suggest the guidelines make use of the concept of risk assessment instead of risk identification, especially as identification is only the first sub-process of the the larger risk assessment process (risk assessment = risk identification + risk analysis + risk evaluation as per ERM standards such as BS ISO 31100). In our experience, institutions also use the concept risk assessment in their ICAAP frameworks.	Alignment to market practice/ risk management standards taxonomy	Dochia, Andrei	No change has been made because the Guide intentionally distinguishes between the first step, "risk identification", and other steps like "risk quantification".
166	BAS	Principle 4	54	22	Clarification	Should the wording »any concentrations	As explained in our comment.	Hvala,	No change has been made

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						within and between those risks (...)» be replaced with »any concentrations within and correlations between those risks (...)« as the term »concentrations between risks« might be unclear, or, alternatively, deserves further clarification/elaboration.		Kristijan	because the ECB considers the term "concentration between risks" to be sufficiently intuitive/clear. One example would be that the institution holds shares in a certain company, lends money to it and receives certain services from it.
167	Deutsche bank	Principle 4	55	22	Clarification	We understand the rationale to identify the risk from a "gross" perspective, however a) a pure gross approach is not always possible in practice. We suggest to add "if possible". b) the measurement of this risk should take into account the overall risk positioning (e.g. in case where hedging would be seen by the authors of the document as mitigating action). We suggest to clarify this in a footnote.	Current text might give wrong expectation regarding risk assessment being always possible on a gross basis and risk measurement.	Orestis Nikou	The ECB provides a clarification that the "gross approach" explained in the Guide refers to the risk identification process. Institutions are not expected to disregard mitigating actions when they determine how much capital they need to cover risks. The institution's risk approach should be the guiding concept. The idea behind this is to identify the full universe of potentially material risks first. In a second step, institutions are expected to think about how they want to address those risks, be it by covering them with capital or by taking mitigating action. In
168	DeKa	Principle 4	55	22	Clarification	The idea of a "gross approach" is not in line with the management approach of many banks. (Example: The quantification of credit risk is not done without collateral). Furthermore, we	Insignificant change which significantly enhances the acceptance of the results of the risk identification process.		

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						cannot see an additional value of a gross approach for risks which are recognized as material based on a net approach. Therefore, this requirement should be limited to risks assessed as not material.			the case of IRRBB, for instance, a risk is expected to be identified as material or not without taking into account hedging actions such as
169	EAPB	Principle 4	Para. 55	22	Deletion	The risk identification process should not follow a "gross approach", as otherwise there will be no focus on the actual material risks. It is thus conceivable that, for example, unauthorised access (burglary) is identified as a material risk without consideration of security mechanisms. An assessment of the materiality of risks is only possible based on a "net approach".	For generating realistic risk assessments.	van der Donck, Jeroen	swaps. The determination of the risk on a gross basis signals to the institution that it needs to decide how to address the risk. If it decides to implement a hedging strategy that ensures that IRRBB is always mitigated overall, it will not need to hold capital against this risk, provided the hedging is effective. However,
170	EAPB	Principle 4	Ex-ample 4.2	24	Clarification	gross approach: If there is fixed contract hedging via derivatives/swaps, this should of course be taken into account and the net position should remain relevant. Here, the decisions have already been made. Of course, residual risks such as counterparty risks etc. have to be considered. The same applies to collateral (physical and financial collateral), which are contractually agreed and proven risk mitigation measures. Potential defaults of contractual collateral should not be treated in the risk inventory, but rather in	After clarification the proposal is more likely to correspond to current reasonable banking practice.	van der Donck, Jeroen	classifying IRRBB as material would trigger this follow-up and it would signal to the institution that it should regularly reconsider its treatment of this risk and assess the effectiveness of the hedging strategy. Thus the gross approach to risk identification ensures that an institution is aware of the risks it is potentially exposed to, and it encourages a transparent, conscious, well-reflected

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						the scenarios. In any case, a distinction should be made between contractually fixed security measures and hypothetical management actions (in which case critical market situations, if applicable) for each type of risk.			treatment of those risks. This could not be achieved with a "net approach".
171	GBIC	Principle 4	55	22	Deletion	The identification of risks should not be based on a 'gross' approach, as this would prevent a focus on actual, material risks. It is conceivable, for example, that unauthorised access (intrusion) is identified as a significant risk without taking security mechanisms into account. An assessment of the materiality of risks is only reasonably possible on the basis of a 'net' approach.	This serves to generate realistic risk assessments.	Friedberg, Jörg	
172	GBIC	Principle 4	Ex-ample 4.2	24	Clarification	Gross approach: if a fixed hedge via derivatives/swaps is in place, this should of course be taken into account, and the net position should remain relevant – the relevant decisions have already been taken in this case. Of course, residual risks such as counterparty credit risks etc. must be considered. The same applies to credit collateral (collateral in rem and personal collateral), which has been contractually agreed upon, and proven risk mitigation measures. In our opinion, potential defaults of contractual	Following clarification, the proposal is expected to be more in line with currently viable banking practice.	Friedberg, Jörg	

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						collateral should be considered via scenarios, rather than in the risk inventory. In any case, a distinction should be made – where viable – between hedges already contractually agreed upon, and hypothetical management actions (in what may be critical market situations), for each type of risk.			
173	EBF	Principle 4	56	22	Deletion	These guidelines are supposed to be only principles. Why to mention shadow banking and EBA guidelines? It is too much detailed for principles. We propose deletion of this paragraph as it depicts only one aspect, i.e. EBA guidelines relating to shadow banking, from the myriad of risk segments that should also be and are taken into account under ICAAP of each institution (e.g. connected persons, outsourcing providers, exposures associated with particular high risk etc.).	These principles should remain principles and provide high level overview. They should not include detailed mention of specific subjects.	Chaibi, Saif	No change has been made because shadow banking poses material risks to some institutions and these risks are still sometimes overlooked. That is why the EBA has issued guidelines on this topic. The intention of this paragraph is to raise institutions' awareness in this regard and to implement the EBA guidelines.
174	FBF	Principle 4	59	24	Deletion	These guidelines are supposed to be only generic principles.	These principles should remain principles and provide high level overview. They should not include detailed mention of such specific subjects.		The Guide follows a principles-based approach with a focus on selected key aspects from a supervisory perspective. It is not meant to provide complete guidance on all aspects
175	FBF	Principle 4	Ex-	25	Deletion	These guidelines are supposed to be	These principles should remain		

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			ample 4.4			only generic principles.	principles and provide high level overview. They should not include detailed mention of such specific subjects.		relevant for sound ICAAPs. However, institutions and supervisors are reminded of important aspects to consider,
176	DeKa	Principle 4	56	22-23	Deletion	The risk of shadow banking entities should be recognised and monitored by institutions. The EBA Guidelines mentioned provide instruction regarding this topic. However, there is no reason to highlight this topic explicitly in the risk identification process. It would be disproportionate compared to other relevant topics.	The reference to this special case is opposed to the principle-based approach of the ICAAP-Guide.		including aspects that are sometimes overlooked (e.g. shadow banking-related risk, outsourcing risk), but. this does not amount to a deviation from the principles-based approach and leaves the full responsibility for the ICAAP and ILAAP with each individual institution. The Guide is, for
177	DeKa	Principle 4	Ex-ample 4.4	25	Deletion	The risk identification in case of outsourcing is usually a completely different process than the overall risk identification process which is approved by the management board. There seems to be no reason to mention this topic explicitly in this context.	The reference to this special case is opposed to the principle-based approach of the ICAAP-Guide.		instance, not prescriptive with regard to the risk taxonomy. This also means that the Guide does not set any expectations with regard to what risks should be managed in isolation or jointly with other risks. It is
178	EAPB	Principle 4	Para. 56	22	Deletion	The explicit requirement regarding shadow banking is redundant to other legislation / guidelines and should not be part of the ICAAP guide.	Deletion of redundant requirements	van der Donck, Jeroen	also not meant to interfere with other relevant guidance regarding the management of certain risks, e.g. with regard to outsourcing. The
179	EBF	Principle 4	56	22	Deletion	These guidelines are supposed to be only generic principles.	These principles should remain principles and provide high level overview. They should not include detailed mention of such specific		implementation of an ICAAP that is adequate for an institution's particular circumstances remains the

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							subjects.		responsibility of the institution.
180	BAS	Principle 4	56	22	Deletion	We propose deletion of this paragraph as it depicts only one aspect, i.e. EBA guidelines relating to shadow banking, from the myriad of risk segments that should also be and are taken into account under ICAAP of each institution (e.g. connected persons, outsourcing providers, exposures associated with particular high risk etc.).	As explained in our comment.	Hvala, Kristijan	The ECB assesses institutions' ICAAPs on a case-by-case basis.
181	AFME	Principle 4	Feedback template not used			We fully support Principle 4 of the ICAAP and appreciate the approach the ECB has used to develop this guidance in a principled manner, using examples as illustrations. In this context, we question however why one specific risk category, i.e. risks from exposures to shadow banking entities has been singled out in the risk identification process (paragraph 56). It may be more appropriate to reference this in example 4.1 (other risks). Otherwise, we suggest that the ECB provide more specific information on its expectations with respect to the relevant EBA Guidelines.	Feedback template not used		
182	GBIC	Principle 4	56	22-23	Deletion	An explicit requirement regarding shadow banking entities appears unnecessary and redundant, given the	Unnecessary administrative expenditure	Friedberg, Jörg	

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						existing explicit regulation: there is no obvious added value within the scope of the ICAAP.			
183	GBIC	Principle 4	Ex-ample 4.4	25	Deletion	We do not perceive any direct connection between the ICAAP and existing requirements for outsourcing management. Separate regulations are in place governing requirements for a risk analysis of outsourcing arrangements. Risks from outsourcing are managed as part of operational risk; a separate quantification is not useful, also from a methodological point of view.	The example is not suitable to illustrate Principle 4.	Friedberg, Jörg	
184	EAPB	Principle 4	(ii)	22	Clarification	We propose inserting risk stocktaking as follows: "This risk identification process (risk stocktaking) is expected to result in a comprehensive risk inventory."	To avoid misunderstandings	van der Donck, Jeroen	No change has been made because the ECB does not consider that the introduction of an additional term would improve understanding. The Guide uses the term "risk identification" and it specifies what this means in the context of the Guides
185	EBF	Principle 4	(iv), Ex-ample 4.4, 68	22, 25, 29	Deletion	We suggest deleting paragraph 68 and footnote 23. Principle 4 (iv) states that institutes are "expected either to allocate capital to cover the risk or to document the justification for not holding capital." These guidelines are supposed to be	Paragraph 68 is misleading or at least unclear in the necessity of risk quantification and we want to clarify that institutions can exclude (material) risks from allocating capital as set out in principle 4 (iv) and that institutes can set	Chaibi, Saif	No change has been made because the ECB considers the Guides to be fully principles-based, leaving the actual ICAAP and ILAAP implementation the

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						only principles. Why to focus specifically on the risk of outsourcing? It is too much detailed for principles.	adequate materiality thresholds to exclude risks from a risk quantification. These principles should remain principles and provide high level overview. They should not include detailed mention of specific subjects.		responsibility of each individual institution. This responsibility also includes the decision on how identified risks are to be managed. This is made clear in the ICAAP Guide, which explains, for example, that institutions are expected to use their own definition of materiality in their risk identification processes.
186	FBF	Principle 4	Other	24	Deletion	We suggest to delete the following sentence: "[...] in order to look beyond the accounting values and risk exposure amounts. In particular, the institution is expected to apply proportionate methodologies to identify whether the operations and exposures of the subsidiary pose risks exceeding its accounting value or participation risk."	Article 60 states that the Risk Identification process should "look beyond participation risks and identify, understand and quantify significant underlying risks, and take them into account in its internal risk taxonomy, regardless of whether the entities concerned are included in the prudential perimeter or not". Indeed, the Risk ID should by nature cover the full perimeter of the institution. Among the identified material risks, some will be managed in the ICAAP, or for example in the ILAAP, or, in the case of insurance risks, within the framework of Solvency II. To ensure consistency across the prudential perimeter both at the Bank,		No change has been made. The value added by the ICAAP is that it is not limited by regulatory or accounting provisions. Limiting the scope of the ICAAP to any kind of externally determined perimeter would not be consistent with the purpose of the ICAAP. This is also one of the key lessons learned from the financial crisis in which entities that were not part of the consolidation perimeter (SPVs) caused severe problems for some institutions.

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							Insurance, and Conglomerate levels, our view is that the ICAAP should stick to the defined prudential perimeter.		
187	ING Groep	Principle 5	61-62	26	Clarification	As metric for available (internal) capital under the economic perspective, the Guide seems to prescribe a fair value based approach (article 61). This would make available and required capital under this perspective more consistent, but in our past experience with an insurance subsidiary, this led to an available (internal) capital that was highly volatile and very sensitive to assumptions on the forward interest rates. This proved difficult to manage. Partly this was due to the long duration of the Insurance business, but the problem could still be considerable as parts of the Bank's balance sheet also have a long duration. We note that many assumptions are needed to calculate economic value (for example for savings accounts). In addition the ECB asks to take a prudent approach to all underlying assumptions (article 62), which, as there are many uncertainties, may lead to an accumulation of uncertainty add-ons.	We are concerned that this theoretical approach may not work that well in practice.		No change has been made because the ECB is of the opinion that the economic perspective is absolutely necessary to ensure the continuity of institutions. The ECB agrees that, in a fully-fledged net present value approach, many assumptions need to be made and that there is uncertainty regarding many of those assumptions. It also agrees that there may be some volatility in the present value that causes a challenge for the management of economic value. However, the ECB is convinced that the information stemming from this perspective can be very valuable for the institution's decision-making, because it provides a lot of additional relevant information not provided by the normative perspective.

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188	EACB	Principle 5	Example 5.2	28	Clarification	It should be clarified whether this means that the bank's own rating can not be taken into account when determining the value of the liabilities.			No change has been made because the ECB is of the opinion that the wording already makes it clear that any potential positive effects on an institution's internal capital from a deterioration in its own creditworthiness are expected not to be taken into account in the internal capital definition. Deteriorating creditworthiness can increase an institution's own credit spreads and thereby reduce the economic value of its outstanding liabilities. This would, all else being equal, increase its net present value. If this effect were included in an institution's internal capital, it would allow it to take more risks. The ECB does not support this counter-intuitive and prudentially unsound consequence, and therefore it does not want institutions to include such effects in their internal capital definition.
189	Deutsche bank	Principle 5	(ii)	26	Deletion	Remove the term "conservative" also in relation to capital supply (see justification	See above	Orestis Nikou	No change has been made. While the ECB agrees that

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						regarding conservatism above)			institutions may apply different levels of conservatism in the determination of internal capital, the range of these levels of conservatism is expected to be from high to extremely high. That means that, in all cases, all items included in the internal capital are expected to be available to absorb losses (assuming the continuity of the institution) and to have the economic value the institution assumes.
190	EBF	Principle 5	Ex-ample 5.1	27	Clarification	The example is related to the adjustments made to regulatory capital in order to obtain the internal capital; at the end of the section reference is made to some items (goodwill, DTAs, etc.) that typically are deducted from regulatory own funds. It is not clear if a similar deduction is expected to be applied to internal capital too or if those deduction might be avoided in the internal capital calculation. Moreover it is not clear the reference to Tier 2 capital instruments among the elements that that are expected to be deducted from own funds, since Tier 2 capital is part of own	Some of the items indicated are typical adjustments made to regulatory capital in order to achieve internal capital, therefore the example should be very clear in indicating what are the ECB expectations are about how those adjustments should affect internal capital. In the case of diversified international banks, the goodwill located in the different subsidiaries represents a real economic value that may be tapped into in case of need. This could be considered by the economic capital model.	Chaibi, Saif	The wording has been changed. It is now more generic and does not list as many specific examples of items that are generally expected not to be included in internal capital. Goodwill, for instance, is no longer mentioned. For DTAs it has been clarified that DTAs according to Article 39 CRR are not expected to be generally excluded, but, if they are included in internal capital, the underlying positions are

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						funds. A clarification would be appreciated. Example 5.1 indicates that in general, goodwill cannot be deemed as available to cover losses.			expected to be treated consistently in the internal capital and in the risk quantification. For goodwill, the ECB leaves it to the institutions to justify their assumptions, including demonstrating that they represent an economic value and that they can be used to absorb losses in the economic perspective, assuming the continuity of the institution. Regarding Tier 2 capital, the Guide still clearly says that such instruments are generally not loss-absorbing in a continuity state and that, in general, they can therefore not be included in internal capital. Regarding hidden losses, the ECB is of the opinion that the Guide makes it clear that the economic perspective is based on the economic value of assets, not on the book value. Accordingly, hidden losses are expected to be fully deducted from own funds if the latter

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									form the starting point for determining internal capital.
191	Deutsche bank	Principle 5	Ex-ample 5.1	27	Clarification	Current text could be read as if ALL DTA's and goodwill should be deducted for the internal capital supply definition. Parentheses could help to clarify this: "In general, Tier 2 capital instruments, goodwill, deferred tax assets (DTAs) (and all other balance sheet items) that cannot be deemed available to cover losses, assuming the continuation (...)."	Current text might be misread as if all DTA's have to be deducted.	Orestis Nikou	
192	Commerzbank	Principle 5	(i), ex-ample 5.1	26	Clarification	Principle 5 suggests to implement a consistent internal economic capital and risk definition in the sense of the continuity of the institution. Example 5.1 lists items that need to be deducted from the internal economic capital (e.g. hidden losses, DTA). It should be clarified that these items need not to be fully deducted within a continuity approach.	A complete deduction of all mentioned items might not be adequate in a consistent treatment of capital and risks within a continuity perspective.		

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193	BBVA	Principle 5	66 (Ex. 5.1)	27	Clarification	“Example 5.1: internal capital definition starting from regulatory own funds” suggests that the internal capital definition should dismiss the value of certain items, which are expected to be deducted from regulatory own funds (eg. goodwill). Again, we think the model is somewhat perverted by hybridizing normative and economic perspectives.	In our opinion, normative perspective should be independent from economic perspective. Why should we consider that goodwill is economically worth zero by default, specially when having a diversified footprint? As regards DTAs, unlike the recovery, the ICAAP process is an exercise made under going-concern situation, in which case this type of items may very well have positive economic value.		
194	AEB	Principle 5	66 (ex. 5.1)	27	Clarification	“Example 5.1: internal capital definition starting from regulatory own funds” suggests that the internal capital definition should dismiss the value of certain items, which are expected to be deducted from regulatory own funds (eg. goodwill). Again, we think the model is somewhat perverted by hybridizing normative and economic perspectives.	In our opinion, normative perspective should be independent from economic perspective. Why should we consider that goodwill is economically worth zero by default, specially when having a diversified footprint? As regards DTAs, unlike the recovery, the ICAAP process is an exercise made under going-concern situation, in which case this type of items may very well have positive economic value.	Rizo, Carmen	

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195	EACB	Principle 5	Ex-ample 5.1	27	Amendment	We do not see that goodwill cannot be deemed available to cover losses assuming the continuation of the institution. In case specific parts of the institution (incl. subsidiaries) are being sold, the goodwill will be part of the sale price.			
196	AFME	Principle 5	Feedback template not used.			Example 5.1 in Principle 5 on the quality of internal capital also seems to confuse normative and economic perspectives in our view. For instance, goodwill might well not have a value of zero from an economic perspective. For example, internationally diversified banks with businesses in many geographies have the option of selling one or more of their subsidiaries and thus obtaining value from the goodwill of that subsidiary without putting at risk the continuity of the banking group as a whole. This represents economic value that can be tapped in to in case of need and should be included in an economic capital model. As the ICAAP is a going concern concept, we also think it is legitimate that DTAs which are likely to have a positive economic value can be reflected in economic capital. We recommend therefore that this example be clarified	Feedback template not used.		

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						accordingly and more generally recommend that internal or economic capital concepts be left to the institution to define.			
197	AEB	Principle 5	66 (ex. 5.1)	27	Amendment	Example 5.1 indicates that in general, goodwill cannot be deemed available to cover losses. We agree that this may be the case for banks that are just located in one geography / legal entity. However internationally diversified banks may have the option of selling one or more of their subsidiaries and thus obtaining value from the goodwill of that subsidiary without putting at risk the continuity of the banking group as a whole.	In diversified banks the goodwill located in the different subsidiaries represents a real economic value that may be tapped into in case of need. This could be considered by the economic capital model.	Rizo, Carmen	
198	EAPB	Principle 5	Ex-ample 5.1	27	Change	The required fair value considerations of assets and liabilities (see para. 61) also involves taking into account hidden losses and hidden reserves. We request the deletion of the reservation "if at all" in Example 5.1. Even with the inclusion of hidden losses in the definition of internal capital, it makes sense to take it into account in the risk measurement, because otherwise a contradiction arises with the requirement in principle (5) / (i): "The definition of internal capital is		van der Donck, Jeroen	No change has been made because the ECB is of the opinion that institutions should be expected to be cautious and conservative when determining their internal capital. The wording "if at all" is intended to support this general stance. Regarding effects on risks and on capital, the Guide points out that institutions are expected not to take

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						expected to be consistent with... internal risk quantifications..."			a cherry-picking approach, i.e. if they want to include hidden reserves in internal capital, they are also expected to take these hidden reserves into account in their risk quantification in order to ensure a consistent approach overall.
199	GBIC	Principle 5	Ex-ample 5.1	27	Amendment	The required present-value assessment of assets and liabilities (cf. section 61) implies recognition of hidden losses and hidden reserves. We request that the restriction "if at all" in example 5.1 be deleted. In addition, the example mixes up the methodological effects upon capital and risk.	Avoiding a contradiction within Principle 4: the type of capital should depend upon the risk shield, particularly in the economic perspective – this is no longer given in the example.	Friedberg, Jörg	
200	FBF	Principle 5	64	26-27	Deletion	These guidelines should not supersede the European regulation. The definition of the internal capital from an economic point of view should be entity specific. The normative perspective already provides a definition of the regulatory own funds, no additional regulation should describe what economic capital is.	The economic capital definition should be entity specific.		No change has been made because the economic perspective is, in its own right, important for ensuring the continuity of the institution. And it would not make sense to have an economic perspective without its own, economic value-based capital definition. The value added by the economic perspective is exactly that the view of risks and capital is not obscured by accounting rules

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201	EBF	Principle 5	64	26-27	Deletion	These guidelines should not supersede the European regulation. The definition of the internal capital from an economic point of view should be entity specific. The normative perspective already provides a definition of the regulatory own funds, no additional regulation should describe what economic capital is.	The economic capital definition should be entity specific.	Chaibi, Saif	and regulatory provisions (including the CRR or EBA rules on Pillar 1), i.e. it provides an unobstructed view of the real economic situation. For items included in regulatory own funds, this means that institutions are expected to assess on a case-by-case basis whether they are loss-absorbing from an economic perspective. For some own funds components, such as Tier 2 capital, the Guide makes clear that such positions are generally expected not to be included in internal capital because they are not loss-absorbing under the assumption of the continuity of the institution.
202	FBF	Principle 5	64	26-27	Amendment	We would like to amend the following sentence: "[...] it is expected that a large part of internal capital components will be expressed in Common Equity Tier 1 (CET1) own funds." The EBA enables credit institutions to have internal capital components expressed in all types of own funds (CET1, AT1 and T2), so credit institutions should not be required such restriction in the ICAAP ECB guide.	The economic capital definition should be entity specific and composed of all types of own funds (CET1, AT1 and T2).		
203	EAPB	Principle 5	Para. 66	27	Deletion	In the two perspectives, the capital is based on a different valuation approach (balance sheet-oriented vs. value-oriented), with different view horizons (reference-date view vs. present-value view). A comparison between regulatory own funds and value-oriented risk	This requirement creates no added value with regard to capital management and is difficult or almost impossible to implement in practice - especially since the current "going concern" will no longer apply in future.	van der Donck, Jeroen	

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						coverage potential is thus difficult primarily due to the different view horizon (reference date vs. future).			
204	EBF	Principle 5	64	26-27	Amendment	[...] "it is expected that a large part of internal capital components will be expressed in Common Equity Tier 1 (CET1) own funds." The EBA enables credit institutions to have internal capital components expressed in all types of own funds (CET1, AT1 and T2), so credit institutions should not be required such restriction in the ICAAP ECB guide.	The internal capital definition should be entity specific and composed of all types of own funds (CET1, AT1 and T2). In fact, representing Own Funds the starting point for Internal Capital calculation, the fulfillment of the Overall Capital Requirement will ensure the relevance of CET1 component vs. AT1 and T2 components (in alignment with regulatory requirements). In addition, internal capital definition should be tailored to risk quantification methodology adopted by each institution. As an example, if a conservative approach is adopted, and the confidence interval level used to calculate economic capital is set at high level (i.e. 99.96%-99.99%), regardless of the going concern approach of the ICAAP, it is assumed that the institution evaluates its risk profile close to its insolvency situation, therefore allowing T2 capital	Chaibi, Saif	

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							other than T1 being part of the Internal Capital definition. The economic capital definition should be entity specific and composed of all types of own funds (CET1, AT1 and T2).		
205	GBIC	Principle 5	66	27	Deletion	The capital definitions in both perspectives are based on a different measurement approach (balance sheet-oriented vs. value-oriented), with different horizons (reporting-date view vs. net present value view). A comparison between regulatory capital and value-oriented internal capital is therefore difficult to represent, primarily due to the different horizon (reporting date vs. future view).	This requirement does not add value for capital management; in practice, it is hardly (if at all) possible to implement.	Friedberg, Jörg	
206	FBF	Principle 5	Ex-ample 5.1	28	Amendment	This example gives a definition of the economic capital, with a given starting point which is the regulatory one. The entity should choose which kind of equity and debts are included into an economic capital.	The economic capital definition should be entity specific.		No change has been made because the comment is not very clear and the proposal ("the economic capital definition should be entity-specific") is already implemented in the Guide
207	EBF	Principle 5	Ex-ample 5.1	27	Deletion	This example gives a definition of the economic capital, with a given starting point which is the regulatory one. The entity should choose which kind of	The economic capital definition should be entity specific.	Chaibi, Saif	

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						equity.			
208	Austrian Federal Economic Chamber	Principle 5	64	27	Amendment	We believe that there should not be any strict limitations for institutions regarding the decision of quality of capital to comply with the internal capital. The expectation of fulfilling this requirement to a large extent with CET1 is too burdensome and disproportionate for several reasons. Firstly, AT1 capital is potential CET1 capital, which is automatically written-down or converted into CET 1 in a situation of capital needs according to the level defined in the final terms or at least when the CET1 of the institution falls below 5,125%. Therefore, this form of capital must also be appropriate for ICAAP purposes. Also, Tier 2 is not considered as adequate for internal capital. The guide specifies that only capital with a loss-absorption capacity not limited to a non-continuation of the institution should qualify as internal capital. According to Art 59 of the BRRD relevant capital instruments (including Tier 2) can be written down or converted into other own funds instruments if the institution is considered as likely to fail. In this vein, a	It is necessary to consider the requirements arising from the BRRD in a prudent manner to avoid any discrepancies between the regime for going concern and gone concern. The BRRD and the ongoing developments in this area lead to a new regulatory environment which firstly has to be evaluated and then any further reactions have to be taken. In the light of the BRRD our formal understanding of loss-absorbing instruments has become broader since it can also affect instruments which were considered as gone concern loss-absorbing, e.g. Tier 2 instruments. This has to be reflected in several regulatory areas. Also, any excessive need of own funds and eligible liabilities has to be avoided due to its costs and their potential superabundance on the capital markets.	Rudorfer, Franz	No change has been made because the ICAAP is about managing an institution with the objective of ensuring that the institution remains able to sustainably follow its business model. The BRRD, in contrast, deals with situations in which this is not the case, i.e. in which the institution can no longer follow its ICAAP objectives. The relationship between the ICAAP and recovery planning is now better explained in the Guide. With regard to other Pillar 1 own funds components, the ECB would like to stress that the assessment of whether an item is loss-absorbing, assuming the institution's continuity, is expected to be performed from an economic perspective, not from a normative perspective. In the case of contingent convertibles (CoCos), for instance, this means that an institution would be expected to demonstrate that, when economic losses occurred, these instruments

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						loss-participation is also possible if the institution continues to exist. Therefore, we believe that this category should also be considered for internal capital purposes. Additionally, the Pillar 1 minimum requirements which are determined in Article 92 (1) a) to c) include CET1, AT1 and Tier 2. Also, the current P2R provisions as well as the proposed P2R requirements in the CRD IV Review enable institutions to comply with the regulations through all capital instruments (subject to restriction). This flexibility should be retained as it is convenient for both supervisors and institutions. Especially, in the adverse scenario it should be possible to define other own funds items as possible management buffers.			would be available as equity and would no longer be a liability. Because the conversion triggers of CoCos are not usually linked to economic capital adequacy, but only to normative ratios, and because capital adequacy can differ significantly between the normative and the economic perspective, it would be extremely difficult, if not impossible, to demonstrate that CoCos will always be converted if they are needed for loss-absorption in the economic perspective. Summing-up, the loss-absorbing capabilities of certain balance sheet items can be very different between the normative perspective and the

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209	EACB	Principle 5	64	27	Amendment	We believe that there should not be any strict limitation for institutions with regard to the decision of the quality of capital with which to comply with the internal capital need. The expectation of fulfilling this requirement to a large extent with CET1 is too burdensome and disproportionate for several reasons. Firstly, AT1 capital is potential CET1 capital, which is automatically written-down or converted into CET 1 in a situation of capital needs according to the level defined in the final terms or at least when the CET1 of the institution falls below 5,125%. Therefore, this form of capital must also be appropriate for ICAAP purposes. Also, we understand that Tier 2 is not considered as adequate for internal capital purposes. The guide specifies that only capital with a loss-absorption capacity not limited to a non-continuation of the institution should qualify as internal capital. According to Art. 59 of the BRRD relevant capital instruments (including Tier 2) can be written down or converted into other own funds instruments if the institution is considered as likely to fail. In this vein, a loss-participation is also possible if the	It is necessary to consider the requirements arising from the BRRD in a prudent manner to avoid any discrepancies between the regime for going concern and gone concern. The BRRD and the ongoing developments in this area lead to a new regulatory environment which firstly has to be evaluated for considering the following steps in a second phase. In light of BRRD our formal understanding of loss-absorbing instruments has become broader since it can also affect instruments which were considered as gone concern loss-absorbing, e.g. Tier 2 instruments. This has to be reflected in several regulatory areas. Also, any excessive need of own funds and eligible liabilities has to be avoided due to its costs and their potential superabundance on the capital markets.		economic perspective. Therefore the inclusion of items in the CRR own funds definition does not mean that an item can automatically be included in internal capital. Rather, a loss-absorption assessment from an economic perspective is expected for each item on a case-by-case basis.

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						institution continues to exist. Therefore, we believe that this category should also be considered for internal capital purposes. Additionally, the Pillar 1 minimum requirements which are determined in Article 92(1) (a) to (c) include CET1, AT1 and Tier 2. Moreover, the current P2R provisions as well as the proposed P2R requirements in the CRD V proposal enable institutions to comply with the regulations through all capital instruments (subject to restriction). This flexibility should be retained as it is convenient for both supervisors and institutions. Especially, in the adverse scenario it should be possible to define other own funds items as possible management buffers.			
209	EACB	Principle 5	64	27	Amendment	We believe that there should not be any strict limitation for institutions with regard to the decision of the quality of capital with which to comply with the internal capital need. The expectation of fulfilling this requirement to a large extent with CET1 is too burdensome and disproportionate for several reasons.	It is necessary to consider the requirements arising from the BRRD in a prudent manner to avoid any discrepancies between the regime for going concern and gone concern. The BRRD and the ongoing developments in this area lead to a new regulatory environment which firstly has to be		

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						Firstly, AT1 capital is potential CET1 capital, which is automatically written-down or converted into CET 1 in a situation of capital needs according to the level defined in the final terms or at least when the CET1 of the institution falls below 5,125%. Therefore, this form of capital must also be appropriate for ICAAP purposes. Also, we understand that Tier 2 is not considered as adequate for internal capital purposes. The guide specifies that only capital with a loss-absorption capacity not limited to a non-continuation of the institution should qualify as internal capital. According to Art. 59 of the BRRD relevant capital instruments (including Tier 2) can be written down or converted into other own funds instruments if the institution is considered as likely to fail. In this vein, a loss-participation is also possible if the institution continues to exist. Therefore, we believe that this category should also be considered for internal capital purposes. Additionally, the Pillar 1 minimum requirements which are determined in Article 92(1) (a) to (c) include CET1, AT1 and Tier 2. Moreover, the current P2R provisions as well as the proposed P2R requirements in the CRD	evaluated for considering the following steps in a second phase. In light of BRRD our formal understanding of loss-absorbing instruments has become broader since it can also affect instruments which were considered as gone concern loss-absorbing, e.g. Tier 2 instruments. This has to be reflected in several regulatory areas. Also, any excessive need of own funds and eligible liabilities has to be avoided due to its costs and their potential superabundance on the capital markets.		

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						V proposal enable institutions to comply with the regulations through all capital instruments (subject to restriction). This flexibility should be retained as it is convenient for both supervisors and institutions. Especially, in the adverse scenario it should be possible to define other own funds items as possible management buffers.			
210	DeKa	Principle 5	(ii), 64 and example 5.1	26-27	Clarification	We welcome the expectation that the definition of the internal capital needs to be consistent with the internal risk quantification of the institute. However, there are risks (based on the definition in paragraph 43) which would not occur in case of continuation of the institute. Therefore, the availability of AT1 and Tier 2 capital should not be generally excluded.	Allows the institute-specific definition of an overall coherent approach		It has been clarified in the Guide that the materialisation of risk in the economic perspective is linked to economic value and not to losses in terms of accounting. A better explanation has been given of why the economic value is expected to be managed, even if risks do not materialise in an accounting sense, as long as the institution continues its operations.

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211	EBF	Principle 5	66	27	Clarification	We would welcome further clarification of the statement that the institution should reconcile own funds under the normative perspective and internal capital under the economic perspective insofar as possible.	Isn't it legitimate and economically justified to derive to different amounts and why both categories should converge?	Chaibi, Saif	No change has been made because the ECB is of the opinion that internal capital definitions can vary significantly between institutions and it is therefore not possible to capture all the different settings in a common guidance on how to perform a reconciliation between regulatory own funds and internal capital. A convergence of the levels of capital under the two perspectives is not the objective of the Guide. Rather, there can be fundamental differences between them, driven by the very different concepts and assumptions underlying the perspectives.
212	BAS	Principle 5	66	27	Clarification	We would welcome further clarification of the statement that the institution should reconcile own funds under the normative perspective and internal capital under the economic perspective insofar as possible.	Isn't it legitimate and economically justified to derive to different amounts and why both categories should converge?	Hvala, Kristijan	
213	EBF	Principle 4	(iv), 66-ex-ample 5.1, 68	22, 27, 29	Amendment	Example 5.1 indicates that in general, goodwill cannot be deemed as available to cover losses. We agree that this may be the case for banks that are just located in one geography / legal entity. However internationally diversified banks may have the option of selling one or more of their subsidiaries and thus obtaining value from the goodwill of that subsidiary without putting at risk the	In the case of diversified international banks, the goodwill located in the different subsidiaries represents a real economic value that may be tapped into in case of need. This could be considered by the economic capital model. Paragraph 68 is misleading or at least unclear in the necessity of risk quantification and we want to clarify that institutions can exclude (material) risks	Chaibi, Saif	The wording has been made more generic – goodwill is no longer mentioned. It is the responsibility of each institution to justify why certain balance sheet positions are included in the internal capital definition.

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						continuity of the banking group as a whole.	from allocating capital as set out in principle 4 (iv) and that institutions can set adequate materiality thresholds to exclude risks from a risk quantification.		
214	BAS	Principle 6	footnote 26	30	Clarification	Confidence level below 99.9% means that the institution would accept higher risk (lower economic capital for unexpected losses). How is that explanation consistent with expectations about conservatism?	As explained in our comment.	Hvala, Kristijan	It has been clarified that a less conservative approach with regard to one parameter is expected to be compensated by a more conservative approach to other parameters / assumptions. This means that an approach can, in practice, still be sufficiently conservative, even if certain assumptions are less conservative, as long as the overall level of conservatism remains high.
215	Deutsche bank	Principle 6	80	32	Amendment	Paragraph should clarify that this relates to "internal validation".	Current text might be misread to refer to supervisory validation.	Orestis Nikou	The Guide has been clarified by adding the word "internal" to "validation" and by explaining in a footnote what this means.
216	FBF	Principle 6	72	30	Clarification	Sentence: "In order to facilitate the comparison between Pillar 1 and ICAAP quantification"	It should be reminded that Pillar 1 rules cannot be overruled. The Pillar 2 deals with risks uncovered by the Pillar 1, or risks insufficiently covered by Pillar 1		The comment is not clear. The ECB expects institutions to reconcile Pillar 1 risk quantifications with ICAAP risk quantifications in the

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							(concentration).		economic perspective. This does not mean there is an "overruling" of Pillar 1 provisions.
217	FBF	Principle 6	77	31	Amendment	Sentence: "Supervisors as a matter of principle will not take into account risk diversification. The institution is expected to take this into account, and be cautious when applying inter-risk diversification in its ICAAP".	The term "cautious" should be more detailed. The responsibility should be left with banks to define the most relevant level of conservatism for them. By nature, the economic perspective should reflect inter-risk diversification, notably for insurance risks that are particularly diversifying compared to banking risks.		No change has been made because the ECB is of the opinion that diversification effects, including, in particular, inter-risk diversification effects, should be considered very carefully in ICAAPs. Even if such effects have proven to be quite stable in the past, they may change going forward, and institutions are expected to take this into account when assessing their capital adequacy. Accordingly, expecting a "cautious" treatment of such effects is not prescriptive, but sends a clear signal to institutions that the ECB is aware of potential issues arising from changes in diversification effects and that it expects institutions to show the same awareness. Please note that the ECB does not rule out diversification effects in principle. It is well aware that diversification between geographies and risk-

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218	AEB	Principle 6	77	31	Amendment	Paragraph 77 of the guidelines indicates that “supervisors as a matter of principle will not take into account inter-risk diversification in the SREP. Institution are expected to take this into account, and be cautious when applying inter-risk diversification in its ICAAP”. Additionally paragraph 78 indicates that “The institution is expected to be fully transparent about assumed risk diversification effects and, at least in the case of inter-risk diversification, report gross figures in addition to net figures”. Regarding these two paragraphs we would like to comment the following: • Inter-risk diversification is also related with geographic diversification. Two different risks may be correlated in a given country but that correlation is weaker across geographies. For example credit and operational risk in the EU may be somehow correlated but credit risk in the EU is weakly correlated with operational risk in Latin America. • Likewise, the correlation between wholesale credit risk and market risk is expected to be higher than	We agree with the principle of transparency and conservatism regarding diversification. However we consider that not taking into account any type of inter-risk diversification in the SREP may discourage geographic and business diversification of EU banks.	Rizo, Carmen	generating business activities can have a positive impact on the stability of institutions. Taking such effects into account in its management and decision-making may be meaningful from an institution's own perspective. However, in determining the institution's own funds requirement, the ECB generally takes a conservative approach and does not take such effects into account. It also expects institutions to be cautious in their treatment of diversification effects and to be prepared for times when the diversification effects break down.

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						the correlation between retail credit risk and market risk given the different nature of these activities.			
219	EAPB	Principle 6	Para. 77	31	Change	The ECB's critical stance on inter-risk diversification is well-known. We believe that it is appropriate to take it into account in the SREP / P2R if individual proof can be provided.	The inclusion of the possibility of including IR correlations in the P2R calculation would give the P2R more risk sensitivity.	van der Donck, Jeroen	
220	EBF	Principle 6	77	31	Amendment	Paragraph 77 of the guidelines indicates that "supervisors as a matter of principle will not take into account inter-risk diversification in the SREP. Institutions are expected to take this into account, and be cautious when applying inter-risk diversification in their ICAAP". Additionally paragraph 78 indicates that "The institution is expected to be fully transparent about assumed risk diversification effects and, at least in the case of inter-risk diversification, report gross figures in addition to net figures". Regarding these two paragraphs we would like to comment the following: Inter-risk diversification is also related to geographic diversification. Two different risks may be correlated in a given country but that correlation may weaker	We agree with the principle of transparency and conservatism regarding diversification. However we consider that not taking into account any type of inter-risk diversification in the SREP may discourage geographic and business diversification of EU banks.	Chaibi, Saif	

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						across geographies. For example credit and operational risk in the EU may be somehow correlated but credit risk in the EU is weakly correlated with operational risk in Latin America. Likewise, the correlation between wholesale credit risk and market risk is expected to be higher than the correlation between retail credit risk and market risk given the different nature of these activities.			
221	AFME	Principle 6			Feedback template not used.	We understand that the ECB, in line with the relevant EBA Guidelines, will not take inter-risk diversification into account in the SREP and that the Guide urges institutions to be cautious when applying this in their ICAAPs. In particular, paragraph 78 of the ICAAP guide indicates that "The institution is expected to be fully transparent about assumed risk diversification effects and, at least in the case of inter-risk diversification, report gross figures in addition to net figures". We support the need for transparency and conservatism in ICAAPs but wish to recall that the non-recognition of inter-risk diversification in the SREP may discourage the geographic and business diversification	Feedback template not used.		

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						of European banks.			
222	GBIC	Principle 6	77	31	Amendment	The ECB's critical attitude towards inter-risk diversification is well known. We consider inclusion for the purposes of SREP / P2R to be appropriate, provided that individual evidence can be provided.	Providing the option of incorporating IR correlations into P2R calculations would provide additional risk sensitivity to the P2R.	Friedberg, Jörg	
223	EAPB	Principle 6	Paras 80-82	32	Addition	The ICAAP Guide emphasises the principle of proportionality in the context of the independent validation function. With regard to the proportionate design of the independent validation, according to para. 80, the materiality and complexity of the risks and methods are decisive. Thus, in Example 6.1, the organisational implementation is required according to the nature, size, scale and complexity of the risks. Accordingly, for Pillar 2 models, it should be possible to differentiate the independent validation according to the nature of the risk and its significance for the bank (i.e. the organisational forms described in Example 6.1 may vary depending on the materiality and complexity of the type of risk in a credit institution). However, the TRIM Guide also has to be taken into account here. In our view, however, it is necessary to	Ensures the principle of proportionality with regard to validations.	van der Donck, Jeroen	No change has been made because the ECB is of the opinion that the explanatory text, together with Example 6.1 provides sufficient flexibility for institutions to implement a proportionate internal validation approach and organisational set-up. However, the ECB would like to stress that, irrespective of proportionality considerations, all ICAAP risk quantification methodologies are expected to be subject to regular independent validation.

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						make a distinction between Pillar 1 and 2 models with regard to the validation function in that the cost of recognition of Pillar 1 models is only worthwhile for material risks, and therefore specifically higher validation requirements should be set here. However, these should not be introduced for Pillar 2 models without reflection. In our view, an institution should be able to choose different forms of separation of model development and validation, depending on the significance of individual models.			
224	EAPB	Principle 6	Paras 80-82	32	Deletion	It does not make sense to have an undifferentiated connection between the design of the validation function and the size of an institution. In this respect, the reference to TRIM in Example 6.1. is not appropriate, as this, for example, rules out a proportionate design of the validation organisation solely on the basis of the G-SII or O-SII status and irrespective of the materiality and complexity of individual risk types. By contrast, according to para. 11, the ICAAP Guide is addressed exclusively to credit institutions that are significant supervised entities within the meaning of Article 2(16) of the SSM Framework	Ensures the principle of proportionality with regard to validations.	van der Donck, Jeroen	

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						Regulation. The reference to the TRIM Guide thus contradicts the proportionality emphasised in the ICAAP Guide. The reference to TRIM should therefore be deleted (particularly as a review of the requirements has already been announced in footnote 13 of the TRIM Guide).			
225	EBF	Principle 6	(ii)	29	Amendment	In accordance with the principle of proportionality, we disagree with the ECB's expectation that all risk quantification methodologies are subject to internal validation.	Explicit expectation to validate all methodologies simply does not fit into the principle of proportionality.	Chaibi, Saif	
226	BAS	Principle 6	ii	29	Amendment	In accordance with the principle of proportionality, we strongly disagree with the ECB's expectation that all risk quantification methodologies are subject to internal validation.	Explicit expectation to validate all methodologies simply does not fit into the principle of proportionality.	Hvala, Kristijan	
227	GBIC	Principle 6	80-82	32	Clarification	The ICAAP Guide emphasises the principle of proportionality in the context of the independent validation function. In accordance with section 80, the materiality and complexity of risks and methods are decisive for the proportional design of independent validation. For instance, example 6.1 also requires organisational implementation according to the nature, size, scale and complexity	Safeguards the principle of proportionality with respect to validations.	Friedberg, Jörg	

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						of the risks involved. Accordingly, independent validation for Pillar 2 models should permit organisational differentiation, depending on the type of risk and its importance for the bank – meaning that a bank may deploy the organisational arrangements shown in example 6.1 in different ways, in accordance with the materiality and complexity of the respective type of risk. However, the TRIM guideline should be taken into account. In our view, however, a distinction between Pillar 1 and Pillar 2 models is required with regard to the validation function, not least because the efforts required for recognition of Pillar 1 models are only worthwhile for material risks – meaning that higher specific validation requirements need to be imposed. For Pillar 2 models, however, these should not be adopted without reflection. In our view, institutions should be able to choose different ways of separating model development and validation, depending on the importance of individual models.			
228	GBIC	Principle 6	(ii)	29	Amendment	At this point, the requirement for all "methodologies [...] to be subject to independent [...] validation" should be	Incorporating a materiality clause would avoid unnecessary effort.	Friedberg, Jörg	

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						put into perspective in terms of materiality – as also shown in a differentiated manner in example 6.1.			
229	GBIC	Principle 6	80-82	32	Deletion	It is incomprehensible that the design of the validation function should be indiscriminately linked to the size of an institution. In this respect, the reference to TRIM – as provided in example 6.1 – is inappropriate, given that a proportionate organisational design of the validation is excluded solely on the basis of G-SII or O-SII status, regardless of the materiality and complexity of individual types of risk. However, section 11 of the ICAAP Guide addresses only credit institutions that are significant supervised entities as defined in Article 2 (16) of the SSM Framework Regulation. The reference to the TRIM guideline thus undermines the proportionality emphasised in the ICAAP Guide. The reference to TRIM should therefore be deleted (especially as a review of the requirements is already announced in footnote 13 of the TRIM guideline).	Safeguards the principle of proportionality with respect to validations.	Friedberg, Jörg	

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230	EAPB	Principle 6	(ii)	29	Change	The requirement that "all risk quantification methodologies are expected to be subject to independent internal validation" should be qualified here with regard to materiality - it is presented in such a graduated form in Example 6.1.	The inclusion of a materiality condition avoids unnecessary work.	van der Donck, Jeroen	
231	GBIC	Principle 6	70, footnote 25	30	Amendment	We ask for a clearer wording, permitting institutions to stay below the requirements of Pillar 1.	Avoding misunderstandings.	Friedberg, Jörg	No change has been made because the ECB considers the current wording to be clear.
232	EBF	Principle 6	68	29	Clarification	The point highlights the ECB expectation of a quantification also of those relevant risks that are difficult to assess. In this regard it would be very useful to explicitly indicate if there are some particular widespread risks, hard to be quantified, that the ECB expects to be generally quantified.	The assessment of risks difficult to quantify is a very challenging challenging issue, a more clear understanding of what risks are considered by the ECB as essential to be quantified would be very important.	Chaibi, Saif	No change has been made because the ECB does not see how it could be more specific at this stage. It is the responsibility of institutions to deal with all such risks in an adequate manner.
233	BAS	Principle 6	68	29	Clarification	We seek further explanation of the ECB's expectation concerning the adequacy and consistency in the institution's choice of risk quantification methodologies for types of risks which are difficult or practically impossible to quantify (e.g. conduct risk, reputational risk, »unknown unknowns« etc.).	Expectation is legitimate but the tools for implementation of the quantification methodologies are not developed for certain types of risks.	Hvala, Kristijan	

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234	EBF	Principle 6	68	29	Clarification	We recommend introducing further explanation about the ECB's expectation concerning the adequacy and consistency in the institution's choice of risk quantification methodologies for types of risks which are difficult or practically impossible to quantify (e.g. conduct risk, reputational risk, "unknown unknowns" etc.).	Expectation is legitimate but the tools for implementation of the quantification methodologies are not developed for certain types of risks.	Chaibi, Saif	
235	Commerzbank	Principle 6	68, footnote 23	29	Deletion	We suggest to delete paragraph 68 and footnote 23. Principle 4 (iv) states that institutes are "expected either to allocate capital to cover the risk or to document the justification for not holding capital."	Compared to principle 4, paragraph 68 in principle 6 is misleading or at least unclear in the necessity of risk quantification and we want to clarify that institutes can exclude (material) risks from allocating capital as set out in principle 4 (iv) and that institutes can set adequate materiality thresholds to exclude risks from a risk quantification.		The comment is not clear. The ECB does not see an inconsistency between principles 4 and 6. In a first step, the institution is expected to identify its material risks, applying its own materiality concept and then it is expected to decide how to address these risks, be it by holding capital against them or by mitigating them, for instance, by hedging them.
236	FBF	Principle 6	Other	29	Deletion	We suggest to delete the following sentence: "The institution is expected to apply a high level of conservatism under both perspectives."	The aim of the ICAAP is to provide the Management Body with an economical view of Institution's current and medium-term solvency. In order to be useful for steering purposes, the ICAAP should not mechanically seek for a high level of conservatism as a goal in itself. Indeed, the most conservative view is		It has been clarified that the ECB accepts that an institution may consider a range of different levels of conservatism to produce a range of risk quantifications in order to comprehensively inform strategic decisions, pricing and capital management. An institution may,

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							not obviously the most accurate / relevant one from an economical point of view, and may even lead to inappropriate decisions.		for example, decide to apply a lower level of conservatism when pricing certain products, as long as there are processes in place that ensure that rare tail events and severe future developments are being effectively managed and are covered by sufficient capital.
237	FBF	Principle 6	70	29	Amendment	The highest level of conservatism is not necessarily the most relevant.	The level of conservatism should be rather defined by the credit institution itself.		Regarding the reference to the level of conservatism, we have clarified that this refers to the overall level of conservatism, rather than any single parameter / assumption. We added a sentence saying that this means that an approach can, in practice, still be sufficiently conservative, even if certain assumptions are less conservative, as long as the overall level of conservatism remains high.
238	FBF	Principle 6	70	29	Deletion	We suggest to delete the following sentence: "In the view of the ECB, in a sound ICAAP the overall level of conservatism under the economic perspective is generally at least on a par with the level underlying the risk quantification methodologies of the Pillar 1 internal models."	The overall level of conservatism should be aligned with the Institution's steering needs.		The level of conservatism of internal Pillar 1 credit risk approaches serves as a reference point for what the ECB expects regarding the risk quantifications in the economic perspective. No further examples are being provided in order not to promote certain risk quantification
239	Austrian Federal Economic Chamber	Principle 6	70	29	Clarification	We would like to ask for confirmation that it is acceptable for ECB to potentially result in a lower RWA amount in Pillar 2 (both total RWA and per risk type), compared to Pillar 1, when a more risk sensitive approach (e.g. IRB-A approach in credit risk instead of IRB-F, wider scope of OpRisk AMA in Pillar 2) is	The information provided in paragraph 70 ("in a sound ICAAP the overall level of conservatism under the economic perspective is generally at least on a par with the level underlying the risk quantification methodologies of the Pillar 1 internal models") may be seen as being in conflict with the footnote 25	Rudorfer, Franz	

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						applied in Pillar 2.	("The Pillar 1 capital requirements are, however, not expected to be regarded as a floor in the internal risk quantifications of the institution.").		approaches over others. Whereas the level of conservatism for risk quantifications under the economic perspective is described in Principle 6, the level of conservatism regarding the selection of adverse scenarios and their impact on regulatory capital ratios in the normative perspective is described in Principle 7.
240	EACB	Principle 6	70	29	Clarification	The ECB could clarify and elaborate with further examples what would be considered/expected as a "high level of conservatism".			
241	EAPB	Principle 6	(i)	29	Deletion	Instead of "apply a high level of conservatism" it should say "adopt a conservative approach": "The institution is expected to adopt a conservative approach..."	To avoid misunderstandings	van der Donck, Jeroen	Generally speaking, the ECB considers that the level of conservatism underlying certain assumptions, such as the confidence levels used for
242	EAPB	Principle 6	Para. 70	29	Change	It is unclear what exactly is meant by "overall level of conservatism". Is this a kind of "security level" that the bank gives itself (i.e. most closely comparable to a confidence level) or a conservative approach to individual models? In the latter case, it should be borne in mind that conservative modelling simply for the sake of conservatism is not effective. Bank management requires the most realistic possible assessment of the risks. We therefore ask for a clarification of the phrase "overall level of conservatism", taking into account the	To avoid misunderstandings	van der Donck, Jeroen	quantifying risks, reflects the risk appetite of the institution. There are no "realistic" / true / correct risk figures which can be produced completely independently of the risk appetite which can then, in a second step, be used for decision-making, taking the risk appetite into account in that second step only.

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						points mentioned here.			
243	EAPB	Principle 6	Para. 71	30	Deletion	Para. 71 requires a calibration of the risk appetite by considering the accepted loss amount. For this concept to work, a specific time must be set for it. In the high confidence levels, this will be difficult to convey to the management board (99.9% every 1000 years). Therefore, we would at least suggest to delete "on the basis of its own risk appetite", as from our point of view, the insertion makes no sense in the context of risk measurement. The relevant issue is not the risk appetite, but the correctness of the calculation. Further, risk appetite can hardly be backtested. In addition, the methodology should be independent of risk appetite. As item 71 is difficult to understand and, from our point of view, it is also redundant to paragraph 70 (risks are to be quantified conservatively enough), deletion should be considered.	Improvement of the technical correctness of the text	van der Donck, Jeroen	

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244	EBF	Principle 6	(i)	29	Deletion	We propose deleting the sentence "the institution is expected to apply a high level of conservatism under both perspectives". The measurement of risks in both perspectives must not be conservative but correct. The institutions want to understand how high their risks really are. The instrument to bring conservatism into consideration is not the measurement, but the risk appetite framework. Here the institution must determine the degree of conservatism. This should be clarified in the document.	The supervisory approach should be to measure risks correct. It should be on the discretion of the institutions to determine the level of conservatism by means of the RAF.	Chaibi, Saif	
245	GBIC	Principle 6	(i)	29	Deletion	We propose to delete the phrase "The institution is expected to apply a high level of conservatism under both perspectives". Instead of being conservative, measurement of risks in both perspectives must be accurate. Institutions want to understand the true extent of their risk exposure. The instrument to bring conservatism into the picture is not risk measurement – it is the risk appetite framework, whereby the institution must determine the degree of conservatism. This should be clarified in the document. From our point of view, it should also be possible to apply a lower confidence	Conceiving a viable regulatory concept.	Friedberg, Jörg	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						level for the definition of adverse scenarios in statistical approaches than in the economic perspective.			
246	GBIC	Principle 6	70	29-30	Amendment	The exact meaning of the "overall level of conservatism" is unclear: is this some kind of 'security level' that a bank defines itself (i.e. most likely comparable to a confidence level), or is it a conservative approach for individual models? In the latter case, it is worth noting that conservative modelling merely for the sake of conservatism is inappropriate – managing a bank requires an assessment of the risks involved that is as realistic as possible. We therefore ask for clarification of the concept of "overall level of conservatism", taking into account the points mentioned here. Moreover, the wording "losses that occur rarely" remains unclear in conjunction with the concept of conservatism. We also suggest deleting the link to Pillar 1, since the orientation towards Pillar 1	Avoiding misunderstandings.	Friedberg, Jörg	

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						does not in itself create added value, or lead to a more accurate measurement. The last two sentences could be formulated as follows: „In the view of the ECB, in a sound ICAAP the overall level of conservatism under the economic perspective is generally determined by the combination of underlying assumptions and parameters.26"			
247	Deu-tsche bank	Principle 6	(i) + 70, 71	29, 30	Deletion	We disagree with the view that the economic internal perspective should be expected to be highly conservative/ the overall level of conservatism to be at least on par with the pillar 1 internal models. The economic internal perspective is supposed to give an economic and accurate view on the bank's risks. Bank's should then decide as part of their risk appetite setting how much of these risks the bank is willing to assume (in line with the ECB Guide on risk appetite). Providing the senior management of the bank with a distorted view on its risks would not allow it to	Requiring banks to implement a conservative risk measurement would not allow the bank's senior management to receive an accurate view on the bank's risks and undermine the usefulness of the economic internal perspective for bank internal steering purposes.	Orestis Nikou	

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						rationally decide on the level of risk they are willing to take. Additionally, the conservatism required by Pillar 1 regulation may in some cases be motivated by the comparability of the risk measures across different banks. Applying the same conservative assumptions in the economic internal perspective would be inappropriate for the bank specific risk measurement.			
248	GBIC	Principle 6	71	30	Deletion	Section 71 requires a calibration of the institution's risk appetite on the basis of its own risk appetite. For this concept to work, the time horizon must be specified. For high confidence levels, this will be difficult to convey to the Management Board (every 1,000 years for a 99.9% confidence interval). We therefore suggest to at least delete "on the basis of its own risk appetite"; The insertion makes no sense in the context of risk measurement: the focus should be on the correctness of the calculation rather than on the risk appetite – after all, the risk appetite cannot be back-tested. Furthermore, the methodology should be independent of the willingness to take risks.	Enhancing the technical accuracy of the regulatory text.	Friedberg, Jörg	

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						Given that section 71 is difficult to understand overall (and, as far as we can see, is also redundant to section 70 – according to which risks need to be quantified in a sufficiently conservative manner), a deletion should be considered.			

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249	GBIC	Principle 6	(i)	29	Clarification	It is unclear what the concept of "risk quantification in the normative perspective" refers to. The wording "in addition" implies that risks from a normative view are already expected in the baseline scenario. In our opinion, the concept of risk quantification also contradicts the following statement that adequate methodologies be used for quantifying the potential future changes in own funds in adverse scenarios. There is a difference to be taken into account here.	Clarification that no mandatory risk quantification is required for adverse scenarios in the normative perspective, and that instead, the focus is on the scenario definition.	Friedberg, Jörg	The term "risk quantification" under the normative perspective is related to what is described in the next sentence, namely to the projected own funds and TREA impacts which are expected to be projected in the normative perspective under different scenarios. As these own funds and TREA effects are expected to be estimated for the future (i.e. they are subject to uncertainty) and since such effects can come from several (risk) sources, the term "risk quantification" is used.

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250	FBF	Principle 6	81	32	Deletion	We suggest to delete the following sentence: "[...] i.e. the independent validation is expected to not be conducted by the internal audit function."	It is the responsibility of the Institution to design the permanent and periodic control framework surrounding the ICAAP.		No change has been made because the ECB expects institutions to follow the classical checks and balances approach established with regard to internal control functions. That includes the expectation that the function that develops risk quantification methodologies is independent from units that take risks. The function that develops risk quantification methodologies is expected to be challenged by regular internal reviews conducted by an independent function within the risk management function, and all activities within the institution – including the ones responsible for developing and reviewing risk quantification methodologies – are expected to be subject to another independent review by the internal audit function, which reports directly to the management body. If internal reviews, including validation activities, were conducted directly by the internal audit function, one layer of defence would be lost.

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251	GBIC	Principle 6	70	29-30	Deletion	We take a critical view of the term "risk quantification methodologies" in the context of the normative perspective. As stated in Principle 6 (i), sentence 2, further methods for deriving adverse scenarios are also possible. Hence, the term "risk quantification" should therefore be deleted here.	Avoiding misunderstandings in defining adverse scenarios in the normative perspective.	Friedberg, Jörg	No change has been made because, from today's perspective, the impacts that changing external conditions have on regulatory capital ratios as assessed under the normative perspective are "risks" and need to be quantified.
252	BAS	Principle 6	78	31	Clarification	We would welcome further clarification of the terms »gross« and »net figures«. Do we understand correctly, in accordance with paragraph 55, that gross figures relate to quantification of risks without taking into account specific risk mitigation techniques and net figures relate to quantification of risks after taking into account these mitigation actions.	As explained in our comment.	Hvala, Kristijan	It has been clarified that, in this context, "gross" refers to risk figures "prior to diversification".
253	EAPB	Principle 6	Ex-ample 6,1	32	Clarification	If any reference is made to the TRIM Guide in the ECB Guide on ICAAP, it should be made (more) clear to both IRB and SA banks how proportionality may be applied. An internal independent validation function as prescribed by the TRIM Guide is not considered to be a proportionate design of the validation function of Pillar 2 models for banks that are not using any Pillar 1 internal models	Ensures that the principle of proportionality can be clearly applied	van der Donck, Jeroen	No change has been made because the ECB considers that the wording of the Guide allows sufficient flexibility for institutions to take a proportionate approach to internal validation, in particular when considering Example 6.1.

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254	EBF	Principle 7	83 and 86	33, 34	Clarification	“When defining the set of internal stress scenarios and sensitivities” and “the range of adverse scenarios is expected to adequately cover severe economic downturns and financial shocks, relevant institution-specific vulnerabilities, exposures to major counterparties, and plausible combinations of these” point to the running of several plausible adverse scenarios. The scenarios are expected to cover at least 3 years. Scenario building and analysis is a very resource consuming exercise. The exercise should only be comprised of baseline + adverse scenario that already addresses the most relevant risks the institution faces.		Chaibi, Saif	No change has been made because finding the most relevant scenarios that capture the most relevant plausible combinations of individual vulnerabilities and meaningfully translating them into impacts on regulatory capital ratios is what the normative perspective is all about. The ECB agrees that this step is highly challenging and entails significant effort. However, it expects institutions to make this effort because it is convinced that preparing for potential future stress will significantly increase institutions' resilience. The need for a much more forward-looking risk management, including better capital planning practices, was one of the key lessons learned from the recent financial crisis.
255	EBF	Principle 7	90	34	Clarification	How do you expect reverse stress testing to challenge the comprehensiveness and conservatism of the ICAAP framework assumptions? Would it be sufficient to use ICAAP scenarios as a starting point for developing Recovery Plan scenarios, and analyze the difference between the	To better understand the role of reverse stress test within the ICAAP.	Chaibi, Saif	The relationship between reverse stress testing in the ICAAP and recovery plan scenario analysis has been clarified under Principles 2 and 7 of the Guide. In addition, the Guide refers to EBA and BCBS publications for further guidance with regard to reverse stress

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						two scenarios?			testing.
256	EBF	Principle 7	(iii)	33	Clarification	In relation to the stress testing update it is not clear if it is always necessary to perform a quarterly complete re-running of the stress test exercise (with a formal approval of the governing body), or if it is necessary only when relevant changes have occurred that require a new adverse scenario to be applied, in all other circumstances being satisfactory an assessment that "no new relevant circumstances require an update of the stress test". In this regard a clarification would be appreciated.	Running a complete institution wide stress test is a process that absorbs a consistent amount of time and many resources; it would be important to understand if ECB expects always a quarterly stress test re-running, that otherwise may often not be strictly necessary.	Chaibi, Saif	No change has been made because the ECB is of the opinion that the current wording (" <i>The impact of the scenarios is expected to be updated regularly (e.g. quarterly).</i> In the case of material changes, the institution is expected to assess their potential impact on its capital adequacy over the course of the year.") allows sufficient flexibility to implement an adequate approach. Depending on the individual situation of the institution, including, for instance, how dynamically its business and its risk profile are evolving, the expectation is that the regular updates would usually occur at quarterly frequency. However, in specific cases, a combination of biannual and ad hoc updates may be sufficient, in particular if the review of the scenarios applied found that they were appropriate. It
257	EBF	Principle 7	(iii)	33	Clarification	"The impact of the scenarios is expected to be updated regularly (e.g. quarterly). In the case of material changes, the institution is expected to assess their potential impact on its capital adequacy over the course of the year." Not clear the definition of "materiality" and how the "impact of the scenarios" in the sentence		Chaibi, Saif	

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						above differs from the concept “of its potential impact on its capital adequacy”. Running a full set of scenarios for each quarterly update does not seem proportional. A two-step approach would seem more appropriate: assess on potential changes on the scenarios, if relevant, then run the exercise to assess impact on capital adequacy.			remains the institutions' responsibility to justify the frequency chosen.
258	GBIC	Principle 7	(iii)	33	Deletion	Principle 7 (iii) requires a quarterly update of vulnerabilities and corresponding scenarios. We consider this frequency to be exaggerated, since the risk profile of most institutions does not change so quickly. Notwithstanding this, actual key indicators are, of course, updated on a quarterly basis.	Removing the “quarterly” review cycle – or changing it to “at least annually” – would avoid unnecessary efforts.	Friedberg, Jörg	
259	Commerzbank	Principle 7	83	33	Clarification	Inline with the information given in the public hearings in March and April 2018 it should be clarified that ECB is not expecting a dedicated economic stress-testing programme as this is already implicitly incorporated in the economic perspective.	In the economic perspective, a point-in-time risk quantification with high confidence level is applied and complemented by an analysis of economic impacts on the normative perspective (paragraph 48 ff.). Multi-year economic stress projections are no longer required and a stressed point-in-time (1-year-horizon) quantification is with little to no use.		No change has been made because the ECB is of the opinion that Principle 7 of the Guide is clear in saying that “the institution is expected to define an adequate stress-testing programme for both normative and economic perspectives”. The term “stress testing” is used in the Guide as a very generic term – it is not confined to multi-year projections of

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260	EACB	Principle 7	83	33	Amendment	While we agree that stress testing should be part of the normative approach, stress testing and the economic perspective do not seem to be appropriately connected. Stress testing will require the definition of a scenario over time whereas the economic perspective is a point-in-time exercise as indicated in item 44.			regulatory capital ratios. While it is common to both perspectives that institutions are expected to assess and address the respective vulnerabilities, it is clarified in the Guide that no forward-looking multi-year projections are expected in the economic perspective. Please note that these comments are discussed in more detail in an FAQ.
261	EBF	Principle 7	83	33	Clarification	There is no further need for a separate economic stress-testing programme and it should be the institutes choice whether to implement one.	There is no significant need for a separate economic stress-testing programme reflecting principle 3, e.g. as potential impacts from the economic perspective are considered in the normative perspective (paragraph 48 ff.).	Chaibi, Saif	
262	GBIC	Principle 7	(i); 8 3	33	Amendment	At its hearing on 24 April 2018, the ECB signalled that stress tests conducted by institutions may also be used as an option for risk quantification from an economic perspective. If this were done using another internal procedures (statistical models), separate stress tests would not be necessary for the economic perspective. We request that you amend the supervisory expectations in this respect.	The objective is to harmonise the ECB's written expectations with the possibilities for the economic perspective, as outlined in the hearing.	Friedberg, Jörg	

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263	FBF	Principle 7	83	33	Amendment	The terminology "stress test" should not be used for the purposes of the economic perspective but only for the normative one.	Taking into account the fact that banks have already to comply with different stress test exercises (EBA, internal and regulatory stress tests), we consider that the terminology 'stress-testing programme' should exclusively concern the normative perspective.		
264	GBIC	Principle 7	89	34	Clarification	Should this be interpreted to mean that reverse stress tests are to be conducted solely with respect to regulatory parameters – as opposed to economic risks (which are defined differently) and potential risk cover?	Clarification in order to prevent misunderstandings.	Friedberg, Jörg	The wording has been changed by inserting the EBA definition of reverse stress testing: " <i>These assessments are expected to start from the identification of the pre-defined outcome, such as the business model becoming unviable (e.g. a breach of its TSCR or management buffers).</i> " As the ECB has stressed several times, experience shows that fulfilling regulatory capital ratios is not sufficient to ensure the continuity of the institution. Accordingly, the predefined outcome of non-viability of the business model is not limited

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									to normative perspective aspects, but also refers to the economic perspective. The TSCR and management buffers are listed here only as examples. Please also note that, according to the Guide, management buffers refer to both perspectives.
265	DeKa	Principle 7	(iii)	33	Clarification	The necessity to assess at least quarterly whether the stress-testing scenarios remain appropriate depend in our point of view on the definition of the scenarios. Scenarios which are based on current market data should be treated differently compared to those which are only based on predefined (fixed) developments. Furthermore, the development of the stress-testing results over time can be seen as useful management information. Permanent changes to the scenarios would prevent comparability.	Allows the institute-specific definition of an overall coherent approach		No change has been made because the wording of the Guide (<i>"assess at least quarterly whether its stress-testing scenarios remain appropriate and, if not, adapt them to the new circumstances"</i>) is sufficiently generic: changing the scenarios used is only expected if the scenarios are no longer "appropriate".

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266	EAPB	Principle 7	(iii)	33	Deletion	Principle 7 (iii) requires a quarterly updating of the vulnerabilities and corresponding scenarios. We think that this is excessive, as the risk profile of most institutions does not change so quickly. Of course, this does not affect the updating of the actual metrics on a quarterly basis.	The deletion of the "quarterly" review cycle or changing it to "at least annually" would avoid unnecessary work.	van der Donck, Jeroen	

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267	DeKa	Principle 7	(iii)	33	Clarification	The word scenario is used for stress-testing as well as for the capital planning. Therefore, the requirement to update the impact of the scenarios regularly (e.g. quarterly) might be misleading. It should be clearly stated that capital planning is only a yearly process.	Prevention of misinterpretation		No change has been made because the ECB is of the opinion that its terminology should be sufficiently clear. Stress testing is a very broad concept, encompassing all kinds of stress testing practices, such as sensitivity analysis, assessment of scenarios, short-term and medium-term exercises, historical and hypothetical developments, etc. As part of the stress testing programme, institutions are expected to assess, in the normative perspective, the impact of severe but plausible developments on regulatory capital ratios over at least three years (adverse scenarios), and these assessments are expected to be incorporated in the capital plans. As used in the Guide, the term "capital planning" is not confined to those things that institutions are aiming for. It also includes adverse scenarios that the institutions would aim to avoid, but which they nonetheless need to assess in order to prepare for them. Since the ECB expects institutions to also be able to survive severe but plausible crisis scenarios, this may

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268	DeKa	Principle 7	85, 86	34	Clarification	Stress testing and capital planning (incl. adverse scenarios) are different management instruments aiming to provide different information. While stress testing aims to assess the effects of severe, but plausible macroeconomic assumptions (focus: key vulnerabilities; result: material impact on the institution's internal and regulatory capital; aim: ensure continuity, reveal danger), capital planning needs to reflect the effects of scenarios with a higher probability to be an effective management tool. Therefore, the severity of adverse scenarios should not be the same as in stress testing. The current wording might imply a different interpretation.	Clarification in order to prevent misunderstandings		
269	EAPB	Principle 7	Paras 85/86	34	Clarification	In adverse scenarios under the normative perspective, "severe economic downturns and financial shocks" are expected to be covered. How should this requirement be differentiated from the assumptions for stress scenarios?	Unambiguous wording required to prevent misinterpretations.	van der Donck, Jeroen	
270	EBF	Principle 7	83	33	Amendment	It is not possible to have two or more sets of stress testing, one from a normative perspective and the other one from an economic perspective. If so,	There should not be a multiple set of stress test in this principle. The EBA guidelines should be sufficient to deal with stress test subject.	Chaibi, Saif	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						what to manage with the results? The capital buffer is based upon the stress test results.			
271	GBIC	Principle 7	(ii)	33	Amendment	The principle exacerbates the requirements imposed with respect to stress tests; at present, the intention is hardly recognisable (especially concerning the differentiation between the different scenarios). Stress-testing requirements should be set with a sense of proportion, depending on the complexity and size of the institution concerned. For this reason, supervisory authorities need to clearly set out requirements and definitions of terminology related to stress tests: "basis", "risk", "adverse", "stress", "severe adverse" and "reverse".	Formulate requirements with a sense of perspective, clearly outlining the intention.	Friedberg, Jörg	
272	GBIC	Principle 7	85	34	Clarification	Does this imply that adverse scenarios are synonymous with stress tests – or do special scenarios need to be defined with regard to their impact upon CET1 capital? In any event, a requirement defining the result of the adverse scenario may counteract the plausibility criterion, or is reserved for reverse stress testing.	Clarification in order to prevent misunderstandings.	Friedberg, Jörg	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
273	GBIC	Principle 7	85/86	34	Clarification	Adverse scenarios in the normative perspective are required to incorporate "severe economic downturns and financial shocks". How can this requirement be distinguished from the assumptions for stress scenarios? The same ambiguity affects the glossary; please implement any clarifications there as well.	Unambiguous wording required, to prevent misinterpretations.	Friedberg, Jörg	
274	EBF	Principle 7	other	33	Amendment	We suggest replacing the following sentence: "In addition, institutions are expected to conduct reverse stress testing in a proportionate manner." by: "In addition, institutions are expected to conduct progressively reverse stress testing in a proportionate manner."	The implementation of reverse stress testing is a challenging issue. Additional time should be provided to the institutions to implement their target operating model.	Chaibi, Saif	No change has been made because the concept of reverse stress testing is well-established. For instance, in 2010 the CEBS published guidance on reverse stress testing (see CEBS Guidelines on Stress Testing (GL32), August 2010).
275	FBF	Principle 7	89	34	Amendment	We suggest to replace the following sentence: "In addition to stress-testing activities that assess the impact of certain assumptions on capital ratios, the institution is expected to conduct reverse stress-testing assessments." by: "In addition to stress-testing activities that assess the impact of certain assumptions on capital ratios, the institution is expected to progressively	The implementation of reverse stress testing is a challenging issue. Additional time should be provided to the institutions to implement their target operating model.		

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						conduct reverse stress-testing assessments."			
276	FBF	Principle 7	Other	33	Amendment	We suggest to replace the following sentence: "In addition, institutions are expected to conduct reverse stress testing in a proportionate manner." by: "In addition, institutions are expected to conduct progressively reverse stress testing in a proportionate manner."	The implementation of reverse stress testing is a challenging issue. Additional time should be provided to the institutions to implement their target operating model.		

3 ILAAP Guide – General comments

#	Institution	General comment	ECB reply
1	BBVA	BBVA welcomes the ECB's publication of the draft Guide to the Internal Liquidity Adequacy Assessment Process (ILAAP) and the opportunity to comment on it. We see this Guide as being part of the ECB's ongoing efforts to provide transparency on its expectations on the ILAAP and on ILAAP requirements, following from Article 86 CRD IV, and to assist institutions in strengthening their ILAAP and at encouraging the use of best practices. We, therefore, appreciate the ECB's efforts to improve the ILAAP framework and for our part, we also fully commit to working together with supervisors to make ILAAP play a key role in the risk management of institutions and also in the supervisory practices, as it feeds into the Supervisory Review and Evaluation Process (SREP).	The content-related points raised are answered in the respective detailed comments. Regarding the implementation date, please note that the overall direction of the ECB supervisory expectations has not changed since their first publication in January 2016. Therefore, significant institutions are encouraged to start following the ECB's supervisory expectations as spelled out in the Guides as soon as possible and to take the new Guides into consideration from the SREP 2019 onwards when they submit ICAAP and ILAAP information packages to their Joint Supervisory Teams.
2	FBF	The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers. The FBF welcomes the opportunity to share its comments on the European Central Bank (ECB) draft Guide to the internal liquidity adequacy assessment process (ILAAP). The FBF reiterates its support for a stable and resilient global financial system, while facilitating economic growth. To this end, while supporting the ECB's initiative on the introduction of the Guide, we believe that the proposed consultative document raises some concerns and requires some clarification as regards to its implementation. In our view, it is essential that regulators and the industry engage in proactive discussions to assist institutions in strengthening their ILAAPs, encourage the use of best practices and explain the ECB's expectations on the ILAAP. Summary of key comments: • We ask for a gradually and proportionately introduction of the ILAAP requirements as defined in the ECB Guide; It should be considered for some banking groups, as regards to the very high level of their liquidity buffers, it is difficult to define credible reverse stress testing scenarios leading exhaust liquidity buffers; If we consider the introduction of stress-testing programme for normative perspectives, it is not clear enough if this requirement is about the inclusion of future normative and regulatory requirements or about the definition of revised and stressed conditions applying to stressed regulatory ratios. We support the first option.	Regarding the point on the translation, we'll take this into account when finalising the Guides.

3	AEB	Spanish Banking Association welcomes the ECB's publication of the draft Guide to the Internal Liquidity Adequacy Assessment Process (ILAAP) and the opportunity to comment on it. We see this Guide as part of the ECB's ongoing efforts to provide transparency on its expectations on the ILAAP and on ILAAP requirements, following from Article 86 CRD IV, and to assist institutions in strengthening their ILAAP and at encouraging the use of best practices. We, therefore, appreciate the ECB's efforts to improve the ILAAP framework and for our part, we also fully commit to working together with supervisors to make ILAAP play a key role in the risk management of institutions and also in the supervisory practices, as it feeds into the Supervisory Review and Evaluation Process
4	GBIC	We wish to point out that the terms "adverse scenarios" and "stress tests" should not be used interchangeably. As a matter of fact, a wide range of institutions in the German Banking sector differentiates between stress and adverse scenarios in the economic perspective.
5	EBF	The EBF welcomes the ECB willingness to ensure a gradual and proportionate introduction of the ILAAP requirements such as mentioned in the Guide. • We recommend the ECB to consider that some banking groups will face difficulties in defining credible reverse stress testing scenarios due to the very high level of their liquidity buffers. • We recommend the ECB to clarify if the introduction of stress-testing programme for the normative perspectives refers to the inclusion of future normative and regulatory requirements or to the definition of revised and stressed conditions applying to stressed regulatory ratios. The EBF supports the first option. • More insight on how to capture possible links between liquidity and solvency stress tests would be appreciated.

Considering the degree of complexity and ambiguity of both Guides, numerous dilemmas raised by the banking industry during the first (spring 2017) and second stage (spring 2018) of improvements of the Guides and, last but not least, the shortage of time for implementation which does not provide sufficient time for the banks to upgrade their ICAAPs/ILAAPs we suggest to postpone their effectiveness at least for one year (i.e. that the ECB Supervision will take them into account when assessing the banks' ICAAPs/ILAAPs as of 2020 or later).

On the topic of proportionality, we would welcome more specific definition of this principle in order to enable banks to be ensured in advance what the ECB expects for each of them (considering the nature, scale and complexity of their activities).

In our view, the contents of the 3rd Principle of the Guides (especially relating to ICAAP) needs to be clarified further, particularly the interaction between the economic and normative perspective, in order to provide a better understanding for all stakeholders.

We would welcome further clarification of the relations and interaction between Risk Appetite Framework ("RAF") and ICAAP/ILAAP and their hierarchy; interconnectedness and/or interdependence between RAF and ICAAP/ILAAP is not clear from the current wording of the Guides and we therefore suggest to either a) elaborate on this subject further in the final version of the Guides or b) exclude the existing paragraphs of the Guides which relate to RAF/RAS and publish a new unbinding guideline on this subject.

In addition, we would like to draw your attention to inadequate translations of some words/technical terms into Slovenian language. E.g. the term »sistemom določanja cen za prenos sredstev« in paragraph 23 on p. 9 should in our opinion be replaced with the term "sistemom določanja cen virov sredstev", translation of the word "viable" into »rentabilna« in paragraph 45 on p. 15 should also be replaced, the term »nepredvidenih« in paragraph 50 on p. 17 should be replaced with "nepričakovanih", the terms »vzdržne« and »lepljivosti bančnih vlog« in paragraph 64 on p. 21 should be replaced with "stabilne" and "stabilnosti bančnih vlog", respectively, and finally, the term »upoštevati obstoječo valutno strukturo likvidnosti« in paragraph 76 on p. 25 should be replaced with "upoštevati relevantno valutno strukturo".

4 ILAAP Guide – Specific comments

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
1	BBVA	1- Introduction	3	2	Clarification	According to this introductory paragraph "In the ECB's view, a sound, effective and comprehensive ILAAP is based on two pillars: the economic and the normative perspectives". Both perspectives are expected to complement and inform each other".	We sympathize with this, however, paragraphs 38 and following, in our opinion, tend to blur both perspectives; in particular it seems to us that the economic perspective could end up being contaminated by certain normative requirements, jeopardizing the credibility of the model and limiting its usefulness for internal liquidity management.	Gallegos, Rafael	No change has been made because the ECB considers the Guide to be clear in this regard. The economic internal perspective follows an institution's internal liquidity risk assumptions. The normative perspective may serve as a source of information with regard to scenarios applied. However, all the assumptions behind the risk quantifications in the economic perspective are the institutions' own responsibility. Assumptions underlying the calculation of the liquidity coverage ratio (LCR) and set by the Delegated Act, for instance, do not play a role in the economic perspective. Therefore, it is not clear why the commenter sees a risk of blurring the economic perspective as a result of "contamination" from the normative perspective.
2	AEB	1- Introduction	3	2	Clarification	According to this introductory paragraph "In the ECB's view, a sound, effective and comprehensive ILAAP is based on two pillars: the economic and the normative perspectives". Both perspectives are expected to complement and inform each other".	We sympathize with this, however, paragraphs 38 and following, in our opinion, tend to blur both perspectives; in particular it seems to us that the economic perspective could end up being contaminated by certain normative requirements, jeopardizing the credibility of the model and limiting its usefulness for internal liquidity management.	Rizo, Carmen	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
3	EACB	1- Introduction			Clarification	We see that it should be clarified that by ILAAP-relevant publication it is meant only the ones which have completed the necessary European/national law endorsement process, and this for legal certainty reasons. Principles stipulated at BCBS or FBS level have no legal status as such and cannot be consistently applied. Also, it should be considered that changes can occur before internationally agreed standards become binding. This would lead to inconsistencies and additional costs that should be avoided. Moreover, we believe that "adverse scenarios" and "stress tests" should not be used as interchangeable terms, as many institutions differentiate between stress and adverse scenarios in the economic perspective.			No change has been made. The Guide follows a principles-based approach with a focus on selected key aspects from a supervisory perspective. The adequate implementation of a sound ILAAP is the responsibility of the institutions. As the ILAAP is principles-based, institutions are only recommended to take into account other ILAAP-relevant publications, for example from the Basel Committee on Banking Supervision (BCBS). However, in performing its supervisory tasks the ECB applies the relevant law. Regarding the stress testing terminology, the ECB describes in Principle 7 of the ILAAP Guide what it considers to be "adverse" scenarios. Internally, institutions may use different terminology and additional severity levels. The ECB will assess such divergences on a case-by-case basis, taking into account the specific circumstances of the bank.

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
4	BAS	1- Introduction	13	4	Amendment	We would welcome more specific definition of the proportionality principle; statements such as »it remains the responsibility of individual institutions to implement ILAAP in a proportionate and credible manner« and that »ILAAPs have to be proportionate to the nature, scale and complexity of the activities of the institution« are simply too vague and institutions cannot be assured a priori what the expectations of the ECB for each of them are (considering the nature, scale and complexity of their activities).	As explained in the comment – to provide clear guidance concerning the expectations.		No change has been made because the ECB is of the opinion that institutions are so different in many respects that a general concept of what proportionality means in detail is not meaningful. Institutions are responsible for implementing ICAAPs and ILAAPs that are adequate for their individual situations.
5	EBF	Principle 1	18	6	Clarification	It is common for the Banks to review the liquidity impact in case of new services and products. Does this cover your definition of "proactive adjustment"?		Chaibi, Saif	Such cases indeed fall under the ECB's proactive adjustment expectation. However, the latter goes beyond these cases and includes, for instance, mergers and acquisitions.
6	BBVA	Principle 1	15	5 and 6	Amendment	"The management body is expected to [...] approve the key elements of the ILAAP, for example: the governance framework; internal documentation requirements; the perimeter of entities captured, the risk identification process and the internal risk inventory and taxonomy, reflecting	The management body defines and oversees the implementation of the strategy, key policies and governance arrangements to ensure effective and prudent management of the institution (EBA guidelines on internal governance, Title II, section 1). The operational implementation of these		The wording has been partially changed: Bullet 1: The term "internal documentation requirements" has been replaced with the broader term "internal documentation framework". Bullet 2: The wording has been

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						the scope of material risks; risk quantification methodologies, including high-level risk measurement assumptions and parameters (e.g. time horizon, confidence levels, and maturity profile), supported by reliable data and sound data aggregation systems; methodologies used to assess liquidity adequacy (including the stress-testing framework and a well-articulated definition of liquidity adequacy), quality assurance of the ILAAP, particularly with regard to key inputs for the LAS (including the set-up and role of internal validation, the use of self-assessment against applicable rules, regulations and supervisory expectations, controls in place for validating the institution's data, stress test results, models applied, etc.).	strategies on a day-to-day basis, on the other hand, corresponds to the senior management. In our opinion, some of the elements listed as examples of those matters expected to be approved by the management body (such as the "internal documentation requirements" or the "risk identification process") cannot be considered "key" or strategic elements of the ILAAP. Instead, they are part of the day-to-day liquidity management and, as such, within the remit of the senior management. In particular, we suggest the following amendments / deletions: • Delete "internal documentation requirements" for its minor relevance; • Amend the reference that the management body is expected to approve "the risk identification process and the internal risk inventory and taxonomy"; as it is not consistent with paragraph 55, stating that the management body is also responsible for deciding which types of risk are material and to be covered by liquidity. • Amend the paragraph regarding		changed. The aspect of which material risks are to be covered with liquidity has been added. Bullet 3: The wording has not been changed because the proposed changes would go into too much detail.

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
							“risk quantification methodologies”, including a reference to the governance framework and the role and responsibilities of the management body regarding risk quantification methodologies and ILAAP established in other ECB Guides and supervisory guidelines, to ensure consistency.		
7	AEB	Principle 1	15	5 & 6	Deletion	“The management body is expected to [...] approve the key elements of the ILAAP, for example: the governance framework; internal documentation requirements; the perimeter of entities captured, the risk identification process and the internal risk inventory and taxonomy, reflecting the scope of material risks; risk quantification methodologies, including high-level risk measurement assumptions and parameters (e.g. time horizon, confidence levels, and maturity profile), supported by reliable data and sound data aggregation systems; methodologies used to assess liquidity adequacy (including the stress-testing framework and a well-articulated definition of liquidity adequacy), quality assurance of the	The management body defines and oversees the implementation of the strategy, key policies and governance arrangements to ensure effective and prudent management of the institution (EBA guidelines on internal governance, Title II, section 1). The operational implementation of these strategies on a day-to-day basis, on the other hand, corresponds to the senior management. In our opinion, some of the elements listed as examples of those matters expected to be approved by the management body (such as the “internal documentation requirements” or the “risk identification process”) cannot be considered “key” or strategic elements of the ILAAP. Instead, they are part of the day-to-	Rizo, Carmen	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						ILAAP, particularly with regard to key inputs for the LAS (including the set-up and role of internal validation, the use of self-assessment against applicable rules, regulations and supervisory expectations, controls in place for validating the institution's data, stress test results, models applied, etc.).	day liquidity management and, as such, within the remit of the senior management. In particular, we suggest the following amendments / deletions: • Delete "internal documentation requirements" for its minor relevance; • Amend the reference that the management body is expected to approve "the risk identification process and the internal risk inventory and taxonomy"; as it is not consistent with paragraph 55, stating that the management body is also responsible for deciding which types of risk are material and to be covered by liquidity • Amend the paragraph regarding "risk quantification methodologies", including a reference to the governance framework and the role and responsibilities of the management body regarding risk quantification methodologies and ILAAP established in other ECB Guides and supervisory guidelines, to ensure consistency.		

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
8	EBF	Principle 1	15	5 and 6	Amendment / Deletion	“The management body is expected to [...] approve the key elements of the ILAAP, for example: the governance framework; internal documentation requirements; the perimeter of entities captured, the risk identification process and the internal risk inventory and taxonomy, reflecting the scope of material risks; risk quantification methodologies, including high-level risk measurement assumptions and parameters (e.g. time horizon, confidence levels, and maturity profile), supported by reliable data and sound data aggregation systems; methodologies used to assess liquidity adequacy (including the stress-testing framework and a well-articulated definition of liquidity adequacy), quality assurance of the ILAAP, particularly with regard to key inputs for the LAS (including the set-up and role of internal validation, the use of self-assessment against applicable rules, regulations and supervisory expectations, controls in place for validating the institution's data, stress test results, models applied, etc.”.	The management body defines and oversees the implementation of the strategy, key policies and governance arrangements to ensure effective and prudent management of the institution (EBA guidelines on internal governance, Title II, section 1). The operational implementation of these strategies on a day-to-day basis, on the other hand, corresponds to the senior management. In our opinion, some of the elements listed as examples of those matters expected to be approved by the management body (such as the “internal documentation requirements” or the “risk identification process”) cannot be considered “key” or strategic elements of the ILAAP. Instead, they are part of the day-to-day liquidity management and, as such, within the remit of the senior management. In particular, we suggest the following amendments / deletions: • Delete “internal documentation requirements” for its minor relevance; • Amend the reference that the	Chaibi, Saif	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
							management body is expected to approve “the risk identification process and the internal risk inventory and taxonomy”; as it is not consistent with paragraph 55, stating that the management body is also responsible for deciding which types of risk are material and to be covered by liquidity Amend the paragraph regarding “risk quantification methodologies”, including a reference to the governance framework and the role and responsibilities of the management body regarding risk quantification methodologies and ILAAP established in other ECB Guides and supervisory guidelines, to ensure consistency.		
9	BBVA	Principle 1	15 and 21	5 and 7	Amendment	According to the guide, “The management body is expected to produce and <i>sign</i> the LAS [...]”. “The authority to sign the LAS on behalf of the management body is expected to be decided by the institution in the light of national regulations and relevant prudential requirements and guidelines.”	Please note that the formal execution of the LAS would not increase the stringent diligence duty the management body has to comply with in each and all of its decisions, and it would add more operational complexity. Additionally, the expectation that the document is signed on behalf of the		The wording has not been changed. The management body has full responsibility for the sound governance of the ILAAP. In order to make it aware of this obligation, the management body is expected to sign the liquidity adequacy statement (LAS).

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
							management body is a mere formality which is not consistent with the decision-making process of the management bodies (through voting majorities) foreseen in national regulations. Therefore, we suggest amending the wording as follows: “the management body is expected to produce and <u>approve</u> the LAS.”		
10	AEB	Principle 1	15 & 21	5 & 7	Amendment	According to the guide, “The management body is expected to produce and sign the LAS [...]”. “The authority to sign the LAS on behalf of the management body is expected to be decided by the institution in the light of national regulations and relevant prudential requirements and guidelines.”	Please note that the formal execution of the LAS would not increase the stringent diligence duty the management body has to comply with in each and all of its decisions, and it would add more operational complexity. Therefore, we suggest amending the wording as follows: “the management body is expected to produce and approve the LAS.” Additionally, the expectation that the document is signed on behalf of the management body is a mere formality which is not consistent with the decision-making process of the management bodies (through voting majorities) foreseen in national	Rizo, Carmen	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
							regulations.		
11	EBF	Principle 1	15 and 21	5 and 7	Amendment	According to the guide, “The management body is expected to produce and sign the LAS [...]”. “The authority to sign the LAS on behalf of the management body is expected to be decided by the institution in the light of national regulations and relevant prudential requirements and guidelines.”	Please note that the formal execution of the LAS would not increase the stringent diligence duty the management body has to comply with in each and all of its decisions, and it would add more operational complexity. Additionally, the expectation that the document is signed on behalf of the management body is a mere formality which is not consistent with the decision-making process of the management bodies (through voting majorities) foreseen in national regulations. Therefore, we suggest amending the wording as follows: “the management body is expected to produce and approve the LAS.”	Chaibi, Saif	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
12	EBF	Principle 1	15 and 21	5 and 7	Amendment	According to the guide, “The management body is expected to produce and sign the LAS [...]”. “The authority to sign the LAS on behalf of the management body is expected to be decided by the institution in the light of national regulations and relevant prudential requirements and guidelines.”	Please note that the formal execution of the LAS would not increase the stringent diligence duty the management body has to comply with in each and all of its decisions, and it would add more operational complexity. “Additionally, the expectation that the document is signed on behalf of the management body is a mere formality which is not consistent with the decision-making process of the management bodies (through voting majorities) foreseen in national regulations. Additionally, the expectation that the document is signed on behalf of the management body is a mere formality which is not consistent with the decision-making process of the management bodies (through voting majorities) foreseen in national regulations. Therefore, we suggest amending the wording as follows: “the management body is expected to produce and approve the LAS.”	Chaibi, Saif	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
13	Deutsche bank	Principle 1	21	7	Deletion	The authority to sign the LAS on behalf of the management body is expected to be decided by the institution in the light of national regulations and relevant prudential requirements and guidelines. Paragraph 15 stipulates that LAS should be signed by the management body, therefore this paragraph seems to be in a contradiction with para. 15	This statement seems to contradict earlier passage therefore should be removed.	Nikou, Orestis	
14	FBF	Principle 1	19	6	Clarification	It should be clarified that ILAAP outcomes and assumptions backtesting do not concern Stress tests. Indeed, only a crisis can properly backtest a stress scenario.	We ask for clarification on how and on which scope ILAAP backtesting should be performed.		The wording has been changed. The terms "back-testing" and "performance measurement" have been replaced by "internal review". In addition, it has been highlighted that the review can be more qualitative or more quantitative, depending on the nature of the element assessed. A reference to the back-testing of the funding plan in accordance with the requirements of the EBA Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2 (EBA/GL/2014/04) has been moved to the footnote.
15	EBF	Principle 1	19	6	Clarification	It should be clarified that ILAAP outcomes and assumptions backtesting do not concern Stress tests. Indeed, only a crisis can properly backtest a stress scenario.	We ask for clarification on how and on which scope ILAAP backtesting should be performed.	Chaibi, Saif	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
16	AFME	Principle 1			Feedback template not used	Paragraphs 151 of both the ICAAP and ILAAP guides require the management body to produce and sign the CAS and LAS respectively, and to approve the respective key elements of the ICAAP and ILAAP. We agree broadly with the intention of these paragraphs but have two comments. Firstly, the formal signature of the CAS and LAS is in our view an unnecessary formality that would add operational complexity without adding value or changing the need for compliance with its content. We recommend that this be changed in both guides to refer to the management body having to “produce and approve” the CAS and LAS respectively. Secondly, according the EBA Guidelines on Internal Governance, the management body defines and oversees the implementation of the strategy, key policies and governance arrangements to ensure effective and prudent management of the institution whereas the operational implementation of these strategies on a day-to-day basis is the responsibility	Feedback template not used		The wording has been partially changed: Bullet 1: The wording has not been changed. The management body has full responsibility for the sound governance of the ILAAP. In order to make it aware of this obligation, the management body is expected to sign the LAS. Bullet 2: We regard the listed items as key elements which should be approved by the management body. To avoid any misinterpretations, the term "internal documentation requirement" has been replaced by "internal documentation framework".

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						of senior management. Some of the elements listed in paragraphs 15 as examples of those element of the ICAAP and ILAAP requiring approval of the management body, such as "internal documentation requirements" or "the risk identification process and the internal risk inventory and taxonomy" are not key or strategic elements of the ICAAP or ILAAP. Instead, they are related to daily capital and liquidity management and as such should fall under the remit of senior management. We recommend that the examples in paragraphs 15 be adapted accordingly.			

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
17	Deutsche bank	Principle 1	17	6	Clarification	The guideline requires that internal reviews of the ILAAP are expected to be carried out comprehensively by the three lines of defence, in accordance with their respective roles and responsibilities. We interpret it that 2nd line of defence should review all elements of ILAAP.	Seeking clarification on whether all elements of the ILAAP have to be reviewed by each Line of Defence.	Nikou, Orestis	A new paragraph has been added (please see paragraph 18) concerning "adequate policies and processes for internal reviews" by the three lines of defence, and a new reference to the EBA Guidelines on internal governance (EBA/GL/2017/11) has been added. The specific roles of the three lines of defence are explained in the EBA Guidelines. Please also see the FAQ "Can the independent validation of the quantitative aspects of the ICAAP/ILAAP be performed by the internal audit function?".
18	EACB	Principle 1	ii	5	Clarification	We believe that some non-exhaustive examples should be provided as regard to what is meant by "any other relevant information" that the management body is expected to consider in addition to the ILAAP when producing the Liquidity Adequacy Statement.			The comments are not clear. The Guide does not refer to information to be considered "in addition" to the ILAAP. What information is included in the LAS is intentionally left to the institution to decide.
19	GBIC	Principle 1	20.	6	Clarification		As to the provision of the assessment of the liquidity adequacy, please clarify what is to be understood by 'backed by information it considers relevant'.	Unger, Leon	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
20	GBIC	Principle 2	27.	9-10	Deletion	The way the ILAAP outcomes regarding risk quantification and liquidity allocation are used by senior management should be at the discretion of the management body, at least in terms of the definition of key performance benchmarks and targets against which each (risk-taking) division's financial and other outcomes are measured.	This requirement goes too far and we urge its deletion. As a minimum, we are seeking clarification as to how ILAAP outcomes regarding risk quantification and liquidity allocation should be transposed into key performance benchmarks and targets.	Unger, Leon	ECB expectations with regard to risk-adjusted performance measurement have been modified and made more high level, leaving institutions more discretion in its implementation. For more detail, please see example 2.1: Risk adjusted performance measurement. Furthermore, a reference to the EBA Guidelines on sound remuneration policies (EBA/GL/2015/22) has been inserted, where further examples of risk-adjusted performance indicators can be found.
21	EACB	Principle 2	27	9	Deletion	The proposed expectation seems too far reaching and should be deleted. The way the ILAAP outcomes regarding risk quantification and liquidity allocation are used by senior management should be left at the discretion of the management body, especially in terms of the definition of key performance benchmarks and targets against which each (risk-taking) division's financial and other outcomes are measured. Or, at least it should be clarified with some examples what is expected with regard to how ILAAP outcomes regarding risk quantification and liquidity allocation should be transposed into key performance benchmarks and targets.			

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
22	BBVA	Principle 2	33	11	Deletion	“Moreover, potential management actions in the ILAAP are expected to be reflected <u>without delay</u> in the recovery plan and vice versa to ensure the availability of up-to-date information”.	We do not understand the meaning of “without delay”. Hence, if including management actions in the ILAAP within the recovery plan is the proposal, we suggest deleting “without delay” “Moreover, potential management actions in the ILAAP are expected to be reflected in the recovery plan and vice versa to ensure the availability of up-to-date information”.		The part of the Guide that refers to the relationship between the ILAAP and recovery planning has been significantly enhanced. Among other things, the wording has been changed to take into account the materiality of the impact of actions taken in accordance with the recovery plan/ILAAP.
23	AEB	Principle 2	33	11	Amendment	“Moreover, potential management actions in the ILAAP are expected to be reflected without delay in the recovery plan and vice versa to ensure the availability of up-to-date information”.	We do not understand the meaning of “without delay”. Hence, if including management actions in the ILAAP within the recovery plan is the proposal, we suggest deleting “without delay”: “Moreover, potential management actions in the ILAAP are expected to be reflected in the recovery plan and vice versa to ensure the availability of up-to-date information”.	Rizo, Carmen	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
24	EACB	Principle 2	33	11	Amendment	The paragraph should be amended to avoid an inappropriate need for updating the plans, triggered by “normal” actions in day-to-day risk management. Actions may be needed due to a continuous adjustment of a document which sets out measures to be implemented in an exceptional case (recovery). It seems not feasible that “potential management actions in the ILAAP are expected to be reflected without delay in the recovery plan and vice versa to ensure the availability of up-to-date information.” The overview of all recovery measures in the recovery plan should be updated once a year. The requirement to reflect them “without delay” would preclude adequate governance procedures in banks. Planning recovery measures is not part of day-to-day risk management.			

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25	Commerzbank AG	Principle 2	33	11	Amendment	There is need for action with respect to the following requirement: "Moreover, potential management actions in the ILAAP are expected to be reflected without delay in the recovery plan and vice versa to ensure the availability of up-to-date information." Our assessment: updates without delay are not feasible because the portfolio of recovery measures in the Recovery Plan should be updated and documented once a year. The "without delay" request contracts proper Governance procedures in banks. Recovery Planning is not a day-to-day management tool. Suggested wording change: "Moreover, potential management actions which have a considerable effect on the ILAAP steering are expected to be reflected within an appropriate timeframe in the recovery plan."	Avoid continuous need for adjustments triggered by minor steering actions in daily risk management. We would not consider this as appropriate for a document describing measures for an exceptional emergency situation (recovery). Suggested wording change: "Moreover, potential management actions which have a considerable effect on the ILAAP steering are expected to be reflected within an appropriate timeframe in the recovery plan."		

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26	GBIC	Principle 2	33.	11	Amendment	The following requirement is not feasible: "Moreover, potential management actions in the ILAAP are expected to be reflected without delay in the recovery plan and vice versa to ensure the availability of up-to-date information." The overview of all recovery measures in the recovery plan should be updated once a year. The requirement to reflect them "without delay" would preclude adequate governance procedures at banks. The planning of recovery measures is not a day-to-day risk management task. We suggest rewording this passage as follows: "Moreover, potential management actions which have a significant effect on ILAAP management are expected to be reflected in the recovery plan within an appropriate timeframe."	Please reword this paragraph in order to avoid an inappropriate requirement triggered by secondary actions in day-to-day risk management and caused by continuous adjustment of a document which sets out measures to be implemented in an exceptional case (recovery).	Unger, Leon	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
27	BBVA	Principle 2	34	11	Clarification	"The ILAAP is expected to ensure liquidity adequacy at relevant levels of consolidation and for relevant entities within the group, as required by Article 109 CRD IV."	The scope of the ILAAP as foreseen in this paragraph is not clear. We understand that the reference to "relevant entities" should be interpreted as "applicable entities" (i.e. those entities individually falling under the scope of Article 109 CRD IV). This understanding is in line with paragraph 11 of the guide ("[...] a parent institution in a Member State [...] shall meet the ILAAP obligations set out in Article 86 CRD IV on consolidated basis"). The current wording of this paragraph could also be interpreted as a requirement that parent institutions' ILAAPs should also cover "significant" (relevant) subsidiaries' ILAAPs. However, this interpretation would not be consistent with the scope of Article 109 CRD IV and disregards the fact that subsidiaries may be subject to their own individual ILAAP requirements under local regulations. We suggest replacing "relevant entities" with "applicable entities".		The wording has been changed. By referring only to Article 109 of the CRD IV, the Guide follows exactly the provisions regarding the scope of the ILAAP in the CRD IV.

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28	AEB	Principle 2	34	11	Clarification	"The ILAAP is expected to ensure liquidity adequacy at relevant levels of consolidation and for relevant entities within the group, as required by Article 109 CRD IV."	The scope of the ILAAP as foreseen in this paragraph is not clear. We understand that the reference to "relevant entities" should be interpreted as "applicable entities" (i.e. those entities individually falling under the scope of Article 109 CRD IV). This understanding is in line with paragraph 11 of the guide ("[...] a parent institution in a Member State [...] shall meet the ILAAP obligations set out in Article 86 CRD IV on consolidated basis"). The current wording of this paragraph could also be interpreted as a requirement that parent institutions' ILAAPs should also cover "significant" (relevant) subsidiaries' ILAAPs. However, this interpretation would not be consistent with the scope of Article 109 CRD IV and disregards the fact that subsidiaries may be subject to their own individual ILAAP requirements under local regulations. We suggest replacing "relevant entities" with "applicable entities".	Rizo, Carmen	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
29	BBVA	Principle 2	32	10 and 11	Clarification	"The institution is expected to have a policy in place regarding the use of public funding sources. Such policies are expected to differentiate between the use of such sources during business as usual and during times of stressed conditions and be explicitly considered in the risk appetite (timing and amount) and liquidity adequacy statements."	In our opinion, the use of central bank facilities is already included within the current three-year funding plan. In addition the required alternative funding plan under an adverse scenario should consider the potential use of central banks resources. Beyond this, we do not consider suitable that the use of public funds according to different scenarios (systemic or idiosyncratic) should be set in advance within a policy.		The wording has been amended to provide more clarity on this topic. The ECB's definition of the public funding sources is aligned with the definition of public sector funding sources in the EBA Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2 (EBA/GL/2014/04) and it is not limited to central bank funding sources only. The ECB expects adverse scenarios to also cover reliance on major funding providers. It is up to the bank to decide how this is implemented internally – as an additional stress scenario or in the overall scenario.
30	AEB	Principle 2	32	10	Amendment	"The institution is expected to have a policy in place regarding the use of public funding sources. Such policies are expected to differentiate between the use of such sources during business as usual and during times of stressed conditions and be explicitly considered in the risk appetite (timing and amount) and liquidity adequacy statements."	In our opinion, the use of central bank facilities is already included within the current three-year funding plan. In addition the required alternative funding plan under an adverse scenario should consider the potential use of central banks resources. Beyond this, we do not consider suitable that the use of public funds according to different scenarios (systemic or idiosyncratic) should be set in advance within a policy.	Rizo, Carmen	

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31	EBF	Principle 2	32	11	Clarification	The guidelines require the institution to have in place a policy regarding the use of public funding sources. Banks tend to diversify their sources of funding and to exploit each of them according to their needs. Public funding sources are included among the sources that the bank address. Stating specific guidelines on a policy may reduce the funding flexibility of banks both in ordinary and in stressed conditions. Furthermore, the sentence “such policies ... be explicitly considered in the risk appetite (timing and amount) and liquidity adequacy statements” is not clear if it intends to recommend the bank to have specific limitations or constraints in the use of ECB / central banks funding sources.	It may have a material impact on the daily operation of Banks' Treasuries. We ask for more flexibility for any kind of public funding sources, even if footnote number 13 seems to focus only on ECB sources.	Chaibi, Saif	
32	Commerzbank AG	Principle 2	32	10f.	Amendment	While establishing a policy for public funds may make sense, it should be noted that the use of public funds does not constitute a risk by itself. Therefore, we suggest to adjust the wording concerning stress tests and monitoring. - Stress tests on public funds do not deliver an added value. The stress	Stress tests on public funds exposure and monitoring of potential future use of public funds create a considerable administrative burden and do not deliver a major added value.		

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						tests regularly applied by the Bank are designed to measure the bank's resilience against the deterioration of its environment, not to predict its behaviour regarding the use of public funds. - Additionally, it is unclear how a potential future use of public funds is expected to be monitored. - Furthermore, the monitoring of the actual use of public funds requires a clearer definition of the public sector entities concerned. Only the parts of the public sector which offer emergency funding should be part of this definition (not municipal electricity providers / public pension funds etc.). Suggested wording change: "The institution is expected to have a policy in place regarding the use of public funding sources. Such policies are expected to differentiate between the use of such sources during business as usual and during times of stressed conditions and be explicitly considered in the risk appetite and liquidity adequacy statements. The actual use of such sources is expected to be monitored. This			

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						monitoring is expected to take place in all material currencies."			
33	EBF	Principle 2	The ILAAP and the risk appetite framework	10	Deletion	Considering the lack of guidelines covering the risk appetite statement, we ask for a deletion of the link between the risk appetite statement (RAS) and the risk appetite framework (RAF). We ask the ECB to define guidelines on the risk appetite statement.	We ask for dedicated guidelines on the risk appetite statement (RAS).	Chaibi, Saif	To provide more clarity on the risk appetite framework, a reference to the <i>SSM supervisory statement on governance and risk appetite</i> , ECB, June 2016, and to the <i>Principles for An Effective Risk Appetite Framework</i> , FSB, November 2013, has been added.
34	FBF	Principle 2	The ILAAP and the risk appetite framework	10	Deletion	Considering the lack of guidelines covering the risk appetite statement, we ask for a deletion of the link between the risk appetite statement (RAS) and the risk appetite framework (RAF). We ask the ECB to define guidelines on the risk appetite statement.	We ask for dedicated guidelines on the risk appetite statement (RAS).		
35	FBF	Principle 2	28	10	Clarification	It should be clarified if the risk appetite framework (RAF) is either an input or an output of the ILAAP and how does they interplay.	It is not cristal clear how risk appetite framework (RAF) interplays with the ILAAP.		
36	EBF	Principle 2	28	10	Clarification	It should be clarified if the risk appetite framework (RAF) is either an	It is not cristal clear how risk appetite framework (RAF) interplays with the	Chaibi, Saif	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						input or an output of the ILAAP and how does they interplay.	ILAAP.		
37	EBF	Principle 2	28-31	11	Deletion	The RAF and RAS exercise should be clearly defined in a dedicated guideline. These guidelines are not appropriate to provide a definition of the RAF.	A specific guideline to define the RAF and the RAS.	Chaibi, Saif	
38	BAS	Principle 2	28-32	10	Amendment	We would welcome further clarification of the interaction and hierarchy between RAF/RAS and ILAAP (perhaps in a separate guideline, given the complexity of the RAF/RAS concept; interconnectedness and/or interdependence (e.g. is ILAAP part of RAF or vice versa) is not clear from the current wording). Alternatively, it might be better to exclude the existing paragraphs of the Guide which relate to RAF/RAS (i.e. paragraphs 8-32 and references in other paragraphs such as 23 and 36) from this Guide as they do not sufficiently clarify the relations with ILAAP, and to publish a separate Guide on the subject of RAF/RAS.	As explained in our comment.		
39	EBF	Principle 2	29	10	Clarification	Please confirm that the RAF should include motivations for taking on or avoiding types of risks, products and		Chaibi, Saif	The wording has not been changed. The risk appetite statement is expected to contain motivations for

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						regions. It is not common to make specific motivations on RAF. Do you mean general statements and not specific?			taking on or avoiding certain types of risks, products or regions.
40	EBF	Principle 2	34	11	Clarification	Please provide more information regarding the coherence that is required for ILAAP across the relevant levels of consolidation. You should acknowledge that the characteristics of each market are taken into account for the ILAAP of each subsidiary and that each subsidiary may follow its own ILAAP format based on its particular needs and environment		Chaibi, Saif	The wording has been changed. A paragraph has been added, clarifying that the implementation may require a certain degree of diverging approaches where national ILAAP provisions or guidance differ for certain entities or sub-groups. However, this should not interfere with the effectiveness and consistency of the ILAAP at the consolidated level.
41	Deutsche bank	Principle 2	(iii)	8	Amendment	The ILAAP is expected to be consistent and coherent throughout the group. This should not prevent more rigid ILAAP treatment to be applied to specific areas of the institution where the institution concludes that this is desirable or where 3rd country regulatory requirements prescribe a more conservative treatment (CRD IV Art 109(3)).	Amend to align with para. 11 and 34 and allow for ability to selectively apply more conservative treatment if desired by the institution to address e.g. specific business risks	Nikou, Orestis	
42	EBF	Principle 2	(ii)	8	Amendment	The monitoring of intraday liquidity is based on specific metrics that are monitored by the Treasury unit on a		Chaibi, Saif	The text has been changed as suggested.

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						continuous basis through the day (cumulative outflows & inflows, available buffer, time schedule of payments etc.). The term «indicators» can be misleading in this context			
43	BBVA	Principle 3	48	16	Clarification	“In addition to projections that include management actions, the institution is expected to assess its liquidity and funding position under the economic and normative perspectives in the same scenarios without management actions”.	What are considered as management actions from liquidity perspective? Are these management actions those included within the current contingency funding plan? Subject to the former question, we have some doubts on how to assess the liquidity and funding position without management actions is expected.		A number of changes have been made. The glossary now explains (in line with the EBA guidelines) that management actions are actions taken by the institution's management in order to keep the liquidity and/or funding position within the institution's risk appetite (for example, raising additional funding).The wording has been
44	AEB	Principle 3	48	16	Clarification	“In addition to projections that include management actions, the institution is expected to assess its liquidity and funding position under the economic and normative perspectives in the same scenarios without management actions”.	What are considered as management actions from liquidity perspective? Are these management actions those included within the current contingency funding plan? Subject to the former question, we have some doubts on how to assess the liquidity and funding position without management actions is expected.	Rizo, Carmen	changed to emphasise that the ECB expects the institution to assess the feasibility and expected (quantitative) impact of such actions under the respective scenarios and expects it to be transparent on these points (this also refers to the comment on Figure 2).

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45	GBIC	Principle 3	47.	16	Clarification	It should be clarified that the results of adverse scenarios should primarily be considered without taking into account management actions. In particular, in our view Figure 2 creates the impression that scenario results should be calculated with consideration given to management action. However, management actions have a compensating effect, so this could dilute the calculated results of stress tests or scenarios.	The effect or effectiveness of management actions in considered scenarios or stress tests should be clarified as a possible additional task.	Unger, Leon	

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46	EBF	Principle 3	48	16	Clarification	Paragraph 48 states that “In addition to projections that include management actions, the institution is expected to assess its liquidity and funding position under the economic and normative perspectives in the same scenarios without management actions”. It should be clarified as to what constitutes a management action. For example the use of liquid assets or other contingent liquidity that can be used to obtain liquidity from market participants and/or monetary authority facilities should not be taken to constitute a management action whereas the sale of a loan portfolio or the raising of additional deposits may constitute a management action. In any event, management actions should be fully permitted in stress as it is not realistic to assume that management would not take any action during a stress scenario.	Clarification on management actions	Chaibi, Saif	
47	BBVA	Principle 3	44	15	Clarification	“The institution is expected to maintain a robust up-to-date liquidity and funding plan which is compatible with its strategies, risk appetite and liquidity resources. The liquidity and	In our opinion and from the liquidity risk perspective, a stress scenario for three or more years is not feasible without central bank support in the case of a systemic crisis and		No change has been made because the ECB considers it important that institutions take a forward-looking approach to prepare for the most relevant potential future

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						funding plan is expected to comprise baseline and adverse scenarios and to cover a forward-looking horizon which is expected to capture three or more years".	excessively long for an idiosyncratic scenario. We would like further clarification as to define the required adverse scenario during 3 years. How severe is expected to be that scenario ? Does it take into account the internal stress scenarios?		developments. This entails the expectation that the funding plan covers a time horizon of at least three years (a forward-looking time horizon). The funding plan is expected to comprise a baseline scenario which is a forward-looking view on the expected development of the funding position covering at least three years and adverse scenarios which relate to a forward-looking view of the funding position under exceptional but plausible events such as no longer being able to rely on a major funding provider.
48	AEB	Principle 3	44	15	Clarification	"The institution is expected to maintain a robust up-to-date liquidity and funding plan which is compatible with its strategies, risk appetite and liquidity resources. The liquidity and funding plan is expected to comprise baseline and adverse scenarios and to cover a forward-looking horizon which is expected to capture three or more years".	In our opinion and from the liquidity risk perspective, a stress scenario for three or more years is not feasible without central bank support in the case of a systemic crisis and excessively long for an idiosyncratic scenario. We would like further clarification as to define the required adverse scenario during 3 years. How severe is expected to be that scenario ? Does it take into account the internal stress scenarios?	Rizo, Carmen	
49	GBIC	Principle 3	44.	15	Clarification	A scenario-based funding plan will help to guarantee that there is sufficient liquidity over the medium and long-term, whereas the liquidity plan is a short term concept. Paragraph 44 does not sufficiently distinguish between these two	A liquidity plan and a funding plan are two different concepts. Moreover, it could be sufficient for an institution to use a funding plan that covers the short term. In this case there would be no need to additionally establish a liquidity plan. In case there are two	Unger, Leon	The wording has been changed to clarify that liquidity planning under both perspectives (i.e. including LCR projections) is expected for a short-term view only – the Guide now refers to an "appropriate time horizon for the liquidity position". For funding

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						concepts. The new ECB guide implicitly requires banks to make projections of their LCR under baseline and adverse scenarios over the following three years. According to BCBS 238, the objective of the LCR is to “promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient HQLA (high-quality liquid assets) to survive a significant stress scenario lasting 30 calendar days.” The LCR scenario already includes a “combined idiosyncratic and market-wide shock” resulting in a loss of refinancing capacity and various additional outflows on a scale never before experienced, even during the Lehman Brothers crisis. A three-year projection under adverse future developments – as required in figure 2 on page 16 – would not, therefore, deliver any additional information, but would merely extend the stress horizon by three years. To ensure the availability of sufficient liquidity over a longer time horizon, a new regulatory ratio was introduced in the form of the NSFR. In the words of the European Commission,	different plans, there should be a clear distinction between them. Hence the wording of this paragraph should read “The liquidity and funding plans are expected to comprise baseline and adverse scenarios and to cover a forward-looking horizon which is expected to capture twelve months for the liquidity plan and three or more years for the funding plan. It is also possible to integrate the liquidity plan into the funding plan.”		planning, the expectation remains unchanged; i.e. a coverage of at least three years is expected. While liquidity planning is, in principle, a different concept from funding planning, it has been clarified that it is also possible for institutions to integrate the two plans at their own discretion.

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						compliance with the NSFR “indicates that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions” (recital 38, COM(2016) 850 final dated 23.11.2016). In addition, the LCR can be influenced at short notice since the ratio is heavily dependent on short-term operations (repos and unsecured money-market transactions, for instance). Owing to these factors, long-term LCR forecasts can be neither realistic nor reliable. For this reason, we suggest dropping the idea of requiring any LCR projection beyond the one-month period already covered. The NSFR should be used for long-term projections. The long-term horizon is also covered by the additional monitoring metrics and maturity ladder already reported to supervisors. The requirements of this paragraph should already be met if an institution uses the EBA harmonised funding plan for internal purposes.			

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
50	GBIC	Principle 3	45.	15	Clarification	A scenario-based funding plan will help to guarantee that there is sufficient liquidity over the medium and long-term, whereas the liquidity plan is a short term concept. Paragraph 44 does not sufficiently distinguish between these two concepts. The new ECB guide implicitly requires banks to make projections of their LCR under baseline and adverse scenarios over the following three years. According to BCBS 238, the objective of the LCR is to “promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient HQLA (high-quality liquid assets) to survive a significant stress scenario lasting 30 calendar days.” The LCR scenario already includes a “combined idiosyncratic and market-wide shock” resulting in a loss of refinancing capacity and various additional outflows on a scale never before experienced, even during the Lehman Brothers crisis. A three-year projection under adverse future developments – as required in figure 2 on page 16 – would not, therefore,	A liquidity plan and a funding plan are two different concepts. Moreover, it could be sufficient for an institution to use a funding plan that covers the short term. In this case there would be no need to additionally establish a liquidity plan. In case there are two different plans, there should be a clear distinction between them. Hence the wording of this paragraph should read “The liquidity and funding plans are expected to comprise baseline and adverse scenarios and to cover a forward-looking horizon which is expected to capture twelve months for the liquidity plan and three or more years for the funding plan. It is also possible to integrate the liquidity plan into the funding plan.”	Unger, Leon	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						deliver any additional information, but would merely extend the stress horizon by three years. To ensure the availability of sufficient liquidity over a longer time horizon, a new regulatory ratio was introduced in the form of the NSFR. In the words of the European Commission, compliance with the NSFR “indicates that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions” (recital 38, COM(2016) 850 final dated 23.11.2016). In addition, the LCR can be influenced at short notice since the ratio is heavily dependent on short-term operations (repos and unsecured money-market transactions, for instance). Owing to these factors, long-term LCR forecasts can be neither realistic nor reliable. For this reason, we suggest dropping the idea of requiring any LCR projection beyond the one-month period already covered. The NSFR should be used for long-term projections. The long-term horizon is also covered by the additional monitoring metrics and			

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						maturity ladder already reported to supervisors. The requirements of this paragraph should already be met if an institution uses the EBA harmonised funding plan for internal purposes.			
51	EACB	Principle 3	44	15	Amendment	We understand that in the guide “liquidity” is meant to cover both “liquidity” and “funding” (footnote 1). However, a liquidity plan and a funding plan are two different concepts, even though in some cases it could be sufficient for an institution to use a funding plan that covers the short term instead of setting up a liquidity plan. For the sake of clarity, where there are two different plans a distinction should be marked, also in terms of time horizons (i.e. twelve month for the liquidity plan and three or more years for the funding plan).	The guide implicitly requires banks to make projections of their LCR under baseline and adverse scenarios over the following three years. However, the objective of the LCR is to “promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient HQLA (high-quality liquid assets) to survive a significant stress scenario lasting 30 calendar days.” The LCR scenario already includes a “combined idiosyncratic and market-wide shock” resulting in a loss of refinancing capacity and various additional outflows on a scale never before experienced. A three-year projection under adverse future developments would not deliver any additional information, but merely extend the stress horizon by three years. To ensure the availability of sufficient		

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							liquidity over a longer time horizon, the NSFR has been designed. In addition, the LCR can be influenced at short notice since the ratio is heavily dependent on short-term operations (repos and unsecured money-market transactions, for instance). Owing to these factors, long-term LCR forecasts can be neither realistic nor reliable. We suggest dropping the idea of requiring any LCR projection beyond the one-month period already covered. The NSFR should instead be used for long-term projections. The long-term horizon is also covered by the additional monitoring metrics and maturity ladder already reported to supervisors. If an institutions uses the EBA harmonized funding plan for internal purposes the expectations of this paragraph should already be met.		
52	EBF	Principle 3	44	15	Amendment	If we consider both paragraphs 39 and 44, it should be clarified in article 44 that forward-looking horizon are expected to capture : - one year for the liquidity position; - three years or more for the funding	We ask for more consistency between paragraphs 39 and 44.	Chaibi, Saif	

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						position.			
53	FBF	Principle 3	44	15	Amendment	If we consider both paragraphs 39 and 44, it should be clarified in article 44 that forward-looking horizons are expected to capture : - one year for the liquidity position; - three years or more for the funding position.	We ask for more consistency between paragraphs 39 and 44.		
54	EAPB	Principle 3	44	15	Clarification	The liquidity plan in the normative perspective should not have to cover at least three years. As with the information on the funding plan and the economic perspective (para. 39), a planning horizon of one year for the LCR should also be sufficient under the normative planning. Originally, the consultation on the EBA Guidelines on funding plans also provided for a three-year forecast of the LCR. However, all the stakeholders, in particular the EBA Stakeholder Group, did not consider this appropriate for the LCR, as a short-term indicator with a regulatory horizon of thirty days cannot be reliably planned for a	Avoidance of unreliable planning	van der Donck, Jeroen	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						period of three years. For this reason, the final guideline only required planning for one year.			
55	Commerzbank AG	Principle 3	44-45	15	Deletion	The new ECB guide requires institutes to forecast the LCR under normal and adverse scenarios over a period of three years. According to BCBS 238 the LCR has been designed "to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient HQLA to survive a significant stress scenario lasting 30 calendar days". The LCR scenario "entails a combined idiosyncratic and market-wide shock" that result in funding losses and various additional outflows which have not been observed in the past, not even during the Lehman crisis. Hence, a 3year projection under adverse future developments as required in Figure 2 on page 16 would not bring additional information but extends the stress horizon by 3years. To ensure the liquidity over a longer time horizon the NSFR has been designed. The NSFR "indicates	A long-term LCR projection over various scenarios would require significant implementation efforts for institutions while the result of the projection is neither realistic nor reliable		

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						that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions" (proposal of the EU commission as of 23.11.2016 page 30 number 38). Additionally, the LCR can be managed over a short-term horizon as the ratio is highly dependent on short-term steering actions (e.g. via repo and unsecured money market transactions). Due to these characteristics, a long-term projection of the LCR is neither realistic nor reliable. Therefore, we propose to abstain from any projection of the LCR above the already covered 1M time horizon. For long term projections the NSFR should be used. In addition, the additional monitoring metrics and maturity ladder already provided to regulators already covers long term horizons in close consistency to LCR.			
56	EBF	Principle 3	44-45	16	Deletion	The new ECB guide requires institutions to forecast the LCR under normal and adverse scenarios over a period of three years. It should be clarified that whilst the LCR is a daily measure, daily forecasting is not	Proportionality in the forecasting of compliance with regulatory requirements under stress conditions.	Chaibi, Saif	

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						required over the 3 year period rather than forecasting should be completed at an appropriate frequency so as to provide assurance of compliance with regulatory requirements over the proposed horizon of 3 years, thereby recognising the concept of proportionality.			
57	FBF	Principle 3	46	15	Clarification	It should be clarified that the same scenario and the same assumptions apply to the projections under economic and normative perspectives.	We ask for clarifications on scenarios and assumptions		The wording has been changed to clarify the role that internal assumptions play in the normative perspective. This role has two aspects. First, the LCR Delegated Act permits some flexibility with regard to the use of run-off rates for certain

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58	EBF	Principle 3	46	15	Clarification	It should be clarified that the same scenario and the same assumptions apply to the projections under economic and normative perspectives.	We ask for clarifications on scenarios and assumptions	Chaibi, Saif	liabilities and off-balance-sheet commitments. For example, credit institutions may apply outflow rates determined by their internal methodologies (i.e. economic internal perspective) for the retail deposits subject to higher outflow rates pursuant to Article 25 of the LCR Delegated Act. The ECB expects those assumptions to be used by the credit institution when assessing its liquidity adequacy under the normative perspective. Second, it has been clarified that the institution is expected to use internal estimates with regard to the changes in its balances sheet when projecting regulatory liquidity and funding ratios. For the LCR, for instance, this means that when projecting the LCR in three months time, the institution translates the scenario used into changes in its liquidity position between the present and in three months, using its internal estimates. When calculating the projected LCR, however, it follows the regulatory calculation provisions.
59	BBVA	Principle 3	43	14 and 15	Clarification	The statement that "... the normative perspective is not limited by the assumptions underlying the calculation of the Pillar 1 ratios. Rather, when assessing its liquidity adequacy under the normative perspective, the institution is expected to take into account the assumptions	In our opinion, normative perspective should stick to Pillar 1 risks; other risks are considered within P2R. Current wording hybridizes normative perspective with economic perspective, leading to confusion.		

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						it uses under the economic perspective and assess how they affect Pillar 1 and Pillar 2 ratios over the planning period, depending on the scenarios applied", seems to blur normative and economic perspectives.			
60	AEB	Principle 3	43	15	Clarification	The statement that "... the normative perspective is not limited by the assumptions underlying the calculation of the Pillar 1 ratios. Rather, when assessing its liquidity adequacy under the normative perspective, the institution is expected to take into account the assumptions it uses under the economic perspective and assess how they affect Pillar 1 and Pillar 2 ratios over the planning period, depending on the scenarios applied", seems to blur normative and economic perspectives.	In our opinion, normative perspective should stick to Pillar 1 risks; other risks are considered within P2R. Current wording hybridizes normative perspective with economic perspective, leading to confusion.	Rizo, Carmen	

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61	Deutsche bank	Principle 3	43 and Ex-ample 3.1	14-15&17	Deletion	This is contradicting para 43, where the economic assumptions are meant to be used to project Balance Sheet and off-Balance Sheet balances used as inputs into LCR projection calculations with the outflow rates being prescribed by the normative and not the economic perspective. In addition, this information is used to quantify the 30-day outflow rate for credit card cash flows under the normative perspective.	Example 3.1 contradicts para. 43. It would be useful if it were deleted	Nikou, Orestis	
62	GBIC	Principle 3	48.	16	Clarification	Example 3.1 presumably refers to Article 23(1)(d) of Delegated Regulation (EU) No. 2015/61. This Article should therefore also be cited.	The normative reference should be added.	Unger, Leon	As proposed, a legal reference has been added. However, as Example 3.1 has been revised, the reference is different from the proposed one.

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63	AFME	Principle 3			Feedback template not used	While we generally agree with the high-level statement in the introductory section to the ICAAP guide that “a sound, effective and comprehensive ICAAP is based on two pillars: the economic and the normative perspectives”, we find that these perspectives become confused in the guidance provided to illustrate Principle 3. In our view, the normative perspective should clearly be based on regulatory minima in Pillar 1, whereas the economic perspective complements this by going further and capturing all material risks identified by the institution from its own internal perspective. As currently drafted, Principle 3 does not provide a sufficiently clearly distinction between these two approaches. Indeed, the concept of “normative internal” perspective is somewhat confusing and appears to be a contradiction in terms. By way of illustration of some areas that reinforce the confusion, statements such as those in paragraph 38 of the ICAAP guide which says “the normative perspective	Feedback template not used		The general points raised here are addressed in other feedback comments, e. g. in the replies to ICAAP-specific comments 3 and 4, as well as in the ICAAP-specific replies regarding regulatory changes (see ICAAP Principle 3). Regarding the ILAAP specifically, the interplay between the normative and the economic perspective has been clarified through a number of amendments to the ILAAP Guide.

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						is not limited to the Pillar 1 risks recognised by the regulatory capital requirements. When assessing its capital adequacy under the normative perspective, the institution is expected to take into account all relevant risks it has quantified under the economic perspective” do not convey the difference between the two approaches or the concept of complementarity between the two perspectives. Elsewhere there are references to “hidden losses” – distinctions between accounting values and fair values (supposedly economic values?) are very difficult to understand for institutions that are operating within standardised valuation frameworks. Moreover, although simple on the surface, the reference to taking future changes in legal, regulatory and accounting frameworks into account in the ICAAP is likely to subject to various interpretations. Is a regulatory change considered to be an international standard, a level 1 EU Regulation under negotiation, a level 1 EU Regulation that is adopted but			

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						with an implementation date beyond the planning horizon, etc.? We would welcome further discussion with the ECB to better understand how it sees the normative and economic perspectives being different and informing each other so that we can assist in articulating these expectations more clearly. In particular, it may help institutions' understanding if the ECB could articulate how in practice it views the normative and economic perspectives of ICAAP being used to generate Pillar 2 capital requirements. Finally, while the above comments are made in relation to the ICAAP guide, the same type of clarifications would also be welcome in the ILAAP guide where the normative and economic perspectives are also used.			

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64	EBF	Principle 3	45	16	Clarification	We understand that the new ECB guide requires institutions to forecast the LCR under normal and adverse scenarios over a period of one year. Given the calibration of the LCR, a long-term projection is not reasonable as i) the LCR is already calibrated under stress conditions. Therefore calculating it under adverse scenarios would lead to a double-stress calculation ii) the LCR is highly dependent on short-term steering measures (e.g. reverse repos on nHQLA or collateral swaps) which can hardly be projected over various months. Therefore, we would like to ask the regulator to clarify the expected projection horizon of the LCR.	Impact on IT expenses of the banks.	Chaibi, Saif	Regarding the double-stress argument, the ECB expects institutions to determine the outstanding balances of assets, liabilities and off-balance-sheet commitments that enter the calculation of the LCR during a period of stressed conditions and to then multiply those balances by the weights or run-off rates provided in the Commission Delegated Regulation (EU) 2015/61. Although the LCR may be calibrated using stressed conditions, the ECB nonetheless considers it helpful for institutions to know what their LCR would be after, for instance, three or six months of adverse developments. Therefore, the projection of the LCR has been kept as an expectation.

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65	FBF	Principle 7	76	26	Clarification	Some prudential ratios are regulatory stressed, it should be clarified that the prudential framework considers a stressed perspective.	We ask for clarification on the normative perspective of stress testing programmes.		However, it is for institutions to determine a sufficiently long "appropriate" time horizon to be captured by projections. Please also refer to the FAQ concerning this topic.
66	EBF	Principle 7	76	26	Clarification	Some prudential ratios are regulatory stressed, it should be clarified that the prudential framework considers a stressed perspective.	We ask for clarification on the normative perspective of stress testing programmes.	Chaibi, Saif	
67	BBVA	Principle 7	76	26	Clarification	The statement that "[T]he stress-testing programme is expected to cover both the normative and the economic perspective" is confusing, since some regulatory ratios (eg. LCR) are already stressed by definition.	We would like further clarification as to how stress testing should be applied to the normative perspective.		

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68	AEB	Principle 7	76	26	Clarification	The statement that "The stress-testing programme is expected to cover both the normative and the economic perspective" is confusing, since some regulatory ratios (eg. LCR) are already stressed by definition.		Rizo, Carmen	
69	EBF	Principle 4	54	18	Deletion	Although required by the EBA's guidelines, the specific shadow banking risk should not be mentioned in a document following a principle based approach	As the document is principle based and do not substitute or supersede any other text, there is no reason to mention the specific shadow banking risk	Chaibi, Saif	The Guide follows a principles-based approach. It is not prescriptive on how to deal with certain aspects. Reminding institutions and supervisors of important aspects to consider, including aspects that are sometimes overlooked (e.g. shadow banking-related risk, outsourcing risk), does not amount to a deviation from the principles-based approach and leaves the full responsibility for the ICAAP and ILAAP with each individual institution. The Guide is, for instance, not prescriptive with regard to the risk taxonomy. This also means that the Guide does not set any expectations with regard to what risks are managed in isolation or jointly with other risks. It is also not meant to interfere with other relevant
70	GBIC	Principle 4	54.	18-19	Deletion	It is understandable that supervisors wish to have an overview of banks' exposure to shadow banking entities. Given the EBA's negative definition of "shadow banking entities", we assume it would cover unregulated financial market participants such as hedge funds, private equity companies and fintechs. Since there is already an appropriate EBA guideline (EBA/GL/2015/20) to address these questions, there is no need to take any further action. Furthermore, we would like to point	This requirement should be deleted in order to avoid inappropriately singling out shadow banking entities as a source of liquidity risk.	Unger, Leon	

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						out that, in terms of shadow banking, the focus usually lies on the credit exposure and other effects on ICAAP measures. It is highly questionable whether business with shadow banks generates greater liquidity risk than business with other types of borrowers such as emerging market states, construction firms, project finance, large corporations, or business partners in general with non-investment-grade ratings, etc. Moreover, we doubt that the insight thus gained will offer any added value beyond that provided by the list of exposures to shadow banks already required. We therefore suggest dropping the requirement for separate reporting of liquidity exposures to shadow banking entities.			guidance regarding the management of certain risks, e.g. with regard to outsourcing.

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71	Commerzbank AG	Principle 4	54			The referenced EBA Guideline EBA/GL/2015/20 focuses on credit exposure and impact on other types of ICAAP related dimensions. 'Shadow banks' include unregulated financial market participants such as Hedge funds, private equity companies and Fintechs. It is understandable that the regulators strive to gain an oversight over banks' credit exposure to shadow banks. Nevertheless, it is questionable whether business with shadow banks from a liquidity perspective can be considered as riskier than business with other borrowers (e.g.: emerging markets countries/ construction companies / project finance / big Corporates / generally business partners with Non-Investment-Grade rating etc.). Additionally, it is highly questionable whether the gained insights would offer a considerable added value going beyond the reporting of credit exposure to shadow banks which is required anyway. Therefore we suggest to renounce on	- Avoid focusing on shadow banks which is not considered appropriate for the risk type liquidity risk.		

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						a separate reporting of liquidity exposure to shadow banks.			

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72	EBF	Principle 4	57 and 58	19	Deletion	We ask for removal of the specific risks listed in the document as it deals with Principles	We ask for the removal	Chaibi, Saif	
73	FBF	Principle 4	54	18	Deletion	We ask for the removal of any specific risk in the ECB Guide. The "shadow banking" is a specific risk. We ask for its removal from paragraph 54.	We ask for the removal of the reference to the shadow banking.		

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74	GBIC	Principle 4	62.	20	Clarification	As to the monitoring of currencies, please clarify the term "material".	We suggest using known references in order to define "material" or "significant" currencies.	Unger, Leon	No change has been made because the ILAAP is an institution's internal process. Therefore it is the responsibility of the institution to define its own materiality concept.
75	GBIC	Principle 4	51.	18	Amendment	In particular the aspect of significant capital market funding should be explicitly mentioned regarding the evaluation of the materiality of liquidity risk, e.g. resulting from significant market-oriented new products or business activities, in contrast to customer driven activities.	Please reflect or state the influences of different types of business models for the definition and identification of material risks.	Unger, Leon	No change has been made because the ECB Guides on the ICAAP and the ILAAP are principles-based. They are written in a way that shows the direction institutions are expected to take and they also mention aspects that are considered relevant, but how the ICAAP and the ILAAP are actually implemented in an adequate manner remains the responsibility of each individual institution. This also applies to the materiality of risks and to the level of granularity in the treatment of exposures in the ILAAP.
76	GBIC	Principle 4	59.	19	Clarification	In terms of the behavioural analysis, there should be no requirement to look down to the level of each individual contract. The focus of the ILAAP analysis is rather on liquidity units relating to comparable transaction types or contracts. An explicit reference should therefore be incorporated to the possibility of "contract type clustering".	Drafting is too restrictive in terms of contracts.	Unger, Leon	

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77	FBF	Principle 4	57 and 58	19	Deletion	We ask for removal of the specific risks listed in the document as it deals with Principles	We ask for the removal of the specific risks.		
78	Deutsche bank	Principle 4	(iv)	18	Amendment	The guidelines require the institution either to cover identified risks with sufficient liquidity or to risk-accept and not hold additional liquidity. The guideline doesn't seem to cover instances where institution decides to mitigate risk e.g. via the limits framework.	Amend to incorporate that the risk could be addressed via mitigants other than holding additional liquidity.	Nikou, Orestis	No change has been made because the identified risks can be either covered by additional liquidity or mitigated by other means. The limits framework that is mentioned in the comment, however, is unclear. Limiting a risk means that the liquidity impact of a certain risk will not exceed the amount assigned to it (if the limit framework works). If that amount materialised, however, it would cause a liquidity outflow and, thus, have an impact on the liquidity position. Thus, it is unclear how limiting a liquidity risk can be a suitable example of mitigating a liquidity risk without reserving liquidity for it.
79	Deutsche bank	Principle 4	56	19	Amendment	When determining its internal risk inventory, the institution is responsible for defining its own internal risk taxonomy. It is expected not to simply adhere to a regulatory risk taxonomy. It should be clarified that this definition pertains to new/emerging risks only	Amend to prevent inconsistencies in the taxonomy of already established risks.	Nikou, Orestis	No change has been made because the Guide provides sufficient flexibility, including with regard to the risk taxonomy. It does not prevent institutions from using regulatory risk definitions where relevant. However, institutions are expected to go well

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						so as not to create multiple definitions of the already widely recognized risks which would hinder harmonisation across the industry.			beyond regulatory risk definitions and identify risks that may not be captured by any regulatory concept. If an institution wants to use regulatory risk definitions as a
80	GBIC	Principle 4	56.	19	Clarification	Since the regulatory risk taxonomy has become exhaustive in recent years, it should be sufficient in some cases for the expected internal risk taxonomy. Hence the paragraph should read "... the institution is responsible for defining its own internal risk taxonomy. It is expected not to simply adhere to a regulatory risk taxonomy, but rather to make every effort to identify additional risks that might not be included in the regulatory risk taxonomy." Moreover, there is not such a diverse range of risks in ILAAP compared with ICAAP. Any variety results more from the design of the individual products and services, although there is no requirement to disclose these individually as risk types in an inventory. The systematic implementation of this concept would result in unnecessary bureaucracy without any added value for liquidity	This requirement is too restrictive.	Unger, Leon	starting point for its risk taxonomy, it is expected to reflect on what is really captured by the regulatory concept and it would be expected to document this assessment, to document what other risks are captured by its internal risk taxonomy and to demonstrate how the overall combination of risks it captures covers the whole universe of material risks it is exposed to. As the ILAAP is an institution's internal process, each institution is expected to make its own individual assessment of risks to which it is or might be exposed to.

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						management.			
81	AFME	Principle 4	Feedback template not used			While we fully appreciate that liquidity transferability in stressed times can be very different to business as usual scenarios and that this has to be taken into account, from the point of banks operating cross-borders, we would welcome a greater emphasis being placed in paragraph 62 of the ILAAP guide on the benefits of cross-border intra-bank funding, particularly within the Banking Union and progress that has been made in terms of regulatory reform and international supervisory cooperation over the past decade.	Feedback template not used		No change has been made because the assessment of the transferability of liquidity within groups in different situations is expected to be carried out by each institution individually. Of course, the legal/regulatory framework within which it operates can play an important role in that assessment. Still, it remains each institution's responsibility to adequately assess its individual situation. This assessment is, by the way, not limited to cross-border cases.
82	BBVA	Principle 5	63	21	Clarification	"Internal limits are expected to be set for both components, with a clear link between the target size of the buffers of liquid assets and the liquidity risks that could materialise over various time frames, taking into account a time frame of at least one year".	Bank has already established minimum high liquid assets within the RAF. Additionally, the LCR Delegated Act establishes the requirement to hold a diversified buffer of liquid assets. It seems unrealistic to require an internal limit on the use of liquid assets in a stress scenario.		No change has been made because Principle 5 sets expectations for the liquidity buffers under the economic perspective. The LCR is irrelevant under that perspective. To further clarify the expectations, a reference to the CEBS Guidelines on Liquidity Buffers and Survival Periods has been added. These provide further

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83	AEB	Principle 5	63	21	Deletion	“Internal limits are expected to be set for both components, with a clear link between the target size of the buffers of liquid assets and the liquidity risks that could materialise over various time frames, taking into account a time frame of at least one year”.	Some of our member banks already established minimum high liquid assets within the RAF. Additionally, the LCR Delegated Act establishes the requirement to hold a diversified buffer of liquid assets. It seems unrealistic to require an internal limit on the use of liquid assets in a stress scenario.	Rizo, Carmen	guidance on defining the composition of the liquidity buffers available.
84	EBF	Principle 5	63	21	Deletion	Paragraph 63 states that “An explicit internal view is expected to be formed on the desired composition of the buffers of liquid assets used to cover liquidity risks. In particular, the institution is expected to differentiate between assets that are highly likely to remain liquid during times of stress and assets that can only be used to obtain liquidity from central banks. Internal limits are expected to be set for both components” Through the LCR Delegated Act, institutions are already required to hold an adequately diversified buffer of liquid assets (HQLA), having regard to their relative liquidity and credit quality. The Delegated Act is also specifically silent on how liquid assets can be monetised		Chaibi, Saif	

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						Assets which can be only be used to obtain liquidity from central banks represent an important source of contingent liquidity for institutions. In the context that the Delegated Act allows institutions to breach minimum LCR requirements in stress, it is unrealistic to require an internal limit on the utilisation of such liquid assets in a stress scenario.			
85	GBIC	Principle 6	71.	24	Clarification	In the case of vendor models, the expectations in terms of a “full understanding” should be less strict than for those for self-implemented models.	This paragraph makes a distinction between (self-engineered) implemented risk quantification methodologies and vendor models without stating a clear definition of the different expectations.	Unger, Leon	No change has been made because there is no difference in supervisory expectation between institutions using vendor models and those developing their own risk quantification methodologies. The responsibility for implementing adequate ILAAPs remains in all cases with the institution. This includes the need to fully understand the methodologies it applies and the need for these methodologies to capture the individual situation of the institution. Using a vendor model does not mean that the ECB's expectations are lowered in any regard. Rather, the ECB would like to stress that using a vendor model may

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									lead to specific additional challenges for the institution.
86	GBIC	Principle 6	75.	25	Clarification	Example 6.1 should use the phrase of paragraph 73 and hence be reworded as "...Depending on the nature, size, scale and materiality of the risks quantified, and the complexity of the risk quantification methodology..."	The principle of proportionality should be ensured with regard to validation.	Unger, Leon	No change has been made because the materiality of risks is expected to be taken into account in a proportionate approach to internal validation. However, this does not refer to the organisational set-up: the ECB expects large, complex institutions to have separate internal validation units reporting to the same or different senior managers, depending on the institution concerned.

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87	EACB	Principle 6	73	24	Amendment	Separation of model development and validation should be implemented in practice according to the significance of individual models and to the principle of proportionality. The ILAAP Guide emphasises the principle of proportionality in the context of the independent validation function. With regard to the proportionate design of the independent validation, according to para. 73, the materiality and complexity of the risks and methods are decisive. Also in Example 6.1 the organisational implementation is tuned according to nature, size, scale and complexity of the risks. Accordingly, for Pillar 2 models, it should be possible to differentiate the independent validation on the basis of the nature of the risk and its significance for the bank (i.e. the organisational forms described in Example 6.1 may vary depending on the materiality and complexity of the type of risk in a credit institution). While it is indicated that the TRIM Guide also has to be taken into account, we see that a distinction			No change has been made because the ECB is of the opinion that the explanatory text, together with Example 6.1, provides sufficient flexibility for institutions to implement a proportionate internal validation approach and organisational set-up. However, the ECB would like to stress that, irrespective of proportionality considerations, all ILAAP risk quantification methodologies are expected to be subject to regular independent validation.

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						should be made between Pillar 1 and Pillar 2 models with regard to the validation function. The cost of validating Pillar 1 models is only worthwhile for material risks, and therefore specifically higher validation requirements should be set here. However, these should not be introduced without adjustments for Pillar 2 models.			
88	GBIC	Principle 6	73.	24-25	Amendment	The ILAAP Guide emphasises the principle of proportionality in the context of the independent validation function. With regard to the proportionate design of the independent validation, according to para. 73, the materiality and complexity of the risks and methods are decisive. Thus, in Example 6.1 as well, the organisational implementation is required according to the nature, size, scale and complexity of the risks. Accordingly, for Pillar 2 models, it should be possible to differentiate the independent validation according to the nature of the risk and its significance for the bank (i.e. the organisational forms described in	In our view, an institution should be able to choose between different forms of separation of model development and validation, depending on the significance of individual models and according to the principles of proportionality.	Unger, Leon	

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						Example 6.1 may vary depending on the materiality and complexity of the type of risk in a credit institution). However, the TRIM Guide also has to be taken into account here. In our view, however, it is necessary to make a distinction between Pillar 1 and 2 models with regard to the validation function in that the cost of recognition of Pillar 1 models is only worthwhile for material risks, and therefore specifically higher validation requirements should be set here. However, these should not be introduced for Pillar 2 models without reflection.			
89	EAPB	Principle 6	73-75	24-25	Amendment	It does not make sense to have an undifferentiated connection between the design of the validation function and the size of an institution. In this respect, the reference to TRIM in Example 6.1. is not appropriate, as this, for example, rules out a proportionate design of the validation organisation solely on the basis of the G-SII or O-SII status and irrespective of the materiality and complexity of individual risk types. By contrast, according to para. 11, the ILAAP	Ensures the principle of proportionality with regard to validations.	van der Donck, Jeroen	

#	Institution	Chapter	Para	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	ECB reply
						Guide is addressed exclusively to credit institutions that are significant supervised entities within the meaning of Article 2(16) of the SSM Framework Regulation. The reference to the TRIM Guide thus contradicts the proportionality emphasised in the ILAAP Guide. The reference to TRIM should therefore be deleted (particularly as a review of the requirements has already been announced in footnote 13 of the TRIM Guide).			
90	GBIC	Principle 6	74.	25	Amendment	It does not make sense to have an undifferentiated connection between the design of the validation function and the size of an institution. In this respect, the reference to TRIM in Example 6.1. is not appropriate, for example because this rules out a proportionate design of the validation organisation solely on the basis of the G-SII or O-SII status and irrespective of the materiality and complexity of individual risk types. By contrast, according to para. 11, the ILAAP Guide is addressed exclusively to credit institutions that are significant supervised entities within the meaning	The principle of proportionality should be ensured with regard to validation. Delete the reference to TRIM.	Unger, Leon	

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						of Article 2(16) of the SSM Framework Regulation. The reference to the TRIM Guide thus contradicts the proportionality emphasised in the ILAAP Guide. The reference to TRIM should therefore be deleted (particularly as a review of the requirements has already been announced in footnote 13 of the TRIM Guide).			
91	EAPB	Principle 6	73-75	24-25	Amendment	The ILAAP Guide emphasises the principle of proportionality in the context of the independent validation function. With regard to the proportionate design of the independent validation, according to para. 73, the materiality and complexity of the risks and methods are decisive. Thus, in Example 6.1 too, the organisational implementation is required according to nature, size, scale and complexity of the risks. Accordingly, for Pillar 2 models, it should be possible to differentiate the independent validation according to the nature of the risk and its significance for the bank (i.e. the organisational forms described in Example 6.1 may vary depending on	Ensures the principle of proportionality with regard to validations.	van der Donck, Jeroen	

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						the materiality and complexity of the type of risk in a credit institution). However, according to ILAAP guide, the TRIM Guide also has to be taken into account here. However, the TRIM is aimed at enhancing the credibility and confirming the adequacy and appropriateness of approved Pillar 1 internal models. Therefore any reference to the TRIM guide in the context of (the validation of) ILAAP is deemed less appropriate. In our view, an institution should be able to choose different forms of separation of model development and validation, depending on the significance of individual models.			
92	EBF	Principle 6	66 vs 71	24-25	Clarification	The paragraph "Risks are not expected to be excluded from the assessment because they are difficult to quantify or the relevant data are not available. In such cases, the institution is expected to determine sufficiently conservative risk figures, taking into consideration all relevant information and ensuring adequacy and consistency in its choice of risk quantification methodologies." seems to be not perfectly aligned with "the	A clarification on the bank would make the guidelines more linear	Chaibi, Saif	No change has been made because we do not see any inconsistency between the two messages. If a risk is difficult to quantify, the institution is nonetheless expected to fully understand how it is quantified and managed. Reading this message the other way around, it means that if an institution is not able to fully understand how to quantify a particular risk, it is expected to avoid that risk completely (i.e. to avoid the

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						institution is not expected to implement risk quantification methodologies that it does not fully understand"			business that creates the risk).
93	AEB	Principle 7	82	27	Clarification	"ICAAP and ILAAP stress tests are expected to inform each other; i.e. the underlying assumptions, stress test results and projected management actions are expected to be mutually taken into account"	The mention to management actions is confusing. We have some doubts about how we are expected to communicate the mutual feedback between ICAAP and ILAAP as regards management actions, since liquidity measures of ILAAP are different from capital measures of ICAAP and complementary by definition.	Rizo, Carmen	A slight change has been made to the wording, but no change to the contents because the ECB is of the opinion that the wording of the Guide is sufficiently open and clear. Another example of consistency between ICAAP and ILAAP stress testing could be that an institution assesses a severe but plausible scenario in its ICAAP that would lead to a downgrade of the credit rating of a certain asset type (e.g. a government bond portfolio), resulting in a decrease in the value of that asset. This ICAAP assessment would also have implications for the size of available liquidity buffers and would therefore also be expected to be assessed from a liquidity perspective in the ILAAP. If an institution includes in its ICAAP stress test the management action of selling the government bond portfolio in
94	BBVA	Principle 7	82	27	Clarification	"ICAAP and ILAAP stress tests are expected to inform each other; i.e. the underlying assumptions, stress test results and projected management actions are expected to be mutually taken into account". The mention to management actions is confusing.	We have some doubts about how we are expected to communicate the mutual feedback between ICAAP and ILAAP as regards management actions, since liquidity measures of ILAAP are different from capital measures of ICAAP and complementary by definition.		
95	FBF	Principle 7	Example 7.1	28	Amendment	If we understand the example of interaction between ICAAP and ILAAP stress tests, we ask for an example of interaction between ILAAP and ICAAP	We ask for another example.		

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						stress tests.			question, this would again have material implications for the liquidity position, so the management action would also need to be taken into account in an ILAAP assessment. If a management action is considered from both ICAAP and ILAAP perspectives, this could lead to a different management decision being taken. The same holds true the other way around: if an institution foresees in its funding plan scenarios the selling of the government bond portfolio to balance liquidity outflows, this could lead to negative P&L effects in the normative perspective if the market value of the portfolio is lower than the book value.
96	EBF	Principle 7	Example 7.1	28	Amendment	If we understand the example of interaction between ICAAP and ILAAP stress tests, we ask for an example of interaction between ILAAP and ICAAP stress tests.	We ask for another example.	Chaibi, Saif	To sum up, mutually taking information into account between ICAAP and ILAAP stress testing does not amount to a full integration of ICAAP and ILAAP stress testing. Rather, it means that there may be mutual constraints between the capital and the liquidity worlds that could have an impact (e.g. on the feasibility of assumed management actions), and institutions are always expected to consider the implications
97	EBF	Principle 7	82	27	Clarification	We believe that the statement is too strong. ILAAP stress test is of a different nature, time horizon and severity compared to the ICAAP stress test. While adverse funding conditions will most certainly be a part of any ICAAP framework, integrating ILAAP and ICAAP stress test assumptions into a single set may lead to projections which are overly conservative and / or misleading		Chaibi, Saif	

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									that the scenarios they consider to be “severe, but plausible” may have for the other world because, in the end, it is the same institution that is affected by the actions taken in each of the two worlds.
98	EBF	Principle 7	Example 7.2	28	Amendment	It should be considered that for some banking groups, as regards the very high level of their liquidity buffers, it is difficult to define credible reverse stress testing scenarios leading to exhaust liquidity buffers, except either on a mechanical basis (e.g. homogenous increase of all parameters) or by shocking risk drivers beyond liquidity.	We ask for a proportionate and credible approach of reverse stress testing scenarios.	Chaibi, Saif	No change has been made because reverse stress testing does not require a likely scenario by definition. The starting point for reverse stress testing is a pre-defined outcome, e.g. unviability of the business model. The institution is then expected to assess the severity and combination of the risk drivers that would bring about the pre-defined outcome. Finally, the institution is expected to assess the probability of such an event and decide either that is acceptable to the institution or that certain mitigating action is needed. Regarding the comment, please note that reverse stress testing is not a mechanical exercise, i.e. a homogeneous increase in all parameters may be a plausible combination of risk drivers, but this is expected to be assessed beforehand. The combination of changes in parameters is expected to
99	FBF	Principle 7	Example 7.2	28	Amendment	It should be considered that for some banking groups, as regards to the very high level of their liquidity buffers, it is difficult to define credible reverse stress testing scenarios leading to exhaust liquidity buffers, except either on a mechanical basis (e.g. homogenous increase of all parameters) or by shocking risk drivers beyond liquidity.	We ask for a proportionate and credible approach of reverse stress testing scenarios.		

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									be meaningful, not mechanistic.
100	FBF	Principle 7	78 to 80	27	Clarification	Paragraph 80 adequately states that there are a « range of adverse scenarios » while paragraph 70 seems to imply there is only one particular degree of severity.	Please, clarify that paragraph 79 deals with « the most adverse » scenarios.		No change has been made because the "range of scenarios" does not refer to the range of severity levels, but to the fact that the scenarios may differ significantly with regard to the combinations of vulnerabilities captured by them.
101	EBF	Principle 7	78 to 80	27	Clarification	Paragraph 80 adequately states that there are a « range of adverse scenarios » while paragraph 70 seems to imply there is only one particular degree of severity.	Please, clarify that paragraph 79 deals with « the most adverse » scenarios.	Chaibi, Saif	
102	EBF	Principle 7	77	26	Deletion	The transferability of the liquidity has to be taken into account and it is regarding the law and regulations in force in the countries . Under stressed conditions the regulations might change . That is what happened in 2011 during the liquidity crisis , local regulators changed the rules to prevent from a deeper crisis and forbid the liquidity transfer outside of the country (that was the case for Poland for instance) . But it is very difficult to anticipate	As we cannot include in our stress scenario hypothetical changes of the legal framework, we ask for the deletion of his part	Chaibi, Saif	No change has been made because the overarching principle of the ICAAP and ILAAP Guides also applies here: institutions themselves are responsible for taking an adequate approach to this topic, and they are generally expected to follow a sound and cautious approach. This may mean taking into account that a change in law could occur during the scenarios assessed. Please note that the ability to transfer liquidity across entities and countries

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						these changes in a stress scenario. The stress scenario cannot take into account hypothetical changes of the legal framework			within the same banking group has already been recognised in existing regulations as an important part of the liquidity stress testing. See, for example, the EBA Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) (EBA/GL/2014/13; para. 412(h)) and the EBA Guidelines on institutions' stress testing (EBA/GL/2018/04; para. 152(c)).
103	FBF	Principle 7	77	26	Deletion	The transferability of the liquidity has to be taken into account and it is regarding the law and regulations in force in the countries . Under stressed conditions the regulations might change . That is what happened in 2011 during the liquidity crisis , local regulators changed the rules to prevent from a deeper crisis and forbid the liquidity transfer outside of the country (that was the case for Poland for instance). But it is very difficult to anticipate these changes in a stress scenario. The stress scenario cannot take into account hypothetical changes of the legal framework	As we cannot include in our stress scenario hypothetical changes of the legal framework, we ask for the deletion of this part		

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104	FBF	Scope and proportionality	14	4	Clarification	The application date of the "ECB Guide to the ILAAP" is not mentioned. We wonder if credit institutions will have to comply by 2019. We ask for the introduction of a dedicated paragraph considering that the "ECB Guide to the ILAAP" should be considered gradually and proportionately by credit institutions, on a case by case basis.	In order to clarify requirements for both credit institutions and supervisory authorities, we ask for more clarification regarding the application date of the ECB requirements.		No change has been made because the ECB has already communicated this several times since February 2017. It is also mentioned in current communications, including the press release and the FAQ document.
105	EBF	Scope and proportionality	14	4	Clarification	The application date of the "ECB Guide to the ILAAP" is not mentioned. We wonder if credit institutions will have to comply by 2019. We ask for the introduction of a dedicated paragraph considering that the "ECB Guide to the ILAAP" should be considered gradually and proportionately by credit institutions, on a case by case basis.	In order to clarify requirements for both credit institutions & supervisory authorities, we ask for more clarifications regarding the application date of the ECB requirements.	Chaibi, Saif	
106	Finance Finland	Scope and proportionality	1.2	4	Clarification	We understand the guidelines are principally aimed at SI banks, as is stated under "scope and proportionality". We see it necessary to formulate under the same chapter how the local authorities should apply the guidelines on LSIs that are out of scope of these ECB guidelines. The	To ensure level regulatory playing field across member states by clarifying how different NCAs should interpret the guidelines, and how bindingly they should be applied on LSIs.		The ICAAP and ILAAP Guides do not establish any regulatory requirements but rather convey the ECB's understanding of ICAAP and ILAAP requirements stemming from Articles 73 and 86 CRD IV. The ILAAP and ICAAP Guides are relevant for significant institutions which are

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						risk is that by letting this matter to the hands of local NCAs, different jurisdictions will result in different level of granularity regarding ICAAP and ILAAP processes, and thus would create an unlevel playing field for LSI banks. Some NCAs might apply the guidelines directly as-is to LSIs, whereas some might not apply these at all.			directly supervised by the ECB.