German Banking Industry Committee

Die Deutsche Kreditwirtschaft

Comments on Commission targeted consultation document: *Alternative Standardised Approach for Market Risk*

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Register of Interest Representatives
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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

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Comments

1. Calculation of curvature risk

Q1. Do you have comments on the implementation of the revised rules for capturing curvature risk?

Q2. In particular, do you have comments on the additional revision introduced to avoid double counting the own funds requirement for curvature risk for foreign exchanges risk factors?

Evidence on the behaviour of the FX curvature charge for instruments that do not reference EUR suggests that a 'one-size fits all' approach for the definition of the scalar 1.5 would not be appropriate and that this scalar should be properly calibrated for each currency pair.

2. Possibility to include positions without optionality in the calculation of curvature risks

Q3. What are your views in relation to the abovementioned discretion for institutions?

This discretion should be implemented in the EU.

Q4. What are you views in relation to the notification procedure and the role of competent authorities?

3. Approaches for equity investments in collective investment undertakings (CIU) that do not qualify for the look-through approach

Q5. How frequently would you expect to use the mandate-based approaches?
Q6. Under the 'hypothetical portfolio' approach, what are your views on the conditions to use it? Do you have any views on the operational aspects of the proposed supervisory approval process?
Q7. Do you have any comments regarding the 'single equity' approach?

The mandate-based approach does not play any role in practice (requirements are virtually impossible to fulfil), as the look-through approach is generally used for investment funds.

4. Equity investments in CIUs that track an index

Q8. Do you have comments on the revised treatment of CIUs that track an index?
Q9. Do you have views on the condition for its use?

The Delegated Act treats positions in a fund that tracks a listed index sufficiently well as positions in a single equity. The proposed approach should be applied not only to pure ETFs, however, but also to actively managed, index-based investment funds.

Q10. Do you have comments on the proposed solution for cases for which less than 12 months of data are available?

The index provider should be allowed to back-calculate the composition of the fund for a period of twelve months. This ensures data availability.

Comments

5. Use of a base currency

Q11. Do you consider the introduction of the base currency approach as useful? Please explain.

Q12. Are the conditions for the application of this approach sufficiently clear? If not, how should they be clarified?

6. Other issues

Q13. Do you have comments on any other parts of the attached text?

On the proposed delegated act we have further comments:

a) Page 8, Article 1 (2), replacing Article 325g, 2:
There probably is an incorrect sign in the formula for downward net curvature risk position CVR-(ik): There should be a "+" instead of a "-" in front of "RW(k)Curvature x s(ik)".
b) Page 11, Article 1 (4), replacing Article 325i, 3. (a):
There are two typos ("THE constituents…", "… in THAT index…").
c) Page 11, Article 1 (4), replacing Article 325i, 3. (d):
In the first sentence, it should probably read: "no set comprising one tenth or LESS…" instead of "no set comprising one tenth or MORE.