

# Bank of England

## Prudential Regulation Authority

# Appendix 2: List of questions

Consultation Paper | CP16/22

November 2022



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## **Consultation Paper | CP16/22**

**November 2022**

The full list of specific questions addressed to stakeholders in Chapters 2 to 9 of the Consultation Paper (CP) to which the Prudential Regulation Authority (PRA) would welcome responses are set out below. The PRA also welcomes responses on all aspects of this CP.

## Chapter 2 – Scope and levels of application

Q1: Do you have any comments on the PRA's proposals for the Transitional Capital Regime?

Q2: Do you have any comments on the PRA's proposed Simpler-regime criteria?

## Chapter 3 – Credit risk – standardised approach

Q3: Do you have any comments on the PRA's proposed approach to the use of external credit ratings and the proposed due diligence requirements?

Q4: Do you have any comments on the PRA's proposed definition of commitment and proposed conversion factors (CF) for commitments?

Q5: Do you have any comments on the PRA's proposed CFs for issued off-balance items? Do you have any additional data that the PRA could access? In particular, do you have any data relating to the appropriate CF for 'transaction-related contingent items' in downturn conditions?

Q6: Do you have any comments on the PRA's proposed approach to exposures to central governments and central banks, regional governments and local authorities, public sector entities (PSEs), and multilateral development banks (MDMs)?

Q7: Do you have any comments on the PRA's proposed changes to the external credit rating approach (ECRA), the proposed introduction of the standardised credit risk assessment approach (SCRA), for exposures to unrated institutions, and the proposed treatment of covered bonds?

Q8: Do you have any comments on the PRA's proposed approach for exposures to unrated corporates? Do you have any evidence – quantitative or qualitative – to support your comments, particularly in respect of the proposed 135% risk-weight for non-investment grade exposures?

Q9: Do you have any comments on the PRA's proposed approach for specialised lending exposures, or data that is relevant to this analysis?

Q10: Do you have any comments on the PRA's proposed removal of the infrastructure support factor? Do you have any evidence – quantitative or qualitative – to support your comments?

Q11: Do you have any comments on the PRA's proposed removal of the small and medium-sized enterprise (SME) support factor? Do you have any evidence – quantitative or qualitative – to support your comments?

Q12: Do you have any comments on the PRA's proposals for retail exposures?

Q13: Do you have any comments on the PRA's proposal that the value of the property shall be measured at origination and on the proposed approach to determining origination value? Do you have any comments on the proposed prudent valuation criteria?

Q14: Do you have any comments on the PRA's proposed approach to risk-weighting real estate exposures?

Q15: Do you have any comments on the PRA's proposals on capital instruments, defaulted exposures and high-risk items?

## Chapter 4 – Credit risk – internal ratings based approach

Q16: Do you have any comments on the PRA's proposed implementation timelines?

Q17: Do you have any comments on the PRA's proposals for permission to use the internal ratings based (IRB) approach?

Q18: Do you have any comments on the PRA's proposed IRB exposure classes and sub-classes?

Q19: Do you have any comments on the PRA's proposed restrictions on the use of the IRB approach?

Q20: Do you have any comments on the PRA's proposed approach to roll-out, permanent partial use, and reversion?

Q21: Do you have any comments on the PRA's proposals relating to the 1.06 scaling factor and to the 1.25 asset value co-efficient of correlation multiplier?

Q22: Do you have any comments on the PRA's proposal to remove the SME support factor under the IRB approach? Do you have evidence – quantitative or qualitative – regarding the appropriateness of the IRB approach for SME exposures in the absence of the support factor?

Q23: Do you have any comments on the PRA's proposal to move the infrastructure support factor under the IRB approach? Do you have evidence – quantitative or qualitative – regarding the appropriateness of the IRB approach for infrastructure exposures in the absence of the support factor?

Q24: Do you have any comments on the PRA's proposed approach to calculation of risk-weighted assets and expected loss, not covered by the questions above?

Q25: Do you have any comments on the PRA's proposed general requirements for use of the IRB approach?

Q26: Do you have any comments on the PRA's proposed approach to the definition of default?

Q27: Do you have any comments on the PRA's proposed PD, LGD, and CF or EAD input floors?

Q28: Do you have any comments on the PRA's proposals on PD estimation?

Q29: Do you have any comments on the PRA's proposals to LGD estimation?

Q30: Do you have any comments on the PRA's proposals to EAD estimation?

Q31: Do you have any comments on the PRA's proposals for maturity?

Q32: Do you have any comments on the PRA's proposals for specialised lending?

## Chapter 5 – Credit risk mitigation

Q33: Do you have any comments on the PRA's proposals for recognising funded credit protection (FCP) for exposures that give rise to counterparty credit risk?

Q34: Do you have any comments on the PRA's proposals for recognising FCP for exposures that do not give rise to counterparty credit risk?

Q35: Do you have any comments on the PRA's proposals for recognising unfunded credit protection (UFCP)?

Q36: Do you have any comments on the PRA's proposals for FCP?

Q37: Do you have any comments on the PRA's proposals for UFCP?

## Chapter 6 – Market risk

Q38: Do you have any comments on the PRA's proposed definition of "gross jump-to-default" in the alternative standardised approach (ASA) default risk charge?

Q39: Do you have any comments on the PRA's proposal for carbon emissions certificates? What additional information could be considered for the calibration of risk weights and correlations, particularly relating to any historical period of stress?

Q40: Do you have any comments on the PRA's proposals to include the external party approach (EPA) for the treatment of collective investment undertakings (CIU) in the new ASA?

Q41: Do you have any comments on the PRA's proposals to recognise non-modellable risk factors (NMRFs) in your model for the purposes of back-testing at the trading desk level? To what extent would you be able to incorporate NMRFs into your model for back-testing?

Q42: Do you have any comments on the PRA's proposal to allow firms a greater degree of modelling flexibility for CIUs in internal model approach (IMA)?

## **Chapter 7 – Credit valuation adjustment and counterparty credit risk**

Q43: Do you consider the proposed credit valuation adjustment (CVA) transitional arrangement appropriate from risk and operational perspectives?

Q44: Do you consider the standardised approach-counterparty credit risk (SA-CCR) transitional arrangement appropriate from risk and operational perspectives?

Q45: To what extent do you consider the targeted recalibration on risk weights for pension funds and the proposed reduction in the SA-CCR alpha factor to be appropriate?

Q46: To what extent do you think the proposed CVA and SA-CCR package appropriately aligns the risks with the capital requirements for derivatives transactions?

## **Chapter 8 – Operational risk**

Q47: Do you have any comments on the PRA's proposed implementation of the standardised approach (SA) in the Basel 3.1 standards for operational risk capital requirements?

Q48: Do you support the PRA's proposal to set the internal loss multiplier (ILM) equal to 1?

## **Chapter 9 – Output floor**

Q49: Do you support the scope and levels of application of the PRA's proposed output floor? Do you have any additional evidence on the potential impact of these proposals with respect to different activities or particular business lines?

Q50: Do you have any comments on the PRA's proposal that when the output floor is activated 'floored' RWAs should be used wherever relevant in all elements of the capital stack? Do you have any additional evidence that is relevant to this proposal to inform the PRA's analysis?

Q51: Do you have any comments on the PRA's proposed transitional arrangements including the proposal to not apply the discretionary transitional cap?

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