

To: Basel II NPR Public File
From: Mark Van Der Weide and Allison Breault
Date: June 9, 2006
Re: Meeting of Banking Agency Staff and the American Bankers Association

On May 16, 2006, Federal Reserve staff met with representatives and members of the American Bankers Association (“ABA”) to discuss the interagency notice of proposed rulemaking (“NPR”) to implement a new risk-based capital framework based on the Basel II capital accord (“Accord”) issued by the Basel Committee on Banking Supervision (“BCBS”). Representatives from the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Deposit Insurance Corporation (collectively, “Agencies”) were also present. Before the meeting, the ABA submitted a list of questions on various aspects of the Basel II NPR. This list of questions is attached. The meeting generally followed the outline of the questions presented.

Members and representatives of the ABA discussed with Board staff the scope of application of the NPR and the implementation timeline for the advanced approaches. The ABA also discussed with staff of the Agencies how the Agencies would determine whether a 10 percent decline in “aggregate minimum required risk-based capital” has occurred as a result of Basel II. They cited a preamble statement that “the agencies will view a 10 percent or greater decline in aggregate minimum required risk-based capital ... compared to minimum required risk-based capital as determined under the existing rules, as a material reduction warranting modifications to the supervisory risk functions.”

In response to ABA questions on the stress testing requirement in the Basel II NPR, Board staff indicated that forthcoming proposed supervisory guidance would further clarify the scope of Basel II stress testing. The ABA and Board staff also discussed the Basel II NPR validation requirements and the treatment of excess capital held in a BHC’s insurance underwriting subsidiary under the Basel II NPR.

Several of the ABA questions focused on the NPR’s definition of default. The ABA expressed concern that the definition of default in the NPR diverged from the definition of default in the BCBS revised framework published in July 2004 (“Mid-year Text”). The ABA explained that the different definitions of default in the NPR and Mid-year Text would require banks with international operations to maintain dual systems. The ABA also expressed concerns about the availability of historical data to estimate risk parameters given the new definition of default and stated that most banks now collect data using the 90-days past due standard in the Mid-year Text. The ABA also discussed with Board staff the NPR’s treatment of the sale of a wholesale exposure at a 5 percent credit-related loss as a default event.

In addition, ABA members expressed concern regarding the treatment of retail lease residuals in the proposal.

The ABA members also discussed several issues relating to the treatment of downturn LGD and the treatment of securitizations under the NPR.

In response to questions on the Pillar II requirement, Board staff stated that forthcoming proposed supervisory guidance would better outline the Pillar II requirement.

Board staff urged the ABA and its members to submit detailed written comments on the proposal.

The list of attendees included:

Agency Attendees

Steven Roberts	FRB
David Jones	FRB
David Wright	FRB
Robin Lumsdaine	FRB
Roger Cole	FRB
Norah Barger	FRB
Barbara Bouchard	FRB
Mark Van Der Weide	FRB
Anna Lee Hewko	FRB
Greg Feldberg	FRB
Allison Breault	FRB
Sabeth Siddique	FRB
Stacy Coleman	FRB
Connie Horsley	FRB
Erik Heitfield	FRB
Bradford Case	FRB
William Bassett	FRB
Coryanne Stefansson	FRBNY
Lance Auer	FRBNY
Eric Rosengren	FRB-BOS
Mark Levonian	OCC
Roger Tufts	OCC
Amrit Sekhon	OCC
Ron Shimabukuro	OCC
Kevin Bailey	OCC
Tommy Snow	OCC

Fred Phillips-Patrick	OTS
Michael Solomon	OTS
Eric Hirschhorn	OTS
David W. Riley	OTS
Karen Osterloh	OTS

Alfred Seivold	FDIC
Jason Cave	FDIC
Pete Hirsch	FDIC
Michael Phillips	FDIC

Industry Attendees

Jane Yao
 Marina Murray
 Mark Tenhunfeld
 Robert Strand
 James Chessen

Annpam Sahay
 Fenton Aylmer
 David Kerns
 Benjamin Rosenthal
 Jim Cypert
 John Roesgen
 Jodi Richard
 Michelle Rosenthal Hubertus
 Joseph Lyons
 Alex Scott
 Rick Meng
 Jennifer Davis
 Philip Chamberlain
 Don Leombruno
 Phil Mitterling
 Melodee Boos
 Kimberly Milosh
 Judith Chavis

Jitendra Rathod

Lin Li

Institution

American Bankers Association
 American Bankers Association
 American Bankers Association
 American Bankers Association
 American Bankers Association

KeyCorp
 Citigroup
 Fifth Third Bank
 LaSalle Bank
 Wachovia
 HSBC
 HSBC
 JP Morgan Chase
 JP Morgan Chase
 ING Direct
 ING Direct
 Bank of NY
 Bank of NY
 National City Corp
 Washington Mutual
 Irwin Financial
 State Street
 Comerica, Inc

FreddieMac

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Basel II Program-wide

Code	Topic	Comment
A1	Scope of Application	Scope of Application for Subsidiary Banks of a BHC – Is it the intent of the NPR to require all chartered bank subsidiaries of a core bank holding company to have in place a Basel A-IRB compliant risk management infrastructure and to calculate stand-alone regulatory capital minimums regardless of the size or purpose of the subsidiary?
A2	Scope of Application	Do banks located in foreign/non-US countries that are subsidiaries of a US bank holding company need to comply with the US NPR in addition to their local country rules? Or, will the US agencies accept varying country rules when assets are consolidated at the BHC?
A3	Scope of Application	Will there be any requirement or expectation for “general banks” to implement Basel II or Basel II like risk and capital measurement systems?
B1	Timeline	What is the current expected timetable for the publication and comment periods for both the Basel II and Basel IA NPRs?
B2	Timeline	Final Rule Date – What is the expected date to publish the Final Rule?
C1	Implementation	Implementation Date – Is it the bank’s option as to when it establishes the beginning of its first transitional period within the 36-month period for the date of the Final Rule?
C2	Implementation	Implementation Plan – Will additional guidance be published on the form/substance of the formal Basel Implementation Plan that must go to the Board? Has the horizontal review of the plans previously required and submitted by core banks been completed and is it available for review?
C3	Implementation	Supervisory Qualification – Please clarify the definition of “supervisory qualification.” Will Basel reviews be conducted prior to the Board’s approval of its implementation plan? What type/form of reviews will take place before, during, and after the parallel run year?
D1	Capital Floors	How will the 10% aggregate capital floor be measured?

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Code	Topic	Comment
D2	Capital Floors	Transitional Year Capital Floors – Will the overall decrease in capital, part of which may result from business line divestitures, be limited to the floor caps or will adjustments be permitted?
D3	Capital Floors – Basel I vs. Basel IA	Will the transitional floors be based on the current Basel I framework or the proposed Basel IA framework?
D4	Capital Floors – Basel I vs. Basel IA	What is the possibility that core banks will be required to use the Basel IA framework as its transition floor base calculation?
D5	Capital Floors – Basel I vs. Basel IA	P.100—Question 10: For conducting the parallel run, will Basel IA or Basel I be applied? Will Basel IA also have a parallel reporting period?
D6	Capital Floors	Will there be capital ceilings during transitional years if a bank's capital shows an increase under Basel II? Will a bank or BHC have time to bring its capital up to the new level?
D7	Capital Floors	Agency Capital Objectives – How will the 10% floor be administered across the industry? Once the transition periods conclude, will a bank's capital be allowed to decrease greater than 10% as long as the industry average is within the floor limits?
D8	Capital Floors	What sort of actions may be taken if the 10% aggregate capital floor is breached?
D9	Capital Floors	Will the 10% aggregate capital floor measurement be reported publicly?
E1	Stress Testing	Should capital adequacy stress testing analysis be conducted using only the current exposures or should it include future new business?
E2	Stress Testing	If the stress testing is conducted using future new business do the agencies have expectations about the mix and level of future new business?
E3	Stress Testing	Stress scenarios that test a bank's solvency are expected to be more severe than the periodic downturns that may be experienced in a bank's market areas. What principles will be used to determine if a historical downturn is sufficiently severe?

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Code	Topic	Comment
E4	Stress Testing	Stress Testing – The NPR indicates; 1.) that PD estimates would be converted into PDs reflecting economic downturn conditions as part of the IRB risk-based capital formulas, 2.) a prescribed formula to calculate downturn LGDs, and 3.) for undrawn commitments, EAD must include a best estimate of future draws during a time of economic downturn. The text also indicates that banks would have to periodically stress test their advanced systems and manage their regulatory position so that they are at least adequately capitalized during all phases of an economic cycle. If the calculation of each risk parameter complies with these requirements, what additional elements of the impact of economic downturns be introduced through stress testing?
F1	Validation/Review	Control & Oversight—Discussion: Validation process must be independent of the process for developing, implementing and operating advance systems and models. Individuals who perform validation must not be biased due to their involvement in development. And they must have relevant skills. How independent must the validation of the advanced models be? Is this a structure concern or a function concern? Can this be accomplished through a committee process or is a dedicated validation team required?
F2	Validation/Review	Rating System Review/Independent Review – Please clarify the roles and responsibilities for the RSR/IR functions. How does Independent Review differ from business unit validation, credit review, and Internal Audit functions?
G	Additional Disclosure Requirements	Additional Disclosure Requirements – Please clarify the types of additional confidential disclosures that will be required for deposit institutions that are members of a bank holding company.
H	Insurance Underwriting Subsidiaries	Insurance Underwriting Subsidiaries – Please clarify whether excess capital, above minimum requirements, maintained in regulated insurance subsidiaries can be considered part of eligible capital components.

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Code	Topic	Comment
I	Overall Capital Assessment	Overall Capital Assessment – The NPR indicates that in addition to its Pillar I calculations, its capital assessment process must also include provisions for other risks, e.g. net interest rate, liquidity, concentration, etc. Will the agencies expect banks to establish quantitative measures as justification for capital retained above the minimum requirements?
J	QIS	Will there be an additional Quantitative Impact Study? If not, why not?
K	SR Letter 99-18	What role will the Federal Reserve's SR Letter 99-18 (economic capital) play going forward in the new Basel II and Basel IA environment?

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Credit Risk: General

Code	Topic	Comment
A1	Credit Risk Multiplier	In addition to floors requirement, the quantitative safeguards also include the use of a credit risk multiplier (proposed as 1.06) as a placeholder, pending review and overall calibration of the framework during the transition period. Firstly, we view this scaling factor is excessive given the proposed floor and existing PCA requirement. Secondly, as this 1.06 scaling factor is based on the international QIS-3 results, it may not be appropriate for the US banks. We suggest US agencies to conduct further study to determine appropriate scaling factor and to assign the credit risk multiplier after the three-year transition period if it is necessary.
A2	Credit Risk Multiplier	What was the empirical basis for sizing the 1.06 scaling factor for credit risks? Will this information be shared with the industry?
A3	Credit Risk Multiplier	Is the intent of the Agencies to impose the credit risk multiplier (1.06) on the US affiliate of a foreign parent? If so, there is the possibility of a compounding effect in the event the parent is also required to impose a similar multiplier on its consolidated position.
B1	Supervisory Mapping Function for LGD	We would like to have further clarification on how the Agencies derived the supervisory mapping function for LGD ($LGD = 0.08 + 0.92 * ELGD$) as this mapping function would significantly increase the LGD estimation and capital requirement.
B2	Supervisory Mapping Function for LGD	What is the rationale behind the parameters of the (downturn)LGD function that will take over in case a bank fails the supervisory standard for estimating its own (downturn)LGD: $(downturn)LGD = 0.08 + 0.92 * ELGD$
B3	Supervisory Mapping Function for LGD	What was the empirical basis for sizing the LGD/ELGD add-on factor? Will this information be shared with the industry?
C	Other	Please clarify "significantly higher than average" relative to the definition of "economic downturn conditions."

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Credit Risk: Wholesale

Code	Topic	Comment
A1	Definition of Default	Under the definition of default, can credit-related losses of 5 percent or more in connection with a sale of the exposure be clarified further? What expectations do the Agencies have on how banks may differentiate credit related from non-credit related losses that result from the sale of the exposure?
A2	Definition of Default	Wholesale Definition of Default – Under the NPR definition of default for wholesale, an obligor is considered in default if an exposure incurs a credit related loss of 5 percent of more of the exposures initial carrying value in connection with the sale of the exposure. In the case of a diversified large corporate obligor, where multiple exposures exist within the subsidiary structure, does this rule require placing the entire relationship in default upon reducing/selling an exposure to one member of the corporate group?
A3	Definition of Default	If a bank has built all of its PD and LGD models based on the Basel II definition of default (which includes 90-days past due), will the bank have to rebuild all its PD and LGD models to follow the NPR's new definition of default?
B1	Advised Lines	Advised Lines – The NPR makes no mention of advised lines that carry a conditional commitment to lend. Please clarify how advised lines should be treated.
B2	Advised Lines	The NPR provides no guidance on whether unused advised lines should be considered wholesale exposures that require credit risk capital. Can we assume that unlike the QIS4 instructions implied, unused advised lines do not require credit risk capital or separate disclosures?
C	LGD and Stress Testing	Please clarify the role of stress testing in quantifying LGD in light of the new formula to convert ELGD to economic downturn LGD.
D	Downturn EAD	During periods of general economic downturns or those specific to certain industries a bank may make a conscious policy decision to reduce exposures whereby reducing the potential for future draws. To what extent are prudent lending practices and policy decisions of this nature allowed to impact EAD estimates.

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Credit Risk: Wholesale

Code	Topic	Comment
E	Classification of Exposures	The NPR indicates that it no longer will treat special lending categories and commercial SMEs differently from wholesale exposures. Please clarify that it is no longer necessary to maintain separate exposure classifications for these exposures.
F	HVCRD	Please provide clarification on the requirement that "banks not consider the value of collateral pledged to support a particular wholesale exposure when assigning a rating to the obligor of the exposure" (p. 106) for banks wishing to apply an advanced approach to estimate risk parameters for HVCRE (p. 161). This rule appears to ask that banks not consider project specific market risks (that affect the value of the real estate collateral) when assessing default probabilities for such loans. Is this interpretation correct?
G	Probability of Default	In the NPR, PD now seems to be definitively a "through-the-cycle" PD -- a 'best estimate' of the long-run average of 1-yr default rates. This seems to rule out KMV's EDFs (expected default frequency) even for institutional credit (with stock and options trading). Banks using KMV EDFs at least as the starting point of credit ratings for institutional loans (quite a few will fall into this category) will have to create a separate EDF/PD bucketing for underwriting/EC/pricing and a separate PD bucketing for regulatory capital calculations. Not only is this onerous but it may fail the "use-test" -- another requirement of Basel II.

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Credit Risk: Retail

Code	Topic	Comment
A1	Annualized Cumulative Default Rates	Computation of annualized cumulative PD, in the context of seasoning – more specifics needed.
A2	Annualized Cumulative Default Rates	Please clarify the principles underlying the requirement for specific use of Annualized Cumulative Default Rates and whether alternative approaches to achieve the same outcome are permitted.
A3	Annualized Cumulative Default Rates	Retail Seasoning Effects – Please define how seasoning materiality is determined for retail portfolios.
B	Revised Definition of Default	The Agencies amended the definition of default for the retail exposures, in line with the FFIEC's Uniform Retail Credit Classification and Account Management Policy. The NPR defined default for revolving retail credit and residential mortgages at 180 days past due. Other retail exposures would be in default after 120 days due. This is a change from 90 days past due according to the international Basel II Accord. This change to the definition of default causes the inconsistency and creates the divergence between our definition of default and NPR as our default definition is based on the international Basel II Accord and consistent with our bank's standard. We would like to know whether 90 days past due default definition would be accepted by the Agencies under the NPR.
C	Purchased Receivables	Please clarify whether a receivable dilution effect is to be factored into the risk weight calculation for wholesale and retail purchased receivables.
D	Retail Lease Residuals	What is the rationale for requiring a fixed 100% risk weight on retail lease residuals? This seems counter to the stated objective of implementing a risk sensitive capital framework and ignores widely used risk mitigation techniques such as residual value insurance and forward sale agreements.
E	Retail Segmentation Review	Please clarify the reasons for requiring a quarterly review and update of the retail segmentation system.

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Credit Risk: Other Exposure

Code	Topic	Comment
A1	Securitization	<p>CEIOs in Securitizations: When a bank creates a securitization, FAS 140 requires a basis adjustment, so that some of the value is reallocated to the Credit Enhancing I/O tranche. If only a small amount of the securitization is sold, little of the potential gain is realized, so little capital is "created" by the transaction. We understand that these gains are to be deducted from Tier 1 capital.</p> <p>Are we correct to understand that a bank that undertakes such a transaction is to deduct from capital the entire value of the CEIO and on top of that, hold capital on the securities up to that it would have held if it did not create the securitization (k-irb)? This can be substantially more capital than if the loans were simply held in portfolio. What is the increase in risk that requires an increase in capital? Since the CEIO was created through the basis adjustment process, is there an offset for the downward adjustment in the value of the loans supporting the other securities?</p>
A2	Securitization	<p>RBC requirement for Early Amortization Provisions – On page 465 the Draft NPR states that:</p> <p>“For securitizations described in paragraph (a)(1) of this section, an originating bank must calculate the risk-based capital requirement for the originating bank’s interest under sections 42-45, and the risk-based capital requirement for the investors’ interest under paragraph (b) of this section.”</p> <p>This paragraph indicates that sections 42-45 should be used to calculate RBC on the originating bank’s interest or the seller’s interest portion of the transaction. Sections 42-45 represent the securitization hierarchy. Does this indicate that the Rating Based Approach should be used to calculate RBC for the seller’s interest tranches of a securitization structure that is rated by an NRSRO?</p>

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Credit Risk: Other Exposure

Code	Topic	Comment
A3	Securitization	For a securitization exposure to qualify as a "senior securitization exposure" must it <u>exclusively</u> hold a first priority claim on the cash flows from the underlying exposures, or may it <u>share</u> (pari passu) a first priority claim on the cash flows from the underlying exposures?
A4	Securitization	To qualify as an "eligible clean-up call," should it not be the <u>originating bank</u> that has sole discretion to exercise the clean-up call (i.e.: what if the servicer is an unrelated third party to the originating bank, or an affiliate of the investor)?
A5	Securitization	Under the Internal Assessment Approach (IAA), may a bank use the IAA for asset classes for which NRSRO rating criteria is not publicly available, but where the credit assessment is subject to NRSRO agency review?
B	Margin Lending	The margin lending rules state that under the collateral haircut approach, a bank would set EAD equal to the sum of (i) the value of the exposure less the value of the collateral; (ii) the absolute value of the net position in a given security multiplied by the market price volatility haircut appropriate to that security; and (iii) a currency mismatch factor. Is this the intended order of the calculation? Shouldn't the haircut be applied to the collateral before the comparison is made to the loan? Under this approach, a \$10,000 loan secured by \$10 million in securities would see a far higher capital charge than a \$10,000 loan secured by \$12,000 in securities, since capital is computed against the entire collateral, not just the collateral matched to the loan.

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Operational Risk

Code	Topic	Comment
A1	Economic vs. Regulatory Capital	The agencies are considering whether to define operational loss based solely on the effect of an operational loss event on a bank's regulatory capital or to use a definition of operational loss that incorporates, to a greater extent, economic capital concepts. Economic capital depends on the confidence interval, which in turn is based on the ratings that bank wants to achieve. So I am not sure what this comments means?
A2	Economic vs. Regulatory Capital	In the case of operational loss events associated with premises and other fixed assets, however, potential loss amounts used in a bank's estimate of its operational risk exposure could be considerably different under the two approaches. The agencies recognize that, for purposes of economic capital analysis, banks often use replacement cost or market value, and not carrying value, to determine the amount of an operational loss with respect to fixed assets. The use of carrying value would be consistent with a definition of operational loss that covers a loss event's effect on a bank's regulatory capital, but may not reflect the full economic impact of a loss event in the case of assets that have a carrying value that is different from their market value. This would be crucial in cases of external events like hurricane and 9/11.
B1	Inputs into Capital Model	Are the four elements of operational risk quantification: internal operational loss event data, external operational loss event data, results of scenario analysis, and assessments of the bank's business environment and internal controls, all absolute requirements? Within the flexibility of the weights of these four factors, can one (or more) of the weights be set to zero? For example, if an institution can justify a model without results of scenario analysis, will that be acceptable?
B2	Inputs into Capital Model	Banks are expected to periodically compare results of the prior business environment and internal control factor assessments against the bank's actual operational losses. Does this mean the calibration of the AMA model distributions to the risk control self assessments is a necessary step?

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Code	Topic	Comment
B3	Inputs into Capital Model	Quantification of Operational Risk -- The NPR refers to the ANPR as setting the standards for AMA quantification. The ANPR indicates that a bank has flexibility in designing its quantification model as long as it includes internal and external loss data, business environment analysis and scenario analyses. As long as a bank's model incorporates all of these elements, are there other techniques such as a loss distribution analysis that are required to comply with the AMA approach?
B4	Inputs into Capital Model	Does the NPR establish any limitation on the use of either external data or scenario analysis to generate qualitative and quantitative inputs into capital model?
B5	Inputs into Capital Model	The results of scenario analysis provide a means for a bank to incorporate a forward-looking element in its operational risk data and assessment systems. Since scenarios cannot be validated, how it can be called as forward looking element we would never know if it gave us a forward looking behavior or not?
B6	Inputs into Capital Model	A bank must review and update (as appropriate) its operational risk quantification system whenever the bank becomes aware of information that may have a material effect on the bank's estimate of operational risk exposure, but no less frequently than annually. Is this related to SOX, for example, if there is a material weakness then the operational risk capital should go up?
C1	Loss Data Collection	What expectations do Agencies have on setting of the dollar threshold in the data collection of operational loss events?
C2	Loss Data Collection	Since expected loss is defined as the mean of the loss distribution, will the use of a dollar threshold to collect and build a loss distribution generate a false and overstated expected loss?

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Code	Topic	Comment
C3	Loss Data Collection	A bank may refrain from collecting internal operational loss event data for individual operational losses below established dollar threshold amounts if the bank can demonstrate to the satisfaction of its primary Federal supervisor that the thresholds are reasonable, do not exclude important internal Operational loss event data, and permit the bank to capture substantially all the dollar value of the bank's operational losses. Should we collect all the losses?
C4	Loss Data Collection	Regarding operational loss collection threshold, NPR states "A bank may refrain from collecting internal operational loss event data for individual operational losses below established dollar threshold amounts if the bank can demonstrate ... that the thresholds ... permit the bank to capture substantially all the dollar value of the bank's operational losses". Does this imply that it is necessary to empirically capture a high percentage (say 99%) of all operational losses on a dollar basis? Or can the smaller aggregate losses by modeled, e.g., using truncated loss severity distributions in the unit models?
C5	Loss Data Collection	The proposed rule defines operational loss as a loss (excluding insurance or tax effects) resulting from an operational loss event. Should we stop capturing insurance recoveries?
D1	Units of Measure	In choosing units of measure in operational risk quantification a bank will have to demonstrate that it has not combined business activities or operational loss events with different risk profiles within the same loss distribution. While we understand and appreciate the rationale behind this requirement, because of lack of data there will be severe limitations in "quantifying" the risk profile of sub-units that make a unit. In such a situation, how can such a requirement be implemented in practice?

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D2	Units of Measure	A bank must demonstrate that its unit of measure is appropriate for the bank's range of business activities and the variety of operational loss events to which it is exposed. The bank must sum operational risk exposure estimates across units of measure to calculate its operational risk exposure. Due to lack of data, is there any problem if a bank calculates operational exposure at the firm level and allocate it to different business units based on business environment and internal controls?
E1	Eligible Operational Risk Offset	P.314 – Clarification requested. Expected operational loss can be deducted from required capital where proven to be highly predictable and routine. Content seems to differ from p.72, which appears to require an explicit reserve. What would be considered an “eligible operational risk offset”?
E2	Eligible Operational Risk Offset	Eligible operational offsets are not allowed to exceed expected loss. Is expected loss defined as the 50 percentile of the AMA loss distribution?
E3	Eligible Operational Risk Offset	Are the eligible operational offsets inclusive of budgeted fraud losses?
F1	Alternative Approach	P.395 – Clarification requested. Alternative Approach: Clarification requested on alternative approach to measure Operational Risk Exposure. Are there any guidelines around what the approach can be and what criterion will be used to grant the exception?
F2	Alternative Approach	Is the alternative operational capital allocation meant to be used for allocation of capital to individual banks while a full AMA model is used at the BHC level?
F3	Alternative Approach	In limited circumstances, a bank may propose use of an alternative operational risk quantification system. What are the limited circumstances?

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Pillar II/Pillar III Requirements

Code	Topic	Comment
A	Pillar II Requirement	In the NPR, the Pillar II requirement is not described in detail. For example, the capital requirement for interest rate risk in the banking book is not clearly specified. We would like to have further guidance on Pillar II, particularly for assessing interest rate risk in the banking book.