

Press release

5 February 2020

ECB launches public consultation on its guide to assess how banks calculate counterparty credit risk

- ECB publishes guide to assessment methodology for counterparty credit risk for consultation
- Document outlines how ECB intends to assess whether counterparty credit risk models comply with regulation
- Consultation period ends on midnight CET on 18 March 2020

Today the European Central Bank (ECB) published for consultation a guide that outlines the methodology it uses to assess the internal models banks apply to calculate their exposure to counterparty credit risk (CCR). The guide also describes how the ECB will assess the advanced methods banks use to calculate the own funds required to account for the risks related to credit valuation adjustments.

The guide indicates how ECB Banking Supervision intends to assess the internal CCR models used by directly supervised banks, drawing on the approaches already defined by the European Banking Authority for other risk types. CCR emerges when banks trade in derivatives and in transactions where securities are used to borrow or lend cash, such as repurchase agreements.

The guide aims to harmonise supervisory practices related to internal CCR models and to provide transparency regarding the methodologies the ECB uses to assess the components of these models during investigations. The guide should not be construed as going beyond the current applicable European Union and national laws and is therefore not intended to replace, overrule or affect said laws.

The guide was drafted in close cooperation with the national competent authorities and benefited from the feedback received from institutions on a first version of the guide that was made available in December 2017. It also draws on the experience gained from on-site investigations in the context of the [Targeted Review of Internal Models](#) project between 2017 and 2019.

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The consultation on the guide starts today and ends on midnight CET on 18 March 2020. The guide itself and a list of frequently asked questions (FAQs) are available on the [ECB's banking supervision website](#). Following the end of the public consultation, the ECB will publish the comments received together with a feedback statement.

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