



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

ECB-PUBLIC

BANCA MPS's notification regarding an ex-ante non-material change or extension of the permission for IRB, IMM, A-CVA, IMA and AMA¹

¹ Internal Ratings Based Approach (IRB Approach), Internal Model Method (IMM), Advanced Method for Credit Valuation Adjustment Risk (A-CVA), Internal Models approach (IMA), Advanced Measurement Approach (AMA).



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1. General information

Name of the institution	Gruppo Banca Monte dei Paschi di Siena				
Entities affected by the modification	Monte dei Paschi Leasing and Factoring				
Date of notification	26/08/2019				
Modification type	Change:	No			
	Extension:	Yes			
Change or extension classification by institution according to the relevant Regulation	Delegated Regulation (EU) No 529/2014 – Annex 1, Part 1, Section 1, art. 1, letter b and c: 1. Extending the range of application of a rating system to: (b) exposures of an additional type of product or obligor unless the additional type of product or obligor falls within the range of application of an approved rating system based on the criteria as referred to in points (c)(i) and (ii);(c) additional exposures related to the lending decision of a third party to the group, unless the institution can prove that the additional exposures fall within the range of application of an approved rating system, based on all of the following criteria: (i) the 'representativeness' of the data used to build the model to assign exposures to grades or pools with respect to the key characteristics of the institution's additional exposures where the lending decision has been taken by a third party, according to Article 174(c) of Regulation (EU) No 575/2013; (ii) the 'comparability' of the population of exposures represented in the data used for estimation, the lending standards used when the data was generated and other relevant characteristics with the ones of the additional exposures where the lending decision has been taken by a third party, according to Article 179(1)(d) of Regulation (EU) No 575/2013.				
Description of the change or extension	Since 2H2018, the MPS Group carried out a series of measures to improve the efficiency of the AIRB system to ensure coverage of the AIRB perimeter in the Corporate and Retail segments. In this context, it was analysed the current treatment of non-recourse factoring exposures. The analysis revealed that a significant part of the counterparties are reported according to Standardized Approach for the non-recourse factoring exposure component but to AIRB approach for other types of exposures. In order to make the AIRB system more efficient, it is proposed to transfer the non-recourse factoring portfolio to FIRB treatment for corporate counterparties who already has a valid IRB rating.				
Affected risk type(s)	Credit risk	Market risk	Operational risk	Counterparty credit risk	CVA risk
	Yes	No	No	No	No
Model version number	before change: PD1, PD2, PD3, marginally other corporate models		after change: PD1, PD2, PD3		

Planned implementation date of the change or extension	31/12/2019	
Impact on consolidated level	Tier 1 Capital Ratio	before change/extension: 13,28%
		after change/extension: 13,30%
	Common Equity	before change/extension: 13,28%
		after change/extension: 13,30%
Relevant competent body and date of the internal approval	Comitato Gestione Rischi 26/08/2019	
List of relevant documents	Proposta estensione dei modelli FIRB al factoring pro soluto 20190823_Verifica_Applicazione_FIRB_al_factoring_pro_soluto	

2. IRB information

Exposure class(es) affected by the change or extension	Central govern. or central banks	Institutions	Corporates	Retail	Equity	Securitisatio n positions	Other non credit- obligation assets
	No	No	No	Yes	No	No	No
Basic properties of the population of clients/exposures	Number of osbervation: 683; total EAD: 207.552.352 Eur; minimum EAD: 656 Eur; first quartile EAD: 42.468 Eur; median EAD: 144.007 Eur; average EAD: 872.069 Eur; Third quartile EAD: 534.500 Eur; Maximum EAD: 29.919.784 Eur						
Rating system(s) affected by the change or extension	Number: 10						
	Rating System name	Date of reference	Currency and unit	Total EAD	Total RWA	RWA change absolute	RWA change relative
	PD1	31/03/2019	Eur/million	4.269	2.842	- 52	-1,86%
	PD2	31/03/2019	Eur/million	2.656	1.880	- 22	-1,17%
	PD3	31/03/2019	Eur/million	12.346	8.480	- 17	-0,20%
	Other Corporate Models	31/03/2019	Eur/million	28.445	11.509	- 2	-0,02%

	<Please add as many rows as necessary>						
Impact on consolidated level	Currency: Eur	Unit: million	Date of reference: 31/03/2019				
	RWA	absolute change: -93					
		relative change: -0.32%					
	Expected Loss	absolute change: 1.5					
		relative change: 0.02%					

3. IMA information

Risk number(s) affected by the change or extension	VaR	SVaR	IRC	CRM
	Choose an item.	Choose an item.	Choose an item.	Choose an item.

Impact on consolidated level	Currency: Click here to enter text.	Unit: Click here to enter text.	Time period of reference: Click here to enter text.
	OFR	absolute change (highest absolute value over testing period): Click here to enter text.	
		relative change (highest absolute value over testing period): Click here to enter text.	
Impact on solo/(sub)consolidated levels with IMA approval ²	Time period of reference:	Click here to enter text.	
	Entity name:	VaR relative change (highest absolute value over testing period): Click here to enter text.	
		SVaR relative change (highest absolute value over testing period): Click here to enter text.	

² Competent authorities' permissions to use internal models for the determination of own funds requirements for market risk may apply to solo and/or (sub)consolidated levels. Please provide here the impact for all level with IMA approval which are affected by the model change or extension – including the consolidated level itself if applicable.

	Level of consolidation: <solo/ sub consolidated/ consolidated>	period); Click here to enter text.
		IRC relative change (highest absolute value over testing period); Click here to enter text.
		CRM relative change (highest absolute value over testing period); Click here to enter text.

4. AMA information

Impact on consolidated level	Currency: Click here to enter text.	Unit: Click here to enter text.	Date of reference: Click here to enter a date.
	OFR	absolute change: Click here to enter text.	
		relative change: Click here to enter text.	
Impact on subsidiary level (If parent institution is not using AMA)	Currency:	Unit: Click here to enter text.	Date of reference: Click here to enter a date.
	OFR	absolute change: Click here to enter text.	
		relative change: Click here to enter text.	

5. IMM and A-CVA information

For extensions or changes to IMM approach:

Impact on consolidated level	Currency: Click here to enter text.	Unit: Click here to enter text.	Time period of reference: Click here to enter text.
	RWA	absolute change (highest absolute value over testing period); Click here to enter text.	
		relative change (highest absolute value over testing period); Click here to enter text.	

For changes to the A-CVA approach that do not coincide with either IMM or IMA model changes in accordance with EGMA Section 1 (4)(c)(iii):

Impact on consolidated level	Currency: Click here to enter text.	Unit: Click here to enter text.	Time period of reference: Click here to enter text.
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	OFR	absolute change (highest absolute value over testing period): Click here to enter text.
		relative change (highest absolute value over testing period): Click here to enter text.
	VaR	relative change (highest absolute value over testing period): Click here to enter text.
	SVaR	relative change (highest absolute value over testing period): Click here to enter text.

6. Contact details

Institution's contact name for this notification

Lorenzo Boetti

Job title

Chief Area Lending Risk Officer

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7. Declaration and signatures


By submitting this notification form:

- a) It is confirmed that all the information is accurate, complete and up-to-date, and that it is not omitting material facts.
- b) It is confirmed that this notification and accompanying documentation have been approved through the institution's(s') approval processes by the competent bodies.
- c) I agree to provide any additional information that the Supervisor considers necessary for the assessment of the notification.

Please include the signature and the role of the person authorised to represent the institution. If the application is submitted also on behalf of other institutions or jointly with other institutions, please attach a power of attorney of those institutions.

**DIREZIONE CHIEF RISK OFFICER
IL RESPONSABILE**

Signature





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8. Annex

Proposta estensione dei modelli FIRB al factoring pro soluto.pdf
20190823 Verifica_Applicazione_FIRB_al_factoring_pro_soluto.pdf
20190826 Credit Risk Prior notification of change FIRB for factoring exposure.pdf
1030D00767.pdf
1030D01020.pdf
3210D008.pdf
3210D139.pdf
3210D187.pdf

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