



Siena, 10/08/2018

FUNZIONI COMPILATRICI:
Staff Regulatory Relationship - MPS

Comunicazione per:

Consiglio Di Amministrazione - MPS

OGGETTO:

Comunicazioni BCE: TRIM Investigation sui modelli di valutazione del rischio di credito per i portafogli "low default"

Indice degli allegati:

Allegato 1 – BCE – TRIM settimo aggiornamento

1. MOTIVAZIONE

- Al fine di informare il Consiglio di Amministrazione della lettera della BCE del 31 Luglio 2018 (cfr. Allegato 1) relativa al settimo aggiornamento del processo TRIM, con particolare riferimento all' imminente avvio delle verifiche sul *low-default portfolio*.

2. INFORMAZIONI RILEVANTI

- Con lettera del 31 Luglio u.s. (cfr. Allegato 1) la BCE ha inviato all'attenzione del Consiglio di Amministrazione della Banca un aggiornamento sul processo TRIM *investigation* (ispezioni on-site), che sta entrando nella seconda fase di attuazione, dedicata alla valutazione dei modelli utilizzati per valutare il rischio di credito per i portafogli *low default*. A livello di sistema tale fase verrà avviata nel periodo compreso tra Settembre 2018 e Giugno 2019 e sarà estesa progressivamente a tre classi di esposizioni: imprese - altri, istituzioni, imprese - credito specializzato.
- La lettera in oggetto informa che, per la nostra Banca, l' avvio della TRIM *investigation* sui portafogli *low default* non avverrà nel corso del 2018. Ci possiamo pertanto attendere un avvio nel corso della prima metà del 2019, preceduto da una notifica di avvio ispezione intorno a fine Dicembre 2018/Gennaio 2019. La lettera ricevuta indica peraltro le specifiche logistiche e organizzative che gli Enti ispezionati devono assicurare per la buona esecuzione della TRIM *investigation*.
- La BCE informa inoltre circa la prossima pubblicazione della Guida sulla TRIM, aggiornata con gli esiti della recente consultazione pubblica sui TRIM *general topics*, mentre gli aggiornamenti relativi ai capitoli della Guida relativi al rischio di credito, di mercato e di controparte verranno pubblicati nei mesi successivi.

La presente Comunicazione sarà sottoposta all' attenzione del Comitato Rischi.



Valutazione impatti contabili/ fiscali/ segnaletici/ di compliance L.262 (SI-NO):

- ☒ NO: Non esistono impatti contabili/ fiscali/ segnaletici/ di compliance L.262 che richiedano una preventiva analisi da parte delle funzioni preposte.

Parte Correlata o Soggetto Collegato (SI-NO):

- ☒ NO: La controparte non è individuata come parte correlata/soggetto collegato, a seguito degli opportuni controlli previsti dalla normativa interna in materia.

Allegato File: BCE - TRIM - settimo aggiornamento.pdf



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

17

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Italy

31 July 2018

For the attention of the Board

Status update on TRIM: organisation of upcoming “low-default portfolio” investigations

Dear Sir or Madam,

I am following up on my previous letter, dated 11 June 2018, to provide you with further information about the planning of the upcoming TRIM investigations relating to “low-default portfolios”, which will start in September 2018. I would also like to update you on the consultation process for the ECB guide to internal models (hereinafter “the guide”).

Status update on TRIM and overview of upcoming low-default portfolio investigations

Phase one of the execution of the project has been successfully completed¹. Since the start of on-site TRIM investigations in April 2017, 115 on-site investigations have been finalised across 12 countries, and the corresponding supervisory decisions are being sent to banks. Once again, let me take the opportunity to praise the excellent collaboration with your institution in this first phase of TRIM.

With the start of phase two of the TRIM execution approaching, all the preparatory activities are currently being finalised.

The phase two investigations have been planned to take place in three progressive and partly overlapping waves, starting between September 2018 and mid-2019, according to the exposure class in scope of the investigation:

1. Corporates – Other
2. Institutions
3. Corporates – Specialised lending

This will facilitate the subsequent horizontal analysis and peer comparison of the results of the investigations.

The specific models in the scope of the TRIM low-default portfolio investigations have been selected on the basis of predefined criteria reflecting the materiality and criticality of the individual models and drawing on

¹ The execution of the project can be divided in two key phases: (i) phase one (2017-Q2 2018) involves a review of the models used to assess the credit risk for retail and small and medium-sized enterprise portfolios, as well as market risk and counterparty credit risk; (ii) phase two (Q3 2018-2019) mainly focuses on the models used to assess the credit risk for low-default portfolios. See also: <https://www.bankingsupervision.europa.eu/about/ssmexplained/html/trim.en.html>

various sources of information.² Please refer to Annex 1 for the updated simplified supervisory examination program 2018 (hereinafter “simplified SEP 2018”) relating to TRIM for your institution.

Lastly, the required organisational and logistical set-up will remain largely unchanged with respect to phase one. Institutions will be notified about 8 weeks before the start of the investigation through a letter from the ECB and, around the same time, will receive in a separate communication the corresponding data request. Please refer to Annex 2 for the detailed organisational and logistical requirements, and do not hesitate to contact the TRIM project management office (TRIM_PMO@ecb.europa.eu) should you have any questions in this respect.

Update on TRIM communications

The public consultation for the general topics chapter of the guide was concluded on 28 May 2018. I would like to thank all bank representatives who took part in the consultation by attending the public hearing on 18 April or submitting comments. The comments are now being reviewed with a view to finalise this chapter of the guide and to publish it as soon as possible.

The other chapters of the guide relating to credit risk, market risk and counterparty credit risk are currently being updated, benefiting from the outcomes and horizontal analyses of the corresponding investigations. They will also be put out for consultation in the coming months.

Next steps

As mentioned above, the final preparations for the new waves of TRIM investigations on low-default portfolio models (see Annex 1) are well advanced and the first investigations are about to start. I trust that this letter helps to clarify the requirements on the side of your institution for the preparation of these investigations. I would again like to stress the importance that the data are delivered in a timely manner and are of a good quality. I look forward to continuing the fruitful collaboration established with your institution in TRIM.

Yours sincerely,



Korbinian Ibel
Director General - DG Microprudential Supervision IV

² These include TRIM-specific bank questionnaires, European Banking Authority benchmarking results and surveys by the Joint Supervisory Teams and National Competent Authorities and surveys.



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ANNEX 1: Updated simplified SEP 2018

Reference	JST Acronym	Legal entities concerned by the investigation	Purpose	Tentative launch
N/A	N/A	N/A	N/A	N/A

This document is provided for general information purposes only. The supervisory activities listed therein are not exhaustive and may be changed as necessary without prior notice. Information on the tentative launch date is also subject to change.

Please also note that "N/A" indicates that no TRIM investigation is currently planned for the second half of 2018.

ANNEX 2: Logistical and organisational requirements

We would like to clarify the logistical and organisational requirements for the upcoming TRIM investigations (TRIMs). Institutions are expected to have an adequate internal organisational structure in place to ensure the successful execution of the TRIMs. We therefore expect a high availability of internal stakeholders involved in internal models (including internal model experts, managers responsible for validation, IT experts, business area managers and internal audit) during the execution phase of the TRIMs. We also expect responses to TRIM data and information requests to be of a high quality.

Equipment

Institutions are expected to prepare the following equipment, which should be available two weeks before the start of the TRIM investigation and for its entire duration.

- Access to the institution's premises (e.g. relevant badges, security clearance).
- A dedicated and appropriate space to accommodate the on-site teams (six to ten people) at the institution's premises.
- Six to ten workstations for the on-site team.
- The following software must be installed in each of the workstations:
 - Microsoft Office Suite 2010 (or later versions).
 - SAS or R. The institution is free to choose which of the two alternatives will be made available to the on-site team.
 - If SAS is selected, the institution must install SAS Base 9.4 on the workstations, including the following modules;
 - Base SAS Software
 - SAS/STAT
 - SAS/GRAPH
 - SAS/ETS
 - SAS/IML
 - SAS Enterprise Guide
 - SAS/ACCESS Interface to PC Files
 - SAS Workspace Server for Local Access
 - High Performance Suite
 - If R is selected, the institution must install the following packages (and dependencies):
 - `install.packages("plyr")`
 - `install.packages("reshape2")`
 - `install.packages("colorspace")`
 - `install.packages("ggplot2")`
 - `install.packages("plotly")`
 - `install.packages("shiny")`
 - `install.packages("shinydashboard")`
 - `install.packages("psych")`
 - `install.packages("DescTools")`
 - `install.packages("gtools")`
 - `install.packages("dplyr")`
 - `install.packages("ROCR")`
 - `install.packages("data.table")`
 - `install.packages("openxlsx")`
 - `install.packages("reshape")`
 - `install.packages("utils")`.

The on-site team will use this equipment to run common pre-defined inspection tools, which will be temporarily transferred to these computers. If your IT security processes require any check in advance, please inform the TRIM PMO (TRIM_PMO@ecb.europa.eu).

Data and information to be prepared or submitted

A data request has been prepared for the models for “low-default portfolios” selected for review. Specific information will be requested from institutions ahead of each TRIMI to ensure efficient preparation and provide all teams with the same information before the start of their assessment.

The submission of the data to the ECB and the assessment team follows the process established for phase one of the project execution. The data request covers the models under the scope of the investigation and leverages the existing TRIM data request used for phase one, with additional data fields or information requests specifically for the new models in scope of the reviews. The data request takes into due consideration the minimum data and information that are needed to estimate the risk parameters, hence no new data needs to be created ad hoc to complete the TRIM templates. On the contrary, it is expected that institutions will, wherever possible, map currently available information to the data request.

Dispatch of data request templates

The data request templates will be shared with your Institution about **eight weeks before the start of the investigation**, and the communication will also clarify the exact models in scope.

Delivery of data and/or information requested in two steps

1. The first subset of the data related specifically to the PD request (“aggregated data”) should be delivered directly to TRIM PMO through the dedicated Brainloop virtual data room (VDR) between the ECB and your Institution. This should be done **four weeks in advance of the start of the mission** (the date of which will be specified in the bank’s notification letter),
2. The remaining data and/or information requested should be made available to the Head of Mission on the institution’s IT equipment one week before the start of the TRIM investigation. This concerns data requests for PD and LGD, as well as information on rating assignment for a sub-set of obligors and information regarding IRB data quality.

Further details on the data and/or information to be prepared or submitted by your institution are set out in the instructions included in the respective templates.