

Chapter 1

Commission Delegated Regulation (EU) 2017/180

Article 8 Assessment standards for internal
approaches for credit risk specific to the
LDP

(1) When carrying out an assessment referred to in Article 3(1) relating to the LDP counterparties set out in template 101 of Annex I of Implementing Regulation (EU) 2016/2070, competent authorities shall assess whether the differences between the own funds requirements for credit risk of an institution and those of its peers are driven by any of the following:

- (a) different rank ordering of the counterparties included in the LDP samples or different PD levels assigned to each grade;
- (b) specific facility types, collateral instruments or location of the counterparties;
- (c) heterogeneity in the PDs, LGDs, maturities or conversion factors;
- (d) collateralisation practices;
- (e) level of independency from external ratings assessment and frequency in the internal rating update.

(2) Where an institution classifies a counterparty as "defaulted" while other institutions classify it as "performing", or vice versa, competent authorities shall apply the approach referred to in paragraph 1 to that counterparty.