

Annex I Part 2

Model approval

010 **Date of the last update of information in this template** 30 June 2025

Description of the approach

Supervisory approach for the approval of the use of Internal Ratings Based (IRB) Approach to calculate minimum capital requirements for credit risk

- 020 Minimum documentation to be provided by the institutions applying for the use of IRB approach
Credit institutions are expected to comply with the requirements of Regulation (EU) No 575/2013 and other applicable regulation when seeking prior permission from the HNB to use for the first time or materially change or extend their internal models. Documentation should be sufficiently detailed and accurate to allow an effective assessment of the compliance of the internal rating system with the requirements laid down in Part Three, Title II, Chapter 3 of Regulation (EU) No 575/2013.
- 030 Description of the assessment process conducted by the competent authority (use of self assessment, reliance on external auditors and on-site-inspections) and main criteria of the assessment
Assessment process encompasses a comprehensive analysis of the internal rating systems and relies on on-site, off-site and hybrid examination, self-assessment and, where relevant, results of the external auditors.
In the course of the assessment the following areas are subject to the examination:
(i) implementation plan and permanent partial use; (ii) internal governance and validation; (iii) use test and experience test; (iv) assignment of exposures to grades and pools; (v) definition of default; (vi) design, operational details and documentation of the rating systems; (vii) risk quantification; (viii) assignment of exposures to exposure classes; (ix) stress tests used in assessment of capital adequacy; (x) own funds requirements calculation; (xi) data maintenance; (xii) requirement for equity exposures under the internal models approach; (xiii) management of changes to the rating systems.
Permission to use the IRB Approach is granted only if the credit institution's systems for management and rating of credit risk exposures are sound, implemented with integrity and consistent with the requirements set out in Regulation (EU) No 575/2013 and accompanying Regulatory Technical Standards and Guidelines in all areas.
- 040 Form of the decisions taken by the competent authority and communication of the decisions to applicants
In line with the process defined in Regulation (EU) No 575/2013.
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Supervisory approach for the approval of the use of Internal Model Approach (IMA) to calculate minimum capital requirements for market risk

- 050 Minimum documentation to be provided by the institutions applying for the use of IMA approach
Documentation should be sufficiently detailed and accurate to allow an effective assessment of the compliance of the Internal Model Approach with the requirements laid down in Regulation (EU) No 575/2013.
- 060 Description of the assessment process conducted by the competent authority (use of self assessment, reliance on external auditors)
Assessment process encompasses a comprehensive analysis of the Internal Model Approach and relies on on-site, off-site and hybrid examination, self-assessment and, where relevant, results of the external auditors.
Permission to use the Internal Model Approach is granted provided that all qualitative and quantitative standards of Regulation (EU) No 575/2013 are met and provided that institutions meet the general risk management standards set out in Directive 2013/36/EU.
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	and on-site-inspections) and main criteria of the assessment	
070	Form of the decisions taken by the competent authority and communication of the decisions to applicants	In line with the process defined in Regulation (EU) No 575/2013.
Supervisory approach for the approval of the use of Internal Model Method (IMM) to calculate minimum capital requirements for counterparty credit risk		
080	Minimum documentation to be provided by the institutions applying for the use of IMM approach	Documentation should be sufficiently detailed and accurate to allow an effective assessment of the compliance of the Internal Model Method with the requirements laid down in Regulation (EU) No 575/2013.
090	Description of the assessment process conducted by the competent authority (use of self assessment, reliance on external auditors and on-site-inspections) and main criteria of the assessment	Assessment process encompasses a comprehensive analysis of the Internal Model Method and relies on on-site, off-site and hybrid examination, self-assessment and, where relevant, results of the external auditors. Permission to use the Internal Model Method is granted provided that all qualitative and quantitative standards of Regulation (EU) No 575/2013 are met and provided that institutions meet the general risk management standards set out in Directive 2013/36/EU.
100	Form of the decisions taken by the competent authority and communication of the decisions to applicants	In line with the process defined in Regulation (EU) No 575/2013.
Supervisory approach for the approval of the use of Advanced Measurement Approach (AMA) to calculate minimum capital requirements for operational risk		
110	Minimum documentation to be provided by the institutions applying for the use of AMA approach	Credit institutions are expected to comply with the requirements of Regulation (EU) No 575/2013 and other applicable regulation when seeking prior permission from the HNB to use for the first time or materially change or extend their internal risk models. Documentation should be sufficiently detailed and accurate to allow an effective assessment of the general compliance of the operational risk measurement systems with the requirements laid down in Part Three, Title III, Chapter 4 of Regulation (EU) No 575/2013.
120	Description of the assessment process conducted by the competent authority (use of self assessment, reliance on external auditors and on-site-inspections) and main criteria of the assessment	Assessment process encompasses a comprehensive analysis of the Advanced Measurement Approaches based on their own operational risk measurement systems and relies on on-site, off-site and hybrid examination, self-assessment and, where relevant, results of the external auditors. Permission to use Advanced Measurement Approaches, is granted provided that all qualitative and quantitative standards set out in Articles 321 and 322 of the Regulation (EU) No 575/2013 are met and provided that institutions meet the general risk management standards set out in Directive 2013/36/EU.
130	Form of the decisions taken by the competent authority and communication of the decisions to applicants	In line with the process defined in Regulation (EU) No 575/2013.