Credit institutions and investment firms: capital adequacy (amend. Direct. 93/6/EEC)

1997/0124(COD) - 13/02/1998 - Commission opinion on Parliament's position at 2nd reading

The Commission's amended proposal incorporates the ten amendments adopted by Parliament at first reading. These amendments aim: - to extend the transitional provisions for the use of alternative spread, carry and outright rates for commodities risk until the end of 2006, in order to give investment institutions more time to modernize their risk management systems; - to provide more detail on how backtesting should be undertaken, particularly with regard to the frequency of such tests; - to introduce additional conditions to permit the use of internal models for calculating regulatory capital for specific risk as well as additional arrangements regarding the multiplication factor in the context of specific risks; - to clarify that institutions whose models do not meet the extra conditions, with respect to specific risk as introduced by the fourth amendment, must continue to calculate capital requirement for specific risk according to Annex I of the original directive; - to provide further explanation of how back-testing should operate in relation to the application of the 'plus factor'.