Part 2
Model approval

010	**Date of the last update of information in this template**	*(09/09/2019)*
		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	The minimum documentation that needs to be submitted by the credit institutions applying for the use of IRB approach is provided in NBR Regulation nr. 5/2013 regarding prudential requirements for credit institutions:
		Art. 315
		"For the purpose of obtaining approval from the National Bank of Romania for the use of internal rating based approach in order to calculate the risk weighted exposure amounts, the credit institution shall provide an overview of the internal models that the credit institution/institutions uses/use or plans/plan to use, of the way how they will be implemented in the credit institution's/institutions' policies and procedures, and detailed information on the construction and calibration of the models, the database, the technological environment, and related policies and procedures, including the credit institution's/institutions' control environment."
		Art. 316

		"(1) For the purposes of art.315, the credit institution needs to submit to the National Bank of Romania, besides the cover letter requesting approval, a documentation that contains at least the following:
		a) documentation of used or planned rating systems - including models used;
		b) documentation of the control environment of the rating systems, implementation procedures, and IT infrastructure;
		c) implementation plan- including roll -out- and details on permanent partial use;
		d) documentation regarding the self-assessment, along with an internal audit report concerning the compliance with the requirements of Section 6 of this chapter.
		(2) The documentation mentioned in paragraph (1) is considered to be supporting material and shall contain, unless otherwise indicated, general information regarding the implementation of the chosen internal ratings based approach.
		(3) The documentation mentioned in paragraph (1) shall provide a summary of the credit institution's/institutions' current and planned practices in sufficient depth to enable the National Bank of Romania to make an initial assessment of its/ their application and to develop a risk-based plan for a more thorough assessment."
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	Description of the form of the decisions taken by the competent authority and communication of the decisions to applicants is envisaged in art.11 of NBR Internal Regulation of nr.11/2010 on the organization within the National Bank of Romania of the internal models validation process:

		The main criteria of assessment are envisaged in Title VI Approval of the use of internal rating models for credit risk, Chapter II (Standards for meeting the minimum requirements set out in Part Three, Title II, Chapter 3 of Regulation (EU) nr. 575/2013) Section 5 Quantitative and qualitative validation and its assessment that comprises the following sections: 5.1 Fundamental principles regarding validation, 5.1.1.Assessing the predictive ability of a credit institution's risk estimates and the use of ratings in credit processes 5.1.2 Responsibility for validation 5.1.3 Iterative process of validation 5.1.4 Validation Methods 5.1.5 Quantitative and qualitative validation 5.1.6 Independent review 5.2 Benchmarking and backtesting 5.2.1 Backtesting 5.2.2 Benchmarking
		Furthermore, National Bank of Romania issued Internal Regulation nr.11/2010 on the organization within the National Bank of Romania of the internal models validation process that details the stages of the internal models validation process for credit risk, market risk and operational risk: establishment of working groups, working groups activity, qualitative validation of the model, quantitative validation of the model, including through on-site actions.
040	Form of the decisions taken by the competent authority and communication of the decisions to applicants	Description of the form of the decisions taken by the competent authority and communication of the decisions to applicants is envisaged in art.11 of NBR Internal Regulation of nr.11/2010 on the organization within the National Bank of Romania of the internal models validation process:

		Art. 11. "The Assessment Report" 1. The working group prepares the Assessment Report on the results of the validation process. The report also contains a proposal of the working group on the completely, partial, conditioned validation or the rejection of the internal model validation . Proposals expressed in the report are properly justified.
		2. The Supervision Department sends to the entity that has required the validation the draft of the assessment report for information and potential discussions.
		3. Any observations/ comments on the draft Assessment report are reviewed and resolved by the group members who developed the concerned section.
		4. The management of the Supervision Department and the Financial Stability Department signs the draft Assessment Report.
		5. The draft Assessment Report is submitted for approval by the Supervisory Committee.
		6. The assessment report signed by the executive management of NBR is transmitted by the The Supervision Department to credit institution/applicant.
		7. The internal model validation procedure is completed within 6 months from the receiving of the official validation request accompanied by complete documentation."
		For the banking institutions for which the National Bank of Romania concluded a MoU with the home supervision authorities of the group, a Common Agreement will be reached, signed by the executive management of the National Bank of Romania based on the report that contains the proposal of the working group on the completely, partial, conditioned validation or the rejection of the internal model validation.

		If the credit institution is not part of a group at EU level, the approval of the National Bank of Romania shall be notified in writing and signed by executive management.
	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	The permission to use the internal model method is granted based on the provisions of art. 363 of CRR. At the same time, the provisions of art. 164 para. (3) and of art. 165 para. (1) of Reg. NBR no. 5/2013 are relevant. According to them: Article 164 - (3) In applying Article 166[4] of Government Expeditious Ordinance No 99/2006 on credit institutions and capital adequacy approved by Law No 227/2007, as subsequently amended and supplemented, without prejudice to the fulfilment of criteria laid down Part Three, Title IV, Chapter 5, Sections 1 to 5 of Regulation (EU) No 575/2013, credit institutions that are significant in terms of their size, internal organisation and the nature, scale and complexity of their activities, shall pay particular attention to developing internal specific risk assessment capacity and to increase use of internal models for calculating own funds requirements for specific risk of debt instruments in the trading book, together with internal models to calculate own funds requirements for default and migration risk where their exposures to specific risk are material in absolute terms and where they have a large number of material positions in debt instruments of different issuers. Article 165 - (1) Credit institutions that have received the approval of the National Bank of Romania to use internal approaches for the calculation of risk weighted exposure amounts or capital requirements except for operational risk shall submit the results of the calculations of their internal approaches for their exposures or positions that are included in the benchmark portfolios, together with an explanation of the methodologies used to produce them, to the National Bank of Romania and the European Banking Authority.
060	Description of the assessment process conducted by the competent authority (use of self assessment, reliance on	*[free text]*

070	Form of the decisions taken by the competent authority and communication of the decisions to	*[free text]*
	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	The permission to use the internal model method is granted based on the provisions of art. 283 of CRR.
090	Description of the assessment process conducted by the competent authority (use of self assessment, reliance on	*[free text]*
100	Form of the decisions taken by the competent authority and communication of the decisions to	*[free text]*
	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	The minimum documentation that needs to be submitted by the credit institutions applying for the use of AMA approach is provided in NBR Regulation nr. 5/2013 regarding prudential requirements for credit institutions:
		Art. 535 :
		" Where credit institutions are planning to use the advanced measurement approach for the calculation of the operational risk capital requirement at the individual level, the cover letter itself shall mention that the credit institution is requesting the approval referred to in art.312 para.(2) of Regulation (EU) nr. 575/2013, having regard to the details in the attached documentation."
		Art.536:
		" (1) The minimum documentation that shall be provided to the National Bank of Romania with the cover letter requesting approval of the use of the advanced measurement approach consists of the following:

		a) documentation regarding the operational risk measurement systems;
		b) documentation regarding the control environment of the operational risk measurement system, the implementation procedures, and the IT infrastructure;
		c) the implementation plan (including roll out) and, as the case may be, details regarding permanent partial use;
		d) the document in which the self-assessment process is described and in which the conclusions of this process are presented, through which compliance with the minimum standards and requirements imposed by the National Bank of Romania for the use of the advanced measurement approach is certified, the document in which the conclusions the internal validation programme carried out for the request of the approval for the use of the advanced measurement approach are described and the audit report; the results of the independent examination required under Art. 553 para. (1) of this Regulation, as well as the description of the follow-up of the results of the internal validation programme shall be included;
		e) Form C16.00 – OPR – Operational Risk and Form C17.00 – OPR Details – Operational risk: Gross losses by business lines and event types in the last year, provided in Annex I of the Implementing Technical Standard issued for the application of Regulation (EU) nr.575/2013.
		(2) Except where indicated otherwise, the minimum documentation attached to the cover letter requesting approval, referred to in paragraph 1, must contain general information about the implementation of the advanced measurement approach.”

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	According to art.550 of NBR Regulation nr.5/2013, credit institutions need to carry a self assessment of their state of compliance with the standards and minimum requirements imposed by the National Bank of Romania for the use of advanced measurement approach for the operational risk. The description of the self assessment process is provided in art.550-552 of NBR Regulation Nr.5/2013.
		Furthermore, National Bank of Romania issued Internal Regulation nr.11/2010 on the organization within the National Bank of Romania of the internal models validation process that details the stages of the internal models validation process for credit risk, market risk and operational risk: establishment of working groups, working groups activity, qualitative validation of the model, quantitative validation of the model, including through on-site actions.
130	Form of the decisions taken by the competent authority and communication of the decisions to applicants	Description of the form of the decisions taken by the competent authority and communication of the decisions to applicants is envisaged in art.11 of NBR Internal Regulation of nr.11/2010 on the organization within the National Bank of Romania of the internal models validation process:
		Art. 11. "The Assessment Report" 1. The working group prepares the Assessment Report on the results of the validation process. The report also contains a proposal of the working group on the completely, partial, conditioned validation or the rejection of the internal model validation . Proposals expressed in the report are properly justified.
		2. The Supervision Department sends to the entity that has required the validation the draft of the assessment report for information and potential discussions.

		3. Any observations/ comments on the draft Assessment report are reviewed and resolved by the group members who developed the concerned section.
		4. The management of the Supervision Department and the Financial Stability Department signs the draft Assessment Report.
		5. The draft Assessment Report is submitted for approval by the Supervisory Committee.
		6. The assessment report signed by the executive management of NBR is transmitted by the The Supervision Department to credit institution/applicant.
		7. The internal model validation procedure is completed within 6 months from the receiving of the official validation request accompanied by complete documentation."
		For the banking institutions for which the National Bank of Romania concluded a MoU with the home supervision authorities of the group, a Common Agreement will be reached, signed by the executive management of the National Bank of Romania based on the report that contains the proposal of the working group on the completely, partial, conditioned validation or the rejection of the internal model validation.
		If the credit institution is not part of a group at EU level, the approval of the National Bank of Romania shall be notified in writing and signed by executive management.