

ANNEX XI

TECHNICAL CRITERIA ON REVIEW AND
EVALUATION BY THE COMPETENT AUTHORITIES

1. In addition to credit, market and operational risks, the review and evaluation performed by competent authorities pursuant to Article 124 shall include the following:
 - (a) the results of the stress test carried out by the credit institutions applying an IRB approach;
 - (b) the exposure to and management of concentration risk by the credit institutions, including their compliance with the requirements laid down in Articles 108 to 118;
 - (c) the robustness, suitability and manner of application of the policies and procedures implemented by credit institutions for the management of the residual risk associated with the use of recognized credit risk mitigation techniques;
 - (d) the extent to which the own funds held by a credit institution in respect of assets which it has securitised are adequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved;
 - (e) [^{F1}the exposure to, measurement and management of liquidity risk by the credit institutions, including the development of alternative scenario analyses, the management of risk mitigants (in particular the level, composition and quality of liquidity buffers) and effective contingency plans;]
 - (f) the impact of diversification effects and how such effects are factored into the risk measurement system; and
 - (g) the results of stress tests carried out by institutions using an internal model to calculate market risk capital requirements under Annex V to Directive 2006/49/EC.

Textual Amendments

- F1** Substituted by [Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management \(Text with EEA relevance\)](#).

- [^{F2}1a. For the purposes of point 1(e), the competent authorities shall regularly carry out a comprehensive assessment of the overall liquidity risk management by credit institutions and promote the development of sound internal methodologies. While conducting those reviews, the competent authorities shall have regard to the role played by credit institutions in the financial markets. The competent authorities in one Member State shall duly consider the potential impact of their decisions on the stability of the financial system in all other Member States concerned.]

Textual Amendments

- F2** Inserted by [Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central](#)

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institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management (Text with EEA relevance).

2. Competent authorities shall monitor whether a credit institution has provided implicit support to a securitisation. If a credit institution is found to have provided implicit support on more than one occasion the competent authority shall take appropriate measures reflective of the increased expectation that it will provide future support to its securitisation thus failing to achieve a significant transfer of risk.
3. For the purposes of the determination to be made under Article 124(3), competent authorities shall consider whether the value adjustments and provisions taken for positions/portfolios in the trading book, as set out in Part B of Annex VII to Directive 2006/49/EC, enable the credit institution to sell or hedge out its positions within a short period without incurring material losses under normal market conditions.