General feedback:

General 1)
Institutions are welcomed to provide feedback on whether there are specific aspects or problems that have arisen in practice on any of the topics described in the handbook in connection with the EBA repair program. When providing such feedback, respondents are invited to mention precisely which part of the handbook is deemed problematic in connection to the relevant regulatory requirements.
Answer:
According to article 33 a) the validation policy is expected to describe the aggregation methodology to be used across the different analyses. The institution finds that the handbook would benefit from the inclusion of a best practice on aggregation, or proposals of viable options for aggregation. If a best practice or viable options for aggregation can be found in other relevant guidelines this could be replaced with references to this or these guidelines.

According to interaction box 10 the validation function can leverage on the CRCU's analyses (for subsequent validations) but is expected to perform additional tests whenever it is considered that analyses performed by CRCU do not cover all potential deficiencies. The institution finds that it should, in addition to the currently proposed solutions, be possible for the validation function to request that the CRCU conducts additional analysis to cover any identified gaps in test or analysis.

Some articles in the validation handbook are written in a way that increases the requirements for the CRCU and are not solely appointed to the validation function. It would be beneficial if the handbook were more clearly limited to the expectations of the validation function. This includes for example article 93 a) and interaction box 11, where it is assigned that the validation should verify that the CRCU has conducted OOS and OOT tests during model development. If the handbook assigns that the validation function should verify that tasks has been conducted, it should be prefaced with the article or articles where this task is required.

General 2)
The EBA also welcomes any comments on any elements which would be deemed specifically challenging to apply for small institutions, along with proposals to help mitigating those most material challenges.
Answer:
The requirements mentioned in articles 55 (c) iii and 59-62 may be specifically challenging for smaller institutions with low-default portfolios. In particular, the institution finds that the tests proposed for the defaulted portfolio will be fairly work intensive and do require a sufficient number of data points to generate reliable results. It is suggested that allowances should be made to the quantitative proportion of these test for smaller institutions with low-default portfolios, where the defaulted portfolio at a given timepoint is of negligible significance in relation to the performing portfolio.

The requirements as mentioned in Interaction box 8, point 1, may be cumbersome for smaller institutions to comply as the responsibility for data quality might be more efficiently allocated amongst existing functions as opposed to assigning a dedicated data quality function. The institution would also like to add that the Principles for effective risk data aggregation and risk reporting which are referenced in the segment are only applicable for G-SIB:s and strongly recommended for D-SIB:s. The institution finds that it would put undue requirements on non G-SIB:s and D-SIB:s to propose this as a guide for data management for IRB model validation for organizations of all sizes.