Consultation for Proposed Internal Capital Adequacy Assessment Process -ICAAP Module (IC)
Industry Comments and Feedback
June 2018

General Comments:		
Comments	**REF**	**CBB Response**
<u>**A Bank:**</u> **(A) April deadline:** These financial statements will represent the base case of the ICAAP exercise.	GR-1	The ICAAP Report must be submitted to the CBB within 5 months from the end of the financial year.
<u>**A Bank:**</u> **(B) Use of Economic Capital models:** We suggest that the use of Economic Capital models should be a later stage requirement given the complexity of the models and scarcity of data related to volatility, correlation etc. Or alternatively, this should be left to a bank's discretion to either use regulatory capital or both.	GR-2	Banks must move toward economic models using simpler approaches where appropriate.
<u>**A Bank:**</u> The module does not provide a model for quantifying, strategic, reputational and legal risks. CBB may recommend guidelines for quantifying the strategic, reputational and legal risks to ensure standardization among Banks in the approach adopted and the amount of capital allocated for these risks and providing a level playing field.	GR-3	Models must be customized by each bank. Pillar 2 risks are by their very nature not so easily quantifiable and this is recognized by Basel Committee. However, when the exposures are significant a capital charge must be set aside as required by the Basel Committee.
<u>**A Bank:**</u> We would like to Highlight that reference to the Capital Adequacy Module (CA) of CBB Rulebook, where CBB requires Bahraini Conventional Banks only to maintain a minimum Capital Adequacy Ratio, and since ICAAP applies for Bahraini Conventional Banks only as well, then stress testing which is required to be implemented in conjunction with these two requirements should not apply on Branches of Foreign Conventional Banks.	GR-4	ICAAP is applicable to locally incorporated banks. Stress testing applies to all banks.
<u>**A Bank:**</u> The timeline of reporting to the CBB is tight when taking into consideration other reporting requirements falling in the same period. Suggest that this be shifted to May/Nov. Deadline of May/Nov will provide adequate time for completing scenario analysis and getting feedback from respective departments keeping in view other quarterly deadlines (like PIR & audit) in April and October.	GR-5	Refer to GR-1

A Bank: Guidance on how qualitative measures impact capital vide RWA is required.	GR-6	Refer to GR-3
An Audit Firm: We note the April 2016 release of the Standard for Interest Rate Risk in the Banking Book (IRRBB) by the BCBS, which includes more extensive guidance on the expectations for a bank's IRRBB measurement process. Specifically, IRRBB referred in this standard is measured on the basis of both economic value and earnings based measures and computed for the entire duration of the exposure. Further, Principle 3 of the same paper calls for the IRRBB risk appetite to be articulated and for the implementation of policy limits that fall within the risk appetite. The CBB may wish to consider including these instructions for IRRBB risk within the ICAAP Module.	GR-7	Requirements for assessment, measurement and monitoring of IRRBB will be covered under a separate module.
A Bank: Understand that being a branch of a foreign Bank and not incorporated in Bahrain, this module is not applicable to the Branch Request clarity on this when the consultation is circulated as a regulation.	GR-8	The module applies to Bahraini Banks only.
A Bank: As CBB is aware, the Bank's ICAAP framework / model has been validated by an external consultant, at the behest of CBB and the revised policy document has also been forwarded to the CBB for information (as mandated by CBB) earlier. The policy document is broadly in line with the CBB consultation paper, we feel. However, a few points highlighted below need confirmation from CBB (also elaborated in the Annexure). a) The guidelines require a comprehensive Capital Planning Policy, however, there is a section pertaining to this subject in the ICAAP policy. Additionally, the Bank has a detailed Dividend policy separately. These two together we feel, meets the CBB requirement. The ICAAP and Dividend policies have been forwarded to CBB earlier and request confirmation from CBB that our understanding as above is correct. b) The guidelines make a reference to Business Risk in ICAAP, which we feel has been addressed in the Bank ICAAP document adequately. The Business risk in our view is quite a generic statement and it is an integral component of all risks.	GR-9	a) Noted. b) Business risk refers to the specific risk that a business will be materially altered or even rendered unviable through a shock or other change, as happened to the securitization and structured-finance businesses during the crisis.
A Bank: The Parent Bank already has an ICAAP and Recovery Plan documents in place both SOLO and CONSOLIDATED basis. As to Resolution Plan, this is not required from our Parent Bank by our Regulator, thus upon the issuance of the final version, a gap analysis would be performed to better address any gap that may	GR-10	The requirements of the module apply to Bahraini Banks only.

arise. As for the Stress testing framework is being drafted.		
A Bank: The requirement of appointing third party consultants is onerous, most of the global banks have working group on head office level which ensure consistent application of ICAAP methodology and process across geographies which should be sufficient.	GR-11	The requirements of the module apply to locally incorporated Bahraini banks only.
A Bank: The Bank being a wholesale investment bank, has a business model that is different from a normal commercial/retail bank business model. The bank operates an investment and fee based business model. Hence overall requirements related of the proposed module should not be fully applied to the Bank and similar wholesale investment banks. Such measures may not align with an investment banking model. The rules should be reconsidered / modified to suit the business line of investment banks. We would like to also request CBB to allow some time before the changed rules are applied. Given only 6 months is left before 2018 ends, we request CBB to allow us more time to implement all the policies and procedures and system changes. We also request CBB to implement the same in Phases so that Banks get sufficient time to comply with these changed rules.	GR-12	The ICAAP rules apply to all locally incorporated banks. The ICAAP reporting time-line is within 5 months of year end.
A Bank: Addressed to locally incorporated banks?	GR-13	The requirements of the module apply to Bahraini Banks only.
A Bank: To maintain uniformity and ease the process of assessing industry averages and comparison amongst banks (benchmarks), CBB should consider standardizing the Stress testing and ICAAP parameters. In other words, what factors the banks should consider as part of their stress testing. This complies with international best practices.	GR-14	The ICAAP framework should be commensurate with the bank's risk profile and control environment.
A Bank: This is not applicable to us as it refers to all Bahraini conventional Bank licenses.	GR-15	The requirements of the module apply to Bahraini Banks only.

Specific Comments:			
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IC-1.1.4 Further to the requirements in CA-A.1.5 of Module CA the CBB may set a target capital adequacy ratio ('CAR') for each bank, subject to its specific risk profile rating as determined, based on the CBB's supervisory risk assessment methodology.	**<u>A Bank:</u>** **<u>IC-1.1.4</u>**: CBB's risk assessment methodology may be provided as an Annexure to this Module. This will help the banks to have information about the methodology adopted by CBB and also help them to develop their policies and procedures on risk management.	SP-1	The CBB will soon share with the industry its new Supervisory Risk Assessment Methodology which would be the basis for determining Pillar capital buffer if any.
	<u>A Bank:</u> **IC - 1.1.4 – CBB may set a target Capital Adequacy Ratio for each bank:** While setting the individual capital guidance for a bank, the CBB should consider the CCB buffer of 2.5% which is already a part of minimum regulatory requirement which is essentially a buffer for stress events, a practice followed by other leading regulators such as the PRA.	SP-2	IC-1.1.4 sets out the CBB's discretion to set a target capital adequacy ratio for each bank depending on its specific risk profile.
IC-1.2.3 Banks must ensure that the outcome of the ICAAP is forward looking and not a static capital target. Banks must ensure that the ICAAP covers the following: **(a) All material risks and potential vulnerability to its business and operational environment;** **(b) Capital requirements, benign and adverse forward-looking environment; and considers capital buffers during benign conditions to help meet any surge in capital demand under adverse**	**<u>A Bank:</u>** **On the "IC-1.2.3" points (b) & (c):** Please define the time span defined under the "Forward Looking" approach. i.e. is it 2, 3 or 5 years forecast?	SP-3	Rulebook amended to mention 3 years

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conditions; **(c) A business plan and evaluation of short-term and long-term capital needs;** **(d) Rigorous stress-testing and scenario analysis that identifies possible events or changes in market conditions that could adversely impact the bank; and** **(e) Results of stress tests and analyses are incorporated, where applicable, into the capital adequacy assessment.**			
IC-1.2.4 Banks must report the results of their ICAAP in an ICAAP document to the CBB, on an annual basis, before 30th April of each year.	**A Bank:** **IC-1.2.4:** The stipulated time line for submission of the ICAAP duly approved by the Board and reviewed by an external consultant by 30 April may be reviewed in view of the time required for preparation of the ICAAP, having the same reviewed and recommended to the Board by the Risk Management Committee of the Board and subsequently approved by the Board and reviewed & revalidated by an external consultant. It is suggested that the date for submitting the ICAAP document to CBB may be fixed at 31 May.	SP-4	Refer to GR-1
	A Bank: Suggest the CBB to consider dropping the mandatory annual reporting of the ICAAP, as it is preferred that the ICAAP be reported to the Board internally, to minimize regulatory reporting requirements.	SP-5	Refer to GR-1

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	<u>**A Bank:**</u> **Clarity between ICAAP framework and ICAAP document:** Section IC-1.2.4 of the proposed module requires an "ICAAP document" to be submitted to the CBB on an annual basis. Additionally, section IC-1.2.6 requires the "ICAAP framework and the results" to be reviewed and validated by a third-party consultant prior to submission to the CBB and Section IC-1.6.1 requires the "ICAAP framework" to be subject to an internal audit and third-party consultant review. The current wording in the consultation paper is likely to raise questions relating to the difference between the "ICAAP framework" and the "ICAAP document". Please could the CBB clarify whether the banks need to submit two separate documents "ICAAP document" and "ICAAP framework" each year. Alternatively, are banks required to submit just one "ICAAP document" which describes the Bank's ICAAP framework in detail and also provides the results of the ICAAP along with management actions to address shortcomings, if any. In this regard we note that SAMA and the Central Bank of the UAE have provided guidance on the format and contents of the ICAAP report that banks are required to submit on an annual basis. We recommended that similar guidance be provided by the CBB on the contents and format of the "ICAAP document" so as	SP-6	The ICAAP framework includes all the policies, procedures, governance structure, approach, assumptions, etc. whilst, the ICAAP document or ICAAP report contains the result of the ICAAP exercise. The ICAAP document should be reported on annual basis. The ICAAP framework should be approved by the CBB prior-to implementation and whenever, there is a change to the framework. For further clarity, the term 'ICAAP document' has been replaced with 'ICAAP report'.

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	to bring about uniformity in the manner in which all Bahraini banks structure their ICAAP reports.		
	A Bank: Suggesting to rephrase: Banks must report the results of their ICAAP in an ICAAP document to the CBB, on an annual basis, <u>before 30th June of each year.</u> We request to allow some more time for the reporting as there are other reporting requirements to be met by April 30.	SP-7	Refer to GR-1
	A Bank: We are of the opinion that this requirement should only be applicable to D-SIBs and banks with a low CAR (below 20%). However, if CBB believes it should be mandatory for all banks, we recommend that a broad level guidance be made available for the same which can be used by the licensees depending on the size and scale of its operations, as well as depending on its business model (i.e. banking vs. non-banking). Furthermore, keeping in mind other year end deadlines, this can be scheduled to 31 May or 30 June of each year.	SP-8	a. Internal Capital Adequacy Assessment should be implemented by banks regardless of their Capital adequacy ratio at a given point in time. CBB to decide whether this should apply to only D-SIBS. Apart from capital adequacy assessment, ICAAP serves to promote a comprehensive Risk Identification, measurement and management framework within banks. Also, higher capital is not a substitute for proper risk management processes and controls. Hence, it is good discipline to have ICAAP even for well capitalized banks. b. Refer to GR-1
IC-1.2.5 The ICAAP framework must be approved by the CBB, prior to implementation. Any amendments to the	**A Bank:** **<u>IC-1.2.5</u>:** The requirement to submit the ICAAP framework, reviewed and validated by a third party consultant, for	SP-9	Approvals for the Framework must be in place before 30 September 2019.

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framework must also be approved by the CBB.	CBB's approval prior to implementation may be clarified with respect to its applicability to existing banks which have in place ICAAP frameworks. It is suggested to specify a timeframe for obtaining CBB's approval.		
	A Bank: IC 1.2.5 states the ICAAP framework should be approved by CBB. Since the consultation already covers the guidelines upfront on the ICAAP framework which itself has to be validated by a 3rd party we do not see the need for this point. Any gaps will be covered through the 3rd party review and ongoing supervisory review. CBB may consider allowing Bank external auditor to be permitted to prepare the initial framework.	SP-10	a. CBB approval is required prior to implementation. b. The review should be conducted by an independent 3rd party expert.
	A Bank: **IC - 1.2.5 –** This requires a prior approval of the ICAAP framework by the CBB. The Bank has an established ICAAP framework and hence seek grandfathering provisions for those institutions that have an established ICAAP framework.	SP-11	ICAAP framework and reports need to comply and align with the regulation of the proposed rulebook.
	A Bank: Suggesting the underlined: **The ICAAP framework must be approved by the CBB, prior to implementation. Any major amendments to the framework must also be approved by the CBB.** **This is because only major amendments should be submitted to CBB for operational efficiency.**	SP-12	The rules have been amended to add the work "significant". Significant changes to the Framework include additions or deletions to the policy, process or tools and methodologies which have a significant bearing on the manner in which the ICAAP process will be undertaken.

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	<u>A Bank:</u> We are of the opinion that CBB approval should only be restricted to D-SIBs or banks with a low CAR (below 20%).	SP-13	The ICAAP module applies to all locally incorporated banks regardless of their CAR.
IC-1.2.6 The ICAAP framework and results must be reviewed and validated by a third-party consultant, other than the bank's external auditor prior to initial submission to the CBB for review.	**<u>A Bank:</u>** IC1.2.6 states that the ICAAP must be reviewed by a 3rd party consultant other auditor every year prior to submission to annual submission to CBB IC1.6.1 states the ICAAP must be reviewed by internal audit every year and a 3rd party consultant other than auditor every 3 years. The 2 above clauses are in conflict with each other. We recommend deleting 1.2.6.CBB may consider including the ICAAP review as in scope for Bank external auditor with any observations coming thru the management letter.	SP-14	a. No, the third party consultant review of the ICAAP <u>Framework</u> is required upon initial submission and then every 3 years. b. The ICAAP Document/Report submitted on annual basis to the CBB need not be reviewed and validated by a 3rd party-consultant. c. Refer to SP-10(b)
	<u>A Bank:</u> Suggesting the underlined: The ICAAP framework and results must be reviewed and validated by a third-party consultant, <u>other than the bank's external audit team</u> prior to initial submission to the CBB for review. This is because third party consultants can be a different team (other than audit team) from the same firm which performs external audit.	SP-15	Refer to SP-10(b)
	<u>A Bank:</u> We are of the opinion that CBB approval should only be restricted to D-SIBs or banks with a low CAR (below 20%). Secondly, most of the banks engage 3rd party consultant to prepare the document. Meeting the above additional	SP-16	The validation and review process must be conduct by a party independent from the framework developer.

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	requirement only increases the cost of compliance for smaller banks like our bank.		
IC-1.3.4 The roles and responsibilities of Risk Management, Financial Control and Compliance in relation to ICAAP must be clearly documented in the related policies and procedures.	**A Bank:** IC1.3.4 – to avoid ambiguity it would be better for CBB to clearly define the expectations/ requirement on compliance/ risk management and financial control when it comes to ICAAP.	SP-17	Each bank has its unique structure and ICAAP preparation involves risk and finance in addition to various other functions.
	A Bank: **IC - 1.3.4 - The** responsibility for ICAAP is shared jointly by the Group CFO and the Group CRO as set out in Table 1. The ICAAP incorporates an assessment of all material sources of risks and seeks inputs from the various risk owners including Compliance.	SP-18	Each bank has its unique structure and ICAAP preparation involves risk and finance in addition to various other functions.
IC-1.5 Capital Planning **IC-1.5.1 Banks must develop a comprehensive Capital Planning Policy which clearly articulates the guidelines for capital planning, capital usage, capital distribution (i.e. issuing dividends, share buy-back, etc.), determining capital composition and capital-raising mechanisms under different conditions.**	**A Bank:** **IC - 1.5.1 –** The Bank already has an established Capital management framework that covers all aspects of capital planning, target capital ratios, capital management including capital allocation, dividend payout etc. We suggest that the definition of Capital Planning Policy be clarified to include an appropriate policy and planning framework proportionate to the needs of the Bank's operations.	SP-19	It is implicit.
IC-1.5.3 Banks must develop their ICAAP on a consolidated and solo basis. Banks must ensure that their consolidated capital is adequate to: **(a) Support the volume and risk**	**A Bank:** **IC - 1.5.3 –** As noted in the general comments, our suggestion is to apply this at a Group level and a Solo Consolidated level with latter being an addendum to the Group ICAAP. The overseas subsidiaries of the Bank	SP-20	Noted.

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characteristics of all parent and subsidiary activities; and **(b) Provides a sufficient cushion to absorb potential losses arising from such activities.**	have their individual ICAAPs depending on their local regulatory requirements.		
	A Bank: Suggest the CBB to impose banks to only develop ICAAP on a consolidated basis, as the ICAAP reporting requires multiple manual inputs that will exhaust the Bank's resources (especially for small banks and one departments) and having it automated is not easily achievable.	SP-21	No rule change made.
	A Bank: IC-1.5.3 The Bank is currently exempted from having to maintain capital adequacy ratio on a solo basis. The exemption has been granted by CBB based on our views noted below and also communicated to CBB in the past as well. XYZ, a wholly owned subsidiary of the Bank, is the principal asset holding operating company for the Group. Substantially all of the Group's assets are held through the Bank XYZ and its subsidiaries. The Bank invests 100% of its own capital into subsidiaries and therefore acts primarily as the Group's ultimate parent company. The assets on the balance sheet of the Bank on a solo basis consists primarily of investments in subsidiaries (equivalent to the total capital of the Bank), the Bahrain office buildings valued at approximately $x million and a small amount of net working capital of approximately $y million. Based on the above, Basel III ratios for the Bank calculated	SP-22	No rule change made.

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	on a solo basis do not provide any meaningful value or have any relevance.		
IC-1.5.4 Banks must ensure that their consolidated ICAAP addresses the following: **(a) That the total capital estimated as appropriate for the group has been allocated to each group member, according to their respective risk profiles; and** **(b) That the group risks they face (including reputation risk arising from the failure of another group member, and the risks they face due to exposure to, or dependence on, other group members) are fully evaluated.**	**A Bank:** Suggesting (a) to be deleted. Allocating capital to each group members will not be practical and complicated. Bank will maintain adequate capital according to ICAAP to take care of the risks associated with any group member.	SP-23	No change in rule.
IC-1.5.6 In stating their capital adequacy, banks must: **(a) Use formal economic capital models for setting capital objectives and targets and assessing its capital adequacy;** **(b) Assess whether their long-run capital objectives differ significantly from their short-run capital objectives. As it may take time for a bank to raise new capital, the bank must make allowances for unexpected events, including putting contingency plans in place for raising**	**A Bank:** **IC-1.5.6 – Use of formal economic capital models for assessing capital adequacy:** The Bank is licensed by CBB to use Standardized methodology for capital adequacy calculations. Although, the Bank also assesses its credit risk using FIRB (a close proxy of economic capital model) but that only feeds into Bank's risk management and is not a primary driver for capital adequacy reporting. The language used in the module suggests a more embedded use of economic capital model than is appropriate to a Standardised approach. We seek clarifications from the CBB on the wording	SP-24	Refer to GR-2

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additional capital; **(c) State the time horizon for achieving their capital adequacy objectives, and set out in broad terms the capital planning process and the responsibilities for that process. The capital plan should recognise that accommodating additional capital needs requires significant lead time, and take into account the potential difficulties of raising additional capital during downturns or other times of stress. It must also set out how the bank will comply with regulatory capital requirements, any relevant limits related to capital, and a general contingency plan for dealing with divergences and unexpected events;** **(d) Develop an internal strategy for maintaining capital levels which must not only reflect the desired level of risk coverage, but also incorporate factors such as portfolio growth expectations, future sources and uses of funds, and dividend policy. There may be other considerations that the banks consider relevant or important in determining how much capital it must hold (e.g. external rating goals, market image,**	used.		
	A Bank: We believe that the requirement to have formal economic capital models will be quite cumbersome for most small bank to implement. Such models are generally included in advanced risk systems, which may not be cost-efficient from smaller bank's perspective.	SP-25	Refer to GR-2

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strategic goals etc.). If these other considerations are included in the ICAAP, the bank must show how the considerations have influenced its decisions concerning the amount of capital to be held; and **(e) Ensure that capital objectives and targets are reviewed and approved by the Board, on an annual basis at least, to ensure their appropriateness.**			
Risk Modelling **IC-1.5.8 Banks using risk-modelling techniques to assess capital adequacy must comprehensively identify their capital needs on the basis of both quantifiable and non-quantifiable risks. Banks must not rely on quantitative methods alone to assess capital adequacy. Non-quantifiable risks, if material, must also be included using qualitative assessment and management judgment.**	**A Bank:** **IC-1.5.8 – Risk Modelling:** As noted in 1.5.6 above, the Bank is licensed by CBB to use Standardized methodology for capital adequacy calculations. We seek further clarifications from the CBB on the wording used in this section.	SP-26	Banks should consider all material risks in doing its capital adequacy assessment. For instance, credit risk, market risk and operational risks are quantifiable (i.e. their capital demand can be clearly quantified). However, there are other material risks (e.g. reputational risk) whose capital demand is difficult to quantify. However, banks should consider both quantifiable and non-quantifiable risks as part of its ICAAP and Risk Management Framework.
Design of ICAAP **IC-1.5.9 Banks must present in their ICAAP document and how risks relate to capital levels under both normal and stressed conditions.**	**A Bank:** IC1.5.9 –this point is not clear. Present to who?	SP-27	i.e. must be presented in the ICAAP report.

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Recovery Plan **IC-1.5.10 All Bahraini Islamic bank licensees must develop a recovery plan in line with Chapter DS-2. Recovery plans must be approved by the Board and the CBB and must be reviewed regularly. The recovery plan must include information and analysis to reflect the appropriate coverage and granularity of the recovery plan, as well as key elements including:** **(a) Governance arrangements and escalation process following a triggering event;** **(b) Quantitative and qualitative triggers and early warning indicators; and** **(c) Recovery options based on the appropriate number of market-wide (systemic) stress scenarios and bank-specific (idiosyncratic) stress scenarios to assess which recovery options would be effective in a range of stress situations.**	**<u>A Bank:</u>** IC1.5.10-13 – our understanding this only applies to DSIB. Please clarify.	SP-28	Recovery Plans should apply to all locally incorporated banks as it is a response to stressed measures.
	<u>A Bank:</u> **IC-1.5.10 – Recovery Plan:** We propose that all non-D-SIB banks prepare only the Recovery Plan and it should be expressly stated that a Resolution Pack is not necessary.	SP-29	Refer to SP-28
	<u>A Bank:</u> Section IC-1.5.10 requires all Bahraini banks to develop a recovery plan in line with Chapter DS-2 of the Domestic Systematically Important Bank Module. This implies that banks not designated as DSIBs also need to develop a recovery plan as provided in the DSIB module. It is recommended that the wording be changed to "All Bahraini banks designated by the CBB as a D-SIB must develop a recovery plan in line with Chapter DS-2 of the Domestic Systematically Important Bank Module."	SP-30	Refer to SP-28
	<u>A Bank:</u> We are of the opinion that this should primarily be applied to DSIBs. However, if CBB is of the opinion that it should be applicable to all banks, then we suggest that rule be that recovery plan should be commensurate with the size and scale of the organization and not at par with D-SIB module.	SP-31	Refer to SP-28
Section IC-1.5 Capital Planning	**<u>A Bank:</u>** Suggesting IC-1.5 to be waived. The Bank, being a wholesale investment bank, has a business model that is	SP-32	No amendment considered.

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	different from a normal commercial/retail bank business model. The bank operates an investment and fee based business model. Hence overall requirements related to Capital Planning, Recovery plan capital contingency plan etc of the proposed module should not be applied for the Bank and similar wholesale investment banks. Such measures may not align with an investment banking model. The rules should be reconsidered / modified to suit the business line of investment banks.		
IC-1.6 Independent Review **IC-1.6.1 Banks must ensure that the ICAAP framework is subject to independent review by the internal auditor, on an annual basis, and a third party consultant, other than the external auditor, every 3 years as required under HC-6.6.**	**<u>A Bank:</u>** **On the "Independent Review IC-1.6":** Our understanding is that while the exercise is to be conducted on annual basis and reviewed independently by internal auditor, the involvement of third party consultant, other than the external auditor will take place every three years. However, if there is no material change in the ICAAP framework over the three years (<u>from the first exercise which was already validated by a third party consultant</u>), this may not require the involvement of the third party consultant. Please confirm.	SP-33	No change required
	<u>A Bank:</u> IC-1.6.1 An annual independent internal audit review proposed in the consultation paper together with the on- going regulatory oversight would be more proportionate to the bank's ICAAP framework.	SP-34	Refer to SP-33
	<u>A Bank:</u> We are of the opinion that this requirement should only be applicable to D-SIBs and banks with a low CAR (below	SP-35	Refer to SP-33

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	20%). However, if CBB believes it should be made mandatory for all banks, then we suggest not mentioning any review frequency for internal audit (frequency of coverage should be ideally decided by internal audit department based on its own annual risk assessments and audit plan drawn in conjunction with Board Audit Committee). Also, mandating an external consultant review, will be an additional cost for small banks and therefore CBB should consider extending the frequency to once in 5 years, which would be in line with similar requirements in other areas.		