

Question ID	2025_7335
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Market risk
Article	325z
Paragraph	5
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
Type of submitter	Competent authority
Subject matter	Scaling of gross JTD amounts of securitisation tranches with a maturity less than one year
Question	Should the tranche maturity (MT) of less than one year of gross JTD amounts of securitisation tranches resulting from either formula in Art. 257(1) CRR be floored at one year as required by para. 2 of this Article, or can the MT be used without this floor of one year in order to enable scaling, with a floor of three months, as prescribed by Art. 325z(5) CRR in conjunction with Art. 325x(3) CRR?
Background on the question	<p>Pursuant to Art. 325z(5) CRR, <i>“Article 325x shall apply to both existing securitisation exposures and to securitisation exposures in accordance with paragraph 3 or 4 of this Article. The relevant maturities shall be those of the securitisation 325x(3) CRR, “where no offsetting is possible gross JTD amounts shall equal net JTD amounts in the case of year or more. Gross JTD amounts with maturities of less than one year shall be multiplied by the ratio of the maturity of the tranche to the maturity of the reference exposure, with a floor of three months, to calculate net JTD amounts.” Pursuant to Art. 257(2) CRR, “for the determination of a tranche maturity (MT) shall be subject in all cases to a floor of 1 year and a cap of 5 years”.</i></p> <p>In absence of a definition for the determination of a securitisation tranche maturity (MT) in the Market Risk Regulation, the weighted average maturity or the legal maturity as defined in Art. 257(1) CRR for Credit Risk. The result is capped at five years in accordance with para. 2 of this Article. Contrary to this, for Market Risk, Art. 325z(5) CRR and Art. 325x(3) CRR prescribe that also gross JTD amounts of securitisation tranches with a MT less than one year shall be multiplied by the ratio of the maturity of the tranche to the maturity of the reference exposure, with a floor of three months, to calculate net JTD amounts. However, as a consequence from the application of the formula in Art. 257(1) CRR would always be floored at one year. In this context, it is unclear whether</p> <ol style="list-style-type: none"> 1. the floor of one year as required by para. 2 of Art. 257 CRR shall be applied to MTs of less than one year in conjunction with Art. 325z(5) CRR and Art. 325x(3) CRR, or 2. whether those MTs shall be used without this floor of one year. <p>Note that option 1) would effectively rule out any scaling, with a floor of three months, to the respective gross JTD amounts of securitisation tranches as prescribed by Art. 325z(5) CRR in conjunction with Art. 325x(3) CRR.</p>
Submission date	07/02/2025
Final publishing date	11/04/2025
Final answer	For the purposes of calculating own funds requirements for default risk in the context of market risk, institutions should use the general definition of a tranche maturity as provided in Article 257(1) of Regulation (EU) No 575/2013 (CRR), but without applying the one year-floor referred to in Article 257(2) CRR (i.e. corresponding to option 2 above). Institutions shall use the scaling laid down in Article 325x(3) CRR, in accordance with Article 325z(5) CRR, for securitisation tranches with a maturity shorter than one year.
Status	Final Q&A
Answer prepared by	Answer prepared by the EBA.