

EBA/RTS/2025/05

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Draft Regulatory Technical Standards

on equivalent mechanism for unfinished property under Article 124(14) of EU Regulation 575/2013

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1. Executive Summary

Article 124 of the CRR sets out the requirements for the assignment of risk weights for exposures secured by mortgages on immovable property, i.e. both for residential and commercial property lending. Specifically, Article 124(3)(a)(iii) of the CRR extends the possibilities to be eligible to the preferential risk weight treatment for retail immovable property under Article 125(1) of the CRR for exposures which are still under construction, where any of the following conditions is met:

1. the immovable property does not have more than four residential housing units and will be the primary residence of the obligor and the lending to the natural person is not indirectly financing ADC exposures;
2. a central government, regional government or local authority or a public sector entity involved, exposures to which are treated in accordance with Articles 115(2) and 116(4), respectively, has the legal powers and ability to ensure that the property under construction will be finished within a reasonable time frame and is required to or has committed in a legally binding manner to do so where the construction would otherwise not be finished within a reasonable time frame; alternatively, there is an equivalent legal mechanism to ensure that the property under construction is completed within a reasonable timeframe.

Against this background, the EBA is mandated under Article 124(14) of the CRR to specify what constitutes an equivalent legal mechanism to ensure that the property under construction is completed within a reasonable timeframe. The approach adopted in this standard acknowledges completion guarantee when it is legally required in the country where the residential property is being built and meets specific safeguards ensuring enforceability and risk mitigation. To this end, the RTS establishes the minimum creditworthiness requirements, the essential conditions for the guarantee, and the scope of application of this equivalent legal mechanism.

Accordingly, this RTS provide a harmonised framework at European level for the prudential treatment of residential real estate exposures under construction, ensuring comparability of own funds requirements and ultimately achieving a level playing field across the EU.

2. Background and rationale

Article 124(3)(a)(iii) of the CRR transposes a Basel national discretion under [20.71\(1\)](#), which extends the possibilities to be eligible to the preferential risk weight treatment under Article 125(1) of the CRR for exposures secured by residential immovable property which is still under construction¹, and where the lending is to a natural person.

Among these conditions in Article 124(3)(a)(iii) of the CRR, it is specified that for properties under construction or planned for construction, one of the two conditions must be met: 1) lending is limited to an individual's primary residence, with up to four housing units, and avoids indirect financing of ADC exposures; 2) an involved central government, or an entity risk-weighted as such according to Articles 115(2) or 116(4) of the CRR, with legal powers and ability to ensure timely completion of construction and is either required to ensure this or provide a legally binding commitment. Alternatively, an equivalent legal mechanism is in place to ensure completion of the construction within a reasonable timeframe.

With regard to point 2) above, concerning the possibility that an involved central government or entity risk weighted as such has the legal powers and ability to ensure the completion of the property, this scenario is currently absent in almost the entirety of European Union member states, which currently prevents from using this exception in the majority of them and making this exception applicable could require introducing respective national laws. Therefore, de facto, currently the only possibility for recognising an unfinished immovable property with more than four residential housing units as an exposure secured by an immovable property treated for prudential purposes in accordance with Article 124(2) of the CRR is that of the equivalent legal mechanism in accordance with the second indent of Article 124(3)(a)(iii) of the CRR).

The approach adopted in this standard acknowledges completion guarantee when it is legally required in the country where the residential property is being built and meets specific safeguards ensuring enforceability and risk mitigation. The protection provider must be a regulated financial sector entity with a risk weight not exceeding 20% for comparable direct exposures under the Standardised Approach for Credit Risk. If the protection provider belongs to the same group as the lending institution, the preferential risk treatment applies only on an individual basis.

The completion guarantee must ensure that, if construction is discontinued, the protection provider either fully finances the remaining construction costs, without limitation or cap, or directly compensates the lending institution for the amount owed by the obligor. It must cover all housing units in the project, with multiple providers assuming joint and several liability. Both the lender and

¹ Or it is land upon which a residential property is planned to be constructed where that plan has been legally approved by all relevant authorities, as applicable.

the borrower must have a legally enforceable claim against the protection provider to ensure either completion of the property or repayment of the loan.

The activation of the guarantee must not be subject to additional conditions, including the default of the borrower, and must be exercisable as soon as it is evident that the property will not be completed within a reasonable timeframe.

The guarantee must have clear, incontestable terms, remain valid until construction is completed, and be legally effective and enforceable in all relevant jurisdictions. It must not include clauses allowing cancellation, reduction, or release of the protection provider's obligations, except in force majeure cases covered by other guarantees.

3. Draft regulatory technical standards specifying what constitutes an equivalent legal mechanism ensuring that the property under construction is completed within a reasonable time frame

COMMISSION DELEGATED REGULATION (EU) .../...

of **XXX**

supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying what constitutes an equivalent legal mechanism ensuring that the property under construction is completed within a reasonable time frame

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, and in particular Article 124(14), thereof,

Whereas:

- (1) Taking into account proportionality while at the same time ensuring strict prudential standards, it is appropriate to consider a legal mechanism as equivalent for the second indent of Article 124(3)(a)(iii) of Regulation (EU) 575/2013 if this legal mechanism ensures that a protection provider, has the legal powers and ability to ensure that the property under construction will be finished within a reasonable time frame and is required to or has committed in a legally binding manner to do so where the construction would otherwise not be finished within a reasonable time frame.
- (2) Serving as a significant risk mitigation tool and acting as a safety net, the protection provider should issue a completion guarantee, providing sufficient assurances that contractual obligations in relation to unfinished properties will be met, thus fostering trust and reducing potential disputes on completion of the property.
- (3) Through this completion guarantee, the protection provider should be required, without undue delay, to finance all remaining construction costs, including any potential budget overruns, to ensure the completion of the property; alternatively, when the construction cannot be completed, including cases where attempts have been made to do so, it should be obligated to pay to the institution, either directly or through the obligor, an amount at least equal to the

amount owed by the obligor of the exposure for which the institution treats the unfinished immovable property as securing this exposure. In this second case, the repayment should be required to be done without undue delay, i.e. all amounts owed to the bank should become immediately due once the repayment guarantee is triggered. It should be practically ensured that no additional undrawn amounts of the exposure for which the institution treats the unfinished immovable property as securing this exposure can be drawn after the activation of the repayment guarantee, unless a new equivalent legal mechanism meeting all the criteria in this regulation is set in place.

- (4) In order to make sure that the entity that should ensure that the property under construction will be finished has the legal powers and ability to do so, it is necessary to specify the minimum requirements on that entity. In particular, the ability of the entity to ensure that the property under construction will be finished should not be impeded by insufficient credit worthiness. This minimum credit worthiness should be evaluated in light of the minimum own fund requirements applicable to exposures secured by residential immovable properties, that cannot have a risk weight above 20%. In addition, the protection provider should be a regulated institution or an insurance undertaking, in line with the nature of the completion guarantee.
- (5) When the protection is provided by the entity benefiting from this protection, no reduction of risk is observed, as the entity would at same time benefit from the guarantee and be liable for it. Therefore, if both the institution and the protection provider belong to the same group, the treatment of the property as completed should not apply at a consolidated level. Instead, the recognition of risk mitigation benefits arising from the completion guarantee, specifically, the treatment of the property as completed, should be limited to the calculation of own funds requirements at the solo (individual institution) level.
- (6) As the coexistence of several providers may hinder coordination for the completion of the whole property, it is necessary to require either the completion guarantees for all the housing units in a given residential immovable property under construction are provided by the same entity; or that multiple protection providers jointly and severally provide a single guarantee.
- (7) Similarly, to maintain the effectiveness of the completion guarantee and ensure the protection provider remains committed to the timely completion of the property, it should be foreseen that no clauses increase the effective cost or allow the protection provider to unilaterally reduce, cancel, or relieve themselves from their obligations, except in cases of force majeure covered by another insurance or guarantee.
- (8) Where the completion guarantee is turned into a repayment guarantee, any financial compensation paid to the obligor shall be ultimately transferred to the institution to reimburse the loan secured by the unfinished property, so that these monies are not left at the free disposal of the obligor.
- (9) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.
- (10) The European Banking Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council.

HAS ADOPTED THIS REGULATION:

Article 1 – Equivalent Legal mechanism

A completion guarantee provided by a protection provider that meets all the conditions set out in Article 2 and where the guarantee meets all the conditions set out in Article 3, shall constitute an equivalent legal mechanism for the purpose of Article 124(3)(a)(iii)(2) of Regulation (EU) No 575/2013.

Article 2 – Requirements for the protection provider

1. The protection provider shall be an institution or an insurance undertaking subject to prudential requirements in accordance with Regulation 575/2013 or Directive 2009/138/EC.
2. Where the remaining costs required for the completion of the immovable property would constitute a direct unsecured exposure to the provider of the completion guarantee, the risk weight applicable to such exposure under Chapter 2 of Title II of Part III of Regulation (EU) No 575/2013 shall not exceed 20%.
3. If the protection provider and the lending institution belong to the same group, the completion guarantee shall not qualify as equivalent legal mechanism in accordance with Article 124(2) of Regulation (EU) 575/2013 for the consolidated level of any group to which both the lending institution and the protection provider belong.

Article 3 – Requirements for completion guarantees

1. The completion guarantee shall be required by the law of the Member State where the residential property is being built until its construction is completed.
2. As soon as it is no longer ensured that the construction of the immovable property protected by the completion guarantee will be finished within a reasonable time frame, including for reasons related to the real estate developer, the protection provider shall be legally required to perform at least one of the following obligations without undue delay:
 - a. Finance, without limitation or cap including for potential budget overruns, all remaining construction costs for the completion of the construction of such property until completion in order to ensure that the construction work continues and that the property under construction is actually completed within a reasonable timeframe; or
 - b. Where a completion guarantee is turned into a repayment guarantee, pay to the institution directly or through the obligor an amount at least equal to the amount owed by the obligor of the exposure for which the institution treats the unfinished immovable property as securing this exposure.

3. A single completion guarantee shall cover all housing units in a given residential immovable property under construction. In case of more than one provider for a single completion guarantee, those providers shall be jointly and severally liable in a legally binding manner.
4. The obligor and the institution shall have a legally enforceable claim against the protection provider for the obligations according to point (a) or (b) of paragraph 2, as applicable.
5. It must be legally and practically ensured that the obligation of the protection provider is activated in a timely manner. No additional activation conditions shall exist in the completion guarantee, and a default of the obligor shall not prevent the activation of the completion guarantee.
6. In the event of the conversion of such completion guarantee into a repayment guarantee in accordance with paragraph 2(b), all the following conditions shall be met:
 - a. The amount referred to in paragraph 2(b) becomes legally due immediately;
 - b. In case the protection provider pays the amount referred to in paragraph 2(b) through the obligor, the obligor shall be legally required to repay the received amount to the institution and this payment shall become legally due immediately once the obligor has received this amount from the protection provider;
 - c. It shall be ensured that no additional amounts of the exposure secured by the unfinished property can be drawn after the activation of the repayment guarantee, unless a new equivalent legal mechanism meeting all the criteria in this regulation is set in place before such drawings are possible.
7. The extent of the completion guarantee shall be clearly set out and incontrovertible.
8. The completion guarantee shall not have a fixed duration and shall apply at least until the completion of the property under construction.
9. The completion guarantee shall not contain any clause the fulfilment of which is outside the direct control of the obligor, where such clause would increase the effective cost of the completion guarantee including due to an increase in the risk that the real estate developer will not complete the property under construction or would allow the protection provider to do any of the following:
 - a. Cancel the completion guarantee;
 - b. Reduce unilaterally the amount or the duration of the completion guarantee;
 - c. Free or in any way relieve the protection provider, except only in cases of force majeure if they are covered by other insurance or guarantee, from the obligation to complete in a timely manner the property under construction as specified in paragraph 2, point (a) or, where a completion guarantee is turned into a repayment guarantee, from the payment obligation specified in paragraph 2, point (b).
10. The completion guarantee shall be documented in writing and shall be legally effective and enforceable in all relevant jurisdictions.

Article 4 – Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

[Please choose one of the options below.]

*For the Commission
The President*

*[For the Commission
On behalf of the President*

[Position]

4. Accompanying document

.4.1 Draft cost-benefit analysis / impact assessment

Article 124 CRR sets out the requirements for assigning risk weights to exposures secured by mortgages on immovable property, with Article 124(3)(a)(iii) CRR extending the possibilities for property under construction to be eligible for the preferential risk weight treatment for retail immovable property under article 125(1) CRR, provided that one of the two conditions is met:

- a. lending is limited to an individual's primary residence, with up to four housing units, and avoids indirect financing of ADC exposures;
- b. an involved central government, or an entity risk weighted as such according to Articles 115(2) and 116(4), respectively, has the legal powers and ability to ensure that the property under construction will be finished within a reasonable time frame and is required to or has committed in a legally binding manner to do so where the construction would otherwise not be finished within a reasonable time frame; alternatively, there is an equivalent legal mechanism to ensure completion of the property under construction within a reasonable time frame.

Against this background, the EBA is mandated under Article 124(14) of the CRR to specify what constitutes an "equivalent legal mechanism in place to ensure that the property under construction is completed within a reasonable time frame".

As per Article 10(1) of the EBA regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council), any RTS developed by the EBA shall be accompanied by an Impact Assessment (IA) annex which analyses "the potential related costs and benefits" before submitting to the European Commission. Such annex shall provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

The EBA has prepared the IA contained in this consultation paper, which analyses the policy options considered. Given the nature of the topic, the IA is qualitative.

Problem identification and baseline scenario

Article 124(3)(a)(iii) second indent of the CRR states that an involved central government or an entity risk weighted as such that has the legal powers and ability to ensure the completion of the property under construction is a sufficient condition for preferential risk weight treatment for retail immovable property. However, this setup is not widespread in EU Member States, rendering this condition obsolete in most of them.

Alternatively, an equivalent legal mechanism to be eligible for the preferential risk weight treatment can be in place. Yet, the definition or specification of what constitutes an equivalent legal mechanism is not sufficiently addressed in the current text.

Policy objectives

The main objective of this RTS is to provide a harmonised framework at European level for the prudential treatment of residential real estate property under construction, ensuring comparability of own funds requirements, and ultimately achieving a level playing field across the EU.

Options considered

In preparing this RTS, the EBA considered two policy options:

- a. **Baseline approach** toward an equivalent legal mechanism. Such an approach requires the existence of a counter-guarantee provided by a central government or assimilated entities, assuming that the additional conditions set out in Article 124(3)(a)(iii) of the CRR are maintained; that is, (i) the entity has the legal powers and ability to ensure the property under construction will be finished within a reasonable time frame, and (ii) the entity is required to or has committed in a legally binding manner to do so where the construction would otherwise not be finished within a reasonable time frame;
- b. **Alternative approach** toward an equivalent legal mechanism. Such an approach captures completion guarantees, which ensures completion of the property in a timely manner in the event that the developer fails to finish the construction. To this end, questions naturally arise in connection with the minimum credit worthiness, the minimum requirements for the guarantee, or the scope of application.

Assessment of the options and the preferred option(s)

Taking into account proportionality and ensuring strict prudential standards, the assessment considers both the applicability and the equivalence of the legal mechanism.

In terms of applicability, it is expected that Option a. is unlikely to cover many existing schemes, as the setup outlined in the provisions of the CRR simply does not exist in almost all EU Member States. Option b., due to its more comprehensive approach, is likely to allow some more national schemes to be at least partially eligible as an equivalent legal mechanism.

In view of the equivalence with the provisions in the second indent of Article 124(3)(a)(iii) of the CRR, it is expected that the relatively marginal changes to the outlined provisions will ensure equivalence in Option a. Option b. reflects the mechanism of completion guarantees already implemented in some jurisdictions, while incorporating robust safeguards to ensure its prudential applicability. This alternative approach is expected to achieve broader adoption across the EU compared to the baseline approach (i.e., Option a.), which is currently unknown to EU banks. Regarding the safeguards, it is important to note that the scope is limited to protection providers with a risk weight of 20% or less, thereby ensuring high standards of creditworthiness. Additionally,

a series of safeguards have been introduced to the guarantee requirements, ensuring its prompt activation in the event of non-completion of the property.

Consequently, the preferred option is the alternative approach (**Option b.**) toward an equivalent legal mechanism that effectively ensures strict prudential standards and a broader equivalence with the provisions of the CRR. In particular, by requiring a high level of creditworthiness for protection providers and ensuring the timely activation of guarantees in cases of non-completion, this approach offers a more practical and adaptable solution, addressing both regulatory and market needs.

4.2 Feedback on the public consultation

The EBA publicly consulted on the draft proposal contained in this paper. The consultation period lasted for 3 months and ended on 13 August 2024. Six responses were received, which were all published on the EBA website. In detail, the following comments were received:

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Q1(a): Are there some practical cases where a central government, regional government or local authority or a public sector entity involved, exposures to which are treated in accordance with Articles 115(2) and 116(4) of the CRR, respectively, has the legal powers and ability to ensure that the property under construction will be finished within a reasonable time frame and is required to or has committed in a legally binding manner to do so where the construction would otherwise not be finished within a reasonable time frame (i.e. existence of cases referred to in Article 124(3)(a)(iii) of the CRR)? In the context of Q1(a), please describe in detail the sources of the legal powers and the ability of central government, regional government or local authority or a public sector entity as well as the arrangements regarding the requirement or the commitment to finish the construction in a reasonable timeframe.			
According to the respondents, there is no evidence regarding the scenario in question Q1(a), which in fact is the scenario referenced in Article 124(a)(iii)(2). This situation, where a central government steps in to complete a residential property, is very rare, if not completely unknown, to European banks.		The comments on these questions confirm that the scenario highlighted in the L1 text is extremely rare, if not completely unknown, in Europe.	No
Q1(b): Are there some practical cases where legal powers and ability to ensure that the property under construction will be finished within a reasonable time frame is given to an entity that is neither a central government, nor an entity for which exposures are treated in accordance with Articles 115(2) or 116(4) of the CRR (i.e. existence of cases referred to in the current Article 1 of the RTS)? In the context of Q1(b), please describe in detail the sources of the legal powers and the ability of this entity as well as the arrangements regarding the requirement or the commitment to finish the construction in a reasonable timeframe.			
It emerged that the mechanism by which financial entities (e.g., banks, insurers, guarantee firms) ensure the completion of construction projects is common in France, and Luxembourg and exists in Belgium. This mechanism is mandatory by national laws in		Scenario 2 is confirmed to be common practice in France and Luxembourg and exists in Belgium.	Yes, the final RTS acknowledges completion guarantee when it is legally

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
these countries and does not require a state counter-guarantee.			required in the country where the residential property is being built when it meets the specific safeguards mentioned in the RTS, ensuring enforceability and risk mitigation.
Q2: With regard to subparagraph (d)(iii)(first indent) above, could you provide insights into how pledging the rights under the completion guarantee functions from both a legal and practical perspective? Specifically, in current market practices, are the rights pledged only upon the default of the obligor? If so, are any measures being considered or implemented to mitigate the legal risks associated with the pledge potentially needing to be upheld by the insolvency administrator under applicable insolvency law, and at last to ensure effective protection of the institution's interests?			
The associations believe that, based on the current market practices, the eligibility criteria (d)(iii)(first indent) in the CP outlined in the EBA's alternative proposal are unnecessary for the recognition of an equivalent legal mechanism in the form of a completion guarantee. This is because the banks' interests are already adequately addressed by the legal certainty requirements for immovable property collateral recognition (CRR Article 208(2)) or through the proper transfer of ownership.		The EBA acknowledges the industry's concerns and has generally streamlined the requirements, provided that the completion of the unfinished property is ensured.	Yes, ensuring the activation of the completion guarantee by the credit institution.
Q3: Could you provide the RW of the entities that are currently protection providers for such completion guarantees, as well as the type of counterparty (i.e. financial institution, other financial sector entity or corporate)?			

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
The respondents deem the 20% RW overly conservative, potentially excluding many protection providers from being eligible under the RTS. They suggest that Point c) - the minimum level of creditworthiness should not be based on risk weights but instead should be set to a minimum CQS of 2 (equivalent to a 30% risk weight under Article 120 or to a risk weight of 50% under Article 122 where protection is not provided by an institution but e.g. by an insurance company), or for unrated institutions, qualifying for Grade A under SCRA.		<p>The EBA understands the concerns of the industry but believes that, from a risk-based perspective, it is not possible to allow for a CQS 2 for the following reasons and intends to maintain the minimum requirement of a 20% risk weight:</p> <ul style="list-style-type: none"> • The legal mechanism should be equivalent to a government guarantee that there would ensure completion in a timely manner. Thus, the RTS already includes an additional counterparty risk by allowing institutions to cover this requirement by a non-public protection provider that does not have legal powers and ability to ensure that the property under construction will be finished within a reasonable time frame to an extent comparable with those of governments, local authorities or public sector entities. • To compensate for the additional counterparty risk, it should at least be ensured that the lowest possible RW of a fully constructed RRE exposure (which is 20% RW for the loan splitting approach for an exposure with an LTV of 55%) can be justified, which only allows CQS 1 (as CQS 2 attracts a 30% RW as well as 40% for Grade A) 	No
Q4: In the case where the requirements on the guarantee would be limited to cover the simple case where the construction works are impeded by financial difficulties faced by the real estate developer, which other mechanisms could ensure the appropriate recognition of the construction risk beyond the creditworthiness of the real estate developer in the own fund requirements?			

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p>The associations argued against four specifications.</p> <p>Concern 1. The associations argue that completion guarantees are more similar to performance bonds rather than pure financial guarantees, and as such, should not be subject to the same eligibility criteria as those required for credit risk mitigation under the CRR. They emphasize that national laws mandating completion guarantees should suffice for their recognition, providing enough certainty for the finalization of properties taken as collateral.</p> <p>Concern 2. The associations argue that the failure of the real estate developer in its contractual obligation is resulting either from financial difficulties or from fraudulent behaviour. To mitigate these risks, several measures are highlighted: enhanced due diligence by banks, legal recourse for buyers to enforce contract completion, and mandatory insurance schemes in certain jurisdictions to protect construction projects.</p> <p>Concern 3. The respondents also request a definition/clarification of “in a timely manner”, stating that it cannot be understood as the completion of the works by the original deadline set before the activation of the guarantee.</p> <p>Concern 4. Lastly, regarding point d)iv) of the Alternative Approach in the explanatory box of the CP (Article 3(i) of the final RTS), the associations disagree with the EBA's proposal to restrict protection providers to entities without ties to the lending institution. They argue that providing both a completion guarantees and</p>	<p>1. Concern 1-2. It is a priority of the EBA that all elements that could potentially interrupt the progress of work be considered in this RTS. In this regard, if force majeure events are already covered by a separate insurance, they can reasonably be excluded from the scope of the completion guarantee. Regarding the fraudulent behaviour, it is important to recall that in CRR 3 it is an ineligibility criterion for financial guarantees. For this reason, in the text it has been introduced that the guarantee must also cover the case of the obligor's default.</p> <p>2. Concern 3. The issue of defining “timely manner” falls outside the EBA's remit. Regarding the concerns raised by the industry, it should be noted that “timely manner” at both L1 and L2 levels is in no way tied to the initial construction deadline. In particular, it is expected that the completion guarantee to take effect immediately (as stipulated in the guarantee contract); however, construction may be delayed compared to the original timeline. This aspect cannot be contractual and requires case-by-case analysis.</p> <p>3. Concern 4. Regarding point d)(iv) of the alternative approach in the CP, which prohibited the provider of the completion guarantee from being an entity within the same group as the</p>	<p>Yes on Concerns 1-2 regarding the clarification on the default of the obligor and the force majeure event.</p> <p>No on Concern 3</p> <p>Yes on Concern 4</p>	

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
financing a mortgage are distinct risks, managed and priced separately. The institution, as both lender and guarantor, would face double risk-weighted assets (RWA) that would lead to a double counting of the risk: on the one side, the insurance provided would be risk weighted (to account for the risk that the bank has to pay the future construction costs), and on the other side, these construction costs would not be recognised as the property would not be considered as an eligible collateral. It is also noted that this separation is not requested for “usual” financial guarantees (i.e. an institution can guarantee its own portfolio, with however of course no capital gain from this operation). Moreover, combining these roles allows banks to better control and manage risks throughout the real estate project, benefiting both the bank and the buyers.		bank financing the developer, it has been replaced a new Article. This new provision, as requested by the industry, no longer prohibits the issuance of a completion guarantee by a protection provider that is part of the same banking group as the institution financing the obligor. However, the recognition of risk mitigation benefits arising from the completion guarantee, specifically, the treatment of the property as completed, shall be limited to the calculation of own funds requirements at the solo (individual institution) level.	
Q5: Which specificities of IPRE and non-IPRE exposures could warrant differentiated requirements on the equivalent mechanism?			
From the responses received, no arguments were presented to justify a potential differentiated treatment.		Considering this, and the fact that such a distinction is not present at the L1 level, this option can be considered no longer viable.	No