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| Question ID | 2018_4012 |
| Status | Final Q&A |
| Legal act | Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2) |
| Topic | Credit risk |
| Article | 123 |
| Paragraph | n.a. |
| Subparagraph | - |
| COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations | Not applicable |
| Article/Paragraph | n.a. |
| Date of submission | 22/06/2018 |
| Published as Final Q&A | 09/10/2020 |
| Disclose name of institution / entity | No |
| Type of submitter | Credit institution |
| Subject matter | Retail Classification |
| Question | <p>Retail classification if an obligor has exposure under both the STA and IRB approach. This question is relevant for banks that are partially using the SA and partially using the IRB approach and where the use of the different methods is on the basis of the product type i.e. mortgages are under IRB, other Retail loans under SA.</p> <p>Article 123 allows for the exclusion of exposures fully and completely secured on residential property that have been assigned to the exposure class laid down in point (i) of Article 112 (exposures secured by mortgages on immovable property) when calculating the total amount owed the institution.</p> |
| Background on the question | <p>Retail classification if an obligor has exposure under both the STA and IRB approach. This question is relevant for banks that are partially using the SA and partially using the IRB approach and where the use of the different methods is on the basis of the product type i.e. mortgages are under IRB, other Retail loans under SA. Article 123 allows for the exclusion of exposures fully and completely secured on residential property that have</p> |

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| | <p>been assigned to the exposure class laid down in point (i) of Article 112 (exposures secured by mortgages on immovable property) when calculating the total amount owed the institution.</p> |
| EBA answer | <p>For the calculation of the total amount owed by an obligor under Article 123(c) of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2) an institution should consider all exposures owed, even if part of the exposures to that obligor were to be treated under the IRB approach. However, for the exclusions, Article 123(c) CRR2 explicitly refers to exposures fully and completely secured on residential property collateral that have been assigned to the exposure class laid down in point (i) of Article 112 CRR2, which is an exposure class under the standardised approach for credit risk.</p> <p>Consequently, exposures secured on residential property collateral classified under the IRB approach cannot be excluded when calculating the total amount owed under Article 123(c).</p> |
| Link | <p>https://eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2018_4012</p> |

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