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| <b>Question ID</b>  | 2019_4892   |
| <b>Status</b>   | Final Q&A   |
| <b>Legal act</b>  | Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2)   |
| <b>Topic</b>  | Supervisory reporting - COREP (incl. IP Losses)   |
| <b>Article</b>  | 101   |
| <b>Paragraph</b>  | 1   |
| <b>Subparagraph</b>   | -   |
| <b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b> | Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)   |
| <b>Article/Paragraph</b>  | C 15 template   |
| <b>Date of submission</b>   | 02/09/2019  |
| <b>Published as Final Q&amp;A</b>                                     | 04/12/2020  |
| <b>Disclose name of institution / entity</b>                          | No  |
| <b>Type of submitter</b>  | Competent authority   |
| <b>Subject matter</b>   | Definition of an "exposure" in C 15 instructions  |
| <b>Question</b>   | We would like to clarify C 15 reporting requirements. Especially which exposures should be included here in case there is immovable property collateral.  |
| <b>Background on the question</b>                                     | C 15 point 11 defines exposure in the following way "Exposures: All exposures that are treated according to Part Three, Title II of CRR and where the collateral is used to reduce the risk-weighted exposure amount are reported in CR IP Losses. This also means that in case the risk mitigation effect of immovable property is only used for internal purposes (i.e. under Pillar 2) or for large exposures (see Part Four CRR), the exposures and losses concerned must not reported". Two conditions have to be met for an exposure to be reported here: 1) it should be under credit risk reporting framework, either SA or IRB, for this is reference to Part Three, Title II of CRR; and 2) collateral is used to reduce the risk-weighted exposure amount. First condition is straightforward, second condition leaves certain amount of interpretation. Q1. For example in case of SA does this only include exposures when 35% and 50% risk weights are used by the bank according to articles 125 and 126 or also for example |

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|                   | <p>when 75% or 100% or 150% risk weight is used. Our reading is that only in case 35% or 50% risk weight applies, although other interpretations seems also be possible, although little bit less legally sound. Q2. In case of an IRB exposure is it correct to say that condition 2) is met when immovable collateral is used as an input for PD and/or LGD estimation by the bank? In other cases it should not be reported here.</p>   |
| <b>EBA answer</b> | <p>The instructions to fill in the exposure value in column 050 of template C 15.00 explicitly reference Article 101(1) point c) and f) of Regulation (EU) No. 575/2013 (CRR). According to this article, institutions shall report the exposure value of all outstanding exposures for which an institution has recognized immovable residential/commercial property as collateral, limited to the part treated as fully secured by immovable residential/commercial property in accordance with Article 124(1) CRR. Article 124 (1) CRR determines the value of the exposure to be reported, independently on the approach used to calculate the risk weighted exposure amounts. For further clarification on the relevant value reported in column 050 and an example please refer to Q&amp;A <a href="#">2015_1713</a>.</p> <p>For exposures under SA, this means that the exposure which is fully secured by immovable property is reported in column 050 of template C 15.00, independently on whether the exposure is assigned to exposure class “exposures secured by mortgages on immovable property” (Art. 112(i) CRR) or whether parts of the exposure which is fully secured are assigned to other exposure classes (Art. 124 (1) sentence 1, 2nd alternative CRR). The value reported in column 050 is always equal or higher than the part of the exposure, which is fully and completely secured by immovable according to Art. 125 and 126 CRR up to the exposure fully secured.</p> <p>For exposures under IRB, this means that exposures, where the immovable property plays a role in the application of a more favorable parameter (that is, a lower LGD) in the calculation of the risk-weighted exposure amount, are reported in column 050 of template C 15.00, with the value of the exposure that is fully secured according to Art. 124 (1) CRR.</p> |
| <b>Link</b>       | <p><a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicid/2019_4892">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicid/2019_4892</a></p>   |