

Single Rulebook Q&A

Question ID	2021_5738
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	112, 122 in conjunction with 390 (7)
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	not applicable
Date of submission	12/02/2021
Published as Final Q&A	17/03/2023
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Determination of risk weight for a pass-through SPE exposure with underlying assets where the transaction does not fulfil the conditions for securitisations according to Article 4(1)(61) CRR.
Question	Should an exposure to an SPE transaction with underlying assets and a single class of debt (pass-through structure), which does not fulfil the criteria of Securitisation, be recognised to determine the risk weight of the exposure by applying a look-through approach to the underlying assets as suggested by Article 390(7) CRR regarding large exposures treatment? Or should such exposure be treated as a (unrated) corporate exposure in accordance with Article 122 CRR?
Background on the question	A credit institution needs to determine risk weights on individual and group level. Local GAAP for individual reporting may not allow a look-through for an exposure to an SPE with underlying assets as consolidation may be limited to group reports always assuming the institution holds the majority of risk and rewards. Respectively, with regard to Part II of the CRR a pass-through exposure to an SPE with underlying assets which does not fall under the definition of Securitisation could be considered a corporate exposure following local GAAP on individual basis and, as such, entirely abstract from the risk weight of the underlying assets. Article 5(1) CRR defines the term

	Exposure generically as an "asset or off-balance sheet item". Regarding large exposure regulation Article 390(7) CRR clearly stipulates a look-through for such "other transactions where there is an exposure to underlying assets".
Final answer	<p>Unless otherwise provided, Part Three (Capital requirements) and Part Four (Large exposures) of Regulation (EU) No 575/2013 (CRR) are to be separately applied as they refer to different types of requirements. Article 390(7) CRR is therefore not to be applied for the purposes of calculation of the minimum capital requirements according to Part Three of the CRR.</p> <p>Where the definition of a securitisation in Article 2(1) of Regulation (EU) 2017/2402 (SecReg) is not met, such exposures cannot be treated under the securitisation framework.</p> <p>For the treatment for the purpose of the calculation of the minimum capital requirements, it should then be verified whether the exposures in question can be considered as exposures in the form of units or shares of collective investment undertakings (CIU). For the question whether the SPE qualifies as a CIU or not, see Q&A 4502.</p> <p>In the case the SPE were considered a CIU, it might apply the look-through approach (in accordance with Article 132a(1)) or the mandate-based approach (in accordance with Article 132a(2)) if the conditions set out in Article 132(3) are met. If the look-through approach or the mandate-based approach are not applicable, the risk weight is always 1250% ('fall-back approach') according to Article 132(2) CRR or Article 152(6) CRR.</p> <p>Where the SPE does not qualify as a CIU, the exposure should be assigned to the "corporates" exposure class according to Article 112 (g) of the CRR.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5738

European Banking Authority, 08/06/2023
www.eba.europa.eu