

<b>Question ID</b>	2021_5811
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Leverage ratio
<b>Article</b>	429a
<b>Paragraph</b>	1
<b>Subparagraph</b>	e
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	n.a.
<b>Date of submission</b>	12/04/2021
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<b>Disclose name of institution / entity</b>	Yes
<b>Name of institution / submitter</b>	European Central Bank
<b>Country of incorporation / residence</b>	Germany
<b>Type of submitter</b>	Competent authority
<b>Subject matter</b>	Application of the leverage ratio exemption related to the passing-through of promotional loans to other credit institutions
<b>Question</b>	Can the leverage ratio exemption related to the passing-through of promotional loans to other credit institutions (Article 429a(1)(e) CRR) be applied if an institution which is not a public development credit institution (Article 429a(2) CRR) but an entity set up by the central government, regional government or local authority of a Member State would issue promotional loans (Article 429a(3) CRR) through credit institutions and match these exposures by covered bonds on the liability side, under the same terms and conditions?
<b>Background on the question</b>	This case refers to a situation where Institution A which is not a public development credit institution, but meets the criteria to issue promotional loans under Article 429a(3) CRR, would do the following: Institution A would acquire promissory notes - secured by a pledge over a housing loan portfolio

	<p>- issued by other credit institutions which are its shareholders. Institution A then refinances the acquisition of the promissory loans by issuing covered bonds, on the liability side, under the same terms and conditions that apply to the promissory notes.</p>
<b>Final answer</b>	<p>In accordance with Article 429(4) of the CRR, the total exposure measure should include the exposure values of all assets of an institution. By way of derogation from that provision, Article 429a(1), point (e), of the CRR envisages that an institution that is not a public development credit institution may exclude from its total exposure measure exposures that arise from passing-through promotional loans to other credit institutions.</p> <p>Within the general principle established in Article 429(4) of the CRR, the exemption set out in Article 429a(1), point (e), is to be interpreted narrowly.</p> <p>In the case at hand, Institution A cannot benefit from the preferential treatment set out in Article 429a(1), point (e), of the CRR. Indeed, Institution A merely refinances loans granted by other institutions by issuing covered bonds under the same terms and conditions. Since Institution A does not pass-through promotional loans granted by a public development credit institution or by the other subjects described in Article 429a(3) of the CRR to other credit institutions, such a structure does not meet the conditions envisaged by Article 429a(1), point (e), of the CRR.</p> <p><b>Disclaimer:</b></p> <p>The answers clarify provisions already contained in the applicable legislation. They do not extend in any way the rights and obligations deriving from such legislation nor do they introduce any additional requirements for the concerned operators and competent authorities. The answers are merely intended to assist natural or legal persons, including competent authorities and Union institutions and bodies in clarifying the application or implementation of the relevant legal provisions. Only the Court of Justice of the European Union is competent to authoritatively interpret Union law. The views expressed in the internal Commission Decision cannot prejudice the position that the European Commission might take before the Union and national courts.</p>
<b>Link</b>	<p><a href="https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5811">https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5811</a></p>