Single Rulebook Q&A

Question ID	2021_5830
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Liquidity (LCR, NSFR, AMM)
Article	430
Paragraph	-
Subparagraph	(a)
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) 2021/451 – ITS on supervisory reporting of institutions
Article/Paragraph	Annex 12 (NSFR)
Date of submission	28/04/2021
Published as Final Q&A	26/11/2021
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Reporting of residential mortgage loans on C80.00 - NSFR - Required Stable Funding
Question	Can EBA confirm that a single residential mortgage loan with LTV > 80% should be split between rows 760 and 810 of the C80.00 based on the portion of the loan that a 35% risk weight would be applied to under the standardised approach to credit risk? The portion up to 80% LTV being reported in row 760 and the portion >80% LTV being reported in row 810. Can EBA also confirm that where mortgage loans are risk weighted using the internal ratings based approach, those loans are to be assigned to rows 760 and 810 as if standardised approach applied i.e. based on LTV ratio?
Background on the question	Under the standardised approach to credit risk the part of a residential mortgage loan up to 80% LTV is eligible for 35% risk weighting with the portion above 80% LTV risk weighted according to the risk weighting of the counterparty e.g. 75% where Retail. It is unclear whether a single loan is to be split across rows 760 and 810, or whether only whole loans with LTV up to 80% are to be reported in row 760 and whole loans with LTV >80% are to be reported in row 810.
EBA answer	

	For the purpose of the calculation of the net stable funding ratio (NSFR), in accordance with Article 428af(1) of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (hereinafter 'CRR'), unencumbered loans secured by mortgages on residential property or unencumbered residential loans fully guaranteed by an eligible protection provider as referred to in point (e) of Article 129(1) with a residual maturity of one year or more, may be subject to a required stable funding factor of 65% though only provided that those loans are assigned a risk weight of 35% or less in accordance with Chapter 2 of Title II of Part Three of the CRR. Otherwise, such loans, if being unencumbered, shall be subject to a required stable funding factor of 85% pursuant to Article 428ag(c) CRR. Accordingly, any of the loans referred to above for which the CRR allows splitting exposures under specific circumstances (see EBA Q&A 2560) in terms of the applicable risk-weight, should also be split in the context of the calculation and supervisory reporting of the NSFR depending on the relevant risk weight. As such, with respect to an unencumbered loan with a residual maturity of one year or more: • The portion of such loan being subject to a risk weight of 35% or less shall be treated in accordance with Article 428af(1) CRR, thus being subject to a required stable funding factor of 65%. • The portion of such loan being subject to a risk weight greater than 35% shall be treated in accordance with Article 428ag(c) CRR, thus being subject to a required stable funding factor of 85%. For the purpose of determining the NSFR treatment of the loans referred to above, institutions shall exclusively refer to the risk weight that would be assigned under the standardised approach, even in case institutions are authorized to use the IRB approach. Evidently, the above split will also need to be reflected in the supervisory reporting of the NSFR.
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5830