

Question ID	2021_6174
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	500
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	500
Date of submission	06/09/2021
Published as Final Q&A	15/07/2022
Disclose name of institution / entity	No
Type of submitter	Individual
Subject matter	Cut-off date for the implementation of the adjustment for massive disposals
Question	<p>The last part of the first subparagraph of Article 500 states that "The adjustment referred to in the first subparagraph [(i.e. Adjustment for massive disposals)] may only be carried out until 28 June 2022 and its effects may last for as long as the corresponding exposures are included in the institution's own LGD estimates".</p> <p>How is 28 June 2022 to be interpreted? Is it a repetition of point (b) of subparagraph 1 (i.e. "the dates of the disposals of defaulted exposures are after 23 November 2016 but not later than 28 June 2022") or it represents the cut-off date by which the adjustment can be estimated?</p>
Background on the question	The question arises because it is not clear if the date indicated (i.e. 28 June 2022) identifies the last date in which a massive disposal can take place and be considered in the adjustment or indicates the last date in which the adjustment can be computed.
Final answer	Under the first subparagraph of Article 500(1) of Regulation (EU) No 575/2013 (CRR) an institution is permitted to adjust its LGD estimates for massive disposals in derogation of point (a) of Article 181(1) CRR as soon as

	<p>it meets the three conditions listed in the first sub-paragraph. The second subparagraph constrains the institution's discretion beyond the three conditions in the first subparagraph by additionally requiring that the adjustment may also only be carried out until 28 June 2022, irrespective of the date of the disposals.</p> <p>However, this does not mean that all existing adjustments in accordance with Article 500 CRR (and therefore carried out until 28 June 2022) may no longer be subject to change after 28 June 2022.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_6174

European Banking Authority, 10/12/2022
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