



**Single
Rulebook
Q&A**

Question ID	2013_58
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	178
Paragraph	1
Subparagraph	b
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
Date of submission	12/07/2013
Disclose name of institution / entity	Yes
Name of institution / submitter	European Mortgage Federation
Country of incorporation / residence	Belgium
Type of submitter	Industry association
Subject matter	Definition of default in terms of days
Question	Is it correct that the 180 day definition is only available for other purposes linked to the referenced defaulted loans under the standardised approach - but not for the 100% risk weight? Could this represent a discrimination of SA banks against IRB banks which might be allowed to apply a 180 day definition for the risk weight of defaulted residential/SME commercial/public

	sector loans under their internal rating systems?
Background on the question	<p>Article 127 (under Part Three Capital Requirements; Title II Capital requirements for credit risk; Chapter 2 Standardised approach; Section 2 Risk weights) - when defining the default of an obligor - refers to Article 178 (under Part Three Capital Requirements; Title II Capital requirements for credit risk; Chapter 3 Internal Rating Based approach; Section 6 Requirements for the IRB approach; Sub-section 2 Risk quantification). Article 178, paragraph 1 point b) defines the default event in 90 days and allows competent authorities to “replace the 90 days with 180 days for exposures secured by residential or SME commercial real estate in the retail exposure class, as well as exposures to public sector entities”. This point also states that “the 180 days shall not apply for the purposes of Article 127”. This latter statement has been added to the final text at a later stage of the first level legislative process.</p>
EBA answer	<p>The 180 days shall not apply for the purposes of Article 127 of Regulation (EU) No 575/2013 (CRR) according to Article 178(1)(b) of CRR. When assessing the regulatory capital implications of this provision, please note that the legal implications of classifying exposures as defaulted differ between the Standardised and the IRB approach.</p> <p>DISCLAIMER:</p> <p>This question goes beyond matters of consistent and effective application of the regulatory framework. A Directorate-General of the Commission (Directorate General for Internal Market and Services) has prepared the answer, albeit that only the Court of Justice of the European Union can provide definitive interpretations of EU legislation. This is an unofficial opinion of that Directorate General, which the European Banking Authority publishes on its behalf. The answers are not binding on the European Commission as an institution. You should be aware that the European Commission could adopt a position different from the one expressed in such Q&As, for instance in infringement proceedings or after a detailed examination of a specific case or on the basis of any new legal or factual elements that may have been brought to its attention.</p>
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