

<b>Question ID</b>	2013_65
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Credit risk
<b>Article</b>	Article 124
<b>Paragraph</b>	1 & 2
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	N/A
<b>Date of submission</b>	16/07/2013
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Credit institution
<b>Subject matter</b>	Immovable property risk weights under the standardised approach (residential)
<b>Question</b>	Is the 35% standardised risk weight applicable to exposures fully and completely secured by mortgages on residential property outside the Union?
<b>Background on the question</b>	Article 125(1) of Regulation (EU) No 575/2013 (CRR) allows for exposures fully and completely secured by mortgages on residential property to receive a 35% risk weight where the conditions in 125(2) are met unless otherwise decided by the competent authorities in accordance with Article 124(2). Competent authorities can increase risk weights in their territory based on loss experience and forward-looking property market developments but the Regulation is silent on how risk weights should be determined for property markets outside the Union .e.g. Hong Kong.
<b>Final answer</b>	Article 125(1) of Regulation (EU) No 575/2013 (CRR) does apply to exposures secured by mortgages on residential property outside of the Union. Article 124(2) requires in the fifth subparagraph that for property in their territory, competent authorities have to set a higher risk weight corresponding to the actual risks under certain conditions. For third countries, Article 124(2) does not establish such a requirement but

competent authorities are still able to set higher risk weights or apply stricter criteria for exposures secured by immovable property located in third countries based on financial stability considerations as set out in the second, third and fourth subparagraphs and after consultation with EBA in accordance with the sixth subparagraph.

DISCLAIMER:

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.

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European Banking Authority, 28/09/2023  
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