

Question ID	2013_72
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	112, 123
Paragraph	c
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	SA - Retail Classification - EUR1 million limit
Question	In the definition of the retail exposures it states "...excluding exposures fully and completely secured on residential property collateral that have been assigned to the exposure class laid down in point (i) of Article 112..." of Regulation (EU) No. 575/2013 (CRR). Does this mean that exposures that are in default but fully secured on residential property (meeting all minimum requirements and limits) are not excluded?
Background on the question	E.g. for a group of connected customers, the on-balance sheet exposures (gross of value adjustments/impairments), i.e. total amount owed, are EUR €2.000.000 of which the amounts secured by residential property under Article 112(i) of CRR are EUR 1.200.000. Therefore, the amounts excluding residential real estate exposures under Article 112(i) would be EUR 800.000, hence classified as Retail. If for the same group of connected customers some of the exposures secured with residential real estate goes into default, for example EUR 300.000, does that mean that the customer exposures are no longer considered retail? (The exposures that would fall in Article 112(i) would decrease to EUR 900.000 and the amounts excluding residential real estate under Article 112(i) would be more than EUR 1m). The size and substance of the exposures do not change.

EBA answer	<p>Where an exposure classified in the retail exposure class under Article 112(h) of Regulation (EU) No. 575/2013 (CRR) or exposures secured by mortgages on immovable property under Article 112(i) of the CRR goes into default, this shall be reclassified in the exposures in default class under Article 112(j) of the CRR.</p> <p>Consequently, when such an exposure has been reassigned to the default class it will contribute to the EUR 1 million cap on the total amount owed to the institution and parent undertakings and its subsidiaries under <u>Article 123 point (c) of the first subparagraph of Article 123 of Regulation (EU) 575/2013 (CRR)</u>.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_72

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