

Question ID	2013_268
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	49
Paragraph	2, 4
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
Date of submission	20/09/2013
Published as Final Q&A	31/01/2014
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Holdings of own funds instruments issued by financial sector entities included in the scope of consolidated supervision not deducted from own funds on an individual basis
Question	<p>According to Article 49(2) of Regulation (EU) No. 575/2013 (CRR) “for the purposes of calculating own funds on an individual basis and a sub-consolidated basis, institutions subject to supervision on a consolidated basis in accordance with Chapter 2 of Title II of Part One shall not deduct holdings of own funds instruments issued by financial sector entities included in the scope of consolidated supervision, unless the competent authorities determine those deductions to be required for specific purposes, in particular structural separation of banking activities and resolution planning. Such provisions mean, if understood correctly, that starting from 1 January 2014, all significant investments in financial entities of a bank subgroup will not be deducted from own funds on an individual basis, but according to Article 49(4) of the CRR will be risk weighted according to Article 133 (for standardised approach). With the above in mind, what risk weight should be applied for such exposures? According to Article 133(2) of the CRR “equity exposures shall be assigned a risk weight of 100 %, unless they are required to be deducted in accordance with Part Two, assigned a 250 % risk weight in accordance with Article 48(4), assigned a 1250 % risk weight in accordance</p>

	with Article 89(3) or treated as high risk items in accordance with Article 128.” In Article 133(2) of the CRR there is no reference to equity exposures treated under Article 49(2). Does this mean that such exposures should be treated simply with 100% risk weight?
Background on the question	According to the current Polish binding regulations, significant investments in financial entities of Bank Subgroup are deducted from own funds on an individual basis.
EBA answer	Where institutions do not deduct holdings of own funds instruments issued by financial sector entities included in the scope of consolidated supervision pursuant to Article 49(2) of Regulation (EU) No. 575/2013 (CRR), those holdings are risk weighted in accordance with Article 49(4). Where those institutions use the standardised approach for credit risk, Article 133 of the CRR applies. In that case, investments in equity or regulatory capital instruments issued by institutions shall be classified as equity claims and receive a risk weight of 100% in accordance with Article 133(2) of the CRR, unless they are treated as high risk items in accordance with Article 128.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_268

European Banking Authority, 21/01/2022
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