

Single Rulebook Q&A

Question ID	2013_361
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	124
Paragraph	2, 3
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Applicability of the transitional period under Article 124(3) of Regulation (EU) No. 575/2013
Question	<p>According to Article 124(3) of Regulation (EU) No. 575/2013 (CRR), institutions should have a 6-month transitional period to apply higher risk weights set by <u>the competent or designated</u> authorities to exposures secured by mortgages on immovable property.</p> <p>Should this transitional period also apply if the national authority decides under CRR to set risk weights at the same level and to the same extent, i.e. for the same kind of exposures that are currently set under CRD (so in fact such decision would not result in a higher capital requirements for banks in comparison to current national legislation)?</p>
Background on the question	<p>According to current Polish legislation, for FX exposures secured by mortgages on residential property, a 100% risk weight is applied. A 50% risk weight for exposures secured by mortgages on commercial immovable property is not allowed (except for leasing transactions and properties located in countries where 50% risk weight is applied) and 100% risk weight is applied. Taking into account the above, the 100% risk weight in case of aforementioned exposures, however higher than "general" level, would in</p>

	fact remain unchanged. So, the transitional period does not seem to be justified or needed.
EBA answer	Article 124(3) of Regulation (EU) No. 575/2013 (CRR) provides that "when <u>the competent or designated</u> authorities set a higher risk weight or stricter criteria, institutions shall have a 6-month transitional period to apply the new risk weight". The purpose of this transitional provision is to provide institutions with the necessary time to adapt to the new risk weights. In the event that no new risk weights are imposed under the provisions of Article 124(2) of the CRR, the transitional period is not relevant.
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