

Question ID	2013_499
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	110
Paragraph	4
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 183/2014 - RTS for the calculation of specific and general credit risk adjustments
Article/Paragraph	Article 1 (5)
Date of submission	04/11/2013
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Specific collective provisions allocation
Question	In line with question 2013_201, how do we allocate any specific (to particular portfolios) collective provisions to various asset classes? a) do we follow the rules applied when calculating the specific collective provisions by the relevant department?; or b) can we allocate them to past-due exposures first and then to the all other exposures?
Background on the question	A) Question 2013_201 B) RWA are calculated at accounting value net of any credit risk adjustments, however some of these adjustments are collective.
Final answer	<p>The Commission Delegated Regulation (EU) No. 183/2014 of 20 December 2013 supplementing Regulation (EU) No. 575/2013 (CRR) provides criteria for the qualification of certain credit risk adjustments as general credit risk adjustments or specific credit risk adjustments. Moreover, in order to facilitate the mapping of the criteria for this distinction between general and specific credit risk adjustments to the accounting framework to which they apply for institutions, the delegated act specifically includes a discussion of cases for general and specific credit risk adjustments.</p> <p>In particular, Article 1(5) of the Regulatory Technical Standards (RTS) on</p>

	<p>specification of the calculation of specific and general credit risk adjustments in accordance with Article 110(4) of the CRR identifies three specific cases of losses which shall be included in the calculation of Specific Credit Risk Adjustments, namely:</p> <ul style="list-style-type: none"> a. losses recognised in the profit or loss account for instruments measured at fair value that represent credit risk impairment under the applicable accounting framework; b. losses as a result of current or past events affecting a significant individual exposure or exposures that are not individually significant which are individually or collectively assessed; c. losses for which historical experience, adjusted on the basis of current observable data, indicates that the loss has occurred but the institution is not yet aware which individual exposure has suffered these losses. <p>Furthermore, Article 2(1) of the RTS states that in the case of a Specific Credit Risk Adjustment that reflects losses related to the credit risk of a group of exposures, institutions shall assign this Specific Credit Risk Adjustment to all single exposures of this group proportionally to the risk-weighted exposure amounts. For this purpose, the exposure values shall be determined without taking into account any Specific Credit Risk Adjustments.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_499

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