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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - COREP (incl. IP Losses)
Article	180
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (repealed)
Article/Paragraph	180
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Disclose name of institution / entity	Yes
Name of institution / submitter	Moody's Analytics
Country of incorporation / residence	France
Type of submitter	Other
Subject matter	COREP CR IRB - Calculation of column 10 - obligor PD with or without CRM technique
Question	When calculating the weighted average PD on column 010, should we consider the PD assigned to the obligor only, or should we take into account the change in PD related to CRM technique (PD substitution on covered exposure)?
Background on the question	Take the example below: Direct exposure 1, EAD = 100, to a corporate with PD = 0% Direct exposure 2, EAD = 100, to a corporate in default with PD = 100%, off which 70 is guaranteed by corporate with PD = 0%. Our current interpretation: Weighted average (PD band = x%) = (exposure value after risk transfer (column 110)*PD value after risk transfer) / total exposure value after risk transfer Weighted average (PD band = 0%) = 170*0%/170 = 0% Weighted average (PD band = 100%) = 30*100%/30 = 100% Another possible interpretation: Weighted average (PD band = x%) = (exposure value

	<p>after risk transfer (column 110)*PD value before risk transfer) / total exposure value after risk transfer Weighted average (PD band = 0%) = $(100*0\% + 70*100\%)/170 = 41\%$ Weighted average (PD band = 100%) = $30*100\%/30 = 100\%$</p>
Final answer	<p>In the CR IRB Template (C 08.01), when calculating the weighted average PD to be reported in column 010 in case of figures corresponding to an aggregation of obligor grades or pools, the PD assigned to the obligor and the PD value after credit risk transfer, respectively, shall be used for the relevant obligor grades or pools. These are the figures used for the calculation of the RWA in column 260.</p> <p>In the breakdown by obligor grades or pools (C 08.02 Template), in case of credit risk mitigation with substitution effect on the exposure, the exposure is broken down according to the PD of the obligor in columns 020 and 030. From column 080 (inflows) onwards the covered part of exposure is broken down according to the PD of the guarantor and the uncovered part is broken down according to the PD of the obligor.</p> <p>For the calculation of the weighted average PD in column 010, the PDs shall be weighted by the exposure value (column 110).</p> <p>As regards the above example, the first interpretation is correct. Assuming the obligor and the guarantor are assigned to the same exposure class, the weighted average PD of 15 %, $((170*0\%)+(30*100\%))/200 = 15\%$, is reported e.g. in row 070/ column 010 of C 08.01 Template.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_564