

<b>Question ID</b>	2013_669
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Credit risk
<b>Article</b>	199
<b>Paragraph</b>	6
<b>Subparagraph</b>	(c), (d)
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	199 (6) (c), (d)
<b>Date of submission</b>	17/12/2013
<b>Published as Final Q&amp;A</b>	11/04/2014
<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Credit institution
<b>Subject matter</b>	Application of Article 199(6)(c) and (d) in the event that the credit institution has not liquidated any such collateral in the past
<b>Question</b>	In the event that a credit institution has not liquidated the collateral referred to in Article 199(6) in the past, is it sufficient to demonstrate the availability of processes and data collection/analyses tool which enables the institution to show that the realised proceeds from the collateral are not below 70% of the collateral value in more than 10% of all liquidations for a given type of collateral in case collateral is liquidated?
<b>Background on the question</b>	The denial of permission on the grounds of missing data concerning the liquidation of collateral is an undue burden for a credit institution which in the past did not have any reasons for the liquidation of assets.
<b>Final answer</b>	As part of the provisions for the additional eligibility for collateral allowed under the IRB approach, Articles 199(6)(c) and (d) of Regulation (EU) No. 575/2013 (CRR) state that:  (c) the institution analyses the market prices, time and costs required to realise the collateral and the realised proceeds from the collateral;

	<p>(d) the institution demonstrates that the realised proceeds from the collateral are not below 70% of the collateral value in more than 10% of all liquidations for a given type of collateral. Where there is material volatility in the market prices, the institution demonstrates to the satisfaction of the competent authorities that its valuation of the collateral is sufficiently conservative.</p> <p>Both conditions refer, in particular, to the "realised proceeds from the collateral" and can therefore only be satisfied if the institution has appropriate comparable historical data which reflect previous liquidations of a similar type of collateral. Only considering the processes and data collection/analyses tools in place is thus not sufficient to grant permission to an institution to use as eligible collateral physical collateral of a type other than those indicated in paragraphs 2, 3 and 4 of Article 199 of the CRR.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_669">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_669</a>

European Banking Authority, 21/05/2022  
[www.eba.europa.eu](http://www.eba.europa.eu)