

Question ID	2014_707
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	123
Paragraph	c
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	n/a
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Disclose name of institution / entity	Yes
Name of institution / submitter	Deutsche Bank
Country of incorporation / residence	Poland
Type of submitter	Credit institution
Subject matter	Calculation of retail exposures under Article 123(c) of Regulation (EU) No 575/2013 (CRR)
Question	<p>Does expression from <u>Article 123 point (c) of the first subparagraph of Article 123 of Regulation (EU) 575/2013 (CRR)</u> “the total amount owed to the institution and parent undertakings and its subsidiaries” refer to exposure value as of Article 111 1. net exposure value (after deduction specific credit risk adjustments and additional adjustments) of an asset and of an off-balance sheet? Should the exposure value (the sum of current replacement cost and potential future credit exposure) of derivative instruments be included in calculation of total amount owed to the institution, laid down in point (c) of Article 123? Should the total amount owed to the institution and parent undertakings and its subsidiaries as of Article 123 (c) include: - An off-balance sheet item = 50 000 EUR? - Credit risk adjustments = -10 000 EUR? - Value of derivative instrument? If so, should both current replacement cost and potential future credit exposure be</p>

	included?
Background on the question	For example: Exposure A - credit exposure Exposure value of an asset = 700 000 EUR, exposure value of an off-balance sheet = 50 000 EUR (assumption 100% full-risk item), credit risk adjustments = 10 000 EUR, net exposure value = 740 000 EUR Exposure B - derivative instrument Current replacement cost = 50 000 EUR, potential future credit exposure = 250 000 EUR exposure value = 300 000 EUR
Final answer	<p>Article 123 Point (c) of <u>the first subparagraph of Article 123</u> of Regulation (EU) No 575/2013 (CRR) does not refer to exposure values but requires calculating the "total amount owed". Hence, only amounts that an obligor owes are taken into account. I.e. In the case of a credit line only the drawn amount needs to be considered when checking if the EUR 1 million limit is complied with.</p> <p>Please note in order for an exposure to be assigned to the retail exposure class all three criteria under Article 123 of the CRR are met. See also Q&A 704.</p> <p>The assignment of a derivative instrument to the retail exposure class, having met the criteria set out in Article 123(a) to (c) of the CRR, is without prejudice to requirements set out under consumer protection and related legislation.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_707

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