

Question ID	2019_4942
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	120
Paragraph	2
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	Consultancy firm
Subject matter	Use of short-term credit assessments with Article 120(2) CRR
Question	May short-term issuer or issue ratings be used to assign risk weights in the general preferential treatment for short term exposures of article 120(2) CRR?
Background on the question	A client maintains that short-term issuer or issue ratings may be used in the general preferential treatment for short term exposures of Article 120(2) CRR because the article does not specify that only long-term ratings shall be used.
Final answer	Article 120 Regulation (EU) No 575/2013 as amended (CRR) sets how to calculate the risk weight for exposures to rated institutions. This article includes, under paragraph 2, a general preferential treatment for short-term exposures (residual maturity of up to three months). Secondly, the determination of the risk weight for exposures to institutions with a short-term credit assessment follows the rules set in Article 131 CRR. Lastly, Article 140 CRR states that short-term credit assessments may only be used for short-term asset and off-balance sheet items constituting exposures to institutions and corporates and applies only to the item the short term credit assessment refers to. It shall not be used to derive the risk weights for other

	<p>unrated exposures of that obligor other than in the two specific cases specified in Article 140(2).</p> <p>Article 120(3) CRR sets the interactions (i.e. how to proceed to assign the RW) between the treatment of short term credit assessments under Article 131 CRR and the general preferential treatment for short term exposures under Article 120(2) CRR. However, this paragraph does not allow the use of short-term credit assessments to assign risk weights in the general preferential treatment for short term exposures under Article 120(2) CRR.</p>
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