Public Hearing: Consultation on amending RTS on the Supervisory Slotting Criteria Approach

EBA Prudential Regulation and Supervisory Policy

Virtual meeting, 27 May 2026

Ground rules for this virtual meeting.

Mic and video off

Please keep yourself muted and the video off while listening.

Questions/comments?

Please use the chat or raise your hand to ask for the floor.

Slides on EBA website

The presentation used today will be made available on the EBA’s website after this hearing.

Contents

01

EBA Roadmap on CR mandates under CRR3

EBA Roadmap – Overview CR

Phase 1

Implement the critical elements of the SA and review targeted elements of the IRB frameworks

This group mostly covers mandates related to the SA, with the notable exception of a review of the frameworks on the definition of default and on the categorisation of model change.

Phase 2

Specify the treatment of project finance under the SA, start the review of the IRB repair programme products

The mandates mostly relate to clarification on the IRB approach, while on the SA some specifications are provided on the newly introduced specialised lending exposure class.

Phase 3

Complement the IRB repair programme

The key product will be the publication of the guidelines on CCF estimation. This phase also contains various reports assessing specific elements of the Basel III framework in the context of its EU implementation.

Phase 4 and later

Finalise the assessment of the framework

Most of the mandates relate to reports assessing specific elements of the Basel III framework in the context of its EU implementation, with the policy work confirmed to target elements of lower materiality.

Legal Basis for the amending RTS

Article 153(5) introduces the assignment of exposures to the 5 categories of the Supervisory Slotting Criteria Approach (SSCA) to derive risk weights for SL exposures

For specialised lending exposures in respect of which an institution is not able to estimate PDs or the institutions' PD estimates do not meet the requirements set out in Section 6, the institution shall assign risk weights to these exposures in accordance with Table 1, as follows:

Table 1

Remaining Maturity	Category 1	Category 2	Category 3	Category 4	Category 5
Less than 2,5 years	50 %	70 %	115 %	250 %	0 %
Equal or more than 2,5 years	70 %	90 %	115 %	250 %	0 %

In assigning risk weights to specialised lending exposures institutions shall take into account the following factors: financial strength, political and legal environment, transaction and/or asset characteristics, strength of the sponsor and developer, including any public private partnership income stream, and security package.

Legal Basis for the amending RTS

Article 153(9) mandates the EBA to revise the existing RTS on Slotting

"EBA shall develop draft regulatory technical standards to specify how institutions are to take into account the factors referred to in paragraph 5, second subparagraph, when assigning risk weights to specialised lending exposures."

with factors referred to in paragraph 5: (i) financial strength, (ii) political and legal environment, (iii) transaction and/or asset characteristics, (iv) strength of the sponsor and developer, and (v) security package (see previous slide).

Overview of past discussions related to the RTS on Slotting

- **June 2016:** EBA published RTS on Slotting
- **April 2021:** RTS were published in the official journal adopted
- **August 2023:** Publication of the EBA Supervisory handbook of IRB rating systems providing dedicated expectations on the validation activities for the SSCA
- **October 2023**: Publication of EBA report ‘On the role of environmental and social risks in the prudential framework’

02

Overview of proposed amendments

eba European Banking Authority

Triggers and objectives of the amendments to the current RTS

- Alignment with CRR3 (consultations boxes 2 and 3),
- Clarifications how to consider ESG factors (consultation box 4)
- Clarification for the documentation requirements wrt validation and overrides (consultation box 5)
- Improvement of risk sensitivity, in particular removal of factor weight floors (consultation box 6)
- Improving harmonisation by clarifying assignment criteria as laid down in the annexes (consultation boxes 7 and 8)

As under the CRR3 the materiality of SSCA might change compared to what is currently implemented, dedicated insights are sought on the expected future uptake of the SSCA as well as the operational burden to implement changes to the existing portfolios (consultation box 1).

Alignment with CRR3

- Under CRR3 Article 147(8) asks for **categorising SL exposures as** ‘project finance’ (‘PF’), ‘income-producing real estate’ (‘IPRE’), ‘object finance’ (‘OF’) and ‘commodity finance’ (‘CF’). => Removal of descriptions of SL categories from the RTS.
- **Real estate vs. IPRE**: SL exposures are per definition paid back from the cash flows generated by the assets being financed => ‘real estate’ was substituted by ‘IPRE’
- Characteristics of **ADC exposures** generally covered by the assignment criteria in case they can qualify as IPRE exposures. *However, interaction of ADC and IPRE exposures is still subject to regulatory discussion, and the consultation paper is not to be understood as pre-empting a final decision in this regard!*
- **UFCP**: different from CRR2 CRR3 allows for the recognition of UFCP under the SSCA; in this context clarification that UFCP can only taken into consideration under the SSCA to the extent that it is explicitly mentioned in the assignment criteria.

Consideration of ESG related risk drivers

- Annexes were clarified inhowfar ESG-related risk drivers should be considered:

	Project finance	IPRE	Object finance	Commodity finance
Financial strength	Stress analysis	Stress analysis Cash flow predictability	Stress analysis	
Political and legal risk	Stability of leg and reg environment Force majeure risk Corruption risk	Legal and regulatory risks Corruption risk	Legal and regulatory risks Corruption risk	Corruption risk
Asset/transaction characteristics	Design and technology risk Operating risk Revenue assessment Transaction governance risk	Location Design and condition Property is under construction Transaction governance risk	Operating risk Transaction governance risk Sensitivity of asset value and liquidity to economic cycle	Transportation risk Transaction governance risk
Strength of the sponsor	Financial strength of the sponsor	Financial capacity and willingness to support the property	Sponsors' track record and financial strength	Financial strength of the trader
Security package		Quality of insurance coverage		

- General requirement introduced to Article 3 that ESG-related risk drivers with material impact shall be considered in the attribution to a category considering mitigating measures, where necessary via overrides.

Documentation of validation and overrides

- As the SSCA is a rating system, as a general rule, process-related requirements apply. As supervisors reported unclarities from the practical implementation of validation and override frameworks, the respective documentation requirements under Article 6 were clarified.
- Clarifications going beyond the documentation requirements not possible under the mandate of the RTS.

- If deemed relevant, please feel invited to provide insights if further clarifications on the validation under the SSCA would be deemed beneficial. In this context, insights can also be provided if there are any implementation issues observed related to the expectations in the Supervisory validation handbook.

Enhancement of risk sensitivity

- From practical implementations it was observed that in practice only **limited risk differentiation** could be reached due to the assignment of sub-factors / sub-factor components to the factors in combination with the prescribed linear aggregation at factor level and the factor weight floors and caps.
- The CP proposed a **removal of factor weight floors** and, additionally, **amendments to the annexes** to target an enhancement of the overall risk sensitivity of the assignment methodology, most importantly
  - *market condition* is split into *market competition* and *demand* (PF);
  - *refinancing risk* is introduced (for PF replacing *financial structure*) (PF, IPRE,OF);
  - *loan life coverage ratio* is shifted to transaction characteristics (PF);
  - *FX risk* is merged with *stress analysis* (PF)

03

Proposed amendments to the annexes

Considerations for proposing amendments to the annexes

Additionally to

- removing elements hindering risk differentiation abilities of the assignment methodology (merging or shifting of sub-factors or sub-factor components) as described on slide 14, and
- introducing clarifications with respect to ESG related risk drivers as described on slide 12,

the CP proposes to clarify assessment criteria in order to allow a more harmonised application by

- removing sources of ambiguity from the current annexes, and
- specifying details for the sub-factors and sub-factor components

Removal of sources of ambiguity

- Clarification that where a criterion consists of two sub-criteria, the attribution of a category should be performed considering a sub-criterion fulfilled where it was already fulfilled for a better category.
- Implementation of category 4 as fall-back category to cover the cases that no other category can be assigned (e.g. in case of a lack of information)
- Introduction of factor descriptions to help in particular defining the target variable under the development of the assignment methodology (e.g. ***financial strength*** *- the ability of the obligor to repay its credit obligation from the cash flows generated by the assets, considering obligations of other lenders of equal or higher seniority*)

Further clarifications of sub-factors and sub-factor components

- Specification of a dedicated sub-factor addressing **tranched exposures**, that may be treated under the SSCA (for PF, IPRE, OF and CF)
- For IPRE, current RTS explicitly address already the construction phase when assessing *cash-flow predictability;* similarly, the CP proposes now to introduce a dedicated sub-factor for uncompleted properties (*indicators of a borrower's ability and willingness to repay their obligation*), while restricting the assessment of *financial ratios/advance ratio* to completed properties, only.
- For IPRE, under asset and transaction characteristics, an explicit sub-factor for the consideration of the asset value (*resale value to debt value*) is specified
- For CF, under asset and transaction characteristics, a subfactor *market price volatility* is newly specified
- *Financial ratios* are restricted to the **DSCR** (PF, IPRE, OF)
- To disentangle interaction with other risk drivers, the assessment of *political risk* is restricted to *transfer risk*, only.

04

Next Steps

Next steps

7 August 2026

End of Consultation Period

2026

Q2-Q3

Processing feedback on CP

2026

H1 2027

Finalizing the RTS

Internal bodies approval

Final Publication of the RTS

2027

Thank you!

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