European Banking Authority

BANKING STAKEHOLDER GROUP

BSG Response to EBA/CP/2026/09

31 July 2026

Banking Stakeholder Group's response to the EBA Consultation on Regulatory technical standards on specialised lending exposures

1 Introduction

Specialized lending is likely to play an increasing role in the financing of the economy as it is the framework that covers the financing by banks of project finance, object finance, commodity finance and income producing real-estate. These types of finance are crucial for meeting the targets of financing the environmental transition (via energy and power projects), to support the strategic autonomy of Europe in the fields of infrastructure (telecom, AI, healthcare, etc), energy, transportation, defence, and to be able to accompany flagship European companies.

Specialized lending exposures under CRR3 can be separated into two categories: object finance (aircraft, shipping, rail, and even satellites) and project finance (transport infrastructure, renewable energy projects, telecom,…).

The characteristics of projects financed under "specialized lending" format is that they are structures based on the cash flows of real, physical as opposed to financial assets. Financings are protected by security packages that provide control of cash flows generated by these assets or projects, and a pledge on assets, which provide additional protection in case of default.

Banks can use several methods to calculate RWAs on specialized lending; Standardized approach, IRB-F, IRB-A. Under the IRB approach, as a fallback, institutions may assign risk weights and expected loss values based on maturity and classification into five credit risk categories which is also known as Supervisory Slotting Criteria Approach.

2 General comments

The consultation referenced as EBA/CP/2026/09 is narrowly focused on the review of a number of technical features of the slotting approach. As the regulatory framework for specialized lending is fragmented across multiple approaches, it is important to make sure that the different approaches remain consistent.

Hence, any modification in the slotting approach should be assessed in light of collateral effects on other methodologies.

Also in the current context of simplification of the European regulation, it is important to ensure that the impacts of moving the rules remain manageable by institutions, to avoid undue complexity and operational burden.

3 Detailed replies

Question 1. Materiality and current implementation of the SSCA

At the moment the SSCA methodology is only used by a few number of institutions, as the SSCA is more conservative and provides lower possibilities of differentiation compared to the IRB approach. Currently, only 19% of specialised lending exposures in the EU (approximately EUR 1.6 trillion EAD) are treated under the SSCA.

However, the fact that SSCA usage is concentrated in a few countries—Austria, Spain and Luxembourg—where it is the predominant treatment, while in Germany and France it represents a smaller share, suggests that there is some heterogeneity in how this approach is implemented by banks and national regulators.

For the moment the official use cases are situations where data are insufficient to calibrate proper internal approaches. This might happen when the portfolios are small and/or when the history of data is not deep enough, all the more since the guidelines for internal models are poorly designed for low default portfolios. If a bank is lacking data but still expects to be able at some point to switch to its own PD calibrations, it can be used in this interim period when internal model is not yet authorized.

This means that SSCA should remain an approach with a quite limited scope. Past decisions on SSCA usage have not only been driven by the inability to estimate PDs reliably for specialised lending exposures due to limited default data, but also by the previous requirement that IRB approval apply at the entire portfolio level, making it impractical for institutions with limited specialised lending portfolios.

However, with CRR3 introducing the possibility for institutions to receive IRB approval at the level of individual exposure classes, rather than at the entire credit risk portfolio level, the scope of SSCA application might shift. In particular, institutions might test for each individual exposure class whether the SSCA or the IRB approaches generate a more favourable treatment. The EBA should therefore carefully monitor the overall evolution of assets under SSCA and verify that indeed its application remains justified.

One area of particular interest is here the financing of technological infrastructure. It is likely that the high use of SSCA in Spain can be explained by the large scale of renewable energy projects. Similar, but considerably riskier structures are currently used by large IT firms to finance data centres for the current AI boom without being heavily exposed to a potential downturn. The SSCA approach should be rigorously applied to such structures, should this framework be used for such purpose.

Question 2. Amendments to Article 1 or on the replacement of 'real estate' by 'income-producing real estate' ?

What is important here is to make sure that the introduction of IPRE does not create any discrepancy and inconsistency when comparing to the other approaches. Hence, the proposed replacement of "real estate" with "income-producing real estate" (IPRE) throughout the RTS is a necessary alignment with CRR3 definitions. From a financial stability perspective, this change is unobjectionable and indeed welcome, as it eliminates ambiguity regarding which real estate exposures fall within the SSCA's scope.

However, the consultation paper raises an important question regarding ADC (acquisition, development and construction) exposures. While the EBA notes that the real estate assessment criteria in the current RTS are "generally reflective of the specific risk characteristics of ADC exposures," the interaction between ADC and IPRE categorisation remains to be clarified under the separate mandate of Article 147(11) CRR. The replacement of the term "real estate" with "IPRE" should not result in the unintended exclusion or inappropriate treatment of ADC exposures. The applicable slotting criteria should be determined consistently with the categorisation framework to be developed under Article 147(11) CRR.

Question 3. Comment on newly introduced paragraph 3/Article 3 regarding the consideration of UFCP

The introduction of paragraph 5 to Article 3 clarifies that UFCP should be recognised only to the extent specified in the annexes, and that institutions may choose to recognise eligible UFCP either under Chapter 4 of Part Three Title II of the CRR or in their SSCA assignment—but not both.

From a financial stability perspective, this clarification is essential. The previous ambiguity—reflected in Q&A 2017_3295—created the risk of double-counting or inconsistent treatment of credit protection across institutions. The new approach provides a clear, harmonised framework that eliminates regulatory arbitrage opportunities.

However, there remains some uncertainty as to how to take into account the guarantees into the SSCA, especially how the guarantees should be allocated to the slotting categories. Some clarification would be needed.

The BSG welcomes the possibility given by CRR3 in article 236 (1d) to take into account the unfunded guarantees. The same approach should be granted to cash collateral (funded credit protection) provided by third parties outside the project and the BSG would appreciate the support of EBA for this change. Such guarantees are not explicitly recognized in the CRR3 for slotting approach, despite the fact that they are recognized for standard and IRB approaches.

Question 4: consideration of ESG factors

The BSG supports the EBA's proposed approach to incorporating ESG-related factors into the SSCA. The EBA's approach—treating ESG factors as ordinary credit risk drivers rather than as a separate category—is methodologically sound. ESG risks should not be "add-ons" or afterthoughts but integrated into the core risk assessment. The proposed references in stress analysis, cash-flow predictability, legal and regulatory assessment, asset characteristics, insurance coverage, and transportation risk are appropriate. The main point the BSG would like to highlight here is the need to avoid undue complexity and operational burden.

In this vein, the proposed modifications to the assessment questionnaires should not constitute a model change under supervisory frameworks.

As the projects or assets that are financed in specialized lending are typically bespoke operations, very specific and granular data can appear to be difficult to collect. It is the case especially for the data that are needed to demonstrate a positive contribution or at least no significant harm in order to apply the infrastructure supporting factor.

The fact that climate risk is becoming a component of financial risk is not discussed here. Still, there is a balance to be found between precision and efficiency.

Question 5. Documentation

The proposed clarifications to Article 6—requiring documentation of override policies and criteria, and validation results particularly with respect to cash-flow projections—are essential prudential safeguards.

The SSCA's reliance on expert judgement and qualitative assessment makes robust documentation imperative in order to guarantee consistent application, adequate validation, clear responsibilities and document overrides.

In particular, it is essential to document cash-flow projections. Cash-flow projections are the lifeblood of specialised lending risk assessment—they underpin DSCR calculations, stress analysis, and overall financial strength assessment

Question 6. Risk sensitivity under the RTS in CDR 2021/598?

The current risk weights do not provide enough risk sensitivity indeed, as there is not sufficient discrimination between very good quality deals and lower quality ones. The Basel framework includes a provision in paragraph 58 that allows to apply preferential risk weight of 50% and 70% to “strong” and “good” exposures under some conditions of high standards on the transactions. This is submitted to national discretion, but this provision was not transposed into CRR3, whereas the historical data provided by the GCD database show that observed LGDs are significantly lower.

The opportunity to permit the use of the RW calibration for SSCA in accordance to the provision of the international Basel agreement might be considered by the EBA in order to provide more risk sensitivity to the RWA calculation. It is important that any kind of approach, being SSCA or IRB, is based on a risk sensitive approach.

The removal of the mandatory 5% floor for factor weights, where institutions can empirically demonstrate that a factor does not contribute to risk differentiation, is a welcome refinement as the multiplication of factors with weak impact will simply add noise to the estimate. The EBA correctly observes that for institutions only exposed to entities in one country, the "political and legal environment" factor adds no discriminatory power—yet the current floor forces its inclusion, potentially deteriorating the model's predictive ability.

To effectively enhance risk sensitivity the most effective changes would be:

1. Enhanced granularity in the "financial strength" factor, particularly for IPRE exposures under construction. The proposed new sub-factor component for incomplete properties is a step in the right direction.

2. Strengthened validation requirements, as proposed, to ensure that the aggregation logic is empirically supported and that overrides are appropriately documented and justified.

3. Clearer guidance on the treatment of missing information, with conservative assignment to category 4 for model application.

Question 7 – Category attribution and missing information

a. On the newly introduced sentence to Article 3(1) clarifying attribution of categories

The clarification that institutions shall assign the category based on the "worst fulfilled sub-criterion" where multiple sub-criteria exist is a sound prudential principle.

b. On the introduction of descriptions for each factor

The addition of factor descriptions to help institutions define the target variable when developing the assignment methodology is helpful. Clear factor definitions reduce implementation heterogeneity and support consistent application across institutions.

c. On category 4 as residual category and the quantitative threshold for DSCR

The substitution of all category 4 criteria with "No other category applies" is a significant improvement. It clarifies that category 4 is not a substantive risk category but a residual for exposures that do not meet the criteria for Categories 1-3. This is consistent with Article 171(2) CRR's requirement for conservative treatment where information is unavailable.

The introduction of a quantitative DSCR threshold of 1.15 for category 4 is appropriate. However, the EBA should provide further clarification on the treatment of missing information. The consultation paper notes that "for model development, institutions are expected to remove the conservatism (e.g. by setting an appropriate default value) in case of partial or fully missing information to ensure that no bias is introduced". This distinction between model development and model application is crucial but may not be sufficiently clear to all institutions. Additional guidance on documentation requirements for missing information would be beneficial.

Question 8 – Specification of new sub-factors and amendments

a. On the specification of new sub-factors and amendments

The proposed new sub-factors address important gaps in the current framework:

- Tranched exposures: The new sub-factor addressing the position in the loss waterfall is essential given that transactions creating tranched exposures that meet specialised lending criteria are no longer treated as securitisations under the Securitisation Regulation. Without this sub-factor, the risk of tranched specialised lending exposures would be inadequately captured.

We assume that there is no danger of misclassification of securitization-like structures as specialized lending given that specialized lending is guaranteed by real as opposed to financial assets.

- IPRE asset value: The new sub-factor "resale value to debt value" for IPRE exposures addresses a significant gap. Asset value is a critical risk driver that was previously only indirectly considered through location, design and condition.

- CF market price volatility: For commodity finance, where commodity prices are not fixed, market price volatility is a major risk driver and merits explicit consideration.

- Refinancing risk: The renaming of "financial structure" to "refinancing risk" and the replacement of sub-factor components with "debt to equity at maturity" and "debt yield" focuses the assessment more precisely on refinancing risk. This is consistent with the removal of balloon payments reflecting refinancing risk in the DSCR sub –factor.

b. On the clarifications to the DSCR for the sub-factor 'financial ratios'

The proposal to focus on DSCR as the primary financial ratio, excluding balloon payments from the calculation, is consistent with the separate treatment of refinancing risk. However, this suggestion creates a difference in the treatment of principal repayments depending on whether they are part of regular loan amortization (and are included in the DSCR) or occur as a balloon repayment for a bullet loan. The likely outcome is that loans regular amortization will be treated less favourably. Still, the separate treatment of the refinancing risk aims at rebalancing this last point.

c. On the sub-factors that refer to the loan-to-value

The clarification that collateral values should be recent valuations by an independent party subject to a regulatory monitoring process is important. It aligns with the Guidelines on Loan Origination and Monitoring and ensures that LTV calculations are based on reliable, up-to-date information.

d. On the newly specified sub-factor market price volatility

For IPRE and OF, short-term market price volatility is indeed a relevant risk driver that is frequently considered in practice. The EBA should assess whether the benefits of a dedicated sub-factor for IPRE and OF outweigh the complexity. If the current framework already allows institutions to consider this as an additional risk driver under Article 3(3), a dedicated sub-factor may be redundant for these categories. Also, the EBA should assess a potential redundancy with the "resale value to debt value" factor. However, for CF, where price volatility is a defining characteristic of the asset class, explicit specification is clearly warranted.

4 Concluding remarks.

The SSCA was introduced as a transitional approach to enable data collection and eventual migration to IRB. This means that the SSCA approach should remain exceptional and only cover a small percentage of overall bank assets. Its use should remain transitional rather than evolving into a permanent alternative to internal model development.

There might also be the danger that SSCA approach is used to assess the risk of high-risk technological infrastructure such as data centres which are increasingly financed using project finance structures without recourse to the balance sheets of their users. The EBA's proposed enhancements—particularly the strengthened documentation requirements and the clarification of conservative treatment for missing information—are essential safeguards against this risk.