



BANKING STAKEHOLDER GROUP

Comments on the

CONSULTATION PAPER

CP/2018/03

On Guidelines regarding the exposures to be associated
with high risk

General Comments

BY THE EBA BANKING STAKEHOLDER GROUP

The BSG welcomes the opportunity to contribute to Consultation on 'EBA Guidelines regarding the exposures to be associated with high risk'.

It is important to note that the high risk exposure class is currently being analyzed in the context of the CRR2 trilogue which could significantly alter the scope of Article 128. And then it will also be the case with the implementation of the new Basel III (finalisation) framework.

These guidelines therefore represent very transitional measures for modifying RWA. The introduction of a notification process under paragraph 6 would only add a regulatory burden of low added value over a short period of time, at a time when banks implement CRR2 and then finalize Basel 3.

It seems furthermore useful to align the definitions with those of the Basel III standardised approach for credit risk, and in particular on speculative exposures not listed and other subordinated debt, capital and equity.

In addition, we recommend that all investments for which a bank intends to develop a strategic business relationship with the company in question not be considered private capital for the purposes of these guidelines.

Furthermore, the high exposures criterion should not apply to real estate development cases when future promises of sale are based on irrevocable commitments.

Last but not least, the BSG recognizes the EBA's effort to undertake a thorough review of RWAs and of especially the IR method. Having said that, the current CRR definition of speculative immovable property needs further analysis. The European approach is really broad as it requires almost all real estate financing to be considered high risk. Some more guidance is needed to distinguish speculative projects for non-speculative ones.