

RTS under Article 124 in the CRR3

Factors assessing appropriateness real estate risk weights for national macro-measures

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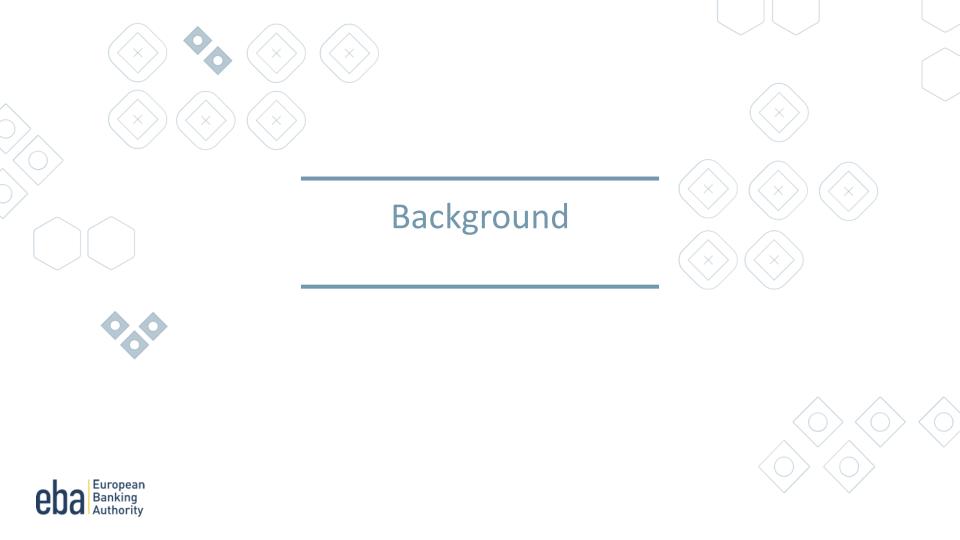
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Virtual Public Hearing, 13 May 2025

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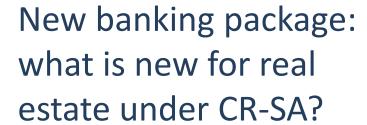


Background on real estate macro measures under CR-SA

- CRR Articles 124 to 126 set out the risk weighting for real estate under standardised approach of credit risk
- National authorities are to assess the appropriateness of the preferential RWs:
 - Commercial
 - Residential
- Based on:
 - Historical losses
 - Forward-looking immovable property => further specified in EBA RTS
- If risk weights deemed inadequate + could adversely affect financial stability => national authorities may:
 - Increase preferential RWs
 - Stricter criteria for benefitting preferential RWs















Changes brought by CRR3 on real estate CR-SA

- The new EU banking package increases risk sensitivity of real estate under the SA
 - New sub-exposure classes
 - Recalibration risk weights
- Specifically:
 - Higher RW (150%) for IPRE exposures not meeting safeguards
 - Tailored treatment for ADC exposures (land acquisition, development and construction)
 - RW= 150%
 - Unless meeting conditions under upcoming EBA GLs, for residential only: RW = 100%
 - Loan-splitting retained, with secured part recalibrated both at
 - RW level: 35% to 20% for residential, 50% to 60% commercial
 - Share of the exposure considered as secured
 - Introduces whole-loan approach: flat RW depending on ETV



RTS specifying factors to assess appropriateness RWs

- CRR3 changes to the real estate CR-SA framework do not alter the types of factors to be considered in setting up national macro measures:
 - The national macro-measures may increase the RWs or tighten conditions related to lower risk exposures:
 - Loan-splitting
 - Whole-loan
 - Hence the following CRR3 changes are out of scope, as not eligible LS/WL:
 - Dedicated ADC sub-exposure class:
 - Riskier exposures
 - CRR sets out that ADC exposures are not eligible for WL nor LS
 - IPRE exposures not meeting safeguards, subject to RW at 150%
 - Regarding recalibration of LS approach and calibration WL:
 - RTS sets out factors to assess RW, regardless of their level <- RTS remains neutral





Proposed RTS amendments









Proposed RTS amendments

- CRR3 mandate under Article 124(11) by 10 Jan 2026.
 - On the factors to assess adequacy risk weights
- Same mandate under CRR2, delivered end-2021, jointly with sister mandate on macro-measure regarding LGD minimum values for retail real estate under article 164
- Proposal:
 - Only legal references to be amended to align with CRR
 - For efficiency and simplification also on RTS references to article 164.
- Consultation Period open until 30 May 2025







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