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# RTS under Article 124 in the CRR3

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

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Virtual Public Hearing, 13 May 2025

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# Background

# 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



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## New banking package: what is new for real estate under CR-SA?

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# 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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Thank you!

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