

Question ID	2023_CR01
Status	Final Q&A
Legal Act	Directive 2013/36/EU (CRD)
Topic	Supervisory Reporting - Supervisory Benchmarking – Credit Risk
Article	78
COM Delegated or Implementing Acts/EBA RTS/EBA ITS/EBA GLs	Draft ITS on Supervisory Reporting of Institutions (for benchmarking the internal approaches)
Article/Paragraph	Annex I and II, Template C103
Date of submission	10/05/2023
Disclose name of institution / entity	No
Type of submitter	Credit institution
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Subject matter	RETO portfolios exposure split by type of collateral
Question	Clarifications regarding the RETO portfolios exposure split by type of collateral on how to ensure that the sum of the sub portfolios (defined in Annex I) will be equal or higher than the sum of the aggregated portfolio?
Background on the question	<p>Following the Quality Check QC_SVB2021_22, it's needed to ensure that</p> $\text{Sum}(\langle \text{column} \rangle \text{ where portfolio ID in } ("RETO_ALL_0196_CT_****_x0_Rx0_ALL", "RETO_ALL_0197_CT_****_x0_Rx0_ALL", "RETO_ALL_0200_CT_****_x0_Rx0_ALL", "RETO_ALL_0201_CT_****_x0_Rx0_ALL", "RETO_ALL_0202_CT_****_x0_Rx0_ALL", "RETO_ALL_0203_CT_****_x0_Rx0_ALL", "RETO_ALL_0204_CT_****_x0_Rx0_ALL")) \geq \text{Sum}(\langle \text{column} \rangle \text{ where portfolio ID in } "RETO_ALL_0096_CT_****_x0_Rx0_ALL").$ <p>Although, based on the Annex II, there are 2 types of collaterals that were not taken in consideration for the definition of the sub portfolios in Annex I. In this last Annex, there are no specific portfolios related to “Other</p>

	eligible collateral: Residential Real estate” and “Other eligible collateral: Commercial Real estate”.
EBA answer	<p>For the assignment of exposures to the benchmarking portfolios the current relevant ITS on benchmarking refers (in Annex II, column 0070, exposure class) to paragraph 76 of Annex II to Commission Implementing Regulation (EU) 451/2021 (COREP).</p> <p>The according COREP instructions clarify that <u>Retail exposures secured by immovable property shall be considered any retail exposures secured by immovable property recognised as collateral, regardless of the ratio of the value of collateral to the exposure or of the purpose of the loan.</u></p> <p>As such, for Retail exposures, the split into residential real estate and commercial real estate is only available in the benchmarking portfolios secured by real estate (i.e., portfolios with a Portfolio ID starting with MORT_****, or RSMS_****).</p> <p>Please note in addition that the instructions for the breakdown of a benchmarking portfolio by collateral type, laid down in Annex II column 0120 of the current ITS on benchmarking, refer to Columns 0040 to 0060 and 0150 to 0220 of template C 08.01 of Annex I to Commission Implementing Regulation (EU) 451/2021 (COREP). The relevant COREP instructions for column 0150 to 0220 of template C 08.01 refer to CREDIT RISK MITIGATION TECHNIQUES TAKEN INTO ACCOUNT IN LGD ESTIMATES, i.e., there should only be collateral reported in the according COREP fields if this is taken into account in the LGD estimates. <u>Consequently, exposures should only be assigned to a benchmarking portfolio relating to a certain collateral type if an according collateral is considered in the LGD estimate assigned to the exposure.</u></p> <p>Please refer as well to https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2016_2599</p>