



TOPICS:

Credit Risk

SOURCE:

European Banking Authority

The EBA Publishes Final Draft Amending Technical Standards on Factors Assessing the Appropriateness of Real Estate Risk Weights

- This EBA' Final Report outlines proposed amendments to the Regulatory Technical Standards (RTS) under Article 124(11) of the Capital Requirements Regulation (CRR), updated by Regulation (EU) 2024/1623 (CRR3). The RTS aim **to guide national authorities in assessing the appropriateness of risk weights for exposures secured by immovable property** under the Standardised Approach and to ensure alignment with the amended CRR framework.
- The original RTS, developed under **CRR2**, introduced harmonised methods for assessing both historical losses and forward-looking risks for residential and commercial property exposures. These included factors such as real estate market volatility, borrower solvency, macroeconomic conditions, and national lending standards. For Internal Ratings-Based (IRB) exposures, the RTS also addressed minimum Loss Given Default (LGD) values, now redefined under CRR3 as "LGD input floor values" at the exposure level.
- In response to **CRR3** changes, the EBA assessed whether updates to the RTS were necessary. While CRR3

introduced a more granular and risk-sensitive treatment of exposures - such as income-producing real estate (IPRE), land acquisition, development and construction (ADC), and new calibration methods these developments fall outside the scope of Articles 125 and 126 and do not necessitate changes to the existing risk assessment factors.

- Consequently, **the proposed amendments are limited to updating legal references and terminology within the RTS to reflect CRR3**, notably the shift from "minimum LGD values" to "LGD input floor values." No substantive changes to the factors or conditions used in national assessments are proposed. A one-month public consultation yielded no feedback, reinforcing the EBA's decision to preserve the current regulatory framework. The amended RTS will be submitted to the European Commission for endorsement and eventual publication in the Official Journal of the European Union, as required by Article 124(11) CRR, with a deadline of 10 January 2026.

