



TOPICS:

Credit Risk

SOURCE:

European Banking Authority

The EBA Consults on Amendments to the RTS on the Assignment of Risk Weights to Specialised Lending Exposures under the Supervisory Slotting Criteria Approach

- The EBA's consultation paper proposes **amendments** to Delegated Regulation (EU) 2021/598 governing the **Supervisory Slotting Criteria Approach (SSCA) for specialised lending exposures** under the Capital Requirements Regulation (CRR). Responses to this consultation can be sent by the **7th August 2026**.
- The **SSCA applies where institutions using the Internal Ratings Based (IRB) approach cannot reliably estimate probabilities of default for specialised lending exposures** such as project finance (PF), income-producing real estate (IPRE), object finance (OF) and commodity finance (CF). Institutions assign exposures to supervisory risk categories based on five key factors: financial strength, political and legal environment, asset and transaction characteristics, sponsor strength and security package.
- A central proposal is **the incorporation of environmental, social, and governance (ESG) risks into the slotting framework**. The EBA clarifies that ESG factors should be treated as ordinary credit risk drivers and embedded within existing factors and sub-factors, including

stress analysis, legal and regulatory assessments, asset characteristics, insurance quality and transportation risk. New governance-related considerations include corruption risk and transaction governance, while environmental risks such as climate transition and physical risks are expected to be reflected in cash-flow projections and stress scenarios.

- The RTS also proposes **methodological refinements to improve consistency and discriminatory power**. These include removing the mandatory 5% minimum weighting floor for factors where institutions can demonstrate limited contribution to risk differentiation, clarifying treatment of unfunded credit protection (UFCP), strengthening documentation and validation requirements and introducing additional sub-factors for areas such as refinancing risk, tranche seniority, market price volatility and resale value for IPRE exposures. The amendments also simplify and harmonise criteria across specialised lending categories, including revised DSCR treatment and enhanced guidance on overrides and missing information.

