Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Text with EEA relevance)

[X1 PART FOUR

LARGE EXPOSURES

[X1 Article 402

Exposures arising from mortgage lending

1 For the calculation of exposure values for the purposes of Article 395, an institution may reduce the value of an exposure or any part of an exposure fully secured by immovable property in accordance with Article 125(1) by the pledged amount of the market or mortgage lending value of the immovable property concerned but not more than 50 % of the market or 60 % of the mortgage lending value in those Member States that have laid down rigorous criteria for the assessment of the mortgage lending value in statutory or regulatory provisions, if all of the following conditions are met:

a the competent authorities of the Member States have not set a higher risk weight than 35 % for exposures or parts of exposures secured by residential property in accordance with Article 124(2);

b the exposure or part of the exposure is fully secured by:

(i) mortgages on residential property; or

(ii) a residential property in a leasing transaction under which the lessor retains full ownership of the residential property and the lessee has not yet exercised his option to purchase;

c the requirements in Article 208 and Article 229(1) are met.

2 For the calculation of exposure values for the purposes of Article 395, an institution may reduce the value of an exposure or any part of an exposure fully secured by immovable property in accordance with Article 126(1) by the pledged amount of the market or mortgage lending value of the immovable property concerned but not more than 50 % of the market or 60 % of the mortgage lending value in those Member States that have laid down rigorous criteria for the assessment of the mortgage lending value in statutory or regulatory provisions, if all of the following conditions are met:

a the competent authorities of the Member States have not set a higher risk weight than 50 % for exposures or parts of exposures secured by commercial immovable property in accordance with Article 124(2);

b the exposure is fully secured by:

(i) mortgages on offices or other commercial premises; or

(ii) offices or other commercial premises and the exposures related to immovable property leasing transactions;

c the requirements in Article 126(2)(a), Article 208 and Article 229(1) are met;

d the commercial immovable property is fully constructed.

3 An institution may treat an exposure to a counterparty that results from a reverse repurchase agreement under which the institution has purchased from the counterparty non-accessory independent mortgage liens on immovable property of third parties as a number of individual exposures to each of those third parties, provided that all of the following conditions are met:

- a the counterparty is an institution;
- b the exposure is fully secured by liens on the immovable property of those third parties that have been purchased by the institution and the institution is able to exercise those liens;
- c the institution has ensured that the requirements in Article 208 and Article 229(1) are met;
- d the institution becomes beneficiary of the claims that the counterparty has against the third parties in the event of default, insolvency or liquidation of the counterparty;
- e the institution reports to the competent authorities in accordance with Article 394 the total amount of exposures to each other institution that are treated in accordance with this paragraph.

For these purposes, the institution shall assume that it has an exposure to each of those third parties for the amount of the claim that the counterparty has on the third party instead of the corresponding amount of the exposure to the counterparty. The remainder of the exposure to the counter party, if any, shall continue to be treated as an exposure to the counter party.**]**

Editorial Information

X1 Substituted by Corrigendum to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).