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*Status: Point in time view as at 28/06/2013.*

*Changes to legislation: Regulation (EU) No 575/2013 of the European Parliament and of the Council, Article 210 is up to date with all changes known to be in force on or before 05 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

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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)

[<sup>XI</sup>PART THREE

**CAPITAL REQUIREMENTS**

TITLE II

**CAPITAL REQUIREMENTS FOR CREDIT RISK**

CHAPTER 4

**Credit risk mitigation**

Section 3

**Requirements**

Sub-Section 1

**Funded credit protection**

[<sup>XI</sup>Article 210

**Requirements for other physical collateral**

Physical collateral other than immovable property collateral shall qualify as eligible collateral under the IRB Approach where all the following conditions are met:

- (a) the collateral arrangement under which the physical collateral is provided to an institution shall be legally effective and enforceable in all relevant jurisdictions and shall enable that institution to realise the value of the collateral within a reasonable timeframe;
- (b) with the sole exception of permissible first priority claims referred to in Article 209(2) (b), only first liens on, or charges over, collateral shall qualify as eligible collateral and an institution shall have priority over all other lenders to the realised proceeds of the collateral;
- (c) institutions shall monitor the value of the collateral on a frequent basis and at least once every year. Institutions shall carry out more frequent monitoring where the market is subject to significant changes in conditions;

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- (d) the loan agreement shall include detailed descriptions of the collateral as well as detailed specifications of the manner and frequency of revaluation;
- (e) institutions shall clearly document in internal credit policies and procedures available for examination the types of physical collateral they accept and the policies and practices they have in place in respect of the appropriate amount of each type of collateral relative to the exposure amount;
- (f) institutions' credit policies with regard to the transaction structure shall address the following:
  - (i) appropriate collateral requirements relative to the exposure amount;
  - (ii) the ability to liquidate the collateral readily;
  - (iii) the ability to establish objectively a price or market value;
  - (iv) the frequency with which the value can readily be obtained, including a professional appraisal or valuation;
  - (v) the volatility or a proxy of the volatility of the value of the collateral.
- (g) when conducting valuation and revaluation, institutions shall take fully into account any deterioration or obsolescence of the collateral, paying particular attention to the effects of the passage of time on fashion- or date-sensitive collateral;
- (h) institutions shall have the right to physically inspect the collateral. They shall also have in place policies and procedures addressing their exercise of the right to physical inspection;
- (i) the collateral taken as protection shall be adequately insured against the risk of damage and institutions shall have in place procedures to monitor this.]

#### **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 \(OJ L 176, 27.6.2013, p. 1\)](#).

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