

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)

PART THREE

CAPITAL REQUIREMENTS

TITLE II

CAPITAL REQUIREMENTS FOR CREDIT RISK

CHAPTER 4

Credit risk mitigation

Section 4

Calculating the effects of credit risk mitigation

Sub-Section 1

Funded credit protection

Article 228

Calculating risk-weighted exposure amounts and expected loss amounts under the Financial Collateral Comprehensive method

1 Under the Standardised Approach, institutions shall use E* as calculated under Article 223(5) as the exposure value for the purposes of Article 113. In the case of off-balance sheet items listed in Annex I, institutions shall use E* as the value to which the percentages indicated in Article 111(1) shall be applied to arrive at the exposure value.

2 Under the IRB Approach, institutions shall use the effective LGD (LGD*) as the LGD for the purposes of Chapter 3. Institutions shall calculate LGD* as follows:

$$LGD^* = LGD \cdot \frac{E^*}{E}$$

where:

- LGD = the LGD that would apply to the exposure under Chapter 3 where the exposure was not collateralised;
- E = the exposure value in accordance with Article 223(3);
- E* = the fully adjusted exposure value in accordance with Article 223(5).

Status:

Point in time view as at 26/06/2013. This version of this provision has been superseded.

Changes to legislation:

Regulation (EU) No 575/2013 of the European Parliament and of the Council, Article 228 is up to date with all changes known to be in force on or before 03 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.