

Content of question:

1. Is it possible, when applying the Standardised Approach, to divide an exposure secured by residential real estate property situated within the territory of a Member State into the secured and the unsecured part? Is it possible to assign the unsecured part of the exposure to the retail exposure class?
2. In which manner shall these parts be considered in respect of the limit of EUR 1 million which must be applied to retail exposures pursuant to Annex 4, 8, b)?

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Approved by: Pavel Vacek

Date: 21 January 2008

Piece of law	Decree No. 123/2007 Coll.
Provision	Article 84, 1, h) and i); Annex 4, 8 and Annex 4,9, A.
Explanation	<p>1. Exposures secured by residential real estate property situated within the territory of a Member State may be divided into the secured and the unsecured part. Exposures secured by residential real estate property must be treated in accordance with the conditions for the retail exposure class in order that the part of the exposure not secured by residential real estate property may be assigned to the retail exposure class in accordance with Annex 4, 9, A.</p> <p>The conditions for the retail exposure class are stipulated in Annex 4, 8, b) to the Decree. In addition, the Official Information of the Czech National Bank of 18 July 2007 The Retail Exposure Class in the Approaches to Calculate the Capital Requirement for Credit Risk was issued in relation to the treatment of this exposure class.</p> <p>Therefore, the secured part must fulfil the conditions for assigning to the class of exposures secured by residential real estate property pursuant to Annex 4, 9, A in order that a risk weight of 35% may be applied. The unsecured part shall be assigned to the retail exposure class if the given conditions for the application of a risk weight of 75% are fulfilled. It shall be assigned to the corporate exposure class pursuant to Annex 4, 7 in the opposite case.</p> <p>2. With regard to the limit of EUR 1 million applicable to retail exposures pursuant to Annex 4, 8, b) the procedure would be as follows. The part of the exposure secured by residential real estate property situated within the territory of a Member State which does not meet the condition of over-collateralisation and which is assigned to the retail exposure class would count towards the above mentioned limit.</p> <p>The other part of the exposure which would be assigned to the class of</p>

	exposures secured by residential real estate property situated within the territory of a Member State and allocated a risk weight of 35% would not count towards the limit of EUR 1 million.
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