



Single Rulebook Q&A

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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - FINREP (incl. FB&NPE)
Article	99
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
Article/Paragraph	Annex V.Part 2.173
Date of submission	25/11/2020
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Collateral obtained by taking possession: Classification as Residential or Commercial
Question	Clarification of the applicable criteria for the classification of foreclosed asset as Residential or Commercial in FINREP templates
Background on the question	Templates F13.2.1. and F13.3.1, in relation to the classification of the collateral obtained by taking possession, refer to Annex V.Part 2.173(a) for the categories "Residential immovable property" and "Commercial immovable property". According to that paragraph: "For reporting loans and

	<p>advances according to the type of pledge the following definitions shall be used: within 'Loans collateralised by immovable property', 'Residential' shall include loans secured by residential immovable property and 'Commercial' loans secured by pledges of immovable property other than residential including offices and commercial premises and other types of commercial immovable property. The determination of whether immovable property collateral shall be residential or commercial shall be made in accordance with the CRR" CRR defines residential property as follows: "(75) 'residential property' means a residence which is occupied by the owner or the lessee of the residence, including the right to inhabit an apartment in housing cooperatives located in Sweden". In the case of the collaterals obtained by taking possession, the Bank is the owner of the foreclosed assets and, in general, until they are sold the properties are not occupied or used as a residence by any person. On the other hand, the "Guidelines on disclosure of non-performing and forborne exposures" in "Template 9: Collateral obtained by taking possession and execution processes" defines residential immovable property as follows: Residential immovable property: collateral obtained by taking possession of residential property (e.g. houses, apartments, etc.) or property with potential use in the future as such (e.g. unfinished residential property etc.). We would like to clarify the criteria for the classification of foreclosed property intended to be used for residential purposes, both finished or under construction, in templates F.13.2.1. and F.13.3.1., as Residential or Commercial: a) On one hand, taking into account the CRR definition, as the properties are not currently being used as a residence by the owner, the classification as Commercial seems to be correct b) On the other hand, according to Template 9 of "Guidelines on disclosure of non-performing and forborne exposures" they should be classified as Residential taking into account the expected final use of the property, as a residence.</p>
EBA answer	<p>Templates F13.2.1. and F13.3.1, in relation to the classification of the collateral obtained by taking possession, refer to Part 2.173(a) of Annex V to Regulation (EU) No 680/2014 (ITS on Supervisory Reporting) for the categories "Residential immovable property" and "Commercial immovable property" of the column 'Loans collateralised by immovable property' of the template F 13.1.</p> <p>According to the paragraph 173(a) the determination of whether immovable property collateral shall be "residential" or "commercial" shall be made in accordance with point (75) of Article 4(1) CRR: "(75) 'residential property' means a residence which is occupied by the owner or the lessee of the residence, including the right to inhabit an apartment in housing cooperatives located in Sweden".</p> <p>That means that for the templates F13.1, F 13.2.1 and F 13.3.1, collateral obtained by taking possession shall be classified as "Residential immovable property", if the obtained collateral meets, on the basis of the final</p>

	destination, the criteria set out in Article 4 (1) point 75 of the CRR.
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5632

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