EBA publishes final guidance regarding the exposures to be associated with high risk

17 January 2019

**The European Banking Authority (EBA) published today its final Guidelines regarding the types of exposures to be associated with high risk under the Capital Requirements Regulation (CRR). Through these Guidelines, the EBA aims not only to enable a higher degree of comparability in terms of current practices in identifying exposures associated with high risk, but also to facilitate the transition to the upcoming regulatory revisions, noting that the forthcoming implementation of the revised Basel standards will only apply as of 2022.**

The Guidelines consist of two sections. The first one clarifies the notions of investments in venture capital firms and private equity, which the EBA has taken the initiative to provide for the purpose of these Guidelines only. This step was triggered by the lack of guidance available to the public on these notions and because definitions are deemed necessary to ensure harmonisation on the types of exposures that are considered as investments in venture capital firms and private equity.

The second section specifies the types of exposures listed under Article 128 (3) of the CRR, which should be considered as high risk and provides stakeholders with a clear identification scheme to follow in their process of identification of exposures associated with high risk. This guidance will encourage institutions to single out and specify those individual exposures that carry a high risk of loss as items of particularly high risk and, therefore, structurally different from common exposures of the same original asset class.

Legal basis and next steps

The EBA has developed these Guidelines in accordance with the EBA Regulation, on the basis of the EBA's mandate in Article 128 (3) CRR regarding the items associated with particular high risk.

 The Guidelines should be implemented by 1 July 2019.