

Chapter 15

Commission Implementing Regulation (EU) No 602/2014

Article 2 Calculation of additional risk weight

Where an institution does not meet the relevant requirements provided in Articles 405, 406 or 409 of Regulation (EU) No 575/2013 in any material respect, competent authorities shall apply the following formula to determine the total risk weight (Total RW) in accordance with the approach specified in Article 245(6) and Article 337(3) of Regulation (EU) No 575/2013:

$$\text{Total RW} = \text{Min}[12,5; \text{Original RW} \times (1 + (2,5 + 2,5 \times \text{InfringementDuration}_{\text{years}}) \times (1 - \text{Article405Exemption}_{\text{pct}}))]$$

Where:

12,5 is a factor representing the maximum value that the total risk weight can reach;

"Original RW" is the risk weight that would apply to the securitisation positions if no additional risk weight was imposed;

2,5 is the minimum factor applying to the original risk weight in order to calculate the additional risk weight;

"InfringementDuration_{years}" is the duration of the infringement, expressed in years, rounded down to the nearest 12-month period. This variable is equal to "0" for an infringement of less than 12 months, equal to "1" for an infringement of more than 12 months but less than 24 months, equal to "2" for an infringement of more than 24 months but less than 36 months, etc. The duration shall generally be measured from the start of the infringement for the securitisation, although competent authorities, taking account of the specificities of the securitisation, may impose other starting points. "Infringement" shall mean the breach of one or more of the requirements set out in Article 405, 406 or 409 capable of triggering an additional risk weight. The infringement shall turn into a "subsequent infringement" when time passes without rectifying the infringement, leading to a progressive increase of the additional risk weight.

"Article405Exemption_{pct}" is a variable equal to 0,5 if Article 405(3) of Regulation (EU) No 575/2013 applies to the securitisation positions to which the additional risk weight is calculated, and equal to 0 if such exemption does not apply.