

# Technical Amendment From The BCBS On Capital Treatment Of Non Performing Loans And External Ratings

LONDON, UNITED KINGDOM,  
December 17, 2020 /

EINPresswire.com/ -- An update to the technical amendment published by the Basel Committee on Banking Supervision (BCBS) in June 2020 was released on 26 November, setting out capital requirements for non performing loan securitisations and specifically addressing external ratings.



In the accompanying PR, BCBS states, "The Committee consulted publicly on the technical amendment in June 2020. In contrast to the consultative proposal, the final rule allow banks to apply the external ratings-based approach to non-performing loans securitisation exposures, without the 100% risk weight floor. In addition, the final rule refines the definition of discount incurred by the originating bank that factors in the capital requirements."

Philip Walsh, ARC Ratings' CRO responded "We welcome this clarification which removes the confusion inherent in the June 2020 release which indirectly implied that rated NPL securitisations, in being subject to a 100 per cent risk floor, were treated differently to securitisations of performing assets, specifically lower risk weights for more highly rated tranches."

The final Technical Standards are now expected to be published by no later than 1 January, 2023.

[ARC Ratings' European Non-Performing Loans \(NPLs\) Rating Criteria.](#)

[BCBS Technical Amendment](#)

[BIS PR to accompany BCBS Technical Amendment](#)

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