

HIGHEST PRIORITY

RTS on Credit Conversion Factors (CCF)

Article 111 CRR3 — The single most consequential credit risk technical standard in the CRR3 Level 2 pipeline.

15-30% RWA uplift on off-balance sheet exposures

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Capital clarity. Regulatory confidence.

What is a Credit Conversion Factor?

A CCF determines the fraction of an undrawn commitment that regulators treat as if it were already drawn — for capital calculation purposes.

$$\text{EAD} = \text{Drawn} + \text{CCF} \times \text{Undrawn}$$

Exposure at Default — the basis for RWA calculation

Revolving Credit Facility

€500M committed, €200M drawn

CCF determines capital on the €300M undrawn

Trade Finance L/C

€100M import letters of credit

CCF converts contingent liability to capital exposure

Unconditionally Cancellable

€1bn consumer credit lines

Lowest CCF today (10%) — facing biggest uplift under CRR3

CRR2 to CRR3: Three Structural Changes

1 Higher SA CCF Rates

Fixed rates for most product types are being recalibrated upward. UCCs move from 10% to an expected 20-40%. Committed lines >1yr could jump from 50% to 60-75%. This is a material recalibration, not fine-tuning.

2 Granular Product Differentiation

CRR2 applied broad-brush CCF buckets. CRR3 introduces finer segmentation by product type, counterparty segment, and commitment tenor. Banks must reclassify their entire OBS book against the new taxonomy.

3 Stricter IRB Own Estimate Conditions

Banks using own EAD models face tighter qualification: longer observation periods, better drawdown capture, stricter use tests. Failure means mandatory reversion to higher SA CCF rates — a capital cliff.

SA CCF Recalibration: Full Grid

How Credit Conversion Factors are changing under CRR3

UCCs — All segments	10%	20-40%	+10-30pp	CRITICAL
Committed <1yr — Corp/SME	20%	40-50%	+20-30pp	HIGH
Committed <1yr — Retail	20%	20-30%	+0-10pp	MODERATE
Committed >1yr — Corporate	50%	60-75%	+10-25pp	HIGH
Trade Finance — Import L/C	20%	20-40%	+0-20pp	MEDIUM
Financial Guarantees	100%	100%	0pp	UNCHANGED
NIF / RUF	75%	75-100%	+0-25pp	HIGH

* Based on EBA consultation signals and Basel Committee calibration references, April 2026. Final text may differ.

Unconditionally Cancellable Commitments (UCCs)

10% >> 20-40%

SA Credit Conversion Factor — the single largest CCF change

- Consumer revolving credit lines (cards, overdrafts) — massive volume exposure across retail banking
- Corporate uncommitted facilities with vague cancellability clauses will be reclassified
- EBA will test whether 'unconditionally cancellable' truly means enforceable cancellation within 1 day, no fee, no notice
- Banks with EUR 10bn+ UCC portfolios face hundreds of millions in additional RWA

Key question: Do your UCC contracts survive the EBA's stricter enforceability test?

Own CCF Estimates: 7 Conditions You Must Meet

Failure on any single condition triggers mandatory reversion to SA CCF rates

7yr+	Minimum observation period covering a full credit cycle including downturn
Drawdown	Model must capture actual drawdown dynamics at and before default
Data Quality	Complete data on committed vs. drawn at default, reconciled to accounting
Segments	Homogeneous segments by product type, tenor, facility size, counterparty
Use Test	Own estimates used in credit decisions — pricing, limits, exposure management
MoC	Quantified Margin of Conservatism for data gaps and estimation errors
Validation	Annual independent validation testing calibration accuracy, not just process

SA reversion can mean 2-3x RWA uplift on OBS exposures

Product Redesign Levers

Contractual changes that reduce CCF classification — start now, lead times are long

Cancellability Clause

12-18 mo

Strengthen UCC language: remove notice periods >1 day, add MAC triggers, ensure legal enforceability across jurisdictions

Commitment Tenor

18-24 mo

Restructure medium-term RCFs as renewable 364-day commitments — moves from 60-75% to 40-50% CCF bucket

Draw-Down Mechanics

12-18 mo

Introduce 48-72hr notice periods and conditions precedent for large draws — reduces observed drawdown velocity for IRB calibration

Fee Structure

6-12 mo

Fee-free uncommitted structures with MAC language — accept pricing trade-off for lower CCF. Model RWA saving vs revenue foregone

Product Classification

3-6 mo

Full OBS inventory: map each product to CRR3 CCF categories. ECB inspections frequently find miscategorised exposures

CCF Scenario Matrix

Illustrative: EUR 50bn RWA bank, typical OBS mix

Optimistic

UCCs 20%, IRB own estimates retained

+10-15%

OBS RWA uplift

-15-25 bps

CET1 impact

Base Case

UCCs 30%, SA for most OBS products

+20-30%

OBS RWA uplift

-30-50 bps

CET1 impact

Stressed

UCCs 40%, SA forced, output floor binding

+40-60%

OBS RWA uplift

-60-90 bps

CET1 impact

Conservative

All OBS at 75-100%, no own estimates allowed

+80-120%

OBS RWA uplift

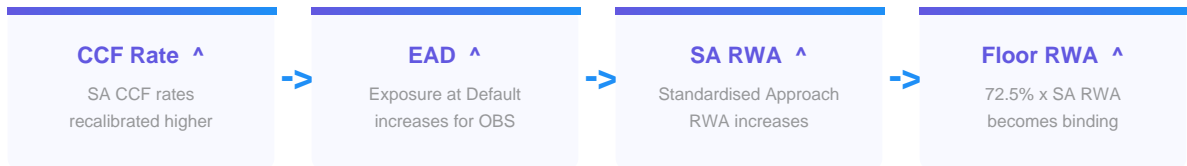
-100-150 bps

CET1 impact

Floor interaction: CCF increases feed directly into SA floor RWA — amplifying impact by up to 1.5x for floor-constrained banks.

CCF x Output Floor: The Amplification Effect

The output floor sets minimum RWA at 72.5% of the SA calculation. CCF enters through its effect on EAD — making the RTS outcome even more consequential for floor-constrained banks.



Up to 1.5x impact amplification

Floor-constrained banks: every 1pp CCF increase has ~1.5x the RWA effect compared to banks well above the floor

Implication: Banks near the floor must run CCF scenarios through the floor calculation — not just through IRB RWA.

Your CCF Readiness Roadmap



Early engagement reduces capital impact by 20-40% vs reactive compliance after final text publication.

EBA Consultation: Your Highest-Leverage Move

Most banks leave EBA consultations to industry associations. This is a strategic error. Banks that submit well-evidenced, quantitative responses genuinely influence calibration decisions — particularly on CCF rates.

Empirical CCF data

Submit observed drawdown rates by product. EBA calibrates from real bank data — yours can directly shape the final CCF number.

Implementation cost evidence

Quantify what implementation looks like. Disproportionate cost can influence transition provisions and phase-in periods.

Product-specific arguments

Self-liquidating trade finance instruments have fundamentally different risk profiles. Argue for product carve-outs with data.

Cross-jurisdictional impact

Show how calibration interacts with local market structures. One-size-fits-all calibration disproportionately affects specific banking models.

A well-prepared consultation response is one of the highest-leverage regulatory interventions available to a bank.



The banks that build for the consultation are ready on day one.
The banks that wait for publication never are.

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Need a CCF impact assessment?

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