Case Study: Supporting Compliance with Basel Pillar III/CRR III Regulations for CRE Lenders

In a nutshell

From January 1, 2025, the CRR III requires EU banks lending on commercial real estate (CRE) to use external data to monitor changes in market values of assets[1]. MSCI offers solutions designed to help banks navigate the added complexity of the regulatory landscape more efficiently and cost-effectively. This would enable risk teams to focus on oversight rather than data collection and analysis.

[1] "The EBA updates the supervisory reporting framework," European Banking Authority, July 9, 2024.

Key Benefits

- **Inform market value monitoring and reporting** through-the-cycle with quarterly mark-to-market values for assets in your loan portfolio for simple integration into your risk process.
- **Inform underwriting and ongoing monitoring** with extensive indexes and data tracking transacted prices, valuation prices, cap rates, income and liquidity for the markets, cities and property sectors you lend to in Europe.
- **Effectively manage, model and report on the risk** to market values of physical climate factors with climate risk screening.

Features

- **Managed solution** providing mark-to-market quarterly values for assets in your loan portfolio, based on proven research methodologies.
- **Both transacted price and valuation-based indexes** that provide a robust means of monitoring market values of assets in your loan portfolio at any stage of the cycle.
- **Contextual market data** on cities and property types, including cap rates, income, vacancy rates, capital expenditure, and liquidity, providing a deeper understanding of market movements and value drivers.
- **Climate risk impact** providing the ability to understand the cash value at risk from physical or transition risk factors.

How we do it?

Our team matches the most appropriate index series (based on the relevant market and property type) to the assets collateralising your loan portfolio in order to calculate an estimated current market value each quarter. Alternatively we can provide research support to apply these indexes and methodologies within your internal systems.

Why MSCI?

- **Rule-based methodologies,** our indexes are built on robust and transparent research methodologies, leveraging MSCI's extensive real estate data and expertise.
- **Research-based approach and support** enabling the selection of an appropriate index to reference for assets in your loan portfolio.
- **Extensive coverage** including thousands of index series covering major European real estate markets and property types that you lend to (as of January 1, 2025).

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

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