**Question ID**

2023_6891

**Legal act**

Regulation (EU) No 575/2013 (CRR)

**Topic**

Credit risk

**Article**

162

**Paragraph**

2

**Subparagraph**

(a)

**COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations**

Not applicable

**Article/Paragraph**

Not applicable

**Type of submitter**

Credit institution

### Question

Does Article 162(2)(a) of Regulation (EU) No 575/2013 (CRR) apply to exposures in the form of undrawn credit facilities as the only contractual cash flow payments for the undrawn credit facility are fee-related?

### Background on the question

Article 162(2) of CRR sets forth how to calculate the maturity parameter (M) for institutions that have received the permission of the competent authority to use own LGDs and own conversion factors for exposures to corporates, institutions or central governments and central banks pursuant to Article 143. Under point (a) of Article 162(2), the CRR defines how to calculate M for an instrument subject to a cash flow schedule. In the formula to calculate M, cash flows are defined as principal, interest payments and fees contractually payable by the obligor. EBA Q&A 2021_5773 clarifies that this treatment is also applicable to guarantees where the only contractual cash flow payments are fees.

We are seeking clarification on whether the same treatment should be applied to undrawn credit facilities (or the undrawn part of partially drawn credit facilities) as prior to any drawing of the facility, the only contractual cash flow payments due from the obligor are fees, and hence the situation is similar to that of guarantees which are addressed in EBA Q&A 2021_5773.

In case of a partially drawn credit facility, M for the drawn amount will then also be calculated based on Article 162(2)(a) in case there is a contractually agreed cash flow schedule (now comprising principal, interest and fee payments). If such a contractual cash flow schedule is not available, M will be determined based on Article 162(2)(f) as the maximum remaining time that the obligor is permitted to take to fully discharge its contractual obligations (subject to a 1 year floor).

### Submission date

21/09/2023

### Final publishing date

21/06/2024

### Final answer

determine whether the contract related to the facility specifies all the cash flows with regard to the amount and timing.

However, Article 162(2)(a) is not applicable where the contract only specifies some but not all of the cash flow payments (e.g. fees). In other words, if such a contractual cash flow schedule is not available for all the elements of the facility, M will be determined based on Article 162(2)(f) as the maximum remaining time that the obligor is permitted to take to fully discharge its contractual obligations (subject to a 1 year floor).

**Status**

Final Q&A

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