

Home

- › Single Rulebook Q&A
- › 2023_6891 Maturity calculation under IRB for undrawn credit facility

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

Disclaimer

The Q&A refers to the provisions in force on the day of their publication. The EBA does not systematically review published Q&As following the amendment of legislative acts. Users of the Q&A tool should therefore check the date of publication of the Q&A and whether the provisions referred to in the answer remain the same.

EUROPEAN BANKING AUTHORITY

Our mission is to contribute to the stability and effectiveness of the European financial system through simple, consistent, transparent, fair regulation and supervision that benefits all EU citizens.

An agency of the EU

EU Agencies Network



Sustainable EBA