

Single Rulebook Q&A

Question ID	2020_5297
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	111
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
Date of submission	10/06/2020
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Original maturity for off-balance sheet items
Question	How is the „original maturity” identified for items in CRR Annex 1 (2)(b)(ii)?
Background on the question	<p>As per Article 111 CRR, identification of the risk category to assign CCF is based on criteria set out in Annex 1. Within Annex 1, medium risk item (2)(b)(ii) is described as: „undrawn credit facilities (agreements to lend, purchase securities, provide guarantees or acceptance facilities) with an original maturity of more than one year”. If a credit institution agrees (in time t0, when agreement with the client has been signed) to offer a 5 year credit facility, which could be drawn only during a specified period in time in the future (i.e. during 1-week period starting in 2 years’ time from t0), it is unclear whether the original maturity of such off-balance sheet item would be 1 week or 1,5 year. It is also unclear whether the institution should assess the risk of the transaction differently in certain periods i.e.:</p> <ul style="list-style-type: none"> • „low risk” - during the period that starts after the agreement has been signed, to the date when the facility could actually be drawn and become a drawn credit facility: [t0 ; t0 + 2Y], • „medium/low risk” - during the period when the facility could be drawn: [t0 + 2Y; t0 + 2Y+ 1 week] <p>Considering that the facility is not yet drawn at t0 and may not be cancelled unconditionally. See also Q&A 3366.</p>

<p>Final answer</p>	<p>The original maturity to be used for the purposes of paragraph (2)(b)(ii) and (3)(b)(i) of Annex I of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2) is the period of time that ranges from the date when the credit facility was granted until the moment when it could be effectively drawn. More precisely, as clarified by Q&A 3366, it starts when the credit facility has been granted and lasts during the time in which the undrawn credit facility could be drawn and become a drawn credit facility.</p> <p>In the example of a 5 years' credit facility which could be drawn only after 2 years from the moment it was granted and for a one week period, as the original maturity is 2 years and one week, the off-balance sheet item is to be classified as medium risk according to paragraph (2)(b)(ii) of Annex I of the CRR.</p> <p>The classification of the credit facility remains unchanged until the earliest between the last moment when it could be effectively drawn (after which it ceases to exist as off-balance sheet item) and the date when the credit facility is actually drawn (when it becomes an asset).</p>
<p>Link</p>	<p>https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5297</p>

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