Single Rulebook Q&A

Question ID	2020_5574
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	Article 428ad
Paragraph	c
Subparagraph	v
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not Applicable
Date of submission	21/10/2020
Published as Final Q&A	11/02/2022
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Application of Required Stable Funding on the basis of Guarantees Received
Question	Where a loan is made to a non-financial corporate, and the loan is guaranteed by a financial counterparty such that the credit exposure on the loan is viewed by the firm as an exposure to the guarantor (financial counterparty), can the 10% RSF applicable under CRR Article 428v be applied to such a transaction?
Background on the question	Article 428ad(c) CRR requires that a Required Stable Funding (RSF) factor of 50% should be applied to monies due from transactions with a residual maturity of less than one year undertaken with non-financial corporates, retail customers and SMEs. CRR Article 428v requires that a 10% RSF should be applied to monies due from transactions with financial customers that have a residual maturity of less than six months other than those referred to in point (g) of Article 428r(1) and in point (b) of Article 428s(1). CRR Article 428ad(c) requires that a RSF factor of 50% should be applied to monies due from transactions with a residual maturity of less than one year undertaken with non-financial corporates, retail customers and SMEs. However, in a number of such cases, a firm will provide a loan to a non-financial corporate only where the credit quality of the borrower is sufficient, or an eligible credit guarantee from another financial institution has being

	provided by the customer. In this case, the loan made is conditional upon the guarantee being received by the firm. In this case, it follows that the RSF applicable should reflect the guarantee received from the financial counterparty, as per CRR Article 428v.
Final answer	With the exception of the assets referred to in Articles 10(1)(b),(c),(d) (g) and 11(1)(a)(b) of Delegated Regulation (EU) 2015/61 (LCR DR), the NSFR framework as laid down in Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR) does not allow categorizing loans in accordance with the guarantor, if applicable. On this basis, monies due from loans provided to non-financial corporates, retail customers and SMEs that are not captured by the exception above should be treated as such even if the underlying loans are guaranteed by a financial customer. Therefore, any such exposures with a residual maturity less than one year would be subject to a required stable funding factor of 50% pursuant to Article 428ad(c)(v) CRR.
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5574

European Banking Authority, 02/07/2022
www.eba.europa.eu