Single Rulebook Q&A

Question ID	2021_6087
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	428j
Paragraph	2
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	-
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Residual contractual maturity date applicable to commercial paper issued under a commercial paper program with a firm underwriting commitment to rollover
Question	What should be the residual contractual maturity applicable to commercial paper issued under a commercial paper program with a firm underwriting commitment to rollover?
Background on the question	According to Article 428j(1) of Regulation (EU) No 575/2013 (CRR), institutions shall take into account the residual contractual maturity of their liabilities and own funds to determine the available stable funding factors to be applied under Section 2. However, Article 428j(2) CRR provides that for options exercisable at the discretion of the institution, the institution and the competent authorities shall take into account reputational factors that may limit an institution's ability not to exercise the option, in particular market expectations that institutions should redeem certain liabilities before their maturity. Commercial paper is a type of short-term debt securities that can be issued on a standalone basis or issued as part of a commercial paper programme. When issued under a commercial paper, it may involve an issuer continuously rolling over its commercial paper under a pre-defined limits agreed between the issuer and the underwriter. Under the scenario that a

	commercial paper programme involves an agreement between the issuer and the underwriter where the underwriter gives an irrevocable firm commitment to ensure the rollover of the commercial paper until the residual maturity of the programme (within the agreed programme size), it is unclear whether this can in any way be considered as an option exercisable at the discretion of the institution in accordance with Article 428(j)(2) CRR.
Final answer	Article 428j(1) of Regulation (EU) No 575/2013 (CRR) clarifies that institutions shall take into account the residual contractual maturity of their liabilities and own funds to determine the available stable funding factors to be applied. Thus, under the scenario that a commercial paper programme involves an agreement between the issuer and the underwriter where the underwriter gives an irrevocable firm commitment to ensure the rollover of the commercial paper until the residual maturity of the programme, the residual maturity date for each separate outstanding commercial paper issue shall be the corresponding residual maturity for each issue outstanding. For debt securities such as commercial paper, the relevant maturity is the contractual maturity of currently outstanding commercial paper issuances. A commitment by counterparty to invest in future issuances under the same commercial paper programme does not relate to and therefore cannot alter the maturity of currently outstanding commercial paper issuances.
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