

# Single Rulebook Q&A

<b>Question ID</b>	2021_6239
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Credit risk
<b>Article</b>	166
<b>Paragraph</b>	8 and 10
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	na
<b>Date of submission</b>	18/10/2021
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Consultancy firm
<b>Subject matter</b>	Nature and treatment of off-balance financial leasing exposures (generated by the lag between the order of the asset and the rental starting date)
<b>Question</b>	Should off-balance financial leasing exposures (generated by the lag between the order of the asset and the rental starting date) be considered as a “credit line” and hence fall into Article 166.8(d) of the CRR or as an “undrawn credit facility” and hence fall into Article 166.10?
<b>Background on the question</b>	According to the euro bank lending survey No 179/ September 2016 published by the ECB, a credit line is defined as a product the borrower can use without reference to any drawing schedule: “A credit line is a facility with a stated maximum amount which an enterprise is entitled to borrow from a bank at any given time [...]”. For financial leasing products, the exposure appears off-balance between the moment the contract is signed, until the rental starting date. As soon as the client proceeds to the first leasing payment, the full exposure directly goes on-balance. There is no possibility for the client to draw part or the full exposure at any given time. The timing of drawing corresponds to the moment the asset is delivered and the leasing payment starts. This resembles more to a single drawing of a committed facility than a credit line at the disposal of the client. Hence, off-balance financial leasing exposures should not be considered as a credit line

	but as an undrawn credit facility.
<b>Final answer</b>	<p>Article 166(8) CRR entails provisions for the calculation of the exposure value of off-balance sheet items listed in letters (a) to (d) of that paragraph, including credit lines.</p> <p>When a “credit line” (or a note issuance facility or a revolving underwriting facility) cannot be attached to one of the more specific definitions in letters (a), (b) or (c) of Article 166(8) CRR, it shall be treated under letter (d) of the same paragraph. In this context “other credit lines” will entail all credit lines other than unconditionally cancellable credit lines described under letter (a) as explained in <a href="#">Q&amp;A 2663</a>.</p> <p>Since off-balance sheet financial leasing transactions (generated by the time lag between the order of the asset and the rental starting date) cannot be considered as a “credit line” and they are not mentioned elsewhere in Article 166(8) letters (a) to (d) CRR, these items should be treated in accordance with Article 166(10) CRR.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_6239">https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_6239</a>

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