

<b>Question ID</b>	2022_6432
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Credit risk
<b>Article</b>	Annex I
<b>Paragraph</b>	(2)(b)(ii) and (3)(b)(i)
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	Not applicable
<b>Date of submission</b>	26/04/2022
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Competent authority
<b>Subject matter</b>	Original maturity of credit lines until further notice
<b>Question</b>	For risk classification as off-balance sheet item according to Annex I CRR, is the original maturity longer than one year where non-retail credit lines until further notice (i.e. no fixed maturity) may be cancelled with 3 months advance notification period and even immediately in case the borrower becoming delinquent or declaring bankruptcy?
<b>Background on the question</b>	Unless meeting the conditions for low risk, the risk category of undrawn credit facilities depends on whether the original maturity is longer than one year, cf. paragraphs (2)(b)(ii) and (3)(b)(i) of Annex I CRR. There is no fixed original maturity where an institution provides a credit line until further notice (i.e. available as long as not having been cancelled). The credit line could be available for less than one year under a scenario where the institution exercises a right to cancel the credit line with effect before one year after origination of this credit line. In the specific case in question, the institution has the right to cancel the credit facility with an advance notice of three months, but the facility can be cancelled immediately in case of the borrower becoming delinquent or declaring bankruptcy.
<b>Final answer</b>	As clarified in <a href="#">Q&amp;A 3366</a> , for the purposes of points (2)(b)(ii) and (3)(b)(i) of

	<p>Annex I of Regulation (EU) No 575/2013 (CRR) the relevant original maturity is the period that starts when the credit facility has been granted and during which the undrawn credit facility could be drawn and become a drawn credit facility.</p> <p>Undrawn credit facilities provided until further notice (i.e. no fixed maturity) shall be treated as an off balance sheet item and classified in accordance with Annex I under the risk category “Low” only where the conditions set in point 4(a) or 4(b) of Annex I are met. This would for instance not be the case where automatic cancellation without notice is not possible due to sole deterioration in a borrower's creditworthiness, but only under the more restrictive condition of delinquency or bankruptcy of the obligor.</p> <p>Where the conditions for “low risk” are not met, undrawn credit facilities provided until further notice should be assigned to the risk category “Medium”, according to point (2)(b)(ii) of Annex I, because their original maturity is longer than one year.</p> <p>An advance notification period of less than one year before cancellation becomes effective does not, in itself, reduce the original maturity - because at origination of the credit facility it is not possible to foresee whether an institution decides to make use of its cancellation right.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6432">https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6432</a>

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