Single Rulebook Q&A

Question ID	2013_128
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	411
Paragraph	2
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
Date of submission	07/08/2013
Published as Final Q&A	29/11/2013
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Definition of 'retail deposit'
Question	How should liabilities to clients who have not been classified to any segment under the Standardised or Advanced IRB (AIRB) approach be treated? Those clients placed only deposits with the bank and therefore the bank does not have sufficient data to assign them to any segment.
Background on the question	According to Article 411 of Regulation (EU) No 575/2013 (CRR) 'retail deposit' means a liability to a natural person or to an SME, where the natural person or the SME would qualify for the retail exposure class under the Standardised or IRB approaches for credit risk, or a liability to a company which is eligible for the treatment set out in Article 153(4) and where the aggregate deposits by all such enterprises on a group basis do not exceed EUR 1 million. In our opinion this definition is directly applicable only to clients who have credit exposure to an institution because such clients have been classified to any segment under Standardised or AIRB approach. If a client does not have credit products, an institution does not gather sufficient data to assign the client to any segment. That data is always delivered in credit origination processes. But until a client applies for any product bearing credit risk, the institution does not ask the client to provide such data. According to the existing regulations in Poland an institution is not

	obliged to gather all financial and other data on all its clients. To conclude, for 'deposit-only' clients the above definition is not applicable, therefore the classification of those clients to retail or wholesale deposits in calculation of the Liquidity Coverage Requirement remains unclear.
EBA answer	Although the institution does not have actual retail/SME credit exposures to a given customer, the institution should still apply the criteria set out in the context of the retail exposure class under the Standardised or IRB approaches for credit risk or in article 153(4) of Regulation (EU) No 575/2013 (CRR). For the Standardised approach for credit risk, the criteria are set out in Article 123. Institutions using IRB approach for retail exposures shall follow the criteria stipulated in Article 147(5) of the CRR. Where an institution does not have any exposures to an SME, the institution may include such a deposit in this category provided that the total aggregate funding raised from the customer is less than EUR1 million and the deposit is managed as a retail deposit. The institution should also treat such deposits consistently through its internal risk management systems and in the same way as other retail deposits (i.e. not as it would treat a larger corporate deposit). As the treatment of an SME as a retail deposit results in a lower risk weight, this beneficial treatment is subject to obtaining the background information required to classify them as such. In addition, it should also be noted that under Article 8 (1)(d) of Directive 2005/60/EC institutions are obliged to conduct ongoing monitoring of the business relationship. This includes scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's or person's knowledge of the customer, the business and risk profile, including, where necessary, the source of funds and ensuring that the documents, data or information held are kept up-to-date. These requirements should be helpful in providing an institution with information necessary for the purpose of classifying a client.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_128