

Single Rulebook Q&A

Question ID	2013_354
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	159
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Discounts on balance sheet exposures purchased when not in default
Question	In Regulation (EU) No 575/2013 (CRR) Article 159 it states: ".....Discounts on balance sheet exposures purchased when in default in accordance with Article 166(1) shall be treated in the same manner as specific credit risk adjustments." In respect of this how should one treat discounts on purchased exposures that were not in default at the time of purchase and discounts that were not calculated on single exposure level, but instead calculated on a whole portfolio of exposures which are not in default.
Background on the question	See above.
Final answer	<p>Article 159 of Regulation (EU) 575/2013 (CRR) does not provide for a treatment of discounts on balance sheet exposures purchased when not in default in the same manner as specific credit risk adjustments.</p> <p>Furthermore, according to Article 1 of the RTS on the specification of the calculation of specific and general credit risk adjustments in accordance with Article 110(4) of the CRR, such discounts do not qualify as credit risk adjustments.</p>

	<p>Hence, such discounts are not allowed to be included in the calculation according to Article 159 of the CRR.</p> <p>However, according to Article 166(1) of the CRR, if the discount on these exposures purchased is reflected in the balance sheet, the discount should also be reflected in the exposure value.</p>
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