

Single Rulebook Q&A

Question ID	2013_430
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	180
Paragraph	1
Subparagraph	(a)
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	180
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Highly leveraged obligors
Question	How to define/identify 'highly leveraged obligors' under Article 180(1)(a)?
Background on the question	Highly leveraged obligors is not defined in Regulation (EU) No 575/2013 (CRR).
Final answer	Regulation (EU) No. 575/2013 does not define "highly leveraged obligors", but requires institutions to ensure that the probability of default (PD) estimates for such obligors reflect the performance of their assets based on stressed volatilities. Accordingly, institutions are under an obligation to identify among their obligors those for whom the default risk is particularly sensitive to changes in the value of their assets because of a high leverage or because their assets are predominantly traded assets, and to ensure that PD estimates for such obligors are reflective of the performance of assets based on stressed periods.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_430

