

Question ID	2013_563
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	424
Paragraph	3
Subparagraph	(c)
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
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Disclose name of institution / entity	Yes
Name of institution / submitter	Royal Bank of Scotland Group
Country of incorporation / residence	United Kingdom
Type of submitter	Credit institution
Subject matter	Outflows from credit and liquidity facilities
Question	Please confirm the interpretation that a general working capital facility made available to a client meets the condition detailed in Article 424(3)(c) of Regulation (EU) No 575/2013 (CRR) if the client can use the facility in situations where the client is unable to obtain its funding requirements in the financial markets provided that the facility has not been expressly and solely provided for this purpose.
Background on the question	Working capital facilities are an important source of support to customers in the financing of their cash flow requirements. Where such a facility is made available for general working capital purposes, and does not therefore detail a specific purpose, it is our understanding that such a facility will meet the condition set out in Article 424(3)(c) even though the facility might be used to replace funding that the client could not obtain from the financial markets.

Final answer	<p>A general working capital facility may, due to its nature, fulfil Article 424(3)(c) of Regulation (EU) No. 575/2013 (CRR) but cannot be included in Article 424(3) unless it fulfils the conditions set out in Article 424(3)(a) and (b).</p> <p>Nevertheless, if there is outstanding debt issued by the client of the general working capital facility maturing within a 30 day period that is backstopped by the facility for the purpose of refinancing a debt obligation, this amount is considered as a substitute financing facility. Therefore it cannot be included in Article 424(3)(c) of the CRR and thus it does not fulfil all the conditions in Article 424(3).</p> <p>See also answer to Q&A 506.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_563

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