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| Question ID | 2013_578 |
| 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. |
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| Disclose name of institution / entity | Yes |
| Name of institution / submitter | Bank of Slovenia |
| Country of incorporation / residence | Slovenia |
| Type of submitter | Credit institution |
| Subject matter | Definition of a retail deposit |
| Question | <p>According to Article 411(2) of Regulation (EU) No 575/2013 (CRR) a retail deposit means:</p> <ul style="list-style-type: none"> - 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 SA or IRB approaches; or - a liability to a company which is eligible for the treatment set out in Article 153(4). <p>(plus the limit of 1 million EUR for deposits by enterprises <u>SME or company on a group basis</u>).</p> <p>Article 153(4) relates to the treatment (the correlation formula) of the exposures to companies with the total annual sales (on a consolidated basis)</p> |

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| | <p>less than 50 million EUR under the IRB approach.</p> <p>Do the criteria from Article 411(2) which relates to Article 153(4) mean that:</p> <ul style="list-style-type: none"> - only institutions using the IRB approach and the above mentioned treatment in Article 153(4) can treat deposits from companies with the total annual sales (on a consolidated basis) less than 50 million EUR as retail deposit, or - all institutions, regardless of the approach implemented (SA or IRB), can treat deposits from companies with the total annual sales (on a consolidated basis) less than 50 million EUR as retail deposit? |
| <p>Background on the question</p> | <p>The correct interpretation of the retail deposits regarding the treatment of liabilities to companies with the total annual sales (on a consolidated basis) less than 50 million EUR is crucial since this can have an important effect on the size of retail deposits for the purpose of the liquidity coverage requirement.</p> |
| <p>Final answer</p> | <p>The categorisation of a liability to a company as a retail deposit is conditional on the liability being eligible for the treatment set out in Article 153(4) of Regulation (EU) No. 575/2013 (CRR) and where the aggregate deposits by all such enterprises on a group basis do not exceed EUR 1 million.</p> <p>The institution may include such a deposit as a retail deposit subject to meeting these conditions regardless of the approach to calculation of own funds requirements for credit risk implemented for this exposure class. Article 411(2) applies the criteria foreseen for the treatment of exposures to certain companies under Article 153(4) to liabilities. In this context the criteria are not limited to institutions using the IRB approach for the calculation of credit risk for certain companies in accordance with 153(4).</p> <p>The institution is to manage the deposit as a retail deposit, 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).</p> <p>As the treatment of such a deposit as a retail deposit results in a lower outflow rate, this beneficial treatment is subject to obtaining the background information required to classify them as such.</p> <p>As mentioned in Q&A 128, 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</p> |

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| | 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_578 |

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