

Question ID	2013_618
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - FINREP (incl. FB&NPE)
Article	99
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Draft ITS on Supervisory Reporting of Institutions
Article/Paragraph	Annex V, para 177
Date of submission	03/12/2013
Published as Final Q&A	22/08/2014
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Assessment criteria of the conditions of forbearance exposures that are performing
Question	<p>Performing exposures with forbearance measures are distinguished into these that were considered as performing from the date when forbearance measures were extended (see paragraph 178) and these that were previously non-performing and have been reclassified from the non-performing category. Is there a distinction regarding the assessment criteria for these two types of exposures or have all performing exposures with forbearance measures to be assessed on a quarterly basis (see paragraph 177), although the class of formerly non-performing exposures is exposed to a higher risk to become non-performing again as compared to these that have always been performing since forbearance measures were extended?</p>
Background on the question	<p>According to our understanding, paragraph 176 (e.g., "probation period of 2 years") applies to all performing exposures with forbearance measures (see page 52 of the final draft "harmonised period for all exposures") and paragraph 179 only applies to formerly non-performing exposures (see page 55 of the final draft "once a forbearance exposure exits the non-performing category and becomes a performing forbearance exposure under probation period, any additional forbearance measure or any amount more than 30</p>

	<p>days past due should lead to the reclassification of the exposure as non-performing"). However, it is not clear to us to which type of performing exposures with forbearance measures the paragraph 177 applies. If it only applied to these exposures that were formerly non-performing, the question would arise, in which frequency have these to be reported to which the conditions of paragraph 178 apply as no further information regarding frequency of the assessment and the final assessment at the end of the probation period is given.</p>
<p>Final answer</p>	<p>Paragraph 176 of the Final draft ITS on Supervisory reporting (Forbearance and non-performing exposures) sets out the conditions that an exposure with forbearance measures (forborne exposure) must meet to see its classification as forborne discontinued. As per paragraph 176a,; non-performing forborne exposures cannot be discontinued as forborne. Therefore, the probation period defined in paragraph 176(b) only applies to performing forborne exposures. However, having regard to paragraph 176(d), all exposures to the debtor which are within the accounting scope of consolidation of the debtor pursuant to paragraph 168 must be considered, and not only those exposures in forbearance.</p> <p>According to paragraph 177, the fulfilment of conditions in paragraph 176(c) and paragraph 176(d) has to be assessed at the end of the mandatory 2-year probation period (there can be an assessment only once the mandatory length of the probation period has expired). When these conditions are assessed as not met, the exposures shall be kept under probation and the reassessment shall then be done on a quarterly basis as a minimum.</p> <p>Since the only exposures that can be under probation are performing forborne exposures, paragraph 177 applies to all performing forborne exposures, regardless whether they had been under performing status (and hence under probation) at the time of the extension of forbearance measures or whether they had been reclassified from the non-performing forborne exposures category to the performing forborne exposures category (and hence entered into the probation period) at a later stage. See Q 2014_735 for the exit criteria from non-performing status.</p> <p>Paragraph 178 together with paragraph 176(b) specify the conditions under which the probation period can start running upon the extension of forbearance measures: if the extension does not lead to the classification of the forborne exposure as non-performing and if the forborne exposure was not classified</p>

as non-performing prior to the extension of the forbearance measures. Paragraph 178 applies to all exposures that are extended forbearance measures, except for non-performing exposures that have been extended forbearance measures, for which paragraph 157 first applies to exit first the non-performing forborne category (becoming performing forborne exposures).

Paragraph 179 specifies the conditions under which the probation period of performing forborne exposures can be interrupted: when the exposure is extended additional forbearance measures or when it becomes more than 30 days past-due. In these cases, the exposure becomes a non-performing forborne exposure and has first to exit the non-performing status before a new two-year probation period can start. See Q 2014_736 for clarification about paragraph 179.

DISCLAIMER:

The present Q&A on Supervisory reporting is provisional. It will be reviewed after the Implementing Regulation is in force and published in the Official Journal, which may differ from the text of the draft ITS to which this Q&A relates.

Link

https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_618