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Disclose name of institution / entity	Yes
Name of institution / submitter	ITALIAN BANKING ASSOCIATION - ABI
Country of incorporation / residence	ITALY
Type of submitter	Industry association
Subject matter	FORBERANCE CLASSIFICATION
Question	<p>For forborne exposures under probation which, at the time of the initial concession, were performing, if a new measure is granted after 1 year and a half, during which the client has fulfilled points c) and d) of standard 176 when it is still within the probation period, and if the bank, on the basis of its own independent evaluation, does not reclassify the client (see Q&A EBA 2013_618 and 2014_736), is the period of 2 years for exiting the probation period counted again from scratch?</p> <p>Nel caso di una esposizione forbone under probation, che nel momento della prima concessione era performing, se una nuova misura viene concessa dopo 1 anno e mezzo durante il quale il cliente ha rispettato i punti c) e d) dello standard 176, quando è ancora in vigore il periodo probatorio, e se la banca in virtù della propria autonoma valutazione non riclassifica il cliente (vedi Q&A EBA 2013_618 e 2014_736) il conteggio dei 2 anni per l'uscita dal</p>

	periodo probatorio, riparte da zero?
Background on the question	The extension of the probation period resulting from interrupting the counting of the 2 years, apart from not seeming to be right as a concept, also appears to be problematic from an operational perspective. Il prolungamento del probation period derivante da un'interruzione del conteggio dei due anni, oltre a non sembrare corretto da un punto di vista concettuale, appare problematico da un punto di vista operativo.
EBA answer	<p>As Q&A Q&A 2014_736 reiterated, FINREP Annex V v2.7 para 260 (former 179) shall only apply to performing forborne exposures under probation period that have been reclassified out of the non-performing category.</p> <p>Therefore, if a forborne exposure has been always considered as performing, then paragraph 260 is not applicable. This means that there is not an automatic classification into the non-performing exposures. However, when the second forbearance measure is granted, the institution should carry out an assessment of viability, consistently with the EBA Guidelines on management of non-performing and forborne exposures (section 6.1.1). Should the second forbearance measure be assessed as unsustainable, the exposure would be reclassified as non-performing forborne.</p> <p>If the second forbearance measure was assessed not to bring to reclassify the exposure as non-performing, the exposure can exit the forbearance status -in accordance with Annex V, Part 2, paragraph 256- where all the following conditions are met:</p> <p>(a) the forborne exposure is considered to be performing, including where it has been reclassified from the non-performing exposures category after an analysis of the financial condition of the debtor showed that it no longer met the conditions to be considered as non-performing;</p> <p>(b) a minimum two year period has passed from the date the forborne exposure was considered to be performing ('probation period');</p> <p>(c) regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period;</p> <p>(d) none of the exposures to the debtor is more than 30 days past due at the end of the probation period.</p> <p>Following Annex V, Part 2, paragraph 257, those conditions shall be met at</p>

	<p>the end of the probation period. Where they are not met at the end of the probation period, the exposure shall continue to be identified as performing forborne under probation until all the conditions are met. The conditions shall be assessed at least on a quarterly basis.</p> <p>Taking into account these provisions, the exit criteria of paragraph 256 shall be first assessed at the end of probation period starting from the first forbearance measure where the exposure is considered performing and if they are not met, the exposure shall continue to be classified as performing forborne under probation and the exit criteria shall be assessed at least on a quarterly basis.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2015_1842

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