

# Single Rulebook Q&A

<b>Question ID</b>	2018_4431
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Credit risk
<b>Article</b>	178
<b>Paragraph</b>	1
<b>Subparagraph</b>	b
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	EBA/GL/2016/07 - Guidelines on the application of the definition of default under Article 178 CRR
<b>Article/Paragraph</b>	95, 96, 97, 98, 99, 103, 104, 105
<b>Date of submission</b>	21/12/2018
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Credit institution
<b>Subject matter</b>	Treatment of joint credit obligations
<b>Question</b>	<p>Do the requirements established in the Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 regarding joint credit obligations, and in particular the requirements 95, 96, 97, 98, 99, 103, 104 and 105, relate or affect exclusively to retail exposures? In that case, could the treatment of joint credit obligations in which the obligors are classified as Non - Retail differ from the treatment of joint credit obligations in which the obligors are classified as Retail?</p> <p>In addition, and, as per this purpose, what should be the treatment of joint credit obligations shared by retail and non-retail obligors?</p>
<b>Background on the question</b>	Chapter 9 of the Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 sets the specific requirements regarding the treatment of joint credit obligations where an institution decides to apply the definition of default at the obligor level for retail exposures. Nevertheless, these Guidelines don't include any specific requirements regarding the treatment of joint credit obligations for non-retail exposures. In this context, the treatment of joint credit obligations for non-retail exposures, or even when the joint credit obligation is shared

	among retail obligor(s) and non-retail obligor(s), does not seem to be specifically defined.
<b>Final answer</b>	<p>Paragraphs 95 and following of the EBA guidelines on the definition of default only prescribe the treatment institutions should apply to a joint credit obligation classified as retail exposure. Therefore it should be up to institutions to specify the treatment of joint credit obligations other than retail and for default contagion between exposures in their internal policies and procedures, as part of the 'other indications of unlikelihood to pay', as mentioned in section 5 of the EBA guidelines on the definition of default. In particular, where one or all entities involved in the joint obligation is/are not classified as retail exposures, the treatment provided for in chapter 9 of the aforementioned GLs should be applied for the retail entities and may also be applied for the non-retail entities.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2018_4431">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2018_4431</a>

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