Single Rulebook Q&A

Question ID	2019_4951
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	428af
Paragraph	b
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
Date of submission	17/10/2019
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Risk weight attribution to loans guaranteed by third counterparties in NSFR
Question	If a credit institution has granted loans to customers (Retail, SME or Corporate counterparties) where the customer has a guarantor for the loan (personal guarantees), which is a Sovereign/PSEs or a third financial institution, what risk weight should be attributed to those loans for purposes of NSFR?
Background on the question	It is unclear whether for the purposes of Article 428af(b) and Article 428ag(c) CRR2 related to the net stable funding ratio (NSFR), in the case the institution grants to a customer (not financial) loans with a residual maturity of one year or more guaranteed by a third bank, the position or the Risk Weight should be transposed to the guarantor as already done according to the Capital Requirements for Credit Risk set in Title II of Title II of Part Three of Regulation (UE) No 575/2013 (CRR). This is the case of “personal guarantees”. For example the institution lends 100mln to a Corporate customer X. This loan is guaranteed 100% by a third bank on behalf of the customer X. It is unclear whether the institution should consider the asset as a Loan to Corporate customer or as a Loan to financial customer. Depending on this, the RSF factor applied to the loans will be different:- RSF 100% if the RW is linked to the financial guarantor.- RSF 65% or 85% if the RW is

	linked to the original customer.
Final answer	With the exception of the assets referred to in Articles 10(1)(b),(c),(d) (g) and 11(1)(a)(b) of Delegated Regulation (EU) 2015/61 (LCR DR), the NSFR framework as laid down in Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR) does not allow categorizing loans in accordance with the guarantor, if applicable. Therefore, monies due from loans provided to non-financial corporates, retail customers and SMEs that are not captured by the exception above should be treated as such even if the underlying loans are guaranteed by a third party. In accordance with Articles 428af(b) and 428ag(c) CRR, in order to determine the applicable required stable funding factor for the above loans, with residual maturity of one year or more, institutions should refer to the risk weight assigned in accordance with Chapter 2 of Title II of Part Three of CRR.
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