

<b>Question ID</b>	2019_4985
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Liquidity risk
<b>Article</b>	424
<b>Paragraph</b>	-
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Delegated Regulation (EU) 2015/61 - DR with regard to liquidity coverage requirement
<b>Article/Paragraph</b>	31
<b>Date of submission</b>	05/11/2019
<b>Published as Final Q&amp;A</b>	11/02/2022
<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Credit institution
<b>Subject matter</b>	Pending credit offers
<b>Question</b>	<p>Can pending credit offers (e.g. offers to provide credit to retail clients that have not been accepted yet) qualify as committed credit facilities for the purpose of Article 424 CRR (e.g. Article 424(2) CRR in case of credit offers to retail clients) and Article 31 LCR DA (e.g. Article 31(3) LCR DA in case of credit offers to retail clients), if such pending credit offers would be irrevocable, binding on the creditor and considered "commitments qualifying for the creditor as agreements to lend" for the purpose of the credit risk framework (in particular Annex I of the CRR), in accordance with EBA Q&amp;A 2017_3376?</p>
<b>Background on the question</b>	<p>One could have the alternative view that "[For the purposes of Article 31 LCR DR,] the term "committed" does not include offers that have not (yet) been accepted by the counterparty or client." and, consistent with this view, be of the opinion that "Mortgage loans that have been offered but have not been accepted yet by the borrower" should be reported under Article 23 LCR DA instead of Article 31 of the LCR DA, as "this would typically represent the situation in which a loan offer is made to a borrower, for which it is not yet certain that the borrower will accept the offer." Such an alternative view may be consistent with the definition of 'commitment' for the purpose of the</p>

	<p>credit risk framework, as presented in paragraph 78 of the BCBS publication "Basel III: Finalising post-crisis reforms, December 2017": "commitment means any contractual arrangement that has been offered by the bank and accepted by the client to extend credit, purchase assets or issue credit substitutes." However, such an alternative view could also result in a different meaning of the term 'commitment' for the purpose of the LCR framework than for the purpose of other frameworks, in particular the credit risk, large exposure, and leverage ratio frameworks under the CRR. Furthermore, such an alternative view may be difficult to reconcile with the Article 4(1)(56), CRR, according to which the unadvised limit, thus unaccepted limit, could be part of the extent of the commitment.</p>
<b>Final answer</b>	<p>Committed credit facilities are treated under Article 31 of Delegated Regulation (EU) 2015/61 with regard to liquidity coverage requirement (hereinafter 'LCR DR').</p> <p>The EBA's "<a href="#">Monitoring of liquidity coverage ratio implementation in the EUR - First report</a>" states in paragraph 94: "for the purpose of Article 31 of the LCR Delegated regulation 'committed' means non-cancellable or conditionally cancellable. The term 'committed' does not cover offers that have not (yet) been accepted by the counterparty/client." Paragraph 95 of this report states that 'all uncommitted products are treated under Article 23 of the LCR DR'.</p> <p>Accordingly, insofar a pending credit offer has not been accepted yet by the counterparty/client such a product does not constitute a committed credit facility, but rather an uncommitted product and should therefore be treated under Article 23 of the LCR DR.</p>
<b>Link</b>	<p><a href="https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2019_4985">https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2019_4985</a></p>

European Banking Authority, 30/11/2022  
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