

❌ Single Rulebook Q&A

Question ID	2019_4867
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2)
Topic	Credit risk
Article	47a
Paragraph	6
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	EBA/GL/2018/06 - Guidelines on management of non-performing and forborne exposures
Article/Paragraph	7.2
Date of submission	12/08/2019
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Unlikelihood to pay (UTP) - exit from NP status
Question	Can a customer exit non-performing status immediately (provided of course no other UTP criteria are applicable), or does a period of 12 months need always to pass before the customer can exit?
Background on the question	Regarding the EBA Guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06), a clarification is required for the following case: A borrower who is currently performing-forborne has been assessed for UTP and is classified as non-performing due to e.g. undocumented repayment ability. Subsequently, the borrower provides the required documentation. It is assessed again for UTP and the UTP criterion (undocumented repayment ability) is no longer applicable.
EBA answer	According to paragraph 148 of Section 7.2 "Indication of unlikelihood to pay" of the EBA Guidelines on management of non-performing and forborne exposures , credit institutions should recognise exposures as unlikely to pay and identify indications of unlikelihood to pay in accordance with section 5 ("Indications of unlikelihood to pay", paragraphs 35-65) of the EBA Guidelines on the application of the definition of default . The non-delivery of the required documentation thus may be assessed e.g. as breaching the covenants of a credit contract and/or justified concerns

	<p>about a borrower’s future ability to generate stable and sufficient cash flows. In addition, according to paragraph 149 of the Guidelines on management of non-performing and forborne exposures, the non-provision or the unreasonably late provision of information may be seen as a negative sign with regard to the borrower’s creditworthiness.</p> <p>Once a borrower or an exposure is classified as non-performing, then, according to paragraph 157 of section 7.3.3 “Cure/exit from non-performing status”, credit institutions should apply the exit criteria from non-performing status that are specified in Annex V to Commission Implementing Regulation (EU) No 680/2014 and in Article 47a(6) of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2).</p> <p>Following these provisions, provided that a credit institution assesses the existence of unlikelihood to pay, the forborne exposure shall be classified as non-performing forborne and shall cease to be classified as non-performing when (among others conditions) a cure period of at least one year has passed since the later of (i) the moment when the forbearance measures were applied; and (ii) the moment where the exposure has been classified as non-performing.</p>
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