

✘ Single Rulebook Q&A

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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2)
Topic	Credit risk
Article	178
Paragraph	1
Subparagraph	b
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
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Disclose name of institution / entity	No
Type of submitter	Consultancy firm
Subject matter	Calculation of past due days on material credit obligations
Question	For the purpose of the definition of default, should days when material credit obligation was past due, but repaid later on, be included in the calculation of 90 (180) consecutive days according to Article 178 of CRR, paragraph 1, point (b)?
Background on the question	Article 178 of CRR deals with the definition of default. Further, Commission delegated regulation (EU) No 2018/171 (RTS on materiality threshold for credit obligations past due) and EBA Guidelines on the application of the definition of default under Article 178 of CRR provide additional guidance on the application of the definition of default. According to Article 178(1)(b) CRR, a default shall be considered to have occurred when "the obligor is past due more than 90 (180) days on any material credit obligation to the institution ...". Article 1(5) and Article 2(4) of the RTS on materiality threshold clarify that the obligor is defaulted when both the limit expressed as the absolute component of the materiality threshold and the limit expressed as the relative component of that threshold exceeded either for 90 consecutive days or for 180 consecutive days. Since Article 178 of CRR refers to the existing material past due credit obligation ("... the obligor is past due ..."), it is our understanding that days when material credit obligation was past due but repaid later on, should not be included

in the calculation of 90 (180) consecutive days. The word “consecutive” would thus solely refer to an uninterrupted series of past due days related to the existing material obligation. Example (simplified):• The obligor had not repaid a material credit obligation due on 31 December 2021 (first instalment). Thus, the calculation of past due days starts on 1 January 2022 when the obligor was 1 day past due.• Then, the second material credit obligation was due on 31 January 2022 (second instalment). Again, the obligor did not repay this second instalment, thus the obligor was past due 32 days on 1 February 2022.• Then, the obligor repaid the first instalment on 15 February 2022 (the second instalment remained unpaid). Thus, the obligor was past due 15 days in the morning on 16 February 2022 because the first instalment was repaid and should not be part of the calculation of days past due any more.

EBA answer

Where the definition of default is applied at obligor level, according to Articles 1(2) and 2(2) of [Commission Delegated Regulation \(EU\) 2018/171 \(RTS on for the materiality threshold for credit obligations past due\)](#), a credit obligation past due is the sum of all amounts past due owed by an obligor to the institution, the parent undertaking of that institution or any of its subsidiaries, irrespective of the numbers of days they are past due. Consequently, an obligor is materially past due as soon as the sum of past due amounts is material, according to the materiality threshold set by the competent authority in accordance with point (d) of Article 178(2) of Regulation (EU) No 575/2013.

Therefore, repaying an amount past due does not affect the number of days past due where the remaining amounts past due owed by the same obligor still exceed the applicable materiality threshold. In such case, the obligor continues to be materially past due for consecutive days as of the first day when the applicable materiality threshold has been exceeded for the total amounts past due owed by this obligor.

Conversely, where the repayment of an amount past due is such that the remaining amounts past due owed by the same obligor do not exceed the applicable materiality threshold, the count of material days past due is set to zero.

Where for retail exposures the definition of default is applied at the level of the individual credit facility pursuant to the second paragraph of Article 178(1) of Regulation (EU) No 575/2013, the credit obligation past due refers to the amounts of the credit obligation of the obligor that results from a single credit facility granted by the institution, the parent undertaking or any of its subsidiaries, pursuant to Article 1(3) of Commission delegated Regulation (EU) 2018/171. Consequently, in this case the counting of days past due and the identification of material amounts past due should be performed at the level of the individual credit facility.

	See also Q&A 4505 . Additionally, on the materiality of the exposure in connection with the counting of the past-due days for the purpose of definition of non-performing exposures, see Q&A 1297 .
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2019_4504

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