



EUROPEAN CENTRAL BANK  
BANKING SUPERVISION

# PRESS RELEASE

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## ECB Regulation fosters a harmonised definition of default within the Single Supervisory Mechanism

- ECB publishes Regulation on the materiality threshold for credit obligations past due
- Harmonised definition of default with the SSM improves the comparability of defaulted exposures across significant institutions
- Publication marks the end of a public consultation process

The European Central Bank (ECB) has today published the ECB Regulation on the materiality threshold for credit obligations past due for all significant institutions within the Single Supervisory Mechanism, both for retail and for non-retail exposures, irrespective of the method used for the calculation of capital requirements.

The ECB Regulation was approved by the ECB's Governing Council following a public consultation, including a public hearing. The ECB has given due consideration to all feedback received during the consultation period. The comments, their assessment and the ensuing amendments to the draft ECB Regulation are published on the ECB's banking supervision website.

The materiality threshold will comprise an absolute component, expressed as a specific maximum amount for the sum of all amounts past due owed by an obligor, and a relative component, expressed as a percentage reflecting the amount of the credit obligation past due in relation to the total amount of all on-balance sheet exposures to that obligor.

By setting a single materiality threshold, the ECB Regulation fosters a harmonised definition of default within the Single Supervisory Mechanism, thereby improving the comparability of risk-weighted assets and defaulted exposures across significant institutions. In conjunction with the European Banking Authority's (EBA) Guidelines on the application of the definition of default, the ECB Regulation constitutes

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a major milestone in establishing a level playing field for the detection and treatment of obligors in financial difficulties.

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