

PRESS RELEASE

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ECB seeks feedback on draft ECB Guideline on materiality threshold for credit obligations past due for less significant institutions

- Materiality threshold defined for less significant institutions to ensure consistency and level playing field between significant institutions and less significant institutions across the Single Supervisory Mechanism
- Guideline to define the absolute and relative components of the materiality threshold
- ECB asks for industry feedback by Monday, 17 February 2020

The European Central Bank (ECB) has today published a draft ECB Guideline on the definition of the materiality threshold for credit obligations past due for less significant institutions (LSIs).

The definition will take the form of an ECB Guideline addressed to national competent authorities (NCAs) to set a single materiality threshold for all LSIs within the Single Supervisory Mechanism (SSM), both for retail and non-retail exposures, irrespective of the method used for the calculation of capital requirements. 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 for the credit institution, the parent undertaking or any of its subsidiaries.

The materiality threshold, defined for LSIs, was designed in alignment with the definition given by the ECB for significant institutions (SIs) in Regulation (EU) 2018/1845. It will ensure consistency in the way defaulted exposures are defined both among LSIs and across the SSM, thereby increasing their comparability.

Feedback can be submitted until Monday, 17 February 2020. The comments received will be taken into account when finalising the ECB Guideline. The draft Guideline along with frequently asked questions (FAQs) is available on the ECB's banking supervision website.

For media queries, please contact [Philippe Rispal](#), tel.: +49 69 1344 5482.

Notes:

Under Article 178(2)(d) of the Capital Requirements Regulation (Regulation (EU) No 575/2013), the competent authority is required to define a threshold against which the materiality of a credit obligation

past due will be assessed for the purpose of identifying defaults of obligors in relation to the obligors' total obligations and at the level of individual credit facilities.

When setting the materiality threshold, the competent authorities should take into account the provisions of Commission Delegated Regulation (EU) No 2018/171 with regard to regulatory technical standards for the materiality threshold for credit obligations past due.

The ECB, as competent authority for the supervision of significant institutions, exercised this option by issuing Regulation (EU) 2018/1845 (ECB/2018/26).

Although NCAs are primarily responsible for exercising the relevant options and discretions in relation to LSIs, the ECB, in line with its oversight role under Regulation (EU) 1024/2013 (SSM Regulation), strives to promote the consistent exercise of options and discretions in relation to both SIs and LSIs, where appropriate. To this end, the ECB may, among other measures, issue guidelines to NCAs with a view to ensuring the effective and consistent functioning of the SSM (Article 6(5)(a) and (c) of the SSM Regulation).