

Template for comments

Public consultation on the draft ECB Regulation on the definition of the materiality threshold for credit obligations past due pursuant to Commission Delegated Regulation (EU) 2018/171

Please enter all your feedback in this list.

When entering feedback, please make sure that:

- each comment deals with a single issue only;
- you indicate whether your comment is a proposed amendment, clarification or deletion.

Deadline: 17 August 2018

| ID | Type of comment | Detailed comment | Concise statement as to why your comment should be taken on board | Name of commenter | Personal data |
|----|-----------------|--|---|-------------------|---------------|
| 1 | Amendment | <p>Based on Circular n. 272 of 30 July 2008 (and following updates) of Bank of Italy, the "past-due" classification includes "cash exposures other than those defined subsequently as bad loans or unlikely-to-pay, which, at the reporting date, are expired or overdrawn "continuously for more than 90 days.</p> <p>In order to be classified as "past-due", the overdue exposure must exceed a certain materiality threshold, which can currently be modified between 2% and 5% of the total amount of the exposure and that in Italy has been set at 5% by the National Competent Authority, i.e. Bank of Italy.</p> <p>The new regulation proposed by ECB, which should come into force starting as of 31 December 2020, provides for a drastic lowering of this threshold to 1% of the debtor's total exposure. This mechanism, whose actual impact on the different credit segments needs to be carefully analysed, is expected to create a strong negative impact on retail customers, especially on SMEs, since a substantial part of the exposures, currently performing, would be classified under the new rules as non-performing, with consequent difficulties in their future access to credit.</p> <p>Furthermore, the proposed 1% threshold applicable to all SMEs, without any distinction among them, does not consider SMEs' financial track record, which has proven that delays lower than 5% of the total exposure can be recovered/repaid, without the need to classify the loan as past-due, therefore as NPL. This proposal (entailing a modification in the IT systems of all European banks) would therefore nominally increase the amount of past-due exposures, which to some extent would in the following period exit such past-due status, thus increasing volatility of past-due accounting.</p> | <p>In Intesa Sanpaolo's view, lowering the threshold to 1% would hamper other positive measures taken by the EU legislators to increase and improve the financing of European SMEs. Therefore we ask to rethink the level of the threshold.</p> | | Don't publish |