

24 December 2020

## Circular to Credit Institutions on the materiality threshold for assessing credit obligations past due

This Circular is being issued further to the [ECB Guideline](#) published on 25 June 2020 on the exercise of the discretion under Article 178(2)(d) of Regulation (EU) No 575/2013 ('the CRR') with regard to the threshold for assessing the materiality of credit obligations past due (ECB/2020/32) (the 'ECB Guideline').

The ECB Guideline sets the materiality threshold that shall be applied for the purposes of point (d) of paragraph 2 of Article 178 of the CRR. The materiality threshold comprises two components, an absolute limit and a relative limit as follows:

- a. A limit in terms of the sum of all amounts past due owed by the obligor, which is equal to:
  - i. EUR 100 for retail exposures;
  - ii. EUR 500 for exposures other than retail exposures; and
- b. A limit in terms of the amount of the credit obligation past due in relation to the total amount of all on-balance sheet exposures to that obligor, excluding equity exposures, equal to 1%.

A default shall be deemed to have occurred when both limits outlined above are exceeded for more than 90 consecutive days.

In light of the above, the MFSA is hereby announcing that from 31 December 2020, the ECB Guideline shall apply to all credit institutions licensed in terms of the Banking Act (Chapter 371 of the Laws of Malta).