

Content of question:

**Is it possible, in calculating capital requirements for credit risk using the STA Approach, to report all exposures of a client obligor who has at least one exposure more than 90 days past due but who has some other exposures that are not past due in the class of "exposures past due"?**

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Approved by: **Pavel Vacek**

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Piece of law	<b>Decree No. 123/2007 Coll. (hereinafter the "Decree")</b>
Provision	<b>Annex 4, 10</b>
Explanation	<p>Pursuant to Annex 4, 10 to the Decree exposures past due are understood in the context of the STA Approach as exposures exceeding the materiality threshold and constituted by receivables where at least one payment of the principal or interest and fees is more than 90 days past due. Therefore, the Decree does not require that the liable entity apply the so-called client approach and assign all exposures of the client in question to the class of exposures past due, although not all of them can be considered past due on an individual basis.</p> <p>However, if the liable entity does so it can be regarded as a prudent treatment not contradictory to general principles of regulation. Let us note for completeness's sake that such treatment is also principally consistent with the concept of obligor default pursuant to Article 49 of the Decree, which the liable entity uses for the purposes of the categorisation of exposures pursuant to Article 194 et seq. of the Decree. A liable entity using the IRB Approach shall also apply the definition of default pursuant to Annex 49 in calculating capital requirements.</p>