

Bank of England PRA

Appendix 11: Draft amendments to near-final SS3/24 – Credit risk definition of default

Draft supervisory statement

October 2024

Draft for consultation



Draft amendments to near-final supervisory statement SS3/24 – Credit risk definition of default

In this appendix, new text is underlined and deleted text is struck through.

Other indicators of unlikelihood to pay

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3.28 Possible indications of unlikelihood to pay that could be considered by firms on the basis of internal information include the following:

- (a) a borrower's sources of recurring income are no longer available to meet the payments of instalments;
- (b) there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows;
- (c) the borrower's overall leverage level has significantly increased or there are justified expectations of such changes to leverage;
- (d) the borrower has breached the covenants of a credit contract;
- (e) the firm has called any collateral including a guarantee;
- (f) for exposures to an individual, the default of a company fully owned by a single individual where this individual provided the firm with a personal guarantee for all obligations of the company;
- (g) for retail exposures where the definition of default is applied at facility level, the fact that a significant part of the total obligation of the obligor is in default; and
- (h) the classification of an exposure as non-performing in accordance with the definition set out in Rule 1.2 of the Non-Performing Exposures Securitisation (CRR) Part of the PRA Rulebook. ~~GRR Article 47a.~~