

One of the parameters for determining of the “forborne” status of a deal is its number of days past due (cf. the “[Forborne Exposures](#)” section).

According to Article 178 of *Regulation (EU) No 575/2013*, the counting of days past due shall only be started if a certain materiality threshold of the exposure is reached. The materiality threshold is set by the competent authority and reflects a level of risk that the competent authority considers reasonable. The materiality threshold has to be composed of both

- an absolute threshold and
- a relative threshold.

The absolute threshold refers to the total amount of the credit obligation past due, pore precisely the sum of all past due amounts related to the credit obligations of the borrower, whereas the relative threshold is defined as a percentage of a credit obligation past due in relation to the total on-balance-sheet exposures to the obligor. Authorities are required to set different thresholds for

- retail exposures and
- all other (“non-retail”) exposures

The absolute threshold must not be higher than 100 EUR for retail exposures or 500 EUR for non-retail exposures. It is suggested that the relative threshold be set to the level of 1% for both retail and non-retail exposures. However, if a competent authority considers the suggested level of the materiality threshold to not reflect a reasonable level of risk, it may set the relative threshold to a different level, which in any case must be lower than or equal to 2.5%. The 1% unified level for the relative threshold and the caps specified for all thresholds are sufficiently conservative and ensure harmonisation regarding threshold levels across jurisdictions.

The ECB and most national competent authorities use the following thresholds for DPD counting:

	retail exposures	non-retail exposures
absolute threshold	100 EUR	500 EUR
relative threshold	1%	1%

One exception is the Prudential Regulation Authority in the UK which has adopted a 0% relative and a zero absolute threshold for retail exposures.