Single Rulebook Q&A

Question ID	2020_5231
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	428d, 428k
Paragraph	4
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
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Disclose name of institution / entity	No
Type of submitter	Other
Subject matter	Excess of collaterals after deduction from netting set for NSFR
Question	What treatment should be applied on excess of collaterals for the NSFR calculation?
Background on the question	It is unclear whether an excess of posted collateral(s) - after deduction - could lead to change a negative netting set into a positive netting set (the opposite for received variation margin with a positive netting set can also be considered) for the net stable funding ratio (NSFR). For the reporting profiles, it is unclear whether negative figures are allowed in the corresponding reporting rows: C81 2.7, C80 1.7.2 or whether the cash received in excess should be considered as any liability thus in C81 2.5.3.3. Also, in case of excess of posted cash or assets in the corresponding RSF row (1.1.1 for cash and other rows for non-cash assets).
Final answer	The deduction of collateral may not change the sign of the fair value of a single netting set in the context of the calculation of the fair value of the difference of the sum of all netting sets according to Article 428k(4)(a) and (b) and Article 428ah(2)(a) and (b) of Regulation (EU) No 575/2013 (CRR) respectively.

	According to Articles 428ah(2)(a)(b) and Article 428k(4)(a)(b) CRR, the net value for all the derivatives included in the same netting set is calculated according to the following rules: • Variation margin received by institutions from their counterparties shall be deducted from the fair value of a netting set with positive fair value where the collateral received as variation margin qualifies as a level 1 asset pursuant to the delegated act referred to in Article 460(1) CRR, excluding extremely high quality covered bonds specified in that delegated act, and where institutions are legally entitled and operationally able to reuse that collateral. • All variation margin posted by institutions with their counterparties shall be deducted from the fair value of a netting set with negative fair value. Variation margin received (posted) can only deducted from the fair value of a netting set as long as this netting set has a positive (negative) fair value. This does not apply to excess variation margin. Therefore, any variation margin received in or posted to a netting set that is in excess of the fair value of that netting set and would change the sign of that netting set does not enter into in the calculation of an institution’s net derivative position according Article 428k and Article 428ah(2) CRR. Instead, the amount of excess variation margin posted should be treated according to the corresponding accounting treatment, asset type, period of encumbrance and, where applicable, type of counterparty.
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5231

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