Single Rulebook Q&A

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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	428
Paragraph	d
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	Net Stable Funding Ratio (NSFR) calculation by currency for foreign-exchange derivatives contracts
Question	What criteria are to be used to assign as foreign-exchange derivative contract to the respective reporting in a significant / reporting currency in order to apply Article 428d CRR2?
Background on the question	Derivatives contracts as referred in point 2 of Annex II in Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2) might be subject to reporting in a significant currency, if the conditions under Article 415 are met. Article 428d CRR2 states that: “Without prejudice to Article 428ah(2), all derivative contracts listed in points 2(a) to (e) of Annex II that involve a full exchange of principal amounts on the same date shall be calculated on a net basis across currencies, including for the purpose of reporting in a currency that is subject to separate reporting in accordance with Article 415(2), even where those transactions are not included in the same netting set that fulfils the requirements set out in Article 429c(1)”. Clarification would be useful on the criteria used to assign as foreign-exchange derivative contract to the respective reporting in a significant / reporting currency. Under the assumption that an institution has entered into a cross-currency interest rate swap falling under the same netting set with a number of other

	derivatives contracts, where the payer leg is denominated in Euro and the receiver leg in US Dollars, which are both currencies subject to separate reporting, it’s not clear if the specific contract should be considered as being Euro or US Dollar denominated. For that reason, we find unclear whether the specific transaction (for the purposes of the specific example) should be taken into account in the Euro and / or US Dollar specific calculation of the ratio.
Final answer	Derivative contracts listed in points 2(a) to (e) of Annex II of Regulation (EU) No 575/2013 (CRR), which involve a full exchange of principal amounts should be considered by looking at their relevant netting set. In case a derivative contract does not belong to a netting set, that contract shall be treated as belonging to its own netting set as per Article 428d(2) CRR. For each netting set, the bank should determine the net position (i.e. fair value) based on the agreed settlement currency. Where no settlement currency has been agreed, the bank should consider the currency of the contract that determines the net position as the settlement currency. Subsequently, for the purpose of separate reporting in accordance with Article 415(2) CRR, only netting sets with a net position in the relevant significant currency should be considered and taken together.
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