

Single Rulebook Q&A

Question ID	2020_5338
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - COREP (incl. IP Losses)
Article	99
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
Article/Paragraph	Annex II par 3.4.2
Date of submission	30/06/2020
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Validation Rule on C 09.02 Template - V4787
Question	Is validation rule v4787 correct?
Background on the question	Validation rule v4787 verifies that “[C 09.02 (all rows, all sheets)] if {c070} != 0 then {c040} != 0]”. As laid down in the EU Reg. “EBA-ITS”, amended by EU Reg. 2017/2114, for the template C09.02 column 040 shall report original exposure value for those exposures which have been classified as defaulted during the last three months, before taking into account any value adjustments, provisions, effects due to credit risk mitigation techniques or credit conversion factors. As a consequence, the residence of the obligor refers to the obligor before CRM application. On the contrary column 070 shall report credit risk adjustments and write-offs for those exposures which were classified as defaulted during the last three months after application CRM. Hence, CRM techniques with substitution effects can change the allocation of the exposure to a country. (i.e. the residence of the guarantor). In some cases the validation rule v4787 cannot be verified, in particular if the residence of the obligor is different from that of the guarantor.
EBA answer	Paragraphs 80 and 81 of Annex II to Implementing Regulation (EU) No 680/2014 (ITS on Supervisory reporting) clarify, that CRM techniques with

	<p>substitution effects change the allocation of an exposure to a country in template C09.01 and C09.02 of Annex I of ITS on Supervisory Reporting only for data regarding “exposure value” (column 105 of C09.02) and “risk weighted exposure amount” (column 110 of C09.02).</p> <p>In template C09.02, columns 020 to 070 include information on different aspects of exposures reported in column 010 “original exposure pre conversion factors”. Column 010 has the same definition as column 020 of template C08.01 of Annex I of ITS of Supervisory Reporting). While columns 030 and 050-060 refer directly to the exposures reported in column 010, the values reported in columns 040 and 070 only refer to those exposures of column 030 which newly defaulted according to the criteria of Article 178 of Regulation (EU) No 575/2013 (CRR) during the 3-months period since the last reporting reference date.</p> <p>Therefore, and in line with paragraph 81, data reported in column 070 shall be reported referring to the country of residence of the immediate obligor, i.e. without consideration of CRM techniques with substitution effects. Also, due to its common concept to newly defaulted exposures, column 070 will only include values if column 040 is reported.</p> <p>Therefore v4787_m is correct.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5338

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