



**Single
Rulebook
Q&A**

Question ID	2020_5421
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
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Sign convention for "Credit risk adjustments during the current period" {C14.00 c225} and definition of "current period".
Question	The sign convention that should be followed to report credit risk adjustments in column 225 of C14.00 is not clear. In the same way, the "current period" should be further specified.
Background on the question	First issue: sign convention According to Annex II to Regulation (EU) No 680/2014 (ITS on Reporting), column 225 of template C14.00 is a memorandum item that should contain the credit risk adjustments (as

defined in article 110 CRR) that have been booked during the current period. In most occasions it should contain therefore an “expense”, but since during the period reversions of past expenses may take place, the column could contain an “income”. That is, whatever the convention followed, the sign could vary according to the nature of the credit risk adjustment. Validation rule v3756_s indicates that this column should always (or in most cases, since the severity is “warning” for now) be positive; we understand this might be following the convention for memo items in C09.01.a and C09.02. However, while in C09.01.a and C09.02 the amount should always correspond to a net expense (and therefore there is no risk of sign misinterpretation), this is not always the case in column 225 of C14.00. Therefore, that convention should not apply. Otherwise, it follows that a positive value is expected in case of expenses and a negative value in case of net reversions, which is not intuitive and it may confuse both reporting institutions and information analysts. It would also give rise to data quality issues, since it would require additional checks to distinguish which signs would be following the counterintuitive convention and which signs would be wrongly reported. In conclusion, we suggest that validation rule is amended to take column 225 out of its scope. In addition, a new rule could be created to include the column, with formula {C 14.00} <= 0 to indicate the most frequent expectation and severity kept as “warning”. We also see no reason why the severity of rule v2054_s should not be upgraded to “error”. Second issue: definition of “current period” There is currently no definition of what “current period” means for this column, which may lead to interpretations. The instructions should be amended to clarify whether it follows the criteria of “period” in C09.01.b and C09.02 (3-month period since the last reporting reference date) or accumulated in the year as in C17.01 (i.e. from 1 January to 30 June of the calendar year for the June report, and from 1 January to 31 December of the calendar year in the December report). Finally, we understand it should be considered whether the DPM definition for this column should change from “stock” to “flow”.

EBA answer

According to the sign convention as laid out in paragraph 9 Part I of Annex II to Commission Implementing Regulation (EU) No. 680/2014 (ITS on Supervisory Reporting), any amount that increases own funds or capital requirements shall be reported as a positive figure whereas any amount that reduces total own funds or capital requirements shall be reported as a negative figure. However, the amount reported in column 225 of template C 14.00 is regarded as a memorandum item and represents a flow variable, i.e. the change in credit risk adjustments during the current period. Therefore, any increase in credit risk adjustments shall be reported as a positive amount whereas any decrease in credit risk adjustments during the current period shall be reported as a negative amount. As a result, the sign convention as laid out in paragraph 9 Part I of Annex II to the ITS on Supervisory Reporting does not apply to column 225 of template C 14.00. Nevertheless, the reporting of negative values because of a reduction of

	<p>credit risk adjustments during the current period is possible which is why the status of validation rule v3756_s should remain “warning”.</p> <p>For the purpose of column 225 of template C 14.00, the current period shall be the most recent reporting period, i.e. the period from 1 January to 30 June for the reporting reference date 30 June and the period from 1 July to 31 December for the reporting reference date 31 December.</p>
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