



**Single
Rulebook
Q&A**

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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	FINREP Template 25.01 FX results and vintage buckets
Question	In template F25.01 Collateral obtained by taking possession other than collateral classified as Property Plant and Equipment (PP&E): Inflows and outflows is requested. How do we report FX differences for the period and especially for the vintage buckets (columns 0050-0100)?
Background on the question	Neither the template nor the ITS guidance make it clear how to report FX differences in template F25.01. The validation rules are the following: v8073_m: Template 25.01 a: for column 0040: {r0020} = {r0030} +

{r0040} v8074_m: Template 25.01 a: for column 0040: {r0050} = {r0060} + {r0090} + {r0110} v8075_m: {r0120} = Template 25.01 a: for column 0040- 0120: {r0010} + {r0020} + {r0050}- 0120 To translate this, opening balance + all inflows + all outflows should be equal to the closing balance. So we have to report our FX differences to reconcile for opening to closing balance (validation rule v8075_m). For the carrying amount columns (0040, 0060, 0080, 0100 and 0120) we can use row 0040 'Inflow due to positive changes in value' for positive FX differences and row 0110 Outflow due to negative changes in value for negative FX differences. But for the "value at initial recognition" columns (0030, 0050, 0070, 0090 and 0110) these same rows are not available (greyed out). The only option we now have to report them under: row 0030 Inflow due to new collateral obtained by taking possession for positive amounts and negative amounts can be reported on row 0060 Outflow for which cash was collected. We realise that IAS 21 indicates that non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction, so not FX-revaluation effect should exist for these assets. However IAS 21 also indicates that for non-monetary items that are measured at fair value in a foreign currency, these shall be translated using the exchange rates at the date when the fair value was measured. Also, for consolidation purposes, IAS 21 prescribes the translation at closing rates of assets and liabilities on the balance sheet of foreign operations. The last two situations can lead to FX effects, which the template however does facilitate.

EBA answer

According to Annex V, Part 2.342 of Implementing Regulation (EU) No 680/2014 (ITS on Reporting), template F 25.01 contains a reconciliation of the opening balance, as of the beginning of the financial year, and the closing balance of the stock of collateral obtained by taking possession, other than collateral classified as property, plant and equipment (PP&E)

In that regard, validation rule v8075_m stipulates that for columns 0040 ("Carrying Amount") and 0120 ("Of which: Non-current assets held-for-sale - Carrying Amount") in template F 25.01 the following relationship holds:

Closing Balance = Opening Balance + Inflows of collateral during the period + Outflows of collateral during the period.

The submitter raises the question how to account for foreign exchange effects that result, for example, when the collateral obtained is measured at fair value in accordance with the respective accounting standard.

The answer depends on whether the "Carrying amount" columns (0040, 0060, 0080, 0100 and 0120) or the "Value at initial recognition" columns (0030, 0050, 0070, 0090 and 0110) are considered.

The following example shall illustrate the effects in each case:

Fair Value in t-1 (Initial recognition) = 100\$,

Exchange Rate in t-1 (initial recognition): 1\$ = 0.8€

Fair Value in t = 100\$

Exchange Rate in t: 1\$ = 0.9€

For simplicity, let us assume there are no other effects during the period (e.g. inflows or outflows of collateral).

1. Carrying amount” columns (0040, 0060, 0080, 0100 and 0120)

In this example, there is a 10€ difference between the opening and closing balance. Thus, in order to conform to the respective validation rules the difference of 10\$ shall be reported in row 0040 (“Inflow due to positive changes in value”). Analogously, in the reverse scenario when the foreign currency depreciates a negative value shall be reported in row 0110 (“Outflows due to negative changes in value”).

2. Value at initial recognition” columns (0030, 0050, 0070, 0090 and 0110)

Annex V, Part 2.175i of the ITS on reporting defines the value at initial recognition as the gross carrying amount of the collateral obtained by taking possession at the point in time of the initial recognition in the balance sheet of the reporting institution. This implies that for a given transaction the value at initial recognition does not change as a result of FX-effects. Thus, in the example above the closing balance equals the opening balance (i.e. 80 €). Generally, it should be noted that due to the fact that these columns refer to the gross carrying amount not all rows in template F 25.01 are applicable and therefore these columns are not included in validation rule v8075_m.

Link

https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5456