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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	Credit institution
Subject matter	EBA/ITS/2020/05 - COREP 35.03, p.72, EBA analysis
Question	If an exposure shall be reported for more than 12 months in template 35.03, would the advantageous coverage factor according to Art. 47c (6) be applied for more than 12 months?
Background on the question	In the first paragraph on page 72 of the publication EBA/ITS/2020/05, column 'EBA analysis' it is defined that in template C 35.03 'exposures should be reported also after the period in which the coverage factors are kept stable, provided that they are still non-performing.' According to Regulation (EU) 2019/630, Art. 47c (6) the factor 'shall be applicable for an additional period of one year' if the conditions defined in paragraph 1 or 2 resp. of (6) are fulfilled. Thus, in our interpretation the coverage factor has to be increased to regular level (Art. 47c (2f)) after the defined period of 12 months passed. But if the exposure is continued to be reported in template C 35.03 the coverage factor would remain on the lower level, i.e. the first forbearance measure is applied after 1,3 years after the classification as non-performing to an unsecured exposure, the coverage factor shall remain at 0% for 12 months, thus, until 2,3 years. But if the exposure is continued to be reported in template C35.03, the exposure is granted the advantageous coverage factor of 0% until the end of year 3, which is more than the allowed

	<p>'period of one year' (Art. 47c (6)). The same effect would be applicable to the different secured parts ('Part of NPEs secured by immovable property or residential loan guaranteed by an eligible protection provider ' and 'Part of NPEs secured by other funded or unfunded credit protection') in the template.</p>
<p>EBA answer</p>	<p>According to the template instructions from Annex II of Regulation (EU) No 680/2014 (ITS on Reporting), template 35.03 provides the calculation of the total minimum coverage requirements for non-performing forborne exposures that fall under Article 47c(6) of the Regulation (EU) No 575/2013, indicating the factors to be applied on the exposure values for the purposes of this calculation given whether the exposure is secured or unsecured and given the time since the exposure became non-performing.</p> <p>Article 47c(6) of the Regulation (EU) No 575/2013 (CRR) establishes that “By way of derogation from paragraph 2, where an exposure has, between one year and two years following its classification as non-performing, been granted a forbearance measure, the factor applicable in accordance with paragraph 2 on the date on which the forbearance measure is granted shall be applicable for an additional period of one year”, and in the second sentence of Article 47c(6) “By way of derogation from paragraph 3, where an exposure has, between two and six years following its classification as non-performing, been granted a forbearance measure, the factor applicable in accordance with paragraph 3 on the date on which the forbearance measure is granted shall be applicable for an additional period of one year”. This sentence shall only apply in relation to the first forbearance measure that has been granted since the classification of the exposure as non-performing, however.</p> <p>This does not imply, as is specified by the submitter, that an exposure reported in template C 35.03 is not allowed to be reported for more than 12 months (one year after the first forbearance measure was realized), and after the end of the 12 months it shall be reported in template C 35.02. Template C 35.03 provides the information of those non-performing forborne exposures that have or had been granted a first forbearance measure between one year and two years (or between two and six years, respectively) following its classification as non-performing and, for that reason, benefited from the advantageous factor, that will apply/applied to its unsecured/secured part and that is/was applicable for an additional period of one year.</p> <p>In the example given by the submitter, the exposure should be reported</p>

during the first year in template C 35.01 and C 35.02 and, as it is an unsecured exposure, the factor 0% applies. Then, between one year and two years, once it has been granted a forbearance measure, it shall be reported in template C 35.01 and C 35.03. The factor 0% will be applicable for an additional period of one year, that is, till the last day of the third year following its classification as non-performing.

As mentioned, the first paragraph on page 72 of the publication EBA/ITS/2020/05 reads that in template C 35.03 “exposures should be reported also after the period in which the coverage factors are kept stable, provided that they are still non-performing”. Hence, the exposure shall be reported in this template while all the conditions established by Article 47a (6) are met and until it ceases to be classified as non-performing for the purposes of point (m) of Article 36(1).

Link

https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5510

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www.eba.europa.eu