



**Single
Rulebook
Q&A**

Question ID	2021_5729
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
Date of submission	09/02/2021
Published as Final Q&A	25/06/2021
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Application of own fund requirements for position risk (CRR Title IV, Chapter 2) to net positions in securitization debt instruments
Question	How should the effect of the cap in Article 335 CRR be reported in COREP template C 14.01 for securitization positions in the trading book?
Background on the question	For every debt instrument, non-zero net exposures can benefit from a cap to the own fund risk requirement for specific position risk (Article 335 CRR). Article 326 of CRR states that “securitization positions in the trading book shall be treated as debt instruments” in applying own fund requirements for

position risk, both general and specific. In C 14.01 template (“Detailed information on securitisations by approach”), institutions are required to report the risk weighted exposure amounts of securitization positions in the trading book. In that breakdown, a stepwise adjustment from the exposure value “before cap” (c430) to the exposure value “after cap” (c440) is required for each securitization. The adjustment of risk weighted exposure amounts must be split across two steps only - one for the “reduction due to risk weight cap” (CRR Art. 267) and another one for the “reduction due to overall cap” (CRR Art. 268). This structure only reflects the provisions applicable for securitization positions in the banking book, while no dedicated column exists for provisions applicable to securitization positions in the trading book. At the same time, it is clearly ruled out by ITS instructions that the risk weighted exposure amounts “before cap” {C14.01, c430} already reflect the effect of Article 335. Instructions for column 430 refer to 570 of MKR SA SEC, and in turn the instructions for column 570 of MKR SA SEC mention: “Article 337 CRR, without taking into account the discretion of Article 335 CRR which allows an institution to cap the product of the weight and the net position at the maximum possible default-risk related loss.” If an institution is to deduct any other reduction to own fund requirements from exposure values before cap (c430), exposure values after cap (c440) will not be consistent with corresponding values in {C14.01 c430}, as required by EBA validation rule v7337 ($c0440 = c0430 + c0431 + c0432$). At the same time, two other validation rules (v7386, v7387) imply that c0431 and c0432 are only populated with adjustments determined by Art. 267 and Art. 268 (to maintain consistency with the aggregate amounts reported in C 13.01).

EBA answer

Regulation (UE) 680/2014 (ITS on Reporting), points out what has to be reported in columns 430 and 440 of template C.14.01. For securitizations in the trading book, the ITS refers to instructions of column 570 of MKR SA SEC and column 410/420 of MKR SA CTP for column 420 of C14.01. According to the instructions, the amount to be reported in these columns is without taking into account the provision of art. 335 of CRR, that is, before any adjustment due to the cap provided in art. 335. On the other hand, for column 440, ITS refers to instructions of column 601 of MKR SA SEC and column 450 of MKR SA CTP for those securitizations in the trading book. In these columns, the amount to be reported, is after applying the cap provided in art. 335 of CRR.

As it is clear in the ITS, the adjustment due to the provision of art.335 of CRR do not have to be reported in columns 431 and 432 of C.14.01 as these columns are reserved for adjustments provided in art. 267 and 268 of CRR, respectively.

Being said that, validation rule v7337_m could fail in those securitizations in the trading book to which the cap of art. 335 is applied. This VR will be amended in order to be run only for those securitizations in the banking book.

Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5729
-------------	---

European Banking Authority, 30/11/2021

www.eba.europa.eu