

Single Rulebook Q&A

Question ID	2021_5820
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - COREP (incl. IP Losses)
Article	430
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) 2021/451 - ITS on supervisory reporting of institutions
Article/Paragraph	Corep C05.01 row 440
Date of submission	21/04/2021
Published as Final Q&A	04/02/2022
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Adjustments to RWA for DTA related to timing differences due to IFRS 9 transitional arrangements in template C5.01.
Question	<p>In template C05.01 validation rule v3689_s states that row010 column 040 cannot be negative.</p> <p>In our opinion, this is not true for RWA on DTA related to timing differences. EBA Q&A 2018_4189 does not include underpinning why the impact of IFRS9 transitional measures for RWA on DTA related to timing differences cannot be positive.</p>
Background on the question	<p>EBA/GL/2020/11 (article 15) explicitly confirms C05.01 line 440 column 040 to be used for IFRS9 transitional measures (CRR. Art. 473a). Following the add-back under Art. 473a, institutions are required (Art. 473a(7)(a)) to adjust the prudential treatment of deferred taxes (DTAs) in - CET1: deduction of DTA for losses carried forward (CRR Article 36(1)) - RWA: 250% risk weight on DTA for timing differences (CRR Article 48(4)) The IFRS9 transitional measures reduce the amount of DTA for timing differences to be risk weighted (see illustrative example attached) Therefore, in our view, COREP C05.01 r440 column c40 can be a negative amount. We are available to further discuss in case of any questions. FYI: although this validation rule is labeled "warning", all EBA validation rules are in practice blocking to upload</p>

	COREP reporting to our competent authority.
Final answer	<p>According to Annex II of ITS (Regulation (EU) No 2021/451), column 0040 of C05.01 should contain the amounts adjusting the total RWA due to transitional provisions. Article 473a(7) of the CRR contemplates a decrease in the DTAs when the transitional provisions for mitigating the impact of the introduction of IFRS 9 on own funds are applied. In those cases where the impact of these transitional provisions on DTAs (decrease) is lower in absolute terms than the increase of RWAs due to the add-back of expected credit loss provisions{C05.01, r0440, c0040} can be negative. Accordingly, rows 0100 and 0010 can also be negative if no other effect offsets the value reported in row 0440.</p>
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European Banking Authority, 26/06/2022
www.eba.europa.eu