Single Rulebook Q&A

Question ID	2021_5822
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Liquidity (LCR, NSFR, AMM)
Article	415
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 XIII, Part II
Date of submission	23/04/2021
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Allocation of non-performing interdependent assets for NSFR purposes
Question	How should non-performing interdependent assets be allocated in the NSFR template for required stable funding?
Background on the question	Following a literal reading of Part Six, Title IV of amended Regulation (EU) No 575/2013 (CRR2), non-performing promotional loans which are eligible for being treated as interdependent pursuant to Article 428f of the CRR2 should be treated and reported in COREP template C 80.00 as interdependent (i.e., ID 1.5) rather than non-performing (i.e., ID 1.9.3). This

	is because: In accordance with Article 428r(1)(f) of the CRR2, assets that are categorised as being interdependent with liabilities in accordance with Article 428f are subject to a required stable funding factor of 0%. The ITS provides a dedicated reporting line for such assets (ID 1.5). In accordance with Article 428ah(1)(b) of the CRR2, assets other than those referred to in Articles 428r to 428ag, including (among others) non-performing exposures shall be subject to a required stable funding factor of 100%. Non-performing exposures in the scope of Article 428ah(1)(b) of amended Regulation (EU) No 575/2013 would need to be reported under ID 1.9.3. The implicit hierarchy embedded in the level 1 text (Article 428ah(1)(b) of amended Regulation (EU) No 575/2013: 'assets other than those referred to in Articles 428r to 428ag […], including […], non-performing exposures, […]') implies the treatment / reporting of the relevant non-performing promotional loans as interdependent assets (rather than 'non-performing exposures') following Article 428r(1)(f) of amended Regulation (EU) No 575/2013. The literal reading may also be supported from an economic perspective as assets with interdependent liabilities (in the scope of Article 428f of amended Regulation (EU) No 575/2013) are effectively excluded from the NSFR calculation (which is achieved by being subject to a required stable funding factor of 0%) because the reporting institution is acting as a simple intermediary and does not incur any funding risk. This should conceptually apply as well where the institution is reporting non-performing promotional loans that are (still) in the scope of being included under Article 428f of amended Regulation (EU) No 575/2013. At the same time, rigorously applying the decision tree provided in the ITS on supervisory reporting (Annex XIII of Regulation (EU) 2021/451) implies the opposite conclusion: non-performing promotional loans should be treated and reported in COREP template C 80.00 as non-performing (i.e., ID 1.9.3) rather than interdependent (i.e., ID 1.5). Non-performing exposures could never reach the decision tree corresponding to the reporting of interdependent assets (to be reported under ID 1.5).
EBA answer	Non-performing assets which are, despite being non-performing, eligible for being treated as interdependent pursuant to Article 428f of Regulation (EU) No 575/2013 as amended by Regulation (EU) No 876/2019 (hereinafter 'CRR') shall be treated as interdependent, thus to be reported under row 850 (ID 1.5) (as well as under the subordinate rows, as applicable) of supervisory reporting template 80.00. This is because of the implicit hierarchy embedded in the level 1 text. More specifically: • While non-performing exposures are mentioned in Article 428ah(1)(b) CRR, the scope of the latter provision is limited to assets other than those referred to in Articles 428r to 428ag CRR. Since assets categorized as being interdependent with liabilities in accordance with Article 428f CRR are, however, explicitly referred to in Article 428r(1)(f) CRR, non-performing assets which are eligible for

	being treated as interdependent are not in the scope of Article 428ah(1)(b) CRR. • The supervisory reporting derives from the prudential treatment specified above. More precisely, as per the instructions for the ITS on Supervisory Reporting (see Annex XIII of Regulation (EU) 2021/451), assets that are eligible for being treated as interdependent are to be reported under row 850 (ID 1.5) (as well as under the subordinate rows, as applicable) of supervisory reporting template 80.00. • While the decision tree may indeed suggest a different interpretation, it should be kept in mind that, as per the instructions for the ITS on Supervisory Reporting, the decision tree alone is not deemed sufficient to categorise assets as institutions must also comply with the rest of the instructions. The decision tree will however be amended at the first opportunity to avoid any misunderstanding going forward.
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5822

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