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Topic	Supervisory reporting - FINREP (incl. FB&NPE)
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	Annex V
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Disclose name of institution / entity	No
Type of submitter	Other
Subject matter	Classification of loans collateralized by residential and commercial immovable property
Question	<p>According to Annex V (FINREP), 'Loans collateralized by immovable property' shall include loans and advances formally secured by residential or commercial immovable property collateral, regardless of their loan/collateral ratio (commonly referred as 'loan-to-value') and the legal form of the collateral.</p> <p>In the case of an exposure collateralized by both a residential and a commercial immovable property, where just one of the two collaterals (e.g. Residential) is capable of securing all of the exposure and is the only collateral allocated so that the commercial immovable property is formally and contractually associated to the exposure but it is not allocated, how shall such loans be represented?</p> <ul style="list-style-type: none"> • Loan collateralized by residential and commercial immovable property, being the existing formal/contractual relationship; • Loan collateralized by residential immovable property, assessing the real allocation of the collateral in consideration of collateral capacity and ability to back the loan.

<p>Background on the question</p>	<p>FINREP Annex V does not provide guidelines on complex business cases, for which an interpretation is needed in order to comply to the normative requirement.</p>
<p>Final answer</p>	<p>The reporting of loans and advances that have several types of collateral or guarantee depends on the structure of the template.</p> <p>Where the position in a template refers to the ‘Maximum collateral/guarantee that can be considered’ (e.g. F 13.01, F 18.00.c; F 18.00.d), the reporting shall follow the instructions in Annex V, part 2, paragraphs 174 and 239 of Implementing Regulation (EU) 2021/451 (ITS on Supervisory Reporting). Thus, for loans and advances that have simultaneously several types of collateral or guarantee, the amount of the ‘Maximum collateral/guarantee that can be considered’ shall be allocated according to its quality, starting from the one with the best quality. For loans collateralised by immovable property, immovable property collateral shall always be reported first, irrespective of its quality compared to other collateral. Annex V, part 2, paragraph 172 of the ITS on Supervisory Reporting further clarifies that the ‘Maximum collateral/guarantee that can be considered’ shall not exceed the carrying amount of the related loan.</p> <p>Where the position in a template refers to the (gross) carrying amount /nominal amount reported within a counterparty hierarchy (e.g. F 18.00.a, F 23.02, F23.03), the reporting shall follow the instructions in Annex V, part 1.43, 1.44(a) of the ITS on Supervisory Reporting. Therefore, the counterparty sector allocation shall be based exclusively on the nature of the immediate counterparty. For loans and advances, the immediate counterparty is the immediate borrower.</p> <p>Example:</p> <p>A loan of 100 is collateralized by both a residential and a commercial immovable property.</p> <p>Templates under consideration</p> <p>F 13.01, F 18.00.a, F 18.00.d</p> <p><i>Loan Characteristics</i></p> <ul style="list-style-type: none"> • Carrying amount = 100 • Gross carrying amount = 100 • Counterparty sector of obligor = Households • Accounting Portfolio = Financial assets measured at amortised cost • Performing status = Performing exposures <p><i>Collateral Characteristics</i></p> <ul style="list-style-type: none"> • Commercial immovable Property (Value) = 80

- Residential immovable Property (Value) = 40

For this example, we assume that commercial immovable property is of better quality, on the basis of the reporter's assessment.

1) Reporting in F 13.01, F 18.00.d

a) The maximum amount of collateral to the household sector shall be reported in both F 13.01 and F 18.00d. In template F 13.01, this amount is split based on its quality in row 0040. 80 is allocated to the commercial immovable property (c0020) and 20 to the residential immovable property (c0010). The sum of both values shall not exceed the carrying amount.

{F13.01, r0040, c0020} = 80

{F13.01, r0040, c0010} = 20

b) In template F 18.00.d, the maximum amount of collateral with respect to households (100) is reported in c0201. 20 out of 100 belong to the residential immovable property.

{18.00.d, r0150, c0201} = 100

{18.00.d, r0160, c0201} = 20

The amount of 20 in c0201 is not intended to correspond to the total collateral received but to the part of this collateral that relates to residential immovable property considering: (i) the allocation on the basis of the reporter's assessment as explained above; and (ii) the 'maximum collateral/guarantee' that shall not exceed the carrying amount of the related loan. On the contrary, as presented below, in c0010 of the same template the total carrying amount of the loan is reported, regardless of the coverage ratio. This approach to report the collateral amount ensures consistency with template F 13.01.

2) Reporting in F 18.00.a

The gross carrying amount of the loan to the household sector is 100 (row 0150). Given that the loan is formally collateralized by residential immovable property, regardless of the loan/collateral ratio as specified in Part 2, paragraph 86(a) of the ITS on Supervisory Reporting, the same amount is reported in the underlying "Of which" position (row 0160).

{18.00.a, r0150, c0010} = 100

{18.00.a, r0160, c0010} = 100

Link

https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_6267

