

Single Rulebook Q&A

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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Asset Encumbrance
Article	430
Paragraph	1
Subparagraph	g
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) 2021/451 - ITS on supervisory reporting of institutions
Article/Paragraph	Annex XVII, 1.2
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Collateral received for derivatives in F 32.04 and F 32.02 with master netting agreements in place
Question	Can the collateral received for derivatives be reported in AE templates F 32.04 (AE-SOU) and F 32.02 (AE-COL) at master netting agreement level (counterparty level), when collateral is only exchanged at that level?
Background on the question	The instructions in Annex XVII to Regulation (EU) 2021/451 specify that in AE-SOU institutions shall generally report carrying amounts gross of accounting netting, if any, in line with the reporting on a gross basis of encumbrance of assets and collateral. When master netting agreements are in place (usually a Credit Support Annex -'CSA'- of a ISDA Master Agreement), margin calls for derivative portfolios traded under CSAs are made and exchanged based on the net mark-to-market exposure of derivatives in that portfolio, rather than exchange margin on each trade individually, therefore there will be a single margin call and margin exchange between the two parties for trades under a given CSA on a given day. In this case, institutions typically report in {F 32.04, r0020-0030, c0030} the collateral received at CSA-level. Given that the collateral is posted and received at CSA-level, a more 'gross' reporting of collateral (i.e.

	<p>at trade level), is usually not possible. To ensure consistency between the AE templates and to comply with the validation rule specified in Annex 17 (The total amounts of assets and collateral received in the AE-ASS and the AE-COL templates meet the following validation rule: {AE-SOU; r170; c030} = {AE-ASS; r010; c010} + {AE-COL; r130; c010} + {AE-COL; r240; c010}), the collateral received related to derivatives is reported in F 32.02 (AE_COL) also at CSA level. However, the carrying amount of the liabilities related to these derivatives is reported in {F 32.04, r0020-0030, c0010} as per applicable accounting rules (i.e. gross at a trade-level) even where a master netting agreement exists, therefore the values in columns 0010 and 0030 are not comparable.</p>
<p>Final answer</p>	<p>As stated in Regulation (EU) 2021/451 (Annex XVII point 1.2 3), in AE-SOU institutions shall generally report carrying amounts gross of accounting netting, if any, in AE-SOU, in line with the reporting on a gross basis of encumbrance of assets and collateral. Annex XVII point 2.1.1 14 (e) gives instructions to report collateralized derivatives with a negative fair value:</p> <p>(i) The carrying amount of the derivative shall be reported as a source of encumbrance in {AE-SOU; r020; c010};</p> <p>(ii) The collateral (initial margins required to open the position and any collateral placed for the market value of derivatives transactions) shall be reported as follows:</p> <p>....</p> <p>— where it is collateral received by the reporting institution, its fair value shall be reported in {AE-COL; *, c010}, {AE-SOU; r020; c030} and {AE-SOU; r020; c040}.</p> <p>In the specific case of CSA collateral agreements, this also applies. The collateral received from derivatives portfolio, that is exchanged at counterparty level, is reported net regardless of the fact that the carrying amount of the liabilities related to these derivatives will be reported in F 32.04 (AE-SOU) at gross level.</p>
<p>Link</p>	<p>https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_6282</p>