

Single Rulebook Q&A

Question ID	2021_6295
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Leverage ratio
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 XI, C 47.00, rows 0071, 0190, 0210
Date of submission	26/11/2021
Published as Final Q&A	27/01/2023
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Relation between posted cash variation margin in derivative transactions reported in C 47.00, rows 0071, 0190 and 0210
Question	<p>We kindly ask EBA to confirm our understanding regarding the consideration of cash variation margin in C 47.00 or if our understanding is not correct, please give detailed instructions how to consider the variation margin in data points: {0071; 0010}, {0190; 0010}, {0210; 0010} in C 47.00.</p> <p>(1) By EBA Q&A 2020_5617, the EBA has stated that, preliminary, in data point {0071; 0010} of C 47.00 the value of net eligible cash variation margin received or posted shall be reported according to Article 275 CRR. The amount to be reported here shall be limited to the amount that reduces the replacement cost given in cell {0061; 0010} to zero. Both amounts in {0061; 0010} and {0071; 0010} are multiplied with the factor 1.4. Hence, the amounts of net cash variation margin received or posted reported in {0071;0010} are entirely part of the replacement cost calculation according to Article 275 CRR. We kindly ask EBA for confirmation or correction.</p> <p>(2) According to Annex XI to Commission Implementing Regulation (EU) 2021/451 receivables for cash variation margin provided where recognized under the operative accounting framework shall also be reported among</p>

other assets in position {0190; 0010} of C 47.00, with its valuation according to Article 429b(1) in conjunction with Article 111(1) CRR. Thus, the bank would report in this cell the posted cash variation margin with its accounting value after specific credit risk adjustments and how it's recognized on the balance sheet, regardless of the treatment of cash variation margin in the positions {0061; 0010} and {0071; 0010} and regardless of the conditions of Article 429c (3) points (a) to (e) CRR. We kindly ask EBA for confirmation or correction.

(3) Annex XI to Commission Implementing Regulation (EU) 2021/451 stated that in data point {0210; 0010} of C 47.00 receivables for variation margin paid in cash to the counterparty in derivatives transactions have to be reported, if the institution is required, under the applicable accounting framework, to recognize these receivables as an asset, provided that the conditions in points (a) to (e) of Article 429c(3) CRR are met. Additionally, the amount reported shall also be included in the other assets reported in {0190;0010}.

Regarding to this instruction, we wonder if the amount to be reported in {0210; 0010} has to be the amount according to Article 429b(1) in conjunction with Article 111(1) CRR (thus its accounting value after specific credit risk adjustments) or the amount calculated in accordance with Article 275 CRR multiplied by the alpha factor of 1.4. But if the amount calculated in accordance with Article 275 CRR has to be reported in {0210; 0010}, due to volatility adjustments on the variation margin, this amount could be higher than the carrying amount of the variation margin posted, reported in {0190; 0010}. This would result in a negative effect on the total leverage ratio exposure measures in {0290; 0010} and {0300; 0010}.

Further, it is stated that the amount reported in {0210; 0010} also has to be included in {0190; 0010}. Does that mean the amount of cash variation margin posted included in both data points has to be equal?

We kindly ask EBA for clarification and answering the question. The credit institution is not subject to NICA and applies German nGAAP.

Background on the question

The background of the question is included in the question above.

Final answer

(1) When calculating the exposure value of derivative contracts and credit derivatives in accordance with Article 429c (1) of Regulation (EU) No 575/2013 (CRR), institutions shall use the method set out in Part Three, Title II, Chapter 6, Section 3 of that regulation. Consequently, the amounts of net cash variation margin received or posted and reported in {r0071; c0010} of template C 47.00 of Annex X to Regulation (EU) 2021/451 are part of the replacement cost calculation in accordance with Article 275 (2) CRR.

(2) In accordance with the instructions of Annex XI for {r0190; c0010} of C

	<p>47.00 this data point shall include 'accounting receivables for cash variation margin provided where recognized under the operative accounting framework'. Consequently, cash variation margins posted shall be reported if they are recognized accordingly.</p> <p>Therefore, the institution's reporting for the data points {r0190; c0010} and {r0061; c0010} as well as {r0071; c0010} is independent. This is due to the fact, that the latter two data points serve the purpose of determining the existing leverage ratio exposure from derivatives, whereas data point {r0190; c0010} measures the exposure value of all other assets not treated separately in the leverage ratio framework.</p> <p>(3) According to the instructions for {r0210; c0010} 'receivables for variation margin paid in cash to the counterparty in derivatives transactions if the institution is required, under the applicable accounting framework, to recognise these receivables as an asset, provided that the conditions in points (a) to (e) of Article 429c(3) CRR are met' shall be reported for this data point. Furthermore, the amount to be reported shall also be included in {r0190; c0010}, i.e. following the provisions of Article 429 (4), point (a) in conjunction with Article 429b(1), point (a). Hence, both values shall not be reported adjusted by an alpha factor of 1.4.</p>
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European Banking Authority, 29/05/2023
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