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<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Supervisory reporting - Asset Encumbrance
<b>Article</b>	430
<b>Paragraph</b>	-
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Regulation (EU) 2021/451 - ITS on supervisory reporting of institutions
<b>Article/Paragraph</b>	Annexes XVI, XVII; DPM v3.1, validation rule v3017_m
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Credit institution
<b>Subject matter</b>	Consistency of validation rule v3017_m
<b>Question</b>	What is the rationale of the validation rule regarding the subset of 'central bank eligible' collaterals among non-encumbered collateral received between AE-ADV-2 (F 36.02) and AE-COL (F 32.02), where non-encumbered collateral received are reported under a different presentation structure?
<b>Background on the question</b>	The validation rule v3017_m checks whether row 0220, column 0190 of template AE-ADV-2 (F 36.02) is equal to sum of some items (row 0130 and 0240) of column 0060 of template AE-COL (F 32.02): {F 36.02.c, r0220,c0190} = sum({F 32.02.a, c0060, (r0130, r0240)}). This validation rule seems inconsistent considering: 1) Structure of both F 32.02 and F 36.02 templates the block "non-encumbered" of template F 32.02 is divided in two categories: unencumbered received collateral available for encumbrance (reported in column 0040) on one hand and received collateral also unencumbered but not available for encumbrance (reported in column 0070) on the other hand; the block "non-encumbered" of template F 36.02 (row 0210) does not make this distinction, since the total of this line corresponds to the total of columns 0040 and 070 of template F 32.02 2) Items compared within "central bank eligible" collaterals subset among non-encumbered collateral received in F 32.02, only items relative to the part of

	<p>unencumbered collateral received which are available for encumbrance (subset of column 0040) in F 36.02, items relative both to the part of unencumbered collateral received available for encumbrance and to the part of unencumbered collateral received not available for encumbrance (since neither of the two lines 0210 and 0220 shows a distinction such as the one that exists in F 32.02). Elements of understanding would be helpful as the validation rule can be broken.</p>
<b>Final answer</b>	<p>Annex XVII to the Implementing Regulation (EU) 2021/451 includes the instructions for Asset Encumbrance templates.</p> <p>This annex includes “2.2.3. Instructions concerning specific columns” for AE-COL templates (F 32-templates). Column “Fair value of collateral received or own debt securities issued available for encumbrance (c0040)” refers to the fair value of the collateral received by the reporting institution that are non-encumbered but are available for encumbrance since the reporting institution is permitted to sell or re-pledge it in absence of default by the owner of the collateral. The same rules apply for own debt securities issued (other than own covered bonds or securitisations).</p> <p>Column “Nominal of collateral received or own debt securities issued non available for encumbrance (c0070)” refers to the nominal value of the same instruments when they are non-encumbered and also non-available for encumbrance. And point 16 indicates that “Assets are ‘non-available for encumbrance’ when they have been received as collateral and the reporting institution is not permitted to sell or re-pledge the collateral, except in the case of a default by the owner of the collateral”.</p> <p>So, an asset is “available for encumbrance” when the entity is permitted to sell or re-pledge it in absence of default by the owner of the collateral and “non-available for encumbrance” when the entity is not allowed to do that unless a default had occurred.</p> <p>Annex XVII also includes “6.3.1. Instructions concerning specific rows” for template AE-ADV2 (F 36). Row “of which: central bank eligible (r0220)” indicates that includes “assets held by the reporting institution that are non-encumbered and which are eligible for operations with those central banks to which the reporting institution has access”.</p> <p>Therefore, validation rule v3017_m is correct.</p>
<b>Link</b>	<p><a href="https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6359">https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6359</a></p>