

# Single Rulebook Q&A

<b>Question ID</b>	2022_6384
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 2019/2033 (IFR)
<b>Topic</b>	Supervisory Reporting (IFR)
<b>Article</b>	20
<b>Paragraph</b>	1
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Regulation (EU) 2021/2284 - ITS on Reporting
<b>Article/Paragraph</b>	Not relevant
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<b>Disclose name of institution / entity</b>	Yes
<b>Name of institution / submitter</b>	Central Bank of Ireland
<b>Country of incorporation / residence</b>	Ireland
<b>Type of submitter</b>	Competent authority
<b>Subject matter</b>	IFR reporting
<b>Question</b>	What would be an example of how firms should read Article 20(1) IFR for reporting purposes in template I 06.07 and I 06.08 of annex I to Regulation (EU) 2021/2284?
<b>Background on the question</b>	Article 20(1) IFR states that for the purposes of calculating K-COH, COH shall be the rolling average of the value of the total daily client orders handled, measured throughout each business day, over the previous six months, excluding the three most recent months. There appears to be differing interpretations in relation to the text in Article 20(3) and the related guidance and ITS document [LN1]. Under the Level 1 a firm should calculate the K-COH on the first business day of each month. A firm would calculate K-COH on 01 March 2022 (1st business day of month) by including clients orders handled from 01 September 2021 to 28 February 2022 (6 months) and exclude 01 December 2021 to 28 February 2022 (latest 3

months).[LN2] The EBA clarifying example, page 19 of the Final Report of the Draft ITS suggests the months to be included are Dec, Nov & Oct (not Nov, Oct and Sept). It is possible therefore to interpret IFR and the ITS as contradictory and clarification is sought or guidance as to the correct interpretation. Clarification is required as to which approach is correct and to ensure a harmonised approach.

[LN1]Add in details of what this document is [LN2]An important question is whether the reporting period ending 31 march would take into account the calculation done on 1 April

### Final answer

Article 20(1) of Regulation (EU) 2019/2033 (IFR) specifies that a firm should calculate the K-COH on the first business day of the month.

In accordance with Article 9(1) IFR, the K-factor requirement determined on the first day of a month (month T, in the example March 2022) represents the amount of own funds the investment firm needs to hold 'at all times', i.e. on every single day of the month.

One of the main objectives of the reporting of information in accordance with Regulation (EU) 2021/2284 (ITS on disclosures and reporting by investment firms, ITS) is to enable supervisors to monitor an investment firm's compliance with the K-factor requirements as of the reference date.

The information provided in template I 06.07 of Annex I to the ITS should reflect the factor amount (COH) that is considered for calculating the K-factor requirement as of the relevant reference date. In the example, column 0010 of I 06.07 should reflect COH as applicable on 31 March (originally determined on 1 March).

In accordance with Article 20(1) IFR, the three most recent months shall be excluded from the calculation of COH. Thus, the calculation of COH for the reference date 31 March 2022 (on 1 March 2022) **would exclude the following periods:**

- 1 February 2022 - 28 February 2022 (monthly average of COH calculated on the first business day in March 2022),
- 1 January 2022 - 31 January 2022 (monthly average of COH calculated on the first business day in February 2022) and
- 1 December 2021 - 31 December 2021 (monthly average of COH calculated on the first business day in January 2022).

In accordance with Article 20(1) IFR, the calculation of COH for the reference date 31 March 2022 (on 1 March 2022) would consequently **include the following periods:**

- 1 November 2021 - 30 November 2021 (monthly average of COH calculated on the first business day in December 2021);
- 1 October 2021 - 29 October 2021 (monthly average of COH calculated on the first business day in November 2021); and

	<ul style="list-style-type: none"> <li>• 1 September 2021 - 30 September 2021 (monthly average of COH calculated on the first business day in October 2021).</li> </ul> <p>In order to report information on the K-factor requirement applicable as of 31 March 2022, a firm would use the rolling average of the value of the total daily client orders for the period September 2021, October 2021, and November 2021, which were calculated on the first business days of October 2021, November 2021 and December 2021, respectively.</p> <p>The values reported in template I 06.08 of Annex I to the ITS are the monthly averages of COH as referred to above. In the example, the monthly averages used to determine K-COH as of the 31 March (on 1 March) would be reported in columns 0020 (November), 0030 (October) and 0040 (September) of I 06.08.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6384">https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6384</a>

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