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| Question ID | 2022_6446 |
| Status | Final Q&A |
| Legal act | Regulation (EU) No 575/2013 (CRR) |
| Topic | Supervisory reporting - COREP (incl. IP Losses) |
| 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 | Annexes I and II |
| Date of submission | 10/05/2022 |
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| Disclose name of institution / entity | Yes |
| Name of institution / submitter | KBC |
| Country of incorporation / residence | Belgium |
| Type of submitter | Credit institution |
| Subject matter | v6341_m: Assets and liabilities at FV excluded because of partial impact on CET1 - Hedge accounting |
| Question | Is validation rule v6341_m correct? |
| Background on the question | <p>Where the fair-valued assets and liabilities excluded because of the partial impact of hedge accounting on the CET1 are higher than the total fair-valued liabilities of derivatives used for hedge accounting in C 32.01, the fair-valued liabilities in row 0010, column 0140 are lower than the 'of which: trading book liabilities' in row 0020, column 0140 of C 32.02. Row 0190, column 0010 of C 32.01 should contain the amount reported in row 0150 of FINREP template F 01.02, while column 0040 of the same row should contain the hedge accounting impact on CET1 (row 0270 of C 01.00). However, since the amount in row 0270 of C 01.00 is bigger than the amount reported in row 0150 of FINREP template F 01.02, row 0190, column 0080 becomes a negative amount. As a result, the fair-valued liabilities reported in</p> |

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| | <p>row 0150, column 0080 are higher than the 'of which: trading book' reported in row 0150, column 0090. Since these amounts should be taken over into C32.02, row 0010 and row 0020, column 0140, this means that the value reported in row 0020 in column 0140 will also be higher than the value reported in row 0010 in that column.</p> |
| Final answer | <p>Row 0190, column 0010 of template C 32.01 of Annex I to Regulation (EU) 2021/451 (ITS on Supervisory Reporting, ITS) should correspond to the amount reported in row 0150 of template F 01.02 of Annexes III and IV to the ITS. To note, derivatives reported in this row can relate to different types of hedging, meaning cash flow hedge or fair value hedge.</p> <p>In this sense, row 0190, column 0040 of template C 32.01 would not necessarily correspond to the row 0270 of C 01.00 (cash flow hedge reserve). Column 0040, as per the respective instructions, should contain, for positions subject to hedge accounting under the applicable accounting framework, the absolute value of fair-valued assets and liabilities excluded in proportion to the impact of the relevant valuation change on CET1 capital in accordance with Article 4(2) of Delegated Regulation (EU) 2016/101 (RTS on Prudent Valuation, RTS).</p> <p>Article 4(2) of the RTS specifies that exactly matching, offsetting fair-valued assets and liabilities shall be excluded from the calculation. For fair-valued assets and liabilities for which a change in accounting valuation has a partial or zero impact on Common Equity Tier 1 ('CET1') capital, their values shall only be included in proportion to the impact of the relevant valuation change on CET1 capital. This latter requirement is applicable to positions subject to hedge accounting under the applicable accounting framework.</p> <p>In other words, only the derivatives under hedge accounting relationships that are not offsetting other fair-valued assets and liabilities, including unmatched amounts in case of partial hedging, should remain in row 0190, column 0080. Derivatives that are offsetting, fully or partially, fair-valued assets and liabilities, should be excluded in column 0040 of the template C 32.01, but only to the extent that the impact in the CET1 is neutralised. This is valid for any type of hedge in which this offsetting is observed, as long as it relates to fair-valued assets and liabilities.</p> <p>Given this, validation rule v6341_m remains valid.</p> |
| Link | <p>https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6446</p> |