

Question ID	2022_6518
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - FINREP (incl. FB&NPE)
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	ITS Taxo 3.1, Annex 5 FINREP, point 19.2 Geographical breakdown by residence of the counterparty (20.4-20.7)
Date of submission	13/07/2022
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Clarification of the definition for "residence"
Question	<p>In the template FIN 20.4, we need to restate engagement under a geographical breakdown by residence of a counterparty. Immediate counterparty is clearly defined in the annex 5 but the definition of residence is not detailed.</p> <p>Could you give us a more detailed definition for the residence to use for the production of data into this template?</p>
Background on the question	<p>As the definition of residence is not present into CRR nor in Regulation (EU) 2021/451 (ITS), we look for other regulatory documentation to clarify this notion. In July 2019, BIS produced a documentation 'Reporting guidelines for the BIS international banking statistics'. In the paragraph 2.37 we can find 'the country of the counterparty' refers to the residence of the counterparty. For guidelines about how to identify the residence of an entity, see BPM6, paragraphs 4.113-4.144'. This article said that 'The residence of any institutional unit is the economic territory with which it has the most important relationship; it can be expressed as the place where the</p>

	predominant economic focus is located'. This definition of residence as 'the place where the predominant economic focus is located' should be used for the FINREP production, template F 20.04.
Final answer	<p>Paragraphs 271-277 of Part 2 of Annex V to the Implementing Regulation (EU) No 2021/451 (ITS) give specific instructions for templates that have a 'Geographical breakdown by residence of the counterparty' (F 20.4 - F 20.7). Paragraph 271 of Part 2 specifies that “templates 20.4 to 20.7 contain information ‘country-by-country’ on the basis of the residence of the immediate counterparty as defined in paragraph 43 of Part 1 of this Annex”. Paragraph 43 of Part 1 mentions that “the counterparty sector allocation shall be based exclusively on the nature of the immediate counterparty. The classification of the exposures incurred jointly by more than one obligor shall be done on the basis of the characteristics of the obligor that was the more relevant, or determinant, for the institution to grant the exposure”.</p> <p>Therefore, the segmentation made in template F 20.04 has to be done based on the residence of the obligor. A definition of it could be found in paragraph 86 of Part 2 of Annex II to the ITS: “the term ‘residence of the obligor’ refers to the country of incorporation of the obligor”.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6518

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