

<b>Question ID</b>	2022_6628
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Supervisory reporting - FINREP (incl. FB&NPE)
<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>	FINREP Template F 25.01.a
<b>Date of submission</b>	02/11/2022
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Credit institution
<b>Subject matter</b>	Validation Rule EBA_v10013 breaching
<b>Question</b>	<p>Validation rule v_10013 fails due to the positive sign of the amount of automatic exchange rate differences classified in column 0070, row 0060.</p> <p>('Outflow due to negative changes in value - Other adjustment (-) - Automatic exchange difference (-)')</p> <p>With regard to column 0070, there seems to be no other rows available in order to classify the automatic exchange rate differences (either positive or negative).</p> <p>How can we overcome the rule breaching?</p>
<b>Background on the question</b>	With regard to contributions expressed in currencies different from euro, the use of the exchange rate of the reporting period for the whole template could lead to deal with positive amounts stemming from the conversion into euro of the opening balance amounts (r0010).
<b>Final answer</b>	<p>Validation rule v_10013 is valid even in the case proposed by the submitter.</p> <p>Firstly, row 0060 "Outflow for which cash was collected" has to be reported</p>

	<p>with a negative sign. Indeed, as a general rule, all the outflows in this template have to be reported with a negative sign and inflows with a positive one.</p> <p>Secondly, as stated in paragraph 175i of Part 2 of Annex V to Regulation (EU) 2021/451 (ITS), items in column 0070 shall be accounted at “Value at initial recognition”. Instructions defines 'Value at initial recognition' as follow: “‘Value at initial recognition’ shall mean the gross carrying amount of the collateral obtained by taking possession at the point in time of the initial recognition in the balance sheet of the reporting institution.”. This implies that for a given transaction the value at initial recognition does not change as a result of FX-effects. The closing balance equals the opening balance.</p> <p>Therefore, the submitter shall use for column 0070 the exchange rate accounted at the “initial recognition in the balance sheet” regardless of when the outflow occurs.</p> <p>On the other hand, the exchange rate adopted when the outflow occurs shall be used for column 0080, as stated in paragraph 27 of Part 1 of Annex V to the ITS: 'For the purposes of Annexes III and IV as well as this Annex, 'the carrying amount' means the amount to be reported in the balance sheet.'</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6628">https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6628</a>

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