

Question ID	2013_206
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Market risk
Article	298
Paragraph	1
Subparagraph	(c) (i)
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Article 298 Paragraph 1 Subparagraph (c) (i)
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Disclose name of institution / entity	Yes
Name of institution / submitter	German Banking Industry Committee
Country of incorporation / residence	Germany
Type of submitter	Credit institution
Subject matter	Consideration of collateral in the current exposure method
Question	We seek clarification regarding the consideration of collateral in the current exposure method (referred to as the Mark-to-market method in Regulation (EU) No 575/2013 (CRR) for the own capital requirements as well as for the large exposure regime. Is it possible to allow for collateral posted in calculating the current replacement according to Article 298(1)(c)(i) of Regulation (EU) No 575/2013 (CRR)?
Background on the question	V is the value of a portfolio of derivative transactions, which can be netted ($V > 0$, if the value of the portfolio is positive and $V < 0$, if collateral is received and C is the value of received or posted collateral ($C > 0$, if collateral is received and $C < 0$, if collateral is posted). The collateral is part of the netting agreement which is legally and economically enforceable as all requirements according to Article 296 CRR are fulfilled.
Final answer	

Where a netting agreement meets the requirements set out in Article 296 of Regulation (EU) No. 575/2013 (CRR), by derogation from the measurement of current replacement cost set out in Article 274(1) where no such netting agreement is relevant, the current replacement cost is the actual net replacement cost resulting from the agreement according to Article 298(1)(c) of the CRR. This net replacement cost shall be obtained by considering all mutual claims subject to the agreement, including those resulting from collateral posted and received that would be netted under the agreement as set out in Article 296(2)(a) and (d).

DISCLAIMER:

This question goes beyond matters of consistent and effective application of the regulatory framework. A Directorate General of the Commission (Directorate General for Internal Market and Services) has prepared the answer, albeit that only the Court of Justice of the European Union can provide definitive interpretations of EU legislation. This is an unofficial opinion of that Directorate General, which the European Banking Authority publishes on its behalf. The answers are not binding on the European Commission as an institution. You should be aware that the European Commission could adopt a position different from the one expressed in such Q&As, for instance in infringement proceedings or after a detailed examination of a specific case or on the basis of any new legal or factual elements that may have been brought to its attention.

Link

https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_206

European Banking Authority, 02/12/2023

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