

<b>Question ID</b>	2013_359
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Market risk
<b>Article</b>	34, 105
<b>Paragraph</b>	-
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	Annex I, C01.00, r 290
<b>Date of submission</b>	08/10/2013
<b>Published as Final Q&amp;A</b>	08/11/2013
<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Consultancy firm
<b>Subject matter</b>	Own funds: Value adjustments for prudent valuation (Additional Value Adjustments)
<b>Question</b>	<p>Article 34 of Regulation (EU) No 575/2013 (CRR) requires institutions to deduct from CET1 the amount of any additional value adjustments on all assets measured at fair value calculated in accordance with a prudent valuation of these assets based on the provisions specified in Article 105 of CRR. In this context, paragraph 14 of Article 105 of CRR specifies that EBA shall submit draft regulatory technical standards (RTS) to the Commission by 28 July 2013 (as per CRR corrigendum published on 2 August 2013). In this regard the EBA published a draft consultation paper (EBA/CP/2013/28) whereby it is specified that "as a consequence of the EBA decision to conduct a QIS, the EBA currently envisages to finalise the technical standard in Q2 2014". On 7 October 2013 the EBA published revised deadlines for the delivery of the technical standards to the European Commission; in particular it is specified that the revised deadline for the submission of the RTS on prudent valuation (Article 105(14) CRR) has been postponed to 1 June 2014. Therefore it is not clear as concerns the first reporting date on Q12014 whether institutions must: 1) not apply the prudential filter (i.e. the relative reporting item shall be valued zero) until the publication of the final EBA RTS 2) calculate the prudential filter in accordance with the Basel II</p>

	framework (i.e. requirements for prudent valuation defined by each local regulator) 3) calculate the prudential filter in accordance with the draft EBA standards as defined in consultation paper EBA/CP/2013/28
<b>Background on the question</b>	The provisions contained in the CRR and the EBA RTS are not sufficiently clear with regard to the methodology to be used in order to complete the first reporting on Q1 2014.
<b>EBA answer</b>	<p>A delay in the submission by EBA and consequently, in the European Commission's endorsement of the RTS on the conditions according to which the prudent valuation of trading book items shall be applied (Article 105 (14)), does not invalidate Article 105. As a result, institutions will have to apply Article 105 from 1 January 2014 onwards despite the absence of the RTS.</p> <p>DISCLAIMER:</p> <p>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&amp;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.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_359">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_359</a>

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