

Question ID	2013_367
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	89
Paragraph	1
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Art. 89, paragraph 1
Date of submission	09/10/2013
Published as Final Q&A	24/01/2014
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Valuation of qualifying holdings outside the financial sector for the purposes of Article 89 of Regulation (EU) No. 575/2013
Question	What is the correct valuation to determine the 15% threshold of the eligible capital under Article 89(1) of Regulation (EU) No, 575/2013? Are the provisions of Article 4(77) also relevant for this purpose or should it be generally the amortized cost?
Background on the question	Article 89 of Regulation (EU) No. 575/2013 (CRR) should probably limit the taking of qualifying holdings outside the financial sector. Consequently, only the amortized cost can be used for the calculation of the qualifying holding. Otherwise it could have the undesirable effect that only changes in fair value or in the market price can lead to apply a 1250 % risk weight to the amounts in excess of the limits specified in Article 89 although the amortized cost of this qualifying holding are significantly and permanently below the 15 % threshold. As an alternative to applying a 1250 % risk weight the competent authorities may prohibit the institution from having these qualifying holdings. Above all, it must be considered that these conditions can be abolished again at the next valuation date.
Final answer	According to Article 24(1) of Regulation (EU) No. 575/2013 (CRR), the

	<p>valuation of assets shall be effected in accordance with the applicable accounting framework.</p> <p>By way of derogation from Article 24(1) of the CRR, paragraph (2) of the same Article establishes that competent authorities may require that institutions effect the valuation of assets and off-balance sheet items and the determination of own funds in accordance with International Accounting Standards as applicable under Regulation (EC) No 1606/2002. Therefore, the value used for the purposes of Article 89 of the CRR must be the same as that which the entity has used for the purposes of Article 24 of the CRR.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_367

European Banking Authority, 09/12/2023
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