

Question ID	2013_387
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	273
Paragraph	5
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
Article/Paragraph	N/A
Date of submission	15/10/2013
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Disclose name of institution / entity	Yes
Name of institution / submitter	BaFin/Deutsche Bundesbank
Country of incorporation / residence	Germany
Type of submitter	Competent authority
Subject matter	Capital charge for credit derivatives in the banking book in the position of protection seller
Question	In Regulation (EU) No 575/2013 (CRR) we assume that for credit derivatives in the banking book in the position of protection seller the present capital charge is calculated only for credit risk with respect to the underlying and no extra capital charge for counterparty credit risk after CRR is needed. Do you agree?
Background on the question	N/A
EBA answer	As set out in Art. 273(5), where credit default swaps sold by an institution are treated by an institution as credit protection provided by that institution and are subject to own funds requirements for credit risk of the underlying for the full notional amount, their exposure value for the purposes of

counterparty credit risk in the non-trading book shall be zero. (Cf. Article 111(1) sentence 2 and Article 166(10) in conjunction with annex I no. 1 letter b). Moreover, Articles 111(2) and 166(5) do not require exposure values for credit derivatives to be determined in accordance with Chapter 6 of Part Three because credit derivatives are not listed in Annex II.

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

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