Single Rulebook Q&A

Question ID	2013_417
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	501
Paragraph	2
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	none
Date of submission	22/10/2013
Published as Final Q&A	28/05/2014
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Conversion of the total amount owed to institution from national currency to EUR
Question	Which exchange rate should the institution use to convert the amount owed to institution (mentioned in Article 501 point 1 ~~2~~) ~~and measure if that amount doesn't exceed EUR 1.5 million~~? Should it be converted to EUR each day with exchange rate from this day or should the exchange rate be fixed, for example from the day when the product was sold?
Background on the question	When the currency of products sold to customers isn't EUR, each day the value of those products in EUR changes, while they have to be converted with a variable exchange rate . Year 2013 has shown in our country that in one year EUR can change its exchange rate by 30%. This can have material impact of the total amount owed to institutions as stated in Article 501. In one month the amount can exceed 1.5m EUR and in another does attributable to the exchange rate. This unpredictability can make banks less eager to use the SME supporting factor of 0.7619 and the impact on SME sector would be smaller.
Final answer	~~Under Article 501(2)(c) of Regulation (EU) No. 575/2013 (CRR), the potential reduction in capital requirements is only available where the total amount~~

	~~owed does not exceed the EUR 1.5 million limit. This is an on-going condition and an institution must (i) be able to demonstrate its fulfilment to its competent authorities if and when requested, and (ii) report to competent authorities every three months their total SME exposures, on the basis of adequate current information.~~ Where an exposure is denominated in a currency other than the Euro, an institution may calculate the euro equivalent using any appropriate set of exchange rates, updated with an appropriate frequency, provided its choice has no obvious bias and the approach used to choose the appropriate set of exchange rates is consistently applied. Consistent with regulatory reporting requirements, one such example of an appropriate exchange rate could be the relevant Euro spot exchange rate published on the European Central Bank's website.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_417

European Banking Authority, 04/12/2023
www.eba.europa.eu