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Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Asset Encumbrance
Article	100
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Draft ITS on Supervisory Reporting of Institutions
Article/Paragraph	2.1.1. (16v) Derivatives (liabilities)
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Disclose name of institution / entity	Yes
Name of institution / submitter	Austrian Federal Economic Chamber, Division Bank and Insurance
Country of incorporation / residence	Austria
Type of submitter	Industry association
Subject matter	Reporting of derivatives
Question	In the Asset Encumbrance template derivatives with a negative market value should be reported. Have the value of the derivatives be reported after netting?
Background on the question	In the respective bank, derivatives with the same counterparty are netted and collateral is only posted if a negative value results after netting.
Final answer	<p>The reporting of assets and liabilities in the templates of asset encumbrance is generally based on the FINREP methodology, implying that it stems from the accounting framework. Consequently, the reporting of derivatives shall follow the same principles as their reporting in FINREP (see Annex V of the Draft ITS on supervisory reporting).</p> <p>To confirm this approach, in the validation rules of the templates on asset</p>

encumbrance, the total amount of assets reported in row 010 (columns 010 and 060) template F32.01 must equal the amount reported as “total assets” in template F01.01 of FINREP. That means that there may not be any divergent treatment in the recognition of assets and liabilities between FINREP and asset encumbrance.

Paragraph 14, bullet point v of the Draft ITS on Supervisory reporting of asset encumbrance takes this approach when it states that:

Collateralised derivatives with a negative fair value are reported as follows:

- The carrying amount of the derivative is reported as a source of encumbrance in {TF32.04; r020; c010}

The collateral (initial margins required to open the position and any collateral placed for the market value of derivatives transactions) are reported as follows:

- If it is an asset of the reporting institution: its carrying amount is reported in {TF32.01; *, c010} and {AE-SOU; r020; c030}; its fair value is reported in {AE-ASS; *, c040}.
- If it is collateral received by the reporting institution, its fair value is reported in {TF32.02; *, c010}, {TF32.04; r020; c030} and {TF32.04; r020; c040}.

Regarding the potential for netting different derivative transactions, in case of institution applying IFRS, the principles in paragraphs 42 to 50 and AG38-AG39 of IAS 32 shall apply. If the institution does not follow IFRS but national accounting standards, the national rules for netting apply.

DISCLAIMER:

The present Q&A on Supervisory reporting is provisional. It will be reviewed after the respective Implementing Regulation is in force and published in the Official Journal, which may differ from the text of the relevant draft ITS to which it relates.

Link

https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_468