

Single Rulebook Q&A

Question ID	2013_576
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Leverage ratio
Article	429
Paragraph	9
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	n.a.
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Determining the exposure value for repurchase transactions for the purpose of calculating the leverage ratio in case the collateral provided doesn't qualify as eligible according to CRR
Question	How should an institution that uses the standardized approach (for the purpose of calculating the capital requirement for credit risk) determine the exposure value of repurchase transactions with other banks if the collateral provided to the institution doesn't qualify as eligible according to Article 206 and Article 207 of CRR?
Background on the question	According to Article 429(9) institutions shall determine the exposure value of repurchase transactions, in accordance with Article 220(1) to (3) and Article 222, and shall take into account the effects of master netting agreements, except contractual cross-product netting agreements, in accordance with Article 206. According to Article 206 master netting agreements covering repurchase transactions, securities or commodities lending or borrowing transactions or other capital market driven transactions shall qualify as an eligible form of credit risk mitigation where the collateral provided under those agreements meets all the requirements laid down in Article 207(2) to (4) and where a number of other conditions specified in Article 206 are met. Article 220 is not applicable for banks that don't use the "Supervisory

	<p>Volatility Adjustments Approach" or the "Own Estimates Volatility Adjustments Approach" for master netting agreements. However, for institutions to which Article 220 is not applicable Article 222 does not say how the exposure value of repurchase transactions should be determined if the collateral in a repurchase transactions doesn't qualify as eligible.</p>
<p>Final answer</p>	<p><u>In accordance with paragraph 5 of Article 429(e) of the CRR, by way of derogation from paragraph 1 of the same Article (and, by extension, paragraphs 2, 3 and 4 of the same article, which are further indications of paragraph 1), institutions may use the method set out in Article 222, subject to a 20% floor for the applicable risk weight, to determine the add-on for securities financing transactions including those that are off-balance-sheet. Institutions may use that method only where they also use it for calculating the exposure value of those transactions for the purpose of meeting the own funds requirements as set out in points (a), (b) and (c) of Article 92(1).</u></p> <p><u>The recognition of collateral in accordance with Article 222(3) of the CRR is limited to collateral eligible in accordance with Article 207 of the CRR. Hence, Where collateral provided to the institution under a repurchase securities financing transaction does not meet the eligibility requirements according to of Articles 206 and 207 of Regulation (EU) No 575/2013 (CRR), the exposure value of the repurchase transaction according to Article 429(9) is to be determined according to Article 222 whereby the non-eligible the collateral provided to the institution cannot be taken into account.</u></p> <p><u>Article 429(9) of CRR requires that the effects of a master netting agreement covering repurchase transactions are taken into account in accordance with Article 206 of CRR. Article 206 requires in particular that the collateral provided under those agreements meets all the requirements laid down in Article 207(2) to (4). A master netting agreement is therefore not eligible if collateral provided under this master netting agreement does not meet all of these requirements. Article 220 is only applicable to eligible master netting agreements [cf. "When institutions calculate the 'fully adjusted exposure value' (E*) for the exposures subject to an eligible master netting agreement"].</u></p> <p><u>Consequently, Article 429(9) requires the exposure value of a repurchase transaction to be determined according to Article 222 of CRR where the repurchase transaction is not covered by an eligible master netting agreement. Since recognition of collateral according to Article 222(3) is limited to eligible collateral, collateral which does not meet the eligibility requirements according to Article 207 of CRR cannot be taken into account in the determination of the exposure value of a repurchase transaction.</u></p>
<p>Link</p>	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_576</p>

