

Question ID	2013_624
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Large exposures
Article	389, 390
Paragraph	(6)(e)
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	not applicable
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Disclose name of institution / entity	No
Type of submitter	Other
Subject matter	Inclusion of indirect holdings in the large exposures regime
Question	Do indirect holdings have to be included in the large exposure regime based on Article 389 of Regulation (EU) No. 575/2013 (CRR) if they are held against a financial sector entity (that is fulfil the definition in Article 36 (1)(h) or (i) of the CRR), but are not deducted from own funds and instead risk weighted according to Articles 48(4), 46(4) or 49(4) of the CRR? If the answer is yes, can the financial sector entity being regarded as the relevant client for large exposure purposes?
Background on the question	Clarification of uncertainty whether indirect holdings not being deducted from own funds fulfil the definition in Article 389 and therefore need to be included in large exposures.
Final answer	Amounts of holdings under Article 36(1)(h) or (i) of Regulation (EU) No. 575/2013 (CRR) that are not deducted from own funds are included in the calculation of the exposure value according to Article 390 for identifying large exposures according to Article 392 of this Regulation. The financial sector entity to which the institution is exposed because of the holding in its Common Equity Tier 1 instruments is the relevant "client" for the exposure included in the calculation of the exposure value for large exposures

	<p>purposes.</p> <p>For the purposes of the large exposures regime, "exposures" are defined in Article 389 of the CRR as "any asset or off-balance sheet item referred to in Part Three, Title II, Chapter 2 of the CRR (i.e. Standardised Approach), without applying the risk weights or degrees of risk".</p> <p>Article 390(6)(e) of the CRR sets out that exposures deducted from <u>Common Equity Tier 1 items or Additional Tier 1 items</u> own funds in accordance with <u>Articles 36, 56 and 66 of the CRR or any other deduction from those items that reduces the solvency ratio should</u> shall not be included in the calculation of exposure values for large exposures purposes.</p> <p>Further, if amounts of holdings are not deducted from Common Equity Tier 1 items in accordance with Articles 46(4), 48(4) or 49(4) of the CRR, these exposures do not qualify for the exclusion from the definition of "exposures" under Article 390(6)(e).</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_624

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