Single Rulebook Q&A

Question ID	2013_635
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Leverage ratio
Article	429
Paragraph	5
Subparagraph	a
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	n.a.
Date of submission	11/12/2013
Published as Final Q&A	08/05/2014
Disclose name of institution / entity	No
Type of submitter	Investment firm
Subject matter	Look through approach to be applied for calculation of Leverage Ratio
Question	Article 429b(1)(a) ~~(5) a)~~ states that risk positions for the calculation of the Leverage Ratio should be calculated according to paragraph 111 (1) sent. 1 of the CRR, meaning, they are identical to risk positions in the Standard Approach. Does this mean that for transactions with underlying assets, e.g. UCITS a look through approach should also be used for the calculation of the Leverage Ratio? Does this apply to template C45.00 columns 010, 020 and 030 as well as to template C40.00 column 010?
Background on the question	Applying a look through approach will result in a consistency of exposures between the credit risk data and leverage ratio data, but it will result in inconsistencies when comparing leverage ratio with FINREP. Eg. a bank which does invest in a mutual fund that does STF-transactions and does not have any own STF transactions will report these in the leverage ratio but in FINREP that will not be indicated as part of the banking business. Template 040.00, column 010 refers explicitly to an Accounting balance sheet value.

	This might imply that here not risk positions are to be reported but accounting positions which would mean, no look through should be applied. This would then be inconsistent with Template C40.00, columns 040 and 050 where an add-on should be reported, which can only be based on risk positions. The sum of the risk positions of a looked through investment does not always constitute the accounting balance sheet value. Example: if a mutual fund places a deposit with the reporting institution, the look through approach with eliminate this transaction, since it is then an internal deal. Therefor the sum of Risk positions usually can be defined as Accounting Value minus internal deals. It is not clear how that should be implemented in the reporting.
Final answer	Article 429b of Regulation (EU) No 575/2013 (CRR) neither requires nor allows a look through approach to underlying exposures where an asset results from transactions with underlying assets.~~ Furthermore, according to Article 132(1) of CRR, the look through approach in paragraph 4 of this Article is not applicable for determining exposure values but rather can only be used for determining an average risk weight for an exposure in the form a unit or share in a CIU. Article 429(5)(a) of the CRR does not allow for any recognition of risk weights.~~
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