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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Market infrastructures
Article	520
Paragraph	-
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	Competent authority
Subject matter	What value should be used by a CCP as the reduced potential future credit exposure for securities financing transactions to calculate the concentration factor (β)?
Question	What value should be used as the reduced potential future credit exposure for securities financing transactions to calculate the concentration factor (β) for the purpose of Article 50d(c) of Regulation (EU) No 648/2012 (introduced by Article 520 of Regulation (EU) No 575/2013 (CRR))?
Background on the question	According to Article 50d(c) of Regulation (EU) No 648/2012 (introduced by Article 520 of CRR) a CCP shall calculate the concentration factor (β) in accordance with the following formula; $\beta = (PCE(\text{red},1) + PCE(\text{red},2)) / \sum_i PCE(\text{red},i)$ where $PCE_{\text{red},i}$ is the reduced figure for potential future credit exposure for all contracts and transactions of a CCP with clearing member i . CRR does not however set out the definition/the way of calculation of $PCE_{\text{red},i}$ for securities financing transactions.
Final answer	<p>The potential future credit exposure for securities financing transactions should be calculated in accordance with the following formula:</p> $PCE_{\text{red}} = E * H_e + C * (H_c + H_{fx}),$

	<p>where E, H and C are defined in Article 223 of Regulation (EU) No. 575/2013 (CRR).</p> <p>Article 50b(a)(ii) of Regulation (EU) No. 648/2012 (EMIR)(as amended by Article 520 of the CRR) clearly instructs the central counterparty to use this treatment for repurchase agreements.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_662

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