

Question ID	2013_681
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Large exposures
Article	4
Paragraph	1
Subparagraph	39
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
Article/Paragraph	Reporting on large exposures
Date of submission	19/12/2013
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Disclose name of institution / entity	Yes
Name of institution / submitter	Bank of Slovenia
Country of incorporation / residence	Slovenia
Type of submitter	Competent authority
Subject matter	Large exposure reporting - reporting of central government and natural or legal persons controlled by the central government or interconnected with it
Question	As large exposure reporting is based on a client data - how should an institution report exposure to the central government for large exposure purposes? Should it report the total exposure to the central government (and treat it as a single entity) or should it report exposures to all the entities which form the central government? What about in the case of group of connected clients which includes the central government and entities controlled/otherwise interconnected with it? As defined in Article 4(39) of Regulation (EU) No 575/2013 (CRR), central government can be included in "n" groups of connected clients. What is the correct reporting in such a case?
Background on the question	According to Article 4(39) "... Instead the existence of a group of connected clients formed by the central government and other natural or legal persons may be assessed separately for each of the persons directly controlled by it

	<p>in accordance with point (a), or directly interconnected with it in accordance with point (b), and all of the natural and legal persons which are controlled by that person according to point (a) or interconnected with that person in accordance with point (b), including the central government. For example: Central government is comprised of 100 entities. Should an institution report these 100 entities in each group of connected clients - as they are constituents of the central government - formed by the central government and an entity controlled by it/interconnected with it? Or should it report central government as one entity connected with each entity controlled by it/interconnected with it?</p>
Final answer	<p>Central government should be treated as a single entity for reporting purposes. Usually, entities like government departments, ministries and other governmental authorities altogether constitute the central government and do not take up loans in their own name. In this case, they should be regarded as one single entity and the exposure be reported in one sum under the name of the central government. However, if there are entities in the form of separate legal persons that, for example, fulfil public tasks by order of the central government , but can take up their own loans, they are to be considered as distinct borrowers (i.e. Public Sector Entities). If, in the latter case, the entity is controlled by / interconnected with the central government, the two of them would constitute a group of connected clients.</p> <p>As concerns the assessment of groups of connected clients, Article 4(1)(39) of Regulation (EU) No 575/2013 (CRR) provides a choice to the institutions. As an illustration, assume that the central government A (as defined above) directly controls entity B and B controls B1 and B2. In addition, A also directly controls company C, which again controls C1 and C2 and C2 controls C2.1 and C2.2. In the case of central governments, not all these entities have to be regarded as one single group of connected clients. Instead, according to Article 4(1)(39) of the CRR, the institution may assess and report the risks separately, meaning that A, B, B1 and B2 form one group of connected clients and that A, C, C1, C2, C2.1 and C2.2 form another group of connected clients.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_681</p>

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