

Single Rulebook Q&A

Question ID	2014_700
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - COREP (incl. IP Losses)
Article	99
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
Article/Paragraph	ANNEX II / 3.3.3.1 / columns 40-80
Date of submission	02/01/2014
Published as Final Q&A	05/09/2014
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Reporting of credit risk mitigation on the CR IRB template (C 08.01)
Question	<p>The COREP CR IRB guidelines seem to be conflicting with the validation rules in respect to reporting the substitution effect of Credit Risk Mitigation (CRM), columns 40-80 of the CR IRB template. The instruction for column 040 (Guarantees) is ambiguous, on the other hand it states: "If the CRM effect of the guarantee is calculated by recognition of the substitution effect, the Adjusted Value (Ga) as defined in Article 236 of CRR shall be provided." but also: "When Own estimates of LGD are used: Article 183 of CRR, except paragraph 3. The nominal amount of the guarantees shall be reported." For the substitution approach, the adjusted value of guarantee has to be reported in the column 070 (outflows). The COREP CR IRB template states that the column 070=040+050+060. This formula would result in the nominal (pre-currency/maturity mismatch adjustment) value being transferred from the original obligor's exposure class to the protection provider's exposure class, instead of the adjusted amount. Please clarify which amount is to be reported in the columns 040-050, nominal or adjusted credit protection amounts? In case the answer is different for banks using own LGD estimates and those not, please specify why should this be the case.</p>
Background on the	See above.

question	
Final answer	<p>When own estimates of LGD are not used, the Adjusted Value (Ga) as defined in Article 236 of the Regulation (EU) No. 575/2013 (CRR) shall be provided in column 040 and 050 of C 08.01 Template.</p> <p>An institution using own estimates of LGD to calculate the risk weighted assets of an exposure and considering a guarantee by substituting the PD, the value reported in column c040 and c050 shall be the value used in the internal modelling of the institution.</p> <p>The instructions (Annex II of Regulation (EU) No 680/2014 13 ITS on Supervisory Reporting of institutions) for column 040 and 050 in C 08.01 Template will be amended accordingly.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_700

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