

Single Rulebook Q&A

Question ID	2014_888
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - FINREP (incl. FB&NPE)
Article	99
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (repealed)
Article/Paragraph	9
Date of submission	28/02/2014
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Disclose name of institution / entity	Yes
Name of institution / submitter	Banco de España
Country of incorporation / residence	Spain
Type of submitter	Competent authority
Subject matter	Residence of the counterparty - short positions
Question	Table 20.6 of FINREP contains a geographical breakdown of liabilities by residence of the counterparty. Nonetheless, there is no guidance on how to determine the counterparty in the case of short positions.
Background on the question	The item short positions shows the amount that an institution should pay in the market for buying the securities that it has sold when it has acquired them under a securities lending operation or under a repurchase agreement. It is our understanding that in the case of short positions the counterparty is the issuer of the securities because the obligation of the institution is to buy exactly the same securities in the market, but not to any specific counterparty. Additionally, the obligation to return the securities to the counterparty that has provided them is recognized under the reverse repo or under the securities lending operation. In this sense, ECB regulation 1071/2013, concerning the balance sheet of the monetary financial

	<p>institutions, in Annex III, part 3, when is defining "debt securities" establishes that "where the temporary acquirer (of securities under securities lending operations or under a repurchase agreement) sells the securities received, this sale must be recorded as an outright transaction in securities and entered in the balance sheet of the temporary acquirer as a negative position in the securities portfolio." This treatment, although different than the one required in FINREP, implies that, for statistical purposes, the counterparty in a short position is the issuer of the securities.</p>
<p>Final answer</p>	<p>In the fact pattern submitted:</p> <ul style="list-style-type: none"> • An institution (reporting entity) has received securities under a securities borrowing transaction or under a reverse repurchase agreement. Notwithstanding the legal ownership of the securities is transferred to the institution, for accounting purposes they represent the collateral received under such operations and therefore do not result in their recognition on the institution's balance sheet (indeed, they continue to be reported in the balance sheet of the securities lender); • The institution sold the securities received to another counterparty in a regular transaction. <p>In such a situation, IAS 39 par. 37 b requires the institution to recognize in its financial statement a liability <u>versus the counterparty of the securities borrowing transaction / reverse repurchase agreement for its obligation to return the collateral.</u></p> <p>Therefore, for the purposes of table F 20.06 the same criterion shall apply. The short position shall be broken down by the country and the sector of the counterparty of the securities borrowing transaction / reverse repurchase agreement.</p>
<p>Link</p>	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_888</p>