

Question ID	2014_1039
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Asset Encumbrance
Article	100
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Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (repealed)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	100
Date of submission	01/04/2014
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Treatment of Cash collateral
Question	How does cash collateral be treated as this creates a financial asset when cash collateral has been given for initial margin or adverse margin. Does this form part of the other assets section of the return, or is it excluded? If it is to be included, should it be unencumbered?
Background on the question	Derivatives (liabilities) Collateralised derivatives with a negative fair value are reported as follows: The carrying amount of the derivative is reported as a source of encumbrance in {AE-SOU; r020; c010} The collateral (initial margins required to open the position and any collateral placed for the market value of derivatives transactions) are reported as follows: - If it is an asset of the reporting institution: its carrying amount is reported in {AE-ASS; *, c010} and {AE-SOU; r020; c030}; its fair value is reported in {AE-ASS; *, c040}. - If it is collateral received by the reporting institution, its fair value is reported in {AE-COL; *, c010}, {AE-SOU; r020; c030} and {AE-SOU; r020; c040}. From the above, it is stated that the carrying value of derivatives under these type of collateral arrangement should be reported as the source of encumbrance. The above also stated clearly that any collateral (including initial margins and any collateral placed for the market value of derivatives transactions) should be reported as encumbered assets in the

	<p>"AE - SOU" template. Based on the statements above, margin accounts and any receivables placed with counterparties under collateral arrangements should be reported as "encumbered" as well.</p>
Final answer	<p>To the extent possible, the supervisory reporting templates on asset encumbrance follow, from a methodological point of view, FINREP. That means that, in general, the recognition of assets and liabilities are in line with those in the IFRS.</p> <p>In this particular case, since cash given for initial or adverse margin has been derecognized from the balance sheet of the reporting entity under IFRS, it cannot be reported as encumbered in row 120 of template F 32.01 (AE-ASS). Instead, the amount of cash given shall be reported as an encumbered loan (rows 020 or 100 in template F 32.01, depending on whether the loan represents cash receivable on demand from the counterparty or not), based on the assumption that the reporting institution cannot freely withdraw it (as per the definition of "encumbrance" in paragraph 11 of Annex XVII of the ITS on supervisory reporting).</p> <p>Template AE-ADV (F 36.01 + F 36.02) shall also reflect this approach in the reporting of cash given for initial and adverse margin.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_1039</p>