

Single Rulebook Q&A

Question ID	2014_1073
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	197, 198
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	0
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Disclose name of institution / entity	No
Type of submitter	Accounting firm
Subject matter	Eligible collateral for the purpose of credit risk mitigation
Question	Are American Depository Receipt (ADR) and Global Depository Receipt (GDR) considered as equity for the purpose of credit risk mitigation?
Background on the question	Articles 197(1)(f) and 198(1)(a) of Regulation (EU) No. 575/2013 (CRR) lists eligible forms of collateral for the purpose of credit risk mitigation. This enumeration includes equities, in the German version of the CRR translated as "Aktien" (shares), which does not denote the same as equity as the scope of the English term is wider. Therefore we wonder if the CRR is referring to the economic character in this provision, allowing for the usage of GDRs and ADRs or whether it refers to the strict legal definition of Aktie, as a stipulated by e.g. the Austrian Aktiengesetz. If ADRs are stocklisted at a main index, whereas original shares are not, does this harm their eligibility in respect of Article197(1)(f)?
Final answer	The criteria distinguishing equity exposures from other types of exposures are provided by Article 133(1) or 147(6) of Regulation (EU) No. 575/2013 (CRR), as applicable. These criteria also help to distinguish equities from debt securities under Articles 197 and 198 of the CRR, and should be used for assessing whether the specific instruments in question qualify as equities

	<p>under Article 197 or 198, as applicable.</p> <p>If instruments qualify as equities, eligibility is determined by Article 197(1)(f) and Article 198(1)(a) of the CRR, as applicable. Hence, these instruments need to be included in a main index, or where Article 198 CRR is applicable, at least need to be traded on a recognised exchange.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_1073</p>

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