Single Rulebook Q&A

Question ID	2014_1154
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Asset Encumbrance
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 XVI - F32.01, F32.03, F32.04, F33.00, F35.00, F36.01
Date of submission	07/05/2014
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Disclose name of institution / entity	Yes
Name of institution / submitter	British Bankers' Association
Country of incorporation / residence	UK
Type of submitter	Industry association
Subject matter	Pro-rata of pool to work out encumbered and un-encumbered assets (F32.01, F32.03, F32.04, F33.00, F35.00, F36.01).
Question	Can firms split what counts as encumbered or not encumbered by pro-rating the pool of assets by self-issuance retained and as a proportion of total issuance?
Background on the question	Consider a situation where an institution doesn't have separate pools for self-issuance therefore we are going to pro-rata the pool size vs. self-issuances. Asset pools have a one to many relationship. E.g. Covered Bond and RMBS (non-derecognised securitisation) mortgages have a one to many relationship to the securities issued under the programme. To work out the split of the assets the firm pro-rata the carrying amount asset value by the split between encumbered and non-encumbered. This is based on the size of the type (encumbered or not encumbered) of security against the total securities issued. Example: Template F32.01 row 110 and columns 010, 030,

	060 and 080. Carrying amount of encumbered assets.
EBA answer	As stated in the instructions of the templates of asset encumbrance as provided in Annex XVII to Regulation (EU) No 680/2014 (ITS on Supervisory Reporting), assets in a cover pool used for a covered bond issuance shall be considered as encumbered, with the exception of ‘own-issued bonds’ in some situations. ‘Own-issued bonds’ refer to covered bond issuances where the reporting institution holds the covered bonds. In the case of ‘own-issued bonds’, if the own covered bonds are pledged, then the cover pool shall be considered as encumbered. If that is not the case, it shall be classified as non-encumbered. The above is assuming that reporting institutions can differentiate assets in the cover pool related to their own issuance from those which are linked to covered bonds sold to third parties. If that is not the case, a pro-rata based on the percentage of covered bonds held by the reporting institutions, out of the whole issuance, can be accepted. For example, if the reporting institution is retaining 10% of the covered bond issuance, the pro-rata to be used for the allocation of assets in the cover pool to the ‘own-issued bonds’ shall be 10%. From this 10%, the reporting institution would classify as ‘encumbered’ those which have been pledged whereas those which are not pledged would be deemed to be unencumbered (and reported in template AE-NPL).
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_1154