

Single Rulebook Q&A

Question ID	2015_1703
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 XVII - Reporting on Asset Encumbrance - Part A Section 2.3
Date of submission	05/01/2015
Published as Final Q&A	04/06/2021
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Template 32.04 - Sources of Asset Encumbrance
Question	<p>Template 32.04 relates to sources of encumbrance, stating the liabilities in column 010 and then matching up the encumbered assets which they drive. Row 010 states 'Carrying amount of selected financial liabilities' - we have three items which generate encumbered assets but do not appear to be assignable to a row in this template: 1. Note Cover - as a bank which issues bank notes we have a liability on our balance sheet for the notes in circulation - however this amount is not applicable to any of the rows which drive the row 010 total - i.e. it cannot be reported in row 020-110. 2. Payment system collateral - this is amounts pledged to use payments systems like CHAPs etc - there is no liability driving this encumbered asset 3. Cash ratio deposit - this is an amount we pledge to Bank of England in order to have the Bank of England as our Central Bank, similar to the payment system collateral there is no associated financial liability. For Note Cover this leaves us with a predicament as this liability is not applicable to rows 020-110 which drive the financial liabilities total in r010, also it cannot be reported in the 'Other sources of encumbrance' section within this template, rows 120-160, as the guidance clearly states that this is only for non-financial liabilities. As there is validation (v3218_m) between F32.02, c010, r250 and F32.04, c030, r170 - basically all the encumbered assets</p>

	<p>reported in F32.01 and F32.02 need to be included in F32.04 - so we have to include the note cover somewhere. For payment system collateral and cash ratio deposit we have similar issues in that we have to report all encumbered assets per validation v3218_m - but as there is no associated liability we do not know where to report the asset.</p>
Background on the question	<p>We suspect that instances where non central banks issue bank notes has not been considered in the preparation of the templates as it is, to our knowledge, a fairly unique situation on a European scale.</p>
EBA answer	<p>Instructions for the template F32.04 (Sources of encumbrance) in Annex XVII to Regulation (EU) No 680/2014 (ITS on Supervisory Reporting) provide that should be reported under row 160 "Amount of collateralised transactions of the reporting institution other than financial liabilities, not covered by the above items, insofar as these transactions entail asset encumbrance for that institution". This is also in line with the definition of encumbrance as introduced under point 1.7 of the instructions, which does not contain a limited list of items.</p> <p>Consequently, all assets that are encumbered should be reported in F32.04, even though this encumbrance does not give rise to any liability. This would ensure that the validation rule v3218_i is met at all time.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2015_1703</p>

European Banking Authority, 29/01/2022

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