

Single Rulebook Q&A

Question ID	2015_1852
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
Date of submission	24/02/2015
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Disclose name of institution / entity	No
Type of submitter	Investment firm
Subject matter	Reporting of the Transactions where cash transfers does not occur
Question	We would like to know in cases of transactions wherein stocks/securities are exchanged e.d Stock borrowing and Lending(SBL) transactions , how the stock encumbered and matching liabilities should be reported.
Background on the question	In SBL transactions, based on IFRS accounting framework there is no liability or contingent liability related to such trades. This is reflective of the fact that there is no funding raised and no cash leg involved.
EBA answer	<p>The relevant instructions for the reporting of Stock Borrowing and Lending are provided in point 2.1.1 paragraph 14d), point 2.2.1 paragraph 17, point 2.4.1 paragraph 19, point 2.4.2 rows 50 and 150, and point 3.2.1 rows 020 and 030 of Annex XVII of Regulation (EU) 680/2014 - ITS on reporting. Based on these requirements, further guidance is provided below on required reporting.</p> <p>1) Securities borrowing for which the securities borrower provides cash collateral that is in the full availability of the lender (in practice, a transaction similar to a reverse repo) Securities lending with cash collateral must be reported (from the securities</p>

lender's perspective) as "repurchase agreements" in templates F 8.1 of FINREP in accordance to Annexes III and IV of the ITS on reporting and as repurchase agreement in template F 32 consistently with Annex XVII, paragraph 14d as well as point 2.4.2 row 50.

Securities borrowing (from the securities borrower's perspective) must be reported as "reverse repurchase loans" in template F 5 of FINREP in accordance with Annex V, Pat 2, paragraph 41e. As consequence, the reporting of securities borrowing in template F 32 should be as specified in Q&A 2014_718:

- The cash granted to the securities lender is disclosed as an unencumbered loan in {template F 32.01; r010 and r020 or r 100 as applicable; c060};
 - The fair-value of the securities borrowed is disclosed as collateral received in {template F 32.02; r130 and r150 to r230 as appropriate; c010 or c040} depending on their encumbrance status;
 - If the securities borrowed are re-used in a transaction that gives rise to encumbrance, their fair values must also be disclosed in {template F 32.04; r010 to r170 as appropriate; c030 and c040} with the respective source of encumbrance in {template F32.4; r010 to row 170 as appropriate; c010}. This re-use of the cash collateral does not change the classification of the loan (to which is associated) as non-encumbered in template F 32.01
- Securities borrowing for which the securities borrower provides cash collateral(i.e. a deposit) that is not in the full availability of the lender In these transactions the cash amount provided as collateral is a deposit not transferred between the securities borrower and the securities lender. The reporting of those transactions depends on whether the cash collateral (deposit) is located at the borrowing institution or in a third party:
- When the cash collateral is located in the securities borrowing institution, under the form of a deposit that, although registered in lender's name, is not available for the latter and keeps being in the full availability of the borrower institution, under IFRS the borrower of the securities neither recognises a loan for the cash posted as collateral nor a liability for the deposit in FINREP templates, as the cash provided as collateral is never actually transferred to the securities lender. For the purpose of the reporting on asset encumbrance, the transaction must be reported in template F 32 as a securities borrowing for which the borrower pays a fee [see 4) below].
 - When the cash collateral is located in the form of a deposit made by the securities borrower in a third party, the deposit must be reported by the securities borrower as a loan, included in the corresponding accounting portfolio, in the template F 1.1 of FINREP. For the purpose of the reporting on asset encumbrance, the transaction must be reported in template F 32 as a securities borrowing in which the securities borrower provides securities as collateral (see paragraph (3) below).

2) Securities borrowing for which the securities borrower provides securities or deposits as collateral

The reporting for those transactions from the securities borrower's perspective mirror the disclosure from the securities lender's perspective,

	<p>which are specified in paragraph 14d) and paragraph 19 as well as point 2.4.2 row 150 of Annex XVII of the ITS on reporting. In this transaction, the “securities borrowed” have two features: (1) they are securities received that can be encumbered in other transactions and (2) they are a “source of encumbrance” for the securities pledged as collateral by the borrower. Those two features of the “securities borrowed” should be disclosed as follows:</p> <ul style="list-style-type: none"> • The fair value of the securities borrowed is reported as a source of encumbrance in {template F 32.04; r120 and r150; c010} • If the assets pledged as collateral are securities or deposits reported as an asset of the reporting institution: their carrying amount is reported in {template F 32.01; any appropriate row; c010} and in {template F 32.04; r120 and r150; c030}; their fair-value is reported in {template F 32.01; any appropriate row; c040} • If the securities or deposit(s) pledged as collateral were themselves previously received by the reporting institution as collateral, their fair values are reported in {template F 32.02; r130 and r150 to r230 as appropriate; c010} and their carrying amount in {template F 32.04; r010; c030 and c040}. If the securities borrowed are re-used, they are also reported in {template F 32.04; row 010 to row 170 as appropriate; c030 and c040} with the matching liabilities, contingent liabilities or securities lent in {template F 32.04; row 010 to row 170 as appropriate; c010}. <p>3) Securities borrowing without collateral (the borrower pays a fee) Consistently with paragraph 14d) and paragraph 19 as well as point 2.4.2 row 50 of Annex XVII of the ITS on reporting, the lender shall report an amount of 0 in {template F 32.04; r010 to r170 as appropriate; c010} and the carrying amount securities lent in {template F 32.04; r010 to r170 as appropriate; c030}. In accordance with paragraph 17 of Annex XVII of the ITS on reporting, the securities borrower shall report the securities obtained as “collateral received”:</p> <ul style="list-style-type: none"> • The fair value of the securities borrowed are included in {template F 32.02; r130 and r150 to r230 as appropriate; c010 or c040} depending on their encumbrance status; • If the securities borrowed are re-used in a transaction that gives rise to encumbrance, their fair values are also reported in {template F 32.04; r010 to r170 as appropriate; c030 and c040} with the respective source of encumbrance in {template F 32.04; r010 to r170 as appropriate; c010}.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2015_1852

