Single Rulebook Q&A

Question ID	2015_2010
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - COREP (incl. IP Losses)
Article	430
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) 2021/451 – ITS on supervisory reporting of institutions
Article/Paragraph	Annex II, Part II, 3.2.5 - Instructions concerning specific positions
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	EAD for over-collateralised securities financing transactions under the Financial Collateral Comprehensive Method
Question	For SFTs which are over-collateralised (the collateral received exceeds the exposure thus generating an EAD of zero), how should they be represented in the C07 template, if at all?
Background on the question	In the guidance for template C07 (CR SA), columns 050 to 100 explain how to represent the collateral under the FCSM, but columns 120 to 140 do not provide any guidance on how to do this under the FCCM. C07 is a capital template and showing gross exposure and collateral where no capital charge is taken could be misleading. If these trades with zero EAD are shown, how do you ensure that the figure in column 150 is zero? For example: column 110 = 100, column 120 = 5 (giving exposure of 105), column 130 = minus 110, column 140 = minus 10 (this is an 'of which' column), giving an EAD in column 150 = minus 5. In order to force column 150 = 0 to represent the true situation where no capital charge is required, which column should the additional 5 go in? If it goes in column 120 or 140 it distorts the true value of the volatility adjustments and if it goes into column 130, this distorts the true value of the collateral received.

EBA answer	COREP template C 07.00 (CR SA) of Annex I to Regulation (EU) No 2021/451 (ITS on Supervisory Reporting) provides information on own fund requirements for credit and counterparty credit risk and free deliveries with regard to the standardised approach. According to paragraph 51 of Annex II of the ITS on Supervisory Reporting, the scope of the above mentioned template are “all exposures for which the own funds requirements are calculated according to part 3 title II chapter 2 of CRR in conjunction with part 3 title II chapter 4 and 6 of CRR”, regardless whether the own fund requirement to be reported is zero. Having said that, Article 271 of Regulation (EU) No 575/2013 (CRR) provides a discretion for institutions to determine the exposure value of securities financing transactions (“SFTs”) either in accordance with Part Three, Title II, chapter 6 (i.e. counterparty credit risk - CCR) or with Part Three, Title II, chapter 4 (i.e. credit risk mitigation - CRM). In the light of the above discretion, if the institution applies financial collateral simple method (Article 222 CRR), it has to report exposures value of securities financing transactions in COREP template C 07.00 (CR SA), columns 050 to 100. If the institution, instead, applies financial collateral comprehensive method (Article 223 CRR), it has to report exposures value of securities financing transactions in COREP template C 07.00 (CR SA), columns 120 to 140. With specific reference to the submitted example, in the case of the financial collateral comprehensive method, where the adjusted value of the collateral is bigger than the adjusted value of the exposure, the fully adjusted exposure value (column 150) shall be floored to zero, while the adjusted value of the collateral (column 130) shall be reported as calculated in accordance with Articles 223 (2) and 239(2) CRR, however capped at the volatility adjusted value EVA according to Article 223 CRR and in line with validation rule v0307_m. The instructions for column 0130 will be amended however to reflect that the reported value should be capped. In the light of the above, the correct figures that should be included in template C 07.00 (CR SA) for the example mentioned are the following ones: Net exposure after CRM substitutions effects pre conversion factors (c110) = 100 Volatility adjustment to the exposure (c120) = 5 (-) Financial collateral adjusted value (CVAM) (c130) = - 105 (-) Volatility and maturity adjustments (c140) = - 10 Fully adjusted exposure value (E*) (c150) = 0. See also Q&A 2017_3349 for IRB approach.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2015_201

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