



**Single
Rulebook
Q&A**

Question ID	2018_4386
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Market risk
Article	327
Paragraph	1
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Calculation of net positions under Article 327 (1)
Question	Does a short (long) position on an over-the-counter derivative on a bond/ equity (single name/index/basket) underlying (such as a total return swap (TRS), equity swap, asset swap, etc) net off against a long (short) position in its bond/equity underlying as long as the bond/equity (single name/index/basket) underlying of the derivative contract is the same as the bond/equity in which the long (short) position exists?
Background on the	As it was stated in Q&A 2015_1873, article 327 (1) of Regulation EU No

question	575/2013 (CRR) explicitly recognizes financial futures, options, warrants and covered warrants for the netting of short and long positions in the same underlying but this article does not explicitly recognizes other OTC bond/equity (single name/index/basket) derivatives.
EBA answer	<p>With respect to the calculation under Article 327 of the net position in each instrument, for positions in derivative instruments, where the derivative instrument can be treated as an equivalent position in its underlying instrument in accordance with Articles 328 to 330, the equivalent position in the underlying instrument may be netted off against other positions in the identical instrument of the institution (i.e. the underlying has the same ISIN as the other instrument of the institution).</p> <p>For positions in derivative instruments, where the derivative instrument has multiple underlyings and can be exactly decomposed into equivalent positions in its underlying instruments, each of these equivalent position in the underlying instrument may be netted off against any other positions in identical instruments of the institution (i.e. identical means that the underlying has the same ISIN as the other instrument of the institution against which the derivative is netted).</p> <p>Where the underlying is an index, a basket or a CIU referred to in Article 350(1) or (2), and the institution is aware of the underlying instruments of such index, basket or CIU, the equivalent position referred above (e.g. delta equivalent for options or combinations of long and short positions) may be further broken down into equivalent positions in the underlying constituents of the index, basket or CIU and netted against other positions in identical instruments of the institution.</p> <p>Finally, in the specific case of positions hedged by credit derivatives, the offsetting rules in Articles 346 and 347 apply.</p> <p>All the above holds regardless of whether a derivative is exchange-traded or over-the counter.</p>
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