



**Single  
Rulebook  
Q&A**

<b>Question ID</b>	2019_4689
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Accounting and auditing
<b>Article</b>	134
<b>Paragraph</b>	-
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	none
<b>Date of submission</b>	29/04/2019
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<b>Disclose name of institution / entity</b>	Yes
<b>Name of institution / submitter</b>	ECB
<b>Country of incorporation / residence</b>	Germany
<b>Type of submitter</b>	Competent authority
<b>Subject matter</b>	Prudential treatment of leasing asset and liabilities (in relation to IFRS 16)
<b>Question</b>	What is the prudential treatment of the right of use leased assets and liabilities and is netting allowed?
<b>Background on the</b>	IFRS 16 is applicable as of 1 January 2019 and the main change is that there

<b>question</b>	will be no distinction between finance and operating leases from the lessee's point of view so lessees should recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. It is not clear whether it is allowed to net the right of use leased assets with the liability of payments and assign the associated 100% risk weight for tangible assets to the net amount.
<b>EBA answer</b>	<p>According to Article 134(1) of Regulation (EU) No. 575/2013 (CRR), a 100% risk weight shall be assigned to tangible assets within the meaning of Directive 86/635/EEC. Article 134(1) would therefore also apply to those tangible assets arising from the application of the IFRS 16 Leases Standard (effective for reporting periods beginning on or after 1 January 2019 and endorsed for use in the EU).</p> <p>In accordance to paragraph 47 of IFRS 16, Lessees shall present separately right-of-use assets from lease liabilities. In particular, according to paragraph 47(a) of IFRS 16, right-of-use assets shall be either presented “separately from other assets” or included “within the same line item as that within which the corresponding underlying assets would be presented if they were owned”. For prudential purposes, the treatment of the right-of-use recognised in application of IFRS 16 should follow the treatment of the underlying leased asset. Therefore, for those right-of-use assets whose underlying assets are tangible assets, Article 134(1) of the CRR would apply, regardless of the right-of-use assets being presented separately or within the same line than other tangible assets. No netting between right-of-use assets and associated lease liabilities is envisioned in the CRR.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2019_4689">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2019_4689</a>

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