Single Rulebook Q&A

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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	428c, 428ah
Paragraph	2, 1
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	n.a.
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Disclose name of institution / entity	Yes
Name of institution / submitter	Austrian Economic Chamber, Division Bank and Insurance
Country of incorporation / residence	Austria
Type of submitter	Industry association
Subject matter	Dealing with leasing (car leasing) in the calculation of the structural liquidity ratio (NSFR)
Question	Can leasing contracts (e.g. car leasing), which are accounted for as tangible fixed assets according to national accounting standards, be treated in the NSFR according to the actual inflow/cash flow?
Background on the question	In order to calculate the Structural Liquidity Ratio (NSFR), institutions apply established factors to the book values of their assets in accordance with Article 428c(2) of Regulation (EU) No 575/2013 of 26 June 2013 (as amended by Regulation (EU) No 876/2019 of 20 May 2019). Accordingly, for the NSFR, the book values shown in the balance sheet should be used and there should therefore be reconcilability between the NSFR and the balance sheet.However, some national accounting standards do not contain any special legal provisions for the accounting of leases. According to prevailing practice, the leased assets (vehicles) on which the leasing agreement is

based are allocated to fixed assets in the single entity financial statements and accounted for as tangible assets (86/635/EEC). The book value is the amortized acquisition cost of the leased assets (acquisition cost minus accumulated depreciation). In accordance with AT-GAAP, the discounted leasing payments are not recognised in the balance sheet.According to Article 428ah(1) lit. b of Regulation (EU) No 575/2013 of 26 June 2013 (as amended by Regulation (EU) 876/2019 of 20 May 2019), the factor for the required stable funding of tangible fixed assets amounts to 100%. Since the leased assets underlying the leasing contracts are accounted for in accordance with the national accounting standards, an RSF factor of 100% would be applied irrespective of the actual cash flows (leasing instalments).The NSFR focuses on the financing profile of credit institutions. However, the national accounting standards in the single-entity financial statements take into account the leased assets instead of the actual repayments from the leasing contracts, which contradicts the actual financing profile.In the consolidated financial statements, on the other hand, in accordance with some national accounting standards for lessors and IFRS for finance leases, the present value of the discounted minimum lease payments must be recognized as a receivable from customers (finance lease) instead of the leased assets/vehicles. Assuming that the interest used for discounting corresponds to the interest charged to the customer, the sum of all future repayments of a contract is equal to the present value recognised in the balance sheet and corresponds to the outstanding balance.The different values used (amortized acquisition cost vs. present value) and the different allocation (tangible fixed assets with a RSF of 100% vs. receivables from customers divided into maturity buckets with different RSFs) lead to a discrepancy between the single-entity financial statements and the consolidated financial statements. In addition, the actual financing profile of the bank is not reflected. As a result, the NSFR ratio in the single-entity financial statements is worse off. This therefore contradicts the idea of a "level playing field" in the EU.The book value of the underlying leased assets in the single-entity financial statements therefore does not seem to be the correct measure for the NSFR. Rather, in the NSFR, the present values of the discounted minimum lease payments should also be presented at the level of the single-entity financial statements in accordance with the contractual residual term in the time window in which the payments actually take place. As a result, this would correspond to the purpose of the NSFR (active positions are to be weighted on the basis of their contractual residual terms and refinanced with suitable positions) and the presentation would be consistent both within the NSFR (single-entity financial statements and consolidated) and with other reports (LCR, ALMM).In the credit risk standard approach, this discrepancy is solved by Article 134(7) in conjunction with Article 123 of Regulation (EU) 575/2013, using a uniform supervisory risk provision. Article 134(7) CRR stipulates that the present value (discounting of minimum lease payments) is to be used for the risk exposure value of leasing receivables. Article 123 regulates the allocation of

	the "present value of minimum lease payments in retail business [...] to the exposure class retail business [...]". As a result, the leasing receivables treated as tangible assets in accordance with national accounting standards are allocated to loans and advances to customers and the book value of the leased assets is replaced by the present value.The presentation of the leasing contracts on the basis of the individual inflows (repayments) as "non-renewable loans and receivables" also for NSFR purposes would lead to a presentation of the payments in the corresponding time windows in conformity with the deadlines.In internal risk management, liquidity planning and refinancing at matching maturities also take into account the repayments/cash flows from the lease agreements and not the leased assets themselves.
Final answer	In accordance with Article 428c(2) of Regulation (EU) No 575/2013 (as amended by Regulation (EU) 876/2019 of 20 May 2019), the accounting value of the assets should be used for the calculation of the net stable funding ratio. Therefore, in case leasing contracts are reported as fixed assets, the RSF of 100% has to be applied in accordance with Article 428ah(1)(b) of that Regulation. **Disclaimer:** The answers clarify provisions already contained in the applicable legislation. They do not extend in any way the rights and obligations deriving from such legislation nor do they introduce any additional requirements for the concerned operators and competent authorities. The answers are merely intended to assist natural or legal persons, including competent authorities and Union institutions and bodies in clarifying the application or implementation of the relevant legal provisions. Only the Court of Justice of the European Union is competent to authoritatively interpret Union law. The views expressed in the internal Commission Decision cannot prejudge the position that the European Commission might take before the Union and national courts.
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