



**Single
Rulebook
Q&A**

Question ID	2013_269
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Credit risk
Article	227
Paragraph	1
Subparagraph	N/A
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
Date of submission	24/09/2013
Published as Final Q&A	08/11/2013
Disclose name of institution / entity	No
Type of submitter	Consultancy firm
Subject matter	Use of Core Market Participants Rule
Question	<p>This question regards the use of the Core Market Participants rule (Article 227 of Regulation (EU) No 575/2013 (CRR)) in the context of Master Netting Agreements with Own Estimates of Volatility (Article 220). The rule detailed under Article 227 of CRR specifically excludes only the Internal Models Approach for Master Netting Agreements (Article 221), and is consistent with the Basel II text (June 2006) in which paragraph 170 excludes the same approach in paragraphs 178-181. However, paragraph 177 of the June 2006 text provides for repo-style transactions under master netting agreements to have haircuts calculated in accordance with paragraphs 147-172, inclusive of</p>

	<p>the core market participant rules. This is in contrast to the CRR, where article 220(1) is only inclusive of the volatility adjustments detailed in Articles 223-226, thereby excluding the core market participant rule. The question is whether this exclusion in the final CRR was intentional or an oversight.</p>
Background on the question	<p>There appears to be an inconsistency between the Basel II original text, which allows for the use of the core market participant rule when an institution uses the financial collateral comprehensive method or the master netting agreements approach with own estimates of volatility adjustments, and the CRR text. Could the EBA confirmed that the core market participant rule can be used by an institution that uses own estimates of volatility adjustments.</p>
EBA answer	<p>Article 220 requires using the financial collateral comprehensive method as set out in Articles 223 to 226. Where that financial collateral comprehensive method is used, Article 227 expressly permits, subject to conditions set out in that article, the use of a 0% volatility adjustment instead of the volatility adjustments set out in Articles 224 to 226.</p> <p>DISCLAIMER:</p> <p>This question goes beyond matters of consistent and effective application of the regulatory framework. A Directorate General of the Commission (Directorate General for Internal Market and Services) has prepared the answer, albeit that only the Court of Justice of the European Union can provide definitive interpretations of EU legislation. This is an unofficial opinion of that Directorate General, which the European Banking Authority publishes on its behalf. The answers are not binding on the European Commission as an institution. You should be aware that the European Commission could adopt a position different from the one expressed in such Q&As, for instance in infringement proceedings or after a detailed examination of a specific case or on the basis of any new legal or factual elements that may have been brought to its attention.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_269</p>

European Banking Authority, 25/06/2021
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