# Single Rulebook Q&A

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| **Question ID** | 2017_3512 |
| **Status** | Final Q&A |
| **Legal act** | Regulation (EU) No 575/2013 (CRR) |
| **Topic** | Supervisory reporting - Asset Encumbrance |
| **Article** | 100 |
| **Paragraph** | - |
| **Subparagraph** | - |
| **COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations** | Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended) |
| **Article/Paragraph** | Annex XVII Point 16 |
| **Date of submission** | 04/09/2017 |
| **Published as Final Q&A** | 05/03/2021 |
| **Disclose name of institution / entity** | No |
| **Type of submitter** | Other |
| **Subject matter** | Nominal value of collateral received - not available for encumbrance |
| **Question** | Point 16 of Annex XVII on Asset Encumbrance reporting states that "Assets are non-available for encumbrance" when they have been received as collateral and the reporting institution is not permitted to sell or re-pledge the collateral, except in the case of a default by the owner of the collateral. We understand from the above that 1. we should only report in Column 070 of AE-COL template, the collateral received from our clients up to the amounts of their actual exposure on the reporting day. 2. Question arise on the rule to follow to report the collateral per issuers type/type of securities in |

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| | column 70. Example: At reporting date: Client 1 has €1,000 cash and €2,000 securities (€500 Govies, €1000 Financial Corps, €500 Non Financial Corps) in its account with our company. Both the cash and securities accounts of client 1 are flagged as pledged in favour of our company in case of client1's default. Client 1 has entered into deals exposing our Company to €1,200 (Exposure in Basel III) In the books (off balance sheet) of the company, the collateral received will amounts to €3,000 In AE report AE COL column 70, base on point 16 of Annex XVII of ITS, we understand that we should not report €3,000 since our company could only sell the collateral up to the level of Client 1 exposure, ie €1,200 + relevant margins. If this this understanding is correct and €1,200 + relevant margins should be reported, question arises on the way we should select this amount amongst the total collateral received. The implemented selection will indeed impact the content of the reporting rows 150 to 230. We could indeed pick up €500 Govies, €500 Non Financial Corps and €200 cash or €1,000 Financial Corps and €200 Non Financial Corps), any other configuration |
| **Background on the question** | ITS unclarity |
| **EBA answer** | Annex XVII paragraph 16 explains that “Assets are “non-available for encumbrance” when they have been received as collateral and the reporting institution is not permitted to sell or re-pledge the collateral, except in the case of a default by the owner of the collateral. Own debt securities issued other than own covered bonds or securitisations are non- available for encumbrance when there is any restriction in the terms of the issuance to sell or re-pledge the securities held.” It depends on the contract between the institution and the counterparty whether the collateral received can be re-used. In the case of the example the collateral received cannot be re-used. In addition, the counterparty has over collateralized the operation with the reporting institution. Again it depends on the contract if the counterparty has the opportunity that the collateral (in that case in order to the (voluntary) over-collateralization) can be freely withdrawn (see Annex XVII paragraph 11).<br>So, if the collateral of 3,000 € cannot be freely withdrawn and if the collateral cannot be re-used by the reporting institution, the 3,000 € shall be reported in {F32.02, c070}.<br>If the collateral can partly be freely withdrawn (e.g. the excess to the exposure and margin), it depends on the contract which part of the collateral (e.g. up to the exposure and margin) shall be reported as collateral received and not available for encumbrance in {F32.02, c070}. |
| **Link** | https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2017_3512 |

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