

✘ Single Rulebook Q&A

Question ID	2020_5142
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2)
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 XVI and XVII
Date of submission	25/02/2020
Published as Final Q&A	04/12/2020
Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Reporting of ceded assets, that are part of a cover pool, in asset encumbrance.
Question	Shall cell F32.04, r100, c040 be opened?
Background on the question	<p>We propose to open cell F32.04, row 100 (Covered bonds), column 40 (Collateral received reused) in the Asset Encumbrance framework, as the following business case seems to be common among credit institutions: Bank A, that is e.g. a subsidiary of bank B, extends a loan (loan_1). Bank A leaves the loan to bank B (e.g. by a cession). Note that this is not a true sale. Then, bank B issues a covered bond; loan_1 is part of the cover pool of the covered bond. Thus, from bank B's perspective, the transferred asset loan_1 is collateral received that is encumbered; source of encumbrance is the covered bond issued. Therefore, it should be reported in F32.04, row 100, column 40 in the individual reporting of bank B. Also, loan_1 shall be reported as part of the cover pool of the covered bond issued in template F35.00, even though it is no asset of the reporting institution. In the consolidated reporting of bank B, loan_1 is reported as an asset instead of collateral received (assuming that the subsidiary bank A is fully consolidated).</p>
EBA answer	As stated in point 2.4.3 of annex XVII to the regulation 680/2014, column

	<p>40 of template F32.04 refers to the fair value of the collateral received that are re-used/encumbered as a result of the different type of transactions specified in the rows, as for instance, covered bonds issued (row 100).</p> <p>As regards the business case, although Bank B obtained temporary legal title over Bank A's securities, these securities remained recognised in Bank A's balance sheet since the accounting criteria for derecognition were not met and, for Bank B, such collateral represents a collateral received. Bank B could now obtain financing from a third party (Bank C) by re-posting the collateral received from Bank A or issuing covered bonds (being loan_1 a part of its cover pool). Bank B would still have to return equivalent assets when the original transaction with Bank A matures.</p> <p>The re-use of collateral by Bank B would result in encumbrance of off-balance sheet collateral for Bank B. Therefore, r100, c040 from template F32.04, should be opened.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5142

European Banking Authority, 26/02/2021
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