

Question ID	2019_4969
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	99
Paragraph	5
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	Chapter 7a
Date of submission	28/10/2019
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Disclose name of institution / entity	Yes
Name of institution / submitter	BaFin
Country of incorporation / residence	Germany
Type of submitter	Competent authority
Subject matter	Treatment of fiduciary assets for the purpose of asset encumbrance reporting
Question	Do fiduciary assets have to be included in asset encumbrance reporting?
Background on the question	The treatment of fiduciary assets by institutions under the asset encumbrance reporting framework varies: Institutions, which prepare balance sheets in accordance with IFRS (or in accordance with national generally accepted accounting principles (nGAAP) that do not provide for the recognition on the institution's balance sheet) do not report these items (neither as encumbered nor as unencumbered). In jurisdictions, where nGAAP provide for the recognition of fiduciary assets on the institution's balance sheet, institutions usually classify fiduciary assets as encumbered assets (however, even among these institutions the practice varies). Because of the different accounting treatment fiduciary assets can be excluded from the total exposure measure of the Leverage Ratio

	<p>according to Art. 429 (13) CRR since their recognition would distort the results of the calculations. For this reason, the same treatment should apply for the purposes of the asset encumbrance reporting (and ratio). Fiduciary assets – even if recognised on the institution's balance sheet by nGAAP – are only held in the institution's own name but on account of a third party. Thus, they do not exhibit any credit (loss) risk for the institution itself. For harmonising asset encumbrance reporting among Member States and institutions and to ensure comparability of asset encumbrance ratios, we propose to clarify that fiduciary assets do not have to be recognised as assets for asset encumbrance reporting purposes, neither as encumbered nor as unencumbered. If deemed appropriate the reporting templates should be modified (for example through insertion of a new line for relevant fiduciary assets) in order to further enable reconciliation of balance sheet and asset encumbrance reporting templates.</p>
EBA answer	<p>The provisions of Article 429 paragraph 13 of Regulation (EU) No 575/2013 apply to the calculation of the leverage ratio total exposure measure. Leverage (Annex 11) and Asset encumbrance (Annex 17) reporting in accordance with Regulation (EU) No 680/2014 (ITS on Supervisory Reporting) are two different reporting regimes. Specifications in the Leverage regime (Part II: Template related instructions, paragraph 1.2) do not enable conclusions regarding the Asset encumbrance regime. According to section 1.2 of Annex 17, institutions shall report carrying amounts under the accounting framework they use for the reporting of financial information in accordance with Articles 9 to 11 of the ITS on Supervisory Reporting.</p>
Link	<p>https://eba.europa.eu/single-rule-book-qa/qna/view/publicId/2019_4969</p>

European Banking Authority, 29/09/2020

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