

EBA/RTS/2025/07

29 October 2025

Final Report

Draft Regulatory Technical Standards on credit valuation adjustment risk of securities financing transactions under Article 382(6) of Regulation (EU) No 575/2013

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1. Executive Summary

The CRR, as amended by the CRR3, implements in the EU the revised framework for the determination of own funds requirements for credit valuation adjustment (CVA) risk. In accordance with Article 382(2) of the CRR, an institution shall include in the calculation of the own funds requirements for CVA risk securities financing transactions that are fair-valued under the accounting framework applicable to the institution where the institution's CVA risk exposures arising from those transactions are material.

Article 382(6) of the CRR mandates the EBA to develop draft regulatory technical standards (RTS) to specify the conditions and the criteria that the institutions shall use to assess whether the CVA risk exposures arising from fair-valued securities financing transactions are material, as well as the frequency of that assessment. The deadline for the submission of the draft RTS to the European Commission is set at 10 July 2026.

The draft RTS included in this document set out a quantitative approach for the determination of the materiality of CVA risk exposures arising from fair-valued securities financing transactions. In particular, they specify an assessment based on a ratio that quantifies the increase of CVA risk arising from the inclusion of fair-valued securities financing transactions in scope of the own funds requirements for CVA risk. Concretely, a materiality threshold is set at 5% for inclusion in the scope of the own funds requirements for CVA risk. With regard to the frequency of the assessment, the draft RTS set this on a quarterly basis, to ensure consistency with the regular calculation and reporting cycle of own funds requirements by institutions.

The draft RTS included in this document have been finalised by the EBA after considering the feedback received from a three-month public consultation¹ on the draft RTS, which took place from 8 July 2024 until 8 October 2024.

Next steps

The draft regulatory technical standards will be submitted to the European Commission for adoption following which they will be subject to scrutiny by the European Parliament and the Council before being published in the Official Journal of the European Union.

¹ EBA/CP/2024/14.

2. Background and rationale

1. Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) as amended by Regulation (EU) 2024/1623 (CRR3) implements in the EU the revised framework for the determination of own funds requirements for credit valuation adjustment (CVA) risk. In accordance with Article 382(2) of the CRR, an institution shall include in the calculation of the own funds requirements for CVA risk securities financing transactions (SFTs) that are fair-valued under the accounting framework applicable to the institution where the institution's CVA risk exposures arising from those transactions are material.
2. Article 382(6) of the CRR mandates the EBA to develop draft regulatory technical standards (RTS) to specify the conditions and the criteria that the institutions shall use to assess whether the CVA risk exposures arising from fair-valued SFTs are material, as well as the frequency of that assessment. The combined reading of the provisions in Article 382(2) and (6) of the CRR envisage that an institution shall include in scope of the capital requirements for CVA risk the fair-valued SFTs once the CVA risk exposures arising from them is deemed to be material in accordance with the RTS.
3. The draft RTS included in this document set out that the determination of the materiality of CVA risk exposures arising from fair-valued SFTs is performed through a ratio to be compared against a materiality threshold, set at 5%. More specifically, the ratio quantifies the percentage increase in CVA risk arising from the inclusion of fair-valued securities financing transactions in scope of the own funds requirements for CVA risk. If such ratio were to exceed the threshold, which is set at 5%, the CVA risk exposures arising from fair-valued SFTs are considered material, and the fair-valued SFTs are to be included in scope of the capital requirements for CVA risk in accordance with Article 382(2) of the CRR.
4. The approach to assess the materiality envisaged by the draft RTS is quantitative and is based on the CVA capital requirement metric. This enables to quantify the CVA risk exposures arising from fair-valued SFTs in line with the mandate in Article 382(6) of the CRR, and to determine whether they are material in the determination of the capital requirement for CVA risk. In addition, being a quantitative approach, it envisages the application of an objective methodology for the determination of the materiality, which should ensure a level playing field across institutions in the EU.
5. In accordance with the draft RTS, the materiality of CVA risk exposures arising from fair-valued SFTs is assessed on the basis of the aggregate CVA risk exposures arising from them. In this regard, the specific CVA risk exposure arising from each transaction is implicitly considered within the calculation of the aggregate CVA risk exposures. Accordingly, if the materiality threshold is exceeded, fair-valued SFTs should be included in scope of the capital requirement for CVA risk. Likewise, if the materiality threshold is not exceeded, no fair-valued SFT should be included in scope of the capital requirement for CVA risk.

6. It should be noted that the draft RTS and the capital requirements for CVA risk are not expected to apply to SFTs falling under the exemptions set out in Article 382(3) and (4) of the CRR (which include the EU CVA exemptions), unless the institution chooses to include the transactions in accordance with Article 382(4a) of the CRR. This ensures consistency with the scope of capital requirements for CVA risk envisaged by the level 1 text.
7. In terms of frequency to assess the materiality of the CVA risk exposures arising from fair-valued SFTs, the draft RTS set out that this is carried out at every quarter of the year in conjunction with the quarterly calculation of capital requirements for CVA risk for supervisory reporting (COREP), which should ensure consistency with the regular calculation and reporting cycle of own funds requirements by institutions.

3. Draft regulatory technical standards

COMMISSION DELEGATED REGULATION (EU) .../...**of XXX**

supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions and the criteria to assess whether the CVA risk exposures arising from fair-valued securities financing transactions are material, and the frequency of that assessment, under Article 382(6) of Regulation (EU) No 575/2013

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,
Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, and in particular Article 382(6), third subparagraph thereof,

Whereas:

- (1) In accordance with Article 382(2) of Regulation (EU) No 575/2013 an institution shall include in the calculation of own funds required for CVA risk securities financing transactions that are fair-valued under the accounting framework applicable to the institution where the institution's CVA risk exposures arising from those transactions are material. In this regard, it is appropriate to compute the ratio of the increase in own funds requirements for CVA risk that would occur if those transactions were included in scope of those own funds requirements, relative to the own funds requirements for CVA risk without including those transactions, and to compare it against a materiality threshold, as this will allow to assess the materiality of the CVA risk exposures arising from fair-valued securities financing transactions vis-à-vis other CVA risk exposures of the institution.
- (2) Institutions are required to determine own funds requirements for CVA risk at least on a quarterly frequency to comply with supervisory reporting requirements. To ensure consistency with the frequency of those calculations, the same frequency should be established for assessing the materiality of CVA risk exposures arising from fair-valued securities financing transactions.
- (3) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.
- (4) The European Banking Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council,

HAS ADOPTED THIS REGULATION:

Article 1

Conditions and criteria to assess whether the CVA risk exposures arising from fair-valued securities financing transactions are material

The CVA risk exposures arising from fair-valued securities financing transactions are material where the following ratio is equal to or higher than 5%.

$$\text{Ratio} = (a - b) / b$$

Where:

a = are the total own funds requirements for CVA risk including fair-valued securities financing transactions.

b = the total own funds requirements for CVA risk excluding fair-valued securities financing transactions.

Article 2

Frequency of the assessment of the materiality of CVA risk exposures arising from fair-valued securities financing transactions

The assessment referred to in Article 1 shall be performed on a quarterly basis. The reference dates for that assessment shall be the following: 31 March, 30 June, 30 September and 31 December.

Article 3

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President

4. Accompanying documents

4.1 Draft cost-benefit analysis / impact assessment

8. Article 382(6) of the CRR mandates the EBA to develop draft RTS to specify the conditions and the criteria that the institutions shall use to assess whether the CVA risk exposures arising from fair-valued securities financing transactions are material, as well as the frequency of that assessment.
9. Article 10(1) of Regulation (EU) No 1093/2010 (EBA Regulation) provides that any RTS developed by the EBA should be accompanied by an analysis of 'the potential related costs and benefits'. This analysis should provide an overview of the findings regarding the problem to be dealt with, the options proposed and the potential impact of these options.
10. This section presents the cost-benefit analysis of the main policy options included in this document, and an impact assessment of the proposed rules based on data from the Basel III monitoring exercise.

A. Problem identification

11. In accordance with Article 382(2) of the CRR as amended by the CRR3, an institution shall include in the calculation of the own funds requirements for CVA risk the SFTs that are fair-valued under the accounting framework applicable to the institution where the institution's CVA risk exposures arising from those transactions are material. Article 382(6) of the CRR mandates the EBA to develop draft regulatory technical standards (RTS) to specify the conditions and the criteria that the institutions shall use to assess whether the CVA risk exposures arising from fair-valued securities financing transactions are material, as well as the frequency of that assessment.
12. The combined reading of Article 382(2) and (6) of the CRR envisages that an institution shall include in scope of the capital requirements for CVA risk the fair-valued SFTs once the CVA risk exposures arising from them is deemed material in accordance with the draft RTS developed under Article 382(6) of the CRR. The draft RTS included in this document address the mandate in Article 382(6) of the CRR and will accordingly play a role in the determination of whether fair-valued SFTs should be included in scope of the own funds requirements for CVA risk.

B. Policy objectives

13. The objective of the draft RTS included in this consultation paper is to establish a common approach for assessing the materiality of CVA risk exposures arising from fair-valued SFTs, which will determine whether they should be included in scope of the own funds requirements for CVA

risk. In this way, the draft RTS contribute to ensure a consistent implementation of the own funds requirements for CVA risk in the EU.

14. Generally, these draft RTS aim to create a level playing field, promote convergence of institutions practises and enhance comparability of own funds requirements across the EU. Overall, these draft RTS are expected to promote the effective and efficient functioning of the EU banking sector.

C. Options considered, assessment of the options and preferred options

General approach of the assessment of the materiality of CVA risk exposures

15. Regarding the general approach to determine the materiality of the CVA risk exposures arising from fair-valued SFTs, the following options were considered:

Option A. Qualitative approach, that is, an approach based on qualitative conditions and criteria.

Option B. Quantitative approach, that is, an approach based on quantitative conditions and criteria.

Option C. Mixed qualitative and quantitative approach.

16. Option A may involve less quantitative calculations, hence may reduce the computational burden. However, the specification of qualitative criteria for the determination of the materiality of CVA risk exposures arising from SFTs may not allow to objectively measure that risk. In addition, qualitative criteria may lead to different interpretations (with costs linked to these interpretations and to the implementation of the related process), which run against a level playing field across institutions and may be expected to require increased supervisory scrutiny.

17. Option B involves some computational burden, however it allows to quantify the CVA risk arising from fair-valued SFTs. In addition, computations may be expected to be performed anyway under a qualitative approach to demonstrate the non-materiality of CVA risk exposures arising from fair-valued SFTs. Option B also ensures a level playing field across institutions given the objective criteria, and it should require lower supervisory scrutiny.

18. Option C is considered more complex, and it is unclear whether qualitative criteria would be necessary in addition to a quantitative assessment. This option would also involve some computational burden and could introduce variability of practices if qualitative criteria were to involve different interpretations. Taking into account these considerations, Option B has been chosen as the preferred option.

Metric employed for the assessment of CVA risk exposures of fair-valued SFTs

19. With regard to the metric to assess the CVA risk exposures arising from fair-valued SFTs, the following options were considered:

Option A. Use exposure values of fair-valued SFTs.

Option B. Use own funds requirements for counterparty credit risk arising from fair-valued SFTs.

Option C. Use own funds requirements of CVA risk arising from fair-valued SFTs.

20. Basing the metric on the same nature of risk that is subject of the assessment of the materiality (i.e. the own funds requirements of CVA risk) should be the more relevant alternative taking into account the text of the mandate in Article 382(6) of the CRR. With regard the costs foreseen to produce the calculations under Option C, it is noted that institutions should be used to calculate CVA risk own funds requirements associated to fair-valued SFTs also for supervisory reporting (e.g. COREP), since they provide a relevant information for supervisory purposes, as well as raise awareness to institutions regarding their CVA risk exposures to fair-valued SFTs.² Taking these considerations into account, Option C has been chosen as the preferred option.

Ratio to be tested to assess the materiality

21. With regard to the metric to assess the materiality of the CVA risk exposures arising from fair-valued SFTs, the following options were considered:

Option A. Assess the amount of own funds requirements for CVA risk arising from fair-valued SFTs with respect to the total own funds requirements for CVA risk.

Option B. Assess the amount of own funds requirements for CVA risk arising from fair-valued SFTs with respect to the total own funds requirements.

22. Option B would make the assessment dependent on the business model of the institution and the amount of own funds requirements in areas other than CVA risk. On the contrary, under Option A the materiality is assessed with respect to the business subject to CVA risk. While also combinations of the options could be introduced, Option A was considered more in line with the text of the mandate in Article 382(6) of the CRR (which refers to CVA risk exposures). Accordingly, the benefits of Option A were deemed greater than the benefits of Option B. On the costs side, they are supposed to be equivalent for both Options as total own funds requirements for CVA risk and total own funds requirements should be already available to institutions. Based on the above, Option A has been chosen as the preferred option.

² With regard to the determination of CVA own funds requirements associated to fair-valued SFTs, it is noted that this should be straightforward for institutions that apply the Simplified Approach, since for these institutions the own funds requirements for CVA risk are based on the own funds requirements for counterparty credit risk. Institutions that apply the standardised approach (SA-CVA) or the basic approach (BA-CVA) would on the contrary need to run an ad-hoc calculation. However, institutions that apply the standardised approach (SA-CVA) may exclude fair-valued SFTs from the SA-CVA and calculate their CVA capital requirements with the basic approach (BA-CVA), in accordance with Article 382a(3) of the CRR.

Frequency of the assessment

23. With regard to the frequency of the materiality assessment the following options were considered:

Option A. Set a monthly frequency.

Option B. Set a quarterly frequency.

24. In accordance with Article 383(1)(c) and (d) of the CRR, an institution that employs the SA-CVA must be able to calculate at least on a monthly frequency the CVA sensitivities. However, the CRR appears silent regarding the calculation frequency of own funds requirements for CVA risk under the BA-CVA or the simplified approach. Accordingly, to avoid increasing the computational and operational burden – and as such the costs of Option B would be lower than those of Option A – Option B has been chosen, which also ensures consistency with the regular calculation and reporting cycle of own funds requirements by institutions.

D. Level of the threshold on data of the Basel III monitoring exercise

25. Table 1 gives an estimation of the institutions that could be above the materiality threshold, for the institutions that participate in the Basel III monitoring exercise, based on data as of December 2023. For those institutions, the ratio mentioned in the draft RTS was proxied with the data available from that exercise. In particular, the numerator of the ratio has been set as the own funds requirements for CVA risk associated to fair-valued SFTs³, hence the results included in Table 1 should be considered upper bounds of the impact of the RTS for the institutions of the sample.

26. As described by the figures of Table 1, a threshold of 5% is exceeded by 13 institutions in the sample (representing 8% of the institutions in the sample, or 10% of the institutions in the sample that hold fair-valued SFTs or derivatives subject to own funds requirements for CVA risk).

³ Centrally cleared SFTs and SFTs exempted from own funds requirements for CVA risk under Article 382(4) of the CRR are not included in the numerator of the ratio.

Table 11. Estimate of the impact of the materiality threshold for institutions in scope of the Basel III monitoring exercise

	Number of institutions	Proportion of number of institutions	Proportion of number of institutions with ratios
Number of institutions in the sample after basic data quality checks	159		
Number of institutions with ratios	135		
Number of institutions with ratios > 0	19	12%	14%
Number of institutions with ratio falling above the thresholds:			
Threshold = 0.5%	18	11%	13%
Threshold = 1%	17	11%	13%
Threshold = 5%	13	8%	10%
Threshold = 10%	10	6%	7%

Source: Basel III monitoring exercise with data as of December 2023.

E. Conclusion

27. The draft RTS on CVA risk of SFTs under Article 382(6) of Regulation (EU) No 575/2013 should provide the necessary information for assessing whether the CVA risk exposure arising from fair-valued SFTs are material, as well as the frequency of that assessment with the view of not triggering disproportionate costs for institutions. Overall, the impact assessment on the draft RTS suggests that the expected benefits are higher than the incurred expected costs.

4.2 Feedback on the public consultation

The EBA publicly consulted¹ on the draft RTS contained in this document.

The consultation period lasted for three months and ended on 8 October 2024. Six responses were received, of which five were published on the EBA website. No opinion was received from the Banking Stakeholders Group.

This section presents a summary of the comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary. In some cases, industry bodies made similar comments or the same body repeated its comments in the response to different questions. In such cases, the comments, and EBA analysis are included in the section of this paper where the EBA considers them most appropriate.

Changes to the draft RTS have been incorporated as a result of the responses received during the public consultation.

Summary of key issues and the EBA's response

With regard to the approach for the determination of the materiality of CVA risk exposures arising from fair-valued SFTs, some respondents requested that the assessment should be based on a list of non-quantitative conditions/criteria, and an alignment to the approach taken in the US⁴ and in the UK⁵, taking into account the competitive disadvantage that a divergence would entail for European banks.

In this regard, the EBA notes that the US and UK approaches differ from each other. The US proposed to outright exclude SFTs from the scope of capital requirements for CVA risk, while the UK approach requires institutions to assess SFTs against non-quantitative criteria to determine their inclusion.

In addition, the EU framework for CVA risk has also differences in comparison to the US and UK approaches, given the presence of CVA exemptions in the EU. It should therefore be recalled that the draft RTS are limited to the transactions that could fall in scope of the capital requirements for CVA risk under the CRR. In particular, this entails that the draft RTS and capital requirements for CVA risk will not apply to SFTs falling under the exemptions set out in Article 382(3) and (4) of the CRR (which notably include transactions with non-financial and sovereign counterparties). The scope of exposures covered is therefore different in the EU, and for CVA risk purposes EU institutions have a competitive advantage on exempted transactions otherwise subject to capital requirements for CVA risk in other jurisdictions.

⁴ US NPR: A banking organisation generally does not calculate CVA for cleared transactions or for securities financing transactions (SFTs) for financial reporting purposes. Consistent with this industry practice, the proposal would not consider a cleared transaction or an SFT to be a CVA risk covered position and therefore would not extend the CVA risk-based capital requirements to such positions.

⁵ UK PRA Supervisory Statement SS12/13 Counterparty Credit Risk.

Furthermore, although the EBA deems it beneficial that the treatment for SFTs in the context of capital requirements for CVA risk was harmonised at international level, the Basel text left the assessment of the materiality of CVA risk exposures of SFTs to the supervisor, which may hence imply different treatments across jurisdictions. On balance, the EBA therefore considers that a quantitative approach is preferable to ensure a level playing field within the EU, especially as a direct comparison on competitive grounds would differ across types of exposures, and ultimately also depends on the choices of US and UK supervisors in the application of their supervisory powers.

With regard to the ratio to assess the materiality, some respondents requested a revision of the ratio proposed for consultation due to the non-linearity of the SA-CVA and BA-CVA formulas, and suggested to set the materiality threshold at 10%. Acknowledging the non-linearity of the SA-CVA and BA-CVA formulas, the ratio has been revised as suggested by respondents. With regard to the level of the threshold, after considering the feedback received and the results from the quantitative assessment using the data of the Basel III monitoring exercise, this has been set at 5%.

In the consultation paper, it was proposed to include fair-valued SFTs in scope of the own funds requirements for CVA risk if any of the last four ratios – referring to the four most recent quarters of a year – was higher than the materiality threshold. Stakeholders requested that this stabilisation mechanism was revised to reduce the time it takes to being exempt from capitalising CVA risk of fair-valued SFTs when this was material in the past, while requiring the capitalisation only in the presence of a pattern of breaches of the threshold. In this regard, the stabilisation mechanism proposed in the consultation paper has a drawback, namely if an institution had been above the threshold in past quarters, it was required to include the fair-valued SFTs in scope of the own funds requirements for CVA risk regardless of the materiality of their the CVA risk exposures after those quarters. Accordingly, in view of capitalising the CVA risk only when it is present, the final draft RTS require institutions to assess the materiality only on the basis of the positions held at the current reference date. This should also allow for a better adherence of the draft RTS to the level 1 text, which requires to capitalise the CVA risk arising from fair-valued SFTs when their CVA risk exposures are material (i.e. consistent with a point in time assessment).

Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
General comments			
	One respondent welcomed the draft RTS, as they create legal certainty for institutions when securities financing transactions are considered material and must be subject to capital requirements. Another respondent asked the EBA to clarify the rationale for prioritising this mandate, given that the original expectation was for this RTS to be finalised by July 2026. Some respondents commented that the draft RTS depart from the approach taken in the US and the UK. It was requested to consider a regulatory alignment with these major jurisdictions, taking into account the competitive disadvantage that such a divergence would entail for European banks. It was commented that any additional capital requirements for EU banks will lead to a pricing increase for SFTs in the EU market, while non-EU institutions (that are not required to meet a capital surcharge for SFTs) will attract all the SFTs business because of their lower pricing, pushing EU institutions out of the SFTs market. It was also commented that sovereign bond repos and reverse repos serve multiple purposes that are fundamental for the broader economy; including, among others, liquidity and collateral	The EBA agrees that the draft RTS create legal certainty in the determination of whether fair-valued SFTs should be subject to own funds requirements for CVA risk. With regard to the rationale to finalise the draft RTS sometime earlier with respect to their legal deadline, this has been pursued in order to provide clarity on regulatory expectations to stakeholders. In addition, these draft RTS are part of the phase 2 market risk mandates of the EBA Roadmap on the banking package, on which the EBA is focusing after having finalised its phase 1 market risk mandates. With regard to the approaches employed across jurisdictions for determining whether SFTs should be in scope of the own funds requirement for CVA risk, the EBA deems it beneficial if this was harmonised at international level to ensure a common treatment. Nevertheless, the Basel text left the assessment of the materiality of CVA risk exposures of SFTs to the supervisor, which may hence imply different treatments across jurisdictions. With regard to the motivations underlying the quantitative approach included in the draft RTS, and considerations related to competition vis-à-vis other jurisdictions, these are outlined above in this document.	No change.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	management, supporting market-making in the underlying securities, and facilitating monetary policy. By imposing non-proportionate capital requirements on SFTs, it would compromise such objectives. Some respondents suggested that materiality assessment of fair-valued SFTs for CVA risk should be based on a list of non-quantitative conditions/criteria similar to the approaches taken by other jurisdictions such as the UK. It was commented that fair-valued SFTs, which structurally bear little counterparty credit risk, should be considered as carrying no material CVA risk. This is for example the case for trades with short maturity and those covered by efficient risk mitigation techniques. By contrast, longer-dated SFTs, those not covered by a master agreement, poorly collateralised or subject to significant wrong-way risk may be required to be included in the scope of the calculation of a specific CVA capital charge. The methodology proposed by the EBA does not consider the above characteristics and leads to disproportionate capital requirements. It was also commented that in accordance with the proposed methodology, it may entail that for two banks with the same SFTs portfolio but with different size or activity, one might be material for SFTs while the other immaterial, leading to capital charges to the former while not for the latter.	With regard to the proposal to base the assessment on accounting CVA, it is noted that different institutions could record accounting CVA differently for similar fair-valued SFTs, which would run against harmonisation and a level playing field across institutions. In addition, the contribution of fair-valued SFTs on accounting CVA is not a sound measure of CVA risk, CVA risk being the adverse impact of a change in accounting CVA rather than its absolute level, while the mandate in Article 382(6) of the CRR refers to an assessment of CVA risk exposures. These are further reasons why reference to the capital requirement metric was preferred. With regard to the request to postpone the application date of the draft RTS with respect to their entry into force, this was not considered appropriate for three main reasons. First, some time passes until the adoption of the draft RTS by the European Commission, which should already give institutions time to prepare their implementation. Second, it is expected that institutions should already monitor the CVA risk arising from SFTs and have their calculations readily available, taking also into account that calculations on fair-valued SFTs are to be produced for supervisory reporting purposes. Finally, as Article 382(2) of the CRR requires the capitalisation of material CVA risk exposures arising from fair-valued SFTs, until the RTS are applied an approach should in any case be in place to assess the materiality of CVA risk exposures arising from fair-valued SFTs, hence	

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	One respondent suggested to employ the following two-step process, in case the EBA was not willing to consider a non-quantitative approach: under the first step, institutions that have sufficiently demonstrated the appropriateness of not including the (subset or full) FV SFTs population in their accounting CVA calculation, forming part of their audited accounts, may rely on that assessment to exclude FV SFTs from the CVA risk charge calculation. If, however, a bank has not sufficiently demonstrated the appropriateness of not including the (subset of full) FV SFTs population in its accounting CVA calculation to their internal and/or external auditors (or has elected to record accounting CVA for FV SFTs), a materiality assessment is performed by comparing the contribution of FV SFTs on accounting CVA against a threshold of 10%. When below the threshold, the institution has evidenced SFTs CVA risk to be not material and SFTs may be excluded from the CVA risk charge. If the threshold is exceeded, then the assessment should move to step 2. The second step of the proposed methodology proposal is to compare the marginal impact of including FV SFTs in regulatory CVA under the CRR3 against a threshold. Regarding the application date of the draft RTS, two respondents proposed that the first reference date to apply capital consumption for SFTs purposes be set at least one year from the entry into force of these RTS to allow institutions	postponing the application of the RTS would delay their objective to harmonise practices in this area.	

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	to have an appropriate capital planning and management. It was commented that institutions need to be able to have sufficient time in advance to adapt their capital budget and management to regulatory changes in general and especially in a context where they are already facing the application of the new CRR3 from 1 January 2025 and related level 2 mandates.		
Responses to questions in Consultation Paper EBA/CP/2024/14			
Question 1. At which level would you suggest to set the materiality threshold? When providing your answer, please provide any rationale and evidence supporting your proposal.	With regard to the level of the threshold, some respondents suggested to set it at 10%, commenting that setting it between [1–5]% is too punitive. In this regard one respondent commented that the 10% threshold would ensure consistency with the threshold used to assess materiality in the RNIME framework of the ECB guide to internal models. Another respondent commented that further analysis is required. Due to the adjustment of the calculation of CVA risk under the CRR3, the analyses can only be estimates. According to initial estimates, the selected threshold of [1–5]% is set too low, which would result in the CVA risk suddenly being considered material for a large number of institutions and subject to capital requirements. In this case, a phase-in period should be provided. On this last aspect, another respondent requested that a reasonable time (such as 6 months) should be provided to a bank to capitalise FV SFTs for CVA risk exposure should	With regard to the level of the threshold, after considering the feedback received and the results from the quantitative assessment using the data of the Basel III monitoring exercise, this has been set at 5%. With regard to the request to postpone the time when the capital requirement for CVA risk of fair-valued SFTs is actually capitalised with respect to when the positive materiality assessment test is attained, granting this was not considered appropriate, since the materiality assessment would confirm the presence of CVA risk exposures. With regard to the formulation of the ratio, after taking into account the comments from consultation on the non-linearity of the BA-CVA and SA-CVA formulas, the ratio has been revised as proposed by respondents. With regard to the requirements and approaches for the calculation of CVA risk to be used for the purposes of the ratio, the draft RTS envisage that the	The materiality threshold has been set at 5%. The formulation of the ratio has been revised. The materiality assessment has been revised to be based exclusively on the ratio referring to the current reference date.

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	they fail the materiality test and to provide sufficient time to adapt their calculation systems as well as internal and external reporting and disclosures. With regard to the formulation of the ratio, one respondent commented that a marginal impact is preferable to a standalone computation on the SFTs perimeter, due to the non-linearity of the regulatory BA-CVA and SA-CVA formulas. Indeed, computing a standalone capital charge on SFTs would likely overstate the actual impact of including these positions in a bank's capital charge. With regard to the choice of approach, one respondent commented that banks should have the flexibility to choose a metric that will not impose operational complexity. Thus, a bank should be allowed the optionality to choose a mix of SA-CVA and BA-CVA, identical to the one used for OFR, or to use BA-CVA across all its exposures which will enhance comparability. Similarly, when using BA-CVA, a bank may opt for calculating exposures identically to those used for CCR risk as this provides the benefit of operational simplicity or opt for CCR exposures calculated with standardised approaches only for added comparability. With regard to the recognition of CVA hedges, one respondent proposed that banks should have the option to not reflect hedges in the CVA risk calculation as there may be no hedging strategy	calculation of the own funds requirement for CVA risk should be performed in accordance with the requirements in the CRR and permissions granted by competent authorities applicable to the institution. Accordingly, institutions should employ the relevant approaches for the calculation of CVA risk that they would apply irrespective of the materiality of the CVA risk exposures arising from fair-valued SFTs, and should include the same CVA hedges that they elect to recognise under Article 386 of the CRR. This should ensure harmonisation across institutions, and consistency with the approaches and methodology otherwise used for calculating capital requirements for CVA risk. This also means that fair-valued SFTs that would be excluded from the scope of the own funds requirements for CVA risk because falling under the exemptions in Article 382(3) and (4) of the CRR should not be included in the calculation of the ratio, as they would not attract capital requirements for CVA risk under the CRR (unless the institution chooses to include them in accordance with Article 382(4a) of the CRR). Similarly, the derivatives in scope of the denominator of the ratio are those that are included in scope of the own funds requirements for CVA risk. With regard to the quarterly ratios that trigger the materiality qualification, there is a trade-off between limiting the volatility in the treatment of fair-valued SFTs and the possibility to allow for a soon way out of the capital charge. Therefore, the requirement has	

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	in place for SFTs if not capitalised at the time of the assessment. Additionally, this would alleviate operational issues with hedge allocation when using the BA-CVA by using the simple reduced BA-CVA instead of the Full BA-CVA. Another respondent commented that hedges for either fair value SFTs or derivatives should be excluded from the calculation. With regard the proposed quarterly frequency of the assessment test, one respondent commented to agree with the frequency of the test. In addition, this responded commented to understand that the requirement of the four consecutive ratio assessments to exempt SFTs from the regulatory CVA capital charge stems from the intentions by the EBA to limit the volatility in the treatment of FV SFTs (i.e. in and out of the CVA capital charge framework). However, this respondent commented to believe that the rule deciding the treatment of FV SFTs should be amended for the following reasons: 1. The proposed time it takes, four consecutive assessments below the threshold, to be exempted from capitalising CVA risk of fair-valued SFTs is excessive. 2. There may be instances where for a quarter, the share of FV SFTs regulatory CVA may increase. However, this should not automatically lead to a capitalisation of FV SFTs. Only if there is a pattern	been reviewed with a view of capitalising the CVA risk only when it is present. The materiality assessment has been revised to be based exclusively on the ratio referring to the current reference date. This should also allow for a better adherence of the draft RTS to the level 1 text, which requires to capitalise the CVA risk arising from fair-valued SFTs when their CVA risk exposures are material (i.e. consistent with a point-in-time assessment).	

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	of frequent material FV SFTs CVA risk over time should it be capitalised. To meet the objectives of ‘stability in outcomes’ together with ‘sufficient reactivity to portfolio changes’, the respondent suggested a simple approach: if over the most recent four quarters the quantitative assessment is over the materiality thresholds twice or more, then FV SFTs should be capitalised for CVA risk. To the contrary, if over the most recent four quarters the quantitative assessment is breached only once (or never), then FV SFTs should be excluded from the scope of OFR for CVA risk.		
Question 2. Do you have any additional comments on this consultation paper? If yes, please specify and motivate.	One respondent commented that the consultation paper does not provide guidance on including collaterals in the assessment of the materiality of SFTs for CVA risk exposures. In their view, they should be included in the materiality assessment, as this would more accurately represent risk exposures. One respondent commented that institutions that use the alternative method according to Article 385 of the CRR do not calculate the capital requirements for CVA risk. This respondent asked how these institutions are supposed to prove that the capital requirements from SFTs are not material; there is a lack of assessment basis. An alternative to proving materiality would be necessary here.	With regard to the recognition of collateral in the materiality assessment, the draft RTS envisage that institutions should employ the relevant approaches and requirements that they would apply if the fair-valued SFTs were included in scope of the CVA own funds requirements irrespective of the materiality of the CVA risk exposures arising from them, hence no additional guidance should be needed on this aspect in the RTS. For example, under the basic approach for CVA risk, Article 384 of the CRR specifies that EAD_{NS}^c is the counterparty credit risk exposure value of the netting set NS with counterparty c including the effect of collateral in accordance with the methods set out in Title II, Chapter 6, Sections 3 to 6, as applicable. Under the simplified approach of Article 385 of the CRR, the collateral should be recognised in a way equivalent to that employed when calculating	No change.

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		the risk-weighted exposures amounts for counterparty credit risk for the related transactions. With regard to institutions that use the simplified approach in Article 385 of the CRR, these institutions effectively calculate and capitalise an own funds requirement for CVA risk for the scope of transactions in scope of CVA risk, despite the own funds requirement for CVA risk is quantified in a way equivalent to that for counterparty credit risk for those transactions. The materiality assessment envisaged by the draft RTS should hence be applicable also to institutions that use the simplified approach set out in Article 385 of the CRR.	