

Question ID

2025_7575

Legal act

Regulation (EU) No 575/2013 (CRR)

Topic

Market risk

Article

271

Paragraph

1

COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations

Not applicable

Article/Paragraph

.

Name of institution / submitter

European Central Bank

Country of incorporation / residence

Germany

Type of submitter

Competent authority

Subject matter

SPV repack transactions

Question

Do SPV repackaging transaction on standardised platforms incur counterparty credit risk (CCR) or is the termination scenario considered a contractual feature that only results in market risk? If these

transactions are subject to counterparty credit risk, how should the value of the collateral be taken into account?

Background on the question

Investment banks use SPVs set up via industry-wide platforms to transform bond cash flows into other cash flow schedules. The sole purpose of these SPVs is the issuance of notes, which are backed by bonds held by the SPV. Investment banks then enter into swap transactions with these SPVs to transform the bond cash flow schedule into a cash flow schedule meeting the needs of third-party investors, which buy the notes from the SPVs.

These derivative transactions between the investment banks and the SPVs are governed by master netting agreements which include credit support annexes (CSAs). Under these CSAs, SPVs may post the bonds they hold as collateral to the investment banks. Given these SPVs are only generated for issuing notes, which are backed by the underlying bonds, the default of the SPV can only occur if the bond cash flows are no longer paid.

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04/09/2025

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29/05/2026

Final answer

Article 273(1) of Regulation (EU) No 575/2013 (CRR) specifies that institutions shall calculate the exposure value for the contracts listed in Annex II and for credit derivatives, with the exception of the credit derivatives referred to in paragraphs 3 and 5 of this Article, on the basis of one of the methods set out in Sections 3 to 6 in accordance with this Article.

Accordingly, to the extent the transaction between the institution and the SPV falls under the instruments listed in Annex II CRR or is a credit derivative not referred in paragraphs 3 and 5 of Article 273 of the CRR, they should be subject to own funds requirements for counterparty credit risk in accordance with Article 92(4), point (a) and (g) of the CRR.

In addition, market risk own funds requirements should also apply to the transaction to the extent this is included in the trading book, or in case it is subject to foreign exchange risk or commodity risk, in accordance with Article 92(4), point (b) and (c) of the CRR. It is noted that the own funds requirements for market risk should also capitalise the default risk to the derivative transaction arising from the reference asset of the SPV repack transaction (which would for example be captured in the default risk charge under the alternative standardised or internal model approaches).

With regard to the eligibility and the recognition of collateral in the calculation of the exposure value for counterparty credit risk of derivative transactions, they should be ascertained and performed, respectively, in accordance with the relevant provisions laid down in Chapter 4 and Chapter 6 of Title II of Part Three of the CRR.

For example, for exposures under the standardised approach for counterparty credit risk (SA-CCR), to be eligible for recognition the collateral shall satisfy the requirements in Articles 276(1)(a) and (b)

of the CRR, while under the internal model method (IMM) for counterparty credit risk it shall satisfy the requirements in Article 284(2) and 292(9) of the CRR. In addition, financial collateral may only be eligible if the credit quality of the obligor and the value of the collateral do not have a material positive correlation in accordance with Article 207(2) of the CRR, as clarified in [Q&A 2025_7576 (link)].

The recognition of eligible collateral is then performed in accordance with Article 276(1)(d) of the CRR for exposures under the SA-CCR, and in accordance with Article 285(1), (6) and (7) of the CRR for exposures under the IMM.

This answer is based on the assessment of the market risk and counterparty credit risk capital requirements arising from SPV repack transactions taking into account the current CRR requirements. As these transactions are understood to take place also in other jurisdictions, the EBA will monitor international developments in this matter. In this regard, should international standards specify a treatment different than that specified in this answer, the EBA considers that this should be reflected where appropriate in the level 1 text.

Status

Final Q&A

Answer prepared by

Answer prepared by the EBA.
