

Question ID	2019_5005
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2)
Topic	Supervisory reporting - FINREP (incl. FB&NPE)
Article	ANNEX V
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	F 31.2
Date of submission	18/11/2019
Published as Final Q&A	11/09/2020
Disclose name of institution / entity	Yes
Name of institution / submitter	Banca Nazionale del Lavoro
Country of incorporation / residence	Italy
Type of submitter	Credit institution
Subject matter	EBA validations rules for DPM 2.8 with reference to rule V3975_S.
Question	<p>According Q&A 2014_1203, interest income/expenses generated by hedge accounting derivatives used to hedge interest risk shall be presented "according to the contribution of the hedged instrument to profit or loss, i.e. in the column corresponding to the interest expenses / income of the hedged instrument, and therefore, with a negative sign. Validation rules v3900_s and v5693_s have been demoted non-blocking also to allow for that treatment."</p> <p>The Q&A 2014_1203 refers to templates F02.00 "Statement of profit or loss" (rows 070 and 130) and F16.01 "Interest income and expenses by instrument and counterparty sector" (row 250), but does not consider the template F 31.2 "Related parties: expenses and income generated by transactions with" (rows 010 and 020, column 010).</p>
Background on the	Our institution is a Sub-Group part of wider UE banking Group, therefore

question	<p>in the template F 31.2 we report the related parties with the Group according to Annex V, part 2, article 289 “for institutions that are part of a wider group, the subsidiaries are of the ultimate parent, not of the institution”. Moreover, based on the activity of our institution, the hedge accounting derivatives are held “fully back to back” with our Group. So for Finrep of the Sub-Group, the negative sign of interest income/expenses generated by hedge accounting derivatives should be allowed also in the template F 31.2.</p>
EBA answer	<p>Institutions report interest income and expenses related to transactions with related parties in rows 010 and 020 of template F 31.02 of Annex V to Regulation (EU) 2014/680 (ITS on Supervisory Reporting). Pursuant to Part 2.31 and Part 2.192 of the same regulation, rows 010 and 020 of template F 31.02 can also include interest income and interest expense on hedging instruments. The contribution of the hedging instrument shall be presented according to the contribution of the hedged instrument to profit or loss.(see Q&A 2014_1203).</p> <p>Thus, the reported values in rows 010 and 020 of template F 31.02 can be negative when the effect from hedging instruments outweighs the positive effect from the hedged item and other transactions with related parties. In contrast, validation rule v3975_s requires that the value reported in these rows is greater than or equal to zero. Therefore, the severity of validation rule v3975_s has been changed to “Warning” to allow for the possibility of negative values in rows 010 and 020 of template F 31.02.</p>
Link	<p>https://eba.europa.eu/single-rule-book-qa/qna/view/publicId/2019_5005</p>

European Banking Authority, 07/10/2020
www.eba.europa.eu