



Common Reporting Errors found in COR002 Large Exposures Templates and reporting of Eligible Capital for purposes of Large Exposures within COR001

The following is a list of areas in COR002 Large Exposures and the reporting of eligible capital for the purposes of qualifying holdings outside the financial sector and large exposures within template CA4 of COR001 where the PRA has noticed a number of reporting institutions are making errors. Reporters are asked to ensure that these are corrected for submissions as from 2015 Q3.

Template CA4 – Memorandum Items

Many firms are misreporting eligible capital with template CA4: this is one of the main causes, although not the only one, of incorrect Large Exposure Limits within C26 (LE Limits) of COR002. Common reporting errors within row 220 of CA4 (within COR001) include reporting a value of 0 (zero); using amounts of capital that differ to those reported on CA1 and not accounting for transitional arrangements.

Text taken from Part 2(1.5.1), Annex II of Commission Implementing Regulation (EU) No 680/2014¹ states that Row 220 'Eligible capital for the purposes of qualifying holdings outside the financial sector and large exposures' is calculated in accordance with Article 4(71) of the Capital Requirements Regulation (CRR).² In addition, eligible capital is subject to the transitional provisions outlined in Article 494 of the CRR.

From 1 January 2017, eligible capital is calculated as the sum of:

- the value of Tier 1 capital; and
- the value of Tier 2 capital where the amount used is capped at one third of the value of Tier 1 capital.

During 2015 and 2016, the applicable amount of Tier 2 capital is capped at 75% and 50% of the value of Tier 1 capital respectively.

Template C26 – Large Exposures Limits

Large Exposure Limits for both 'institutions' and 'non-institutions' are being reported incorrectly for a number of reasons. Incorrect 'Non-institution' limits mainly, but not always, result from the misreporting of eligible capital. Incorrect 'Institution' limits arose more evenly from incorrect eligible capital reporting, or from incorrect application of correct numbers for eligible capital. A common error was not applying the rule contained within Article 395 of the CRR stating that the limit may not exceed 100% of eligible capital.

Large Exposure Limits should be reported as per Part 2(4.1), Annex IX³ of Regulation (EU) No 680/2014 and Article 395 of the CRR:

- 'Non – Institutions' Limit (row 010, column 010): reported as the currency amount which equals 25% of eligible capital.
- 'Institutions' Limit (row 020, column 010) reported as either:
 - I. Non-Institutions Limit where eligible capital exceeds €600 million; or
 - II. the lesser of €150 million or 100% eligible capital.
- 'Institutions in %' (row 030, column 010): This must lie between 25% and 100%.

Templates C27-C29 Coverage: Internal Ratings Based (IRB) Approach for Credit Risk

Several IRB reporters are reporting fewer than 20 exposures. Firms with permission to use the Internal Ratings Based Approach (IRB) for credit risk should report their top 20 largest exposures in templates C27 – C29 (LE1-LE3) regardless of whether the exposure meets the definition of a large exposure. This reporting requirement refers to consolidated reporters only.

¹ Annex II 'Reporting on own funds and own funds requirements' of Commission Implementing Regulation (EU) No 680/2014 is available at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:JOL_2014_191_R_0001.

² CRR (575/2013) available at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0575&from=EN>

³ Annex IX 'Reporting on large exposures' of Commission Implementing Regulation (EU) No 680/2014 is available at https://www.eba.europa.eu/documents/10180/359626/Annex+IX_Instructions_Large+Exposures.docx/e772f4da-2fdd-445b-9960-b392cd19dfa8.

Reporting instructions are outlined in part 2(1.4), Annex IX of Commission Implementing Regulation (EU) No 680/2014 with further clarification provided by EBA Q&A 2014_1256.⁴

Templates C27-C31 Coverage: Top 10 Exposures to Institutions and Top 10 Exposures to Unregulated Financial Entities

There is evident confusion over the requirements for reporting the top 10 exposures to institutions and top 10 exposures to unregulated financial entities. This reporting requirement refers to consolidated reporters only.

Exposures should be reported on templates C27-C29 with an additional maturity breakdown of the exposures reported on templates C30(LE4) and C31(LE5). Firms should report the 10 largest exposures to institutions and 10 largest exposures to unregulated financial entities, regardless of whether they meet the definition of a large exposure. Please refer to Part 2 (1.5), Annex IX of Regulation (EU) No 680/2014.

Institutions are defined as per Part 2(3.13), Annex IX of Regulation (EU) No 680/2014. Further clarification is provided by EBA Q&A 2013_211⁵ which states that only relevant firms in jurisdictions recognised by the EU as providing regulation to equivalent standards should be included. Relevant firms in other jurisdictions should be classed as 'unregulated financial entities'.

Unregulated Financial entities are defined as per Article 142(5) of the CRR and referenced in Part 2(3.12), Annex IX of Regulation (EU) No 680/2014. As per definition, this excludes governments and central banks.

Templates C28 and C29 – Exposures in the Trading and Non-trading Book

The breakdown of exposures to individual entities within groups of connected clients reported on C29 should be equal to the overall exposure reported to the group of connected clients on C28 for each of the corresponding columns. Exposures to individual clients reported on C28 should not be included on C29. Please refer to Part 2 (1.7), Annex IX of Regulation (EU) No 680/2014.

Templates C30 and C31 - Maturity buckets of the exposures in the Trading and Non-trading book

The breakdown of exposures to individual entities within groups of connected clients reported on C31 should be equal to the overall exposure reported to the group of connected clients on C30 for each corresponding column (maturity bucket). Exposures to individual clients reported on C30 should not be included on C31. Please refer to Part 2(9.1), Annex IX of Regulation (EU) No 680/2014.

Use of Firm and Group Codes

Reporters are reminded that the codes used to identify firms and groups should correspond across templates. Codes should be designed such that for every counterparty in C28 (and C30 where applicable) the code should correspond to the code for that counterparty in C27. In C29 (and C31 where applicable) both the group code and firm code should correspond to codes used on C27. For further information, see the previous reporting clarification issued in September 2014.⁶

September 2015

⁴ See http://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_1256

⁵ See http://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_211.

⁶ Available at <http://www.bankofengland.co.uk/prd/Documents/crdiv/clarificationprocedures.pdf>.