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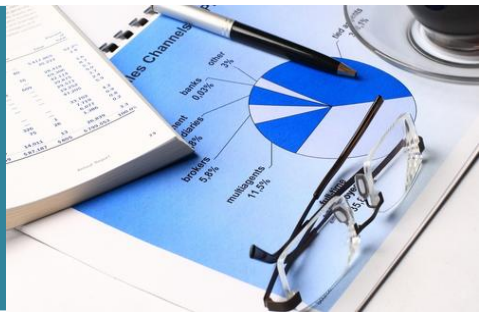
Chartered Accountants & Professional Business Advisers

Asset Encumbrance Reporting



In August 2014 the EBA published its new taxonomy and technical guidance for Asset Encumbrance Reporting. In this newsletter we have summarised what we currently understand about the new reporting requirement.

Who does this affect?

If your firm is in scope for COREP, then it will be in scope for Asset Encumbrance reporting. There will be some thresholds and a proportionality test, which means that not all templates will be relevant to smaller institutions or those without material levels of asset encumbrance. However, it appears that all firms within COREP will have to report at least one template.

When does it apply from?

The first reporting reference date is 31 December 2014 and due to the nature of the report, it shows a 'snapshot' at that date, in the same way that a balance sheet does for example.

The forms are yet to appear on GABRIEL, and it is anticipated that the FCA will be adding them soon.

What are the reporting requirements?

There are five sets of templates in all split into parts A, B, C, D and E. Unless you have over €30bn of Encumbered assets, and if you don't issue covered bonds, the firm is only required to report the Part A Templates.

Reporting is required quarterly in the same way as the COREP returns are reported. The deadline for submission is the 11th of the second month after the deadline. The first reporting deadline is 11 Feb 2015.

What is Asset Encumbrance?

Encumbrance is an impediment or burden, so the presence of encumbrance can give the illusion that there are more available funds in an entity than are actually free for use. The EBA define an encumbered asset as follows:

"An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn".

An encumbered asset is therefore inherently closely linked to a contract. The EBA give examples of typical contracts which would result in an encumbered asset including:

- Secured financing transaction
- Collateralised financial guarantees
- Collateral placed at clearing systems
- Assets in cover pools for covered bond insurance

The consensus from the majority of small firms is that none of the above applies to them, and therefore the asset encumbrance submission form will be blank.

A property which has a mortgage or secured loan against it however may be considered to be an encumbered asset as the firm would not be able to freely sell it.

Again this is a report which is designed for large institutions and due to the scope of CRD IV has caught many smaller firms with an extra regulatory cost. The reports

Asset Encumbrance Reporting

need generating in XBRL format, in the same way as the COREP returns do, and specialist software is required as a result.

Shipleys LLP has the required software for Asset Encumbrance and COREP reporting so please get in touch with Rob Wood (robert.wood@shipleys.com) should your require further information.

For further detail please see the Technical Standard released by the EBA on Asset Encumbrance.

Specific advice should be obtained before taking action, or refraining from taking action, in relation to the above.

London
10 Orange Street
Haymarket
London
WC2H 7DQ

T +44 (0)20 7312 0000
F +44 (0)20 7312 0022
E advice@shipleys.com

Godalming
3 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

T +44 (0)1483 423607
F +44 (0)1483 426079
E godalming@shipleys.com

www.shipleys.com