



TOPICS:

RWA, COLLECTIVE INVESTMENTS UNDERTAKING, MARKET RISK, COUNTERPARTY RISK

SOURCE:



European Banking Authority

EBA Publishes Final Draft Technical Standards on How to Calculate Risk Weighted Exposure Amounts for Exposures Towards Collective Investment Undertakings (CIUs)

Draft Regulatory Technical Standards (RTS)

- Draft regulatory technical standards to specify **how institutions shall calculate the risk-weighted exposure amount for CIUs, where one or more of the inputs required for that calculation are not available.**
- Moreover, in the case of funds where the total leverage of the fund is limited through market risk measures, which do not limit the actual exposure amounts by specifying limits for the notional amount of derivatives and for the counterparty credit risk exposure incurred by the CIU, the mandate-based approach (MBA) cannot apply and thus the approach to be used is the fall-back approach (FBA).
- The present draft RTS first **clarify the steps to be taken for computing the exposure value of CIUs' derivatives exposures where the underlying is unknown**, then provide for **cases where the calculation of the exposure amount to counterparty credit risk of a netting set of CIUs' derivative exposures** is needed.
- The proposed provisions follow closely both the Basel framework for equity exposures into funds as well as the CRR2 framework for counterparty credit risk.

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