BearingPoint ®

Asset Encumbrance with ABACUS/DaVinci

On October 30, 2013 the European Banking Authority (EBA) published its final draft of the Implementing Technical Standards (ITS) on reporting for Asset Encumbrance. These ITS on Asset Encumbrance complement the existing reporting framework (CoRep and FinRep) submitted for endorsement to the European Commission on July 26, 2013.

Objectives of Asset Encumbrance

- To provide supervisory authorities with a standardized and harmonized framework for reporting purposes on the level of Asset Encumbrance in institutions and thereby increase transparency of institute-specific risk profiles
- Increased financial stability, depositor protection and reduced risk of systemic events are expected to result in reduced losses for institutions as well as for the Member States' economies
- Allow supervisors to compare reliance on secured funding

These objectives are reached in connection with additional reporting obligations for Asset Encumbrance for capital market-oriented groups of institutes resulting from Article 100 CRR.

Outlining the new legal requirements

The final draft of the ITS stipulates in total nine forms grouped in five parts and aligned according to the reporting frequency. **The first reporting reference date for Asset Encumbrance was December 31, 2014 and the first remittance date was February 11, 2015.**

Basic forms	Contents	Reporting frequency	> € 30 bn OR > 15 % (*)	< € 30 bn AND < 15 % (**)	AND covered bonds issuance
A	**Encumbrance Overview** F 32.01 – Assets of the reporting institution F 32.02 – Collateral received F 32.03 – Own covered bonds and ABSs issued and not yet pledged F 32.04 – Sources of encumbrance	quarterly	✅	✅	
B	**Maturity Data** F 33.00 – Maturity data	quarterly	✅	❌	
C	**Contingent Encumbrance** F 34.00 – Contingent encumbrance	annually	✅	❌	
D	**Covered Bonds** F 35.00 – Covered bonds issuance	quarterly			✅
E	**Advanced Data** F 36.01 – Advanced data, Part I F 36.02 – Advanced data, Part II	semi-annually	✅	❌	

(*) Institutes with total assets larger than 30 bn EUR or an encumbrance ratio larger than 15 percent
(**) Institutes with total assets less than 30 bn EUR and an encumbrance ratio less than 15 percent

Figure: Reporting requirements and frequency

Benefits of Asset Encumbrance-Module:

- Possibility of using the Asset Encumbrance-Module as stand-alone application
- Trusted product, for more than 20 years
- Advanced multi-tenant and scalable architecture
- Access to BearingPoint's extensive regulatory and software expertise

Challenges for institutes

For many institutes both quantitative needs of rising data volumes and as well as the qualitative requirements regarding the consistency and availability of data are challenging. This calls for effective processes and systems just as for the integration of registration, treasury and accounting.

Another challenge arising from EBA's current ITS draft on the subject of Asset Encumbrance is the often needed one-to-one matching of encumbered assets and collateralized liabilities. This direct relation of transaction and collateral is often not present. In this case, ABACUS/DaVinci allows for the division of encumbered assets proportionally to the structure in the data pool.

ABACUS/DaVinci-Module Asset Encumbrance

The regulatory reporting software ABACUS/DaVinci covers all reporting requirements of the EBA for reporting encumbered assets. All nine forms are included in the GUI.

Coverage of specialist areas

ABACUS/DaVinci fills the forms of Asset Encumbrance reporting via standardized interfaces. Accordingly, the system uses the corresponding allocation of the product groups and economic sectors defined in ITS and calculates the amount to be reported per transaction. In addition, ABACUS/DaVinci can determine, on the basis of pledged securities data, whether an asset is encumbered or not.

ABACUS/DaVinci offers users several options for enriching the forms of Asset Encumbrance according to ITS. Initially, basic forms A, B, D and E can be determined and filled in via the single transaction processing using the ABACUS/DaVinci standard interface. Currently, there is not a complete solution for single transaction processing for part C. There is solely a simplified solution for the first stress scenario.

In addition, a standardized delivery option for form results as well as for manual entry at the form level are offered. BearingPoint also provides a further solution for data delivery with ABACUS/DaVinci-X2A.

With ABACUS/DaVinci, users are provided with an overall solution that covers the reporting requirements of the EBA. Existing data can also be used for internal management reporting via individual reports. Renowned financial institutions representing more than 800 reporting entities trust on ABACUS/DaVinci, among them renowned financial institutions and a major part of the 120 most important European Banks under supervision of the SSM.

IT architecture

Due to its modular structure ABACUS/DaVinci can be configured according to the clients' needs. ABACUS/DaVinci is based on a modern and future-oriented system architecture. Essential components of this architecture are a flexible client-server architecture (3-tier architecture) and a relational data model. The user interface of ABACUS/DaVinci is a web-based and platform-independent application with multi-client capability.

XBRL

The interface for the taxonomy-compliant depiction of the XBRL reporting format is supplied within the standard of ABACUS/DaVinci. The Asset Encumbrance-Module contains all published validation checks required by the supervisory authorities.

About BearingPoint

BearingPoint consultants understand that the world of business changes constantly and that the resulting complexities demand intelligent and adaptive solutions. Our clients, whether in commercial or financial industries or in government, experience real results when they work with us. We combine industry, operational and technology skills with relevant proprietary and other assets in order to tailor solutions for each client's individual challenges. This adaptive approach is at the heart of our culture and has led to long-standing relationships with many of the world's leading companies and organizations. Our 3500 people, together with our global consulting network serve clients in more than 70 countries and engage with them for measurable results and long-lasting success.

www.bearingpoint.com

Please do not hesitate to contact us for further information about the use of ABACUS/DaVinci-Asset Encumbrance.

We would be glad to provide you with price information on request.

Contact

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