

DOCUMENT	SECTION	ARTICLE		
		CONTENT	SUBTITLE	TITLE
		<div class="crrArticle">This Regulation specifies the conditions and methodologies used to determine the overall exposure of an institution to a client or a group of connected clients in respect of exposures through transactions with underlying assets and the conditions under which the structure of transactions with underlying assets does not constitute an additional exposure.</div>	Subject matter	Article 1
		<div class="crrArticle"> <p>For the purposes of this Regulation the following definitions shall apply:</p> <ol class="crrCharList"> transactions mean, transactions referred to in points (m) and (o) of Article 112 of Regulation (EU) No 575/2013 and other transactions where there is an exposure to underlying assets; unknown client means a single hypothetical client to which the institution assigns all exposures for which it has not identified the obligor, provided that Article 6(2)(a) and (b) and Article 6(3) (a) of this Regulation are not applicable. </div>	Definitions	Article 2
		<ol class="crrNumList"> An institution shall determine the contribution to the overall exposure to a certain client or group of connected clients that results from a certain transaction in accordance with the methodology set out in Articles 4, 5 and 6. The institution shall determine separately for each of the underlying assets its exposure to this underlying asset in accordance with Article 5. An institution shall assess whether a certain transaction constitutes an additional exposure in accordance with Article 7. 	Identification of exposures resulting from transactions	Article 3
		<ol class="crrNumList"> When assessing the underlying exposures of a transaction (transaction A) which itself has an underlying exposure to another transaction (transaction B) for the purpose of Articles 5 and 6, an institution shall treat the exposure to transaction B as replaced with the exposures underlying transaction B. Paragraph 1 shall apply as long as the underlying exposures are exposures to transactions with underlying assets. 	Underlying exposures to transactions which themselves have underlying assets	Article 4
		<ol class="crrNumList"> <p>The exposure of an institution to an underlying asset of a transaction is the lower of the following:</p> <ol class="crrCharList"> the exposure value of the exposure arising from the underlying asset; the total exposure value of the institutionâ€™s exposures to the underlying asset resulting from all exposures of the institution to the transaction. <p>For each exposure of an institution to a transaction, the exposure value of the resulting exposure to an underlying asset shall be determined as follows:</p> <ol class="crrCharList"> if the exposures of all investors in this transaction rank pari passu, the exposure value of the resulting exposure to an underlying asset shall be the pro rata ratio for the institutionâ€™s exposure to the transaction multiplied by the exposure value of the exposure formed by the underlying asset; in cases other than those referred to point (a) the exposure value of the resulting exposure to an underlying asset shall be the pro rata ratio for the institutionâ€™s exposure to the transaction multiplied by the lower of: <ol class="crrRomanList"> the exposure value of the exposure formed by the underlying asset; the total exposure value of the institutionâ€™s exposure to the transaction together with all other exposures to this transaction that rank pari passu with the institutionâ€™s exposure. The pro rata ratio for an institutionâ€™s exposure to a transaction shall be the exposure value of the institutionâ€™s exposure divided by the total exposure value of the institutionâ€™s exposure together with all other exposures to this transaction that	Calculation of the exposure value	Article 5

rank pari passu with the institution's exposure.

- For each credit risk exposure for which the obligor is identified, an institution shall include the exposure value of its exposure to the relevant underlying asset when calculating the overall exposure to this obligor as an individual client or to the group of connected clients to which this obligor belongs.
- If an institution has not identified the obligor of an underlying credit risk exposure, or where an institution is unable to confirm that an underlying exposure is not a credit risk exposure, the institution shall assign this exposure as follows:

 - where the exposure value does not exceed 0,25 % of the institution's eligible capital, it shall assign this exposure to the transaction as a separate client;
 - where the exposure value is equal to or exceeds 0,25 % of the institution's eligible capital and the institution can ensure, by means of the transaction's mandate, that the underlying exposures of the transaction are not connected with any other exposures in its portfolio, including underlying exposures from other transactions, it shall assign this exposure to the transaction as a separate client;
 - in cases other than those referred to in points (a) and (b), it shall assign this exposure to the unknown client.
- If an institution is not able to distinguish the underlying exposures of a transaction, the institution shall assign the total exposure value of its exposures to the transaction as follows:

 - where this total exposure value does not exceed 0,25 % of the institution's eligible capital, it shall assign this total exposure value to the transaction as a separate client;
 - in cases other than those referred to in point (a), it shall assign this total exposure value to the unknown client.
- For the purposes of paragraphs 1 and 2, institutions shall regularly, and at least on a monthly basis, monitor such transactions for possible changes in the composition and the relative share of the underlying exposures.

Procedure for determining the contribution of underlying exposures to overall exposures

Article 6

- The structure of a transaction shall not constitute an additional exposure if the transaction meets both of the following conditions:

 - the legal and operational structure of the transaction is designed to prevent the manager of the transaction or a third party from redirecting any cash flows which result from the transaction to persons who are not otherwise entitled under the terms of the transaction to receive these cash flows;
 - neither the issuer nor any other person can be required, under the transaction, to make a payment to the institution in addition to, or as an advance payment of, the cash flows from the underlying assets.
- The condition in point (a) of paragraph 1 shall be considered to be met where the transaction is one of the following:

 - a UCITS as defined in Article 1(2) of Directive 2009/65/EC;
 - an undertaking established in a third country, that carries out activities similar to those carried out by a UCITS and which is subject to supervision pursuant to a Union legislative act or pursuant to legislation of a third country which applies supervisory and regulatory requirements which are at least equivalent to those applied in the Union to UCITS.

Additional exposure constituted by the structure of a transaction

Article 7

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Entry into force

Article 8