

Question ID	2019_4805
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR) as amended
Topic	Large exposures
Article	390
Paragraph	6
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not applicable
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Large Exposures treatment of Nostro Accounts used for correspondent banking
Question	<p>Do Nostro Accounts used for correspondent banking activities always meet the exclusion criteria specified under Article 390(6) CRR?</p> <p>To the extent that a low amount of exposure is always left in the same accounts, as a buffer to avoid going overdrawn as a result of the correspondent banking activity, would this be eligible for the exclusions as well? If yes, under which circumstances?</p>
Background on the question	<p>A bank excludes Nostro account balances for the purpose of Large Exposures pursuant to the exclusions foreseen by Article 390(6) CRR. In particular, they note that the Nostro accounts in question are correspondent banking accounts that are managed on a daily basis, allowing payment services in the dedicated currency for treasury/transactional purposes. In this sense, individual accounts are managed in such a way that the balance is always low but keeping a minimum liquidity of 1m EUR (and always below 5m EUR in aggregate for some groups of accounts) when no large payments are expected and in order to cover possible delayed/unforeseen payments (this is to avoid</p>

	incurring possible overdraft charges).There is always an amount of exposure sitting on the account at all times, being it not managed to 0.
EBA answer	<p>Exposures resulting from Nostro Accounts used for correspondent banking activities do not always meet the exclusion criteria specified under Article 390(6) CRR. Buffers to avoid going overdrawn as a result of the correspondent banking activity cannot be considered as short-term exposures and therefore do not meet exclusion criteria specified under Article 390(6) CRR.</p> <p>Please see also Q&A 2286.</p>
Link	https://eba.europa.eu/single-rule-book-qa/-/qna/view/publicid/2019_4805

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