



## EBA published final draft regulatory technical standards specifying the prudential treatment of software assets

14 October 2020

**The European Banking Authority (EBA) published today its final draft Regulatory Technical Standards (RTS) specifying the prudential treatment of software assets. As the banking sector is moving towards a more digital environment, the aim of these draft RTS is to replace the current upfront full deduction prudential regime so as to strike an appropriate balance between the need to maintain sufficient conservatism in the prudential treatment of software assets and their relevance from a business and an economic perspective. The final draft RTS keep a simple approach based on a prudential amortisation of software assets calibrated over a period of maximum three years.**

These final draft RTS specify the methodology to be adopted by institutions for the purpose of the prudential treatment of software assets, following the amendments introduced as part of the

Risk Reduction Measures (RRM) package adopted by the European legislators. In particular, these draft RTS envisage the application of a prudential treatment based on software amortisation, which is deemed to strike an appropriate balance between the need to maintain a certain margin of conservatism in the treatment of software assets as intangibles, and their relevance from a business and an economic perspective.

Following the feedback received during the public consultation, the calibration of the maximum prudential amortisation period of software has been extended to three years. Moreover, the final draft RTS have been revised in order to envisage that prudential amortisation shall be calculated starting from the date on which the software asset is available for use. This would result in a better alignment between the starting date of the accounting and the prudential amortisation, facilitating the implementation of the new prudential treatment of software.

Finally, in line with the recent targeted 'quick fix' amendments to the Capital Requirements Regulation (CRR) aimed at bringing forward the date of application of the new prudential treatment for software assets, the date of entry into force of the draft RTS has been anticipated to the day following that of its publication in the Official Journal of the European Union.

The EBA will closely monitor the evolution of the investments in software assets going forward, including the link between the proposed prudential treatment and the need for EU institutions to make some necessary investments in IT developments in areas like cyber risk or digitalisation.

### Legal basis and next steps

These draft RTS have been developed according to Article 36(4) of Regulation (EU) No 575/2013 (CRR), which mandates the EBA to "specify the application of the deductions referred to in point (b) of paragraph 1 of Article 36, including the materiality of negative effects on the value which do not cause prudential concerns". The final standards have been sent to the European Commission for their adoption as EU Regulations that will be directly applicable throughout the EU.

DOCUMENTS

- [Final draft RTS on prudential treatment of software assets](#)
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LINKS

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