



EBA/Op/2015/13

3 July 2015

Opinion of the European Banking Authority on the Commission intention to amend draft Regulatory Technical Standards specifying the derogations concerning currencies with constraints on the availability of liquid assets according to Article 419(5) CRR

Introduction and legal basis

Draft Regulatory Technical Standards (RTS) with regard to currencies with constraints on the availability of liquid assets based on Article 419(5) of Regulation (EU) No 575/2013¹ (Capital Requirements Regulation or CRR) were submitted by the EBA to the European Commission for endorsement on 27 March 2014. These draft RTS were accompanied with draft Implementing Technical Standards (ITS) providing a list of currencies that have such constraints based on Article 419(4) of the CRR.

On 21 May 2015 the European Commission informed the EBA that it, acting in accordance with the procedure set out in the fifth and sixth subparagraphs of Article 10(1) of Regulation (EU) No 1093/2010², intended to amend the draft Regulatory Technical Standards submitted by the EBA.

The EBA competence to deliver an opinion is based on the fifth subparagraph of Article 10(1) of Regulation (EU) No 1093/2010.

In accordance with Article 14(5) of the Rules of Procedure of the Board of Supervisors³, the Board of Supervisors has adopted this opinion.

¹ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

² Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority) amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

General comments

Article 419(2) of the CRR allows institutions to apply some derogations where the justified needs for liquid assets in light of the liquidity coverage requirement in Article 412 of the CRR exceeding availability of those assets in a currency.

In particular, Article 419(2)(a) of the CRR (Derogation A) allows the use of liquid assets denominated in a foreign currency and Article 419(2)(b) of the CRR (Derogation B) allows the use of credit lines committed by the relevant central bank as liquid assets. In the draft RTS submitted to the European Commission, these derogations, and the conditions for their application, were specified with the following overarching objectives in mind. First, the application of a derogation should not be advantageous to the extent that, while it corrects for a disproportionate impact, it would lead to an uneven playing field between institutions. Second, the application of a derogation should not lead to undue risks for an institution. Third, the use of a derogation should be limited, and – in accordance with Article 419(3) of the CRR – inversely proportional to the availability of the relevant assets.

For these reasons, the draft RTS restricted the use of any derogation by requiring institutions to, from the outset and on a continuing basis, seek to reduce their need for a derogation. Such reduction measures should include better management of the inflow cap, prudent changes in liquidity management or renewed efforts to acquire liquid assets in the domestic currency. A derogation can only be applied in circumstances where an institution demonstrates that all of these steps have been taken and the justified need for the liquid assets remains. Also the combined use of derogations has to remain below the maximum usage percentage for that currency as established in the draft ITS on currencies with constraints on the availability of liquid assets.

Further measures provided by the draft RTS to prevent unnecessary use by institutions were embedded in the operation of the two derogations provided for in these draft RTS. Under Derogation A, a general additional 8% haircut has to be applied to foreign currency liquid assets held to meet domestic currency net outflows to adjust for currency risk. This additional haircut can be lower in the case of a mutually supported currency peg and higher in the case of a currency that is not actively traded in global foreign exchange markets.

Under Derogation B, as explained in the impact assessment section of the draft RTS, the opportunity costs (of actually holding a portfolio of qualifying liquid assets) are simulated. First the associated fees to be paid by institutions should offset the higher yield earned on the assets kept to secure the credit lines and, if applicable, also incorporate a charge reflective of the amount drawn down. Second, a central bank haircut of at least 15% is required, which

³ Decision adopting the Rules of Procedure of the European Banking Authority Board of Supervisors of 27 November 2014 (Decision EBA DC 2011/001(Rev4)).

corresponds to the haircut applicable to assets referred to in Article 416(1)(d) of the CRR (assets with high liquidity and credit quality), in accordance with Article 418 of the CRR.

From the Commission's side, examination of the draft RTS was delayed pending the adoption of the Commission Delegated Regulation (EU) No 2015/61⁴ (the Delegated Act) which specifies in detail the general liquidity coverage requirement under Article 412(1) of the CRR. The Delegated Act was adopted on 10 October 2014.

Specific comments

The European Commission proposes to endorse the draft RTS with the following amendments:

a) Removal of the minimum 15% haircut for collateral pledged under derogation B in Article 5

The Commission proposes to remove the requirement that the value of the collateral posted at a central bank must be subject to a haircut of at least 15%. The reason provided by the Commission is that such a requirement is not included in the Delegated Act nor in the Basel standard for the liquidity coverage ratio. Also the Commission argues that it would be unnecessary, as central banks would apply appropriate haircuts.

b) Added detail in Article 2(1) on the notification process

The Commission has delimited the exceptional circumstances under which it wouldn't be possible for institutions to notify competent authorities of a material change 30 days before its first application of the derogation. These circumstances have to relate to sudden market developments or idiosyncratic events or actions outside the control of the institution. Also, in such cases a preliminary notification must be provided before the implementation of the changes which would describe the nature of the material change and indicate of the percentage extent to which any derogation may be applied. This must be complemented by a more detailed notification after the material change.

Furthermore, institutions are required to notify competent authorities annually whether they intend to continue applying the derogation.

c) More direct reference to the Articles of the draft RTS on which information must be provided, with regard to Article 2(2)(b), (c), and (d)

The Commission has included a more direct reference to the Articles of the draft RTS and which deal with the conditions for the application of Derogations A and B, and on which institutions must provide information in the notification to the competent authorities.

⁴ Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions, OJ L 1, 17 January 2015.

d) Added detail on the estimate of future application of derogation(s) in Article 2(2)(e)

The Commission has further specified how the future application of the derogation or derogations should be notified by institutions. The Commission's proposed amendments specify that the institution must include an estimate of the institution's future application of the derogation(s) *'in terms of the size of percentage derogation applied and its variation over time'*.

In addition to the four changes above, the European Commission has taken the opportunity to make a number of minor drafting changes.

The EBA supports the European Commission's proposed amendments to the draft RTS removing the minimum 15% haircut for the reasons set out in the specific comments above. Article 419(5) of the CRR, which provides for the mandate for this draft RTS, establishes that the EBA must 'specify the derogations referred to in paragraph 2 including the conditions of their application', which was reasonably understood to include conditions on the level of the haircut to be applied to the assets used to secure the credit facility from the central bank. However, the Delegated Act, which in contrast to the CRR provides for conditions of application by itself, does not provide for such a requirement.

Another argument for removing the minimum haircut requirement is that the Basel standard for the liquidity coverage ratio (January 2013) does not necessarily require it, but rather represents something about which the jurisdiction should be ready to provide relevant detail once reviewed by the BCBS.⁵ In this regard, whilst a minimum haircut requirement is not mandatory in the Basel standard, there were several objectives that the EBA had in mind when deciding on its inclusion. First, there is the objective that the application of a derogation should not be advantageous to the extent that, while it corrects for a disproportionate impact, it would lead to an uneven playing field between institutions, as institutions operating in countries in which a liquid assets shortage has been observed may gain a competitive advantage when compared to those operating in other jurisdictions, as was pointed out by respondents during the consultation period. Second, there is the objective that the application of a derogation should not lead to undue risks for an institution. With regard to these objectives, the opportunity to obtain a Level 1 recognised credit line by the pledging of less liquid assets at the mere payment of the yield difference, could be considered as imprudent in view of the typical price volatility of the collateral pledged for the line (typically of Level 2 or lower quality according to the Delegated Act). Amounts that need to be pledged to secure the line could fluctuate for these reasons.

However, as argued by the Commission, central banks might apply appropriate haircuts and so already appropriately mitigate the risks of value deteriorations of collateral posted to secure the central bank line. Similarly, it could be argued that the requirement that the fee for securing the line corrects the yield difference between the collateral posted and cash would already extinguish any incentive for excessive usage of the derogation by the institution.

⁵ Page 62 and 61 (BCBS 2013) refers to "types of collateral acceptable to the central bank for securing the facility and respective collateral margins or haircuts required" as an item on which the "jurisdiction should provide all relevant details associated with the extension of the committed facility".

The EBA also supports the Commission's other proposed amendments. The added detail about what could be considered as exceptional circumstances will provide further legal certainty and so could be seen as prudentially desirable. Also it may help that the notification process has been clarified for those exceptional circumstances in terms of what type of preliminary notification is required. Similarly, the added detail on the estimate of future application of derogation(s) in Article 2(2)(e) will provide further legal certainty. Finally, the EBA also supports the other drafting changes proposed by the Commission.

For the reasons above the EBA has amended the draft RTS in a way consistent with the Commission's proposed amendments and submits them to the Commission in the form set out in the Annex.

This opinion will be published on the EBA's website.

Done at London, DD Month YYYY

[signed]

Andrea Enria

Chairperson

For the Board of Supervisors

Annex



Brussels, **XXX**
[...](2015) **XXX** draft

COMMISSION DELEGATED REGULATION (EU) No .../..

of **XXX**

supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the derogations concerning currencies with constraints on the availability of liquid assets

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Article 419(5) of Regulation (EU) No 575/2013 ('the Regulation') empowers the Commission to adopt, following submission of draft standards by the European Banking Authority (EBA), and in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010, delegated acts specifying the derogations referred to in Article 419(2) of the Regulation concerning currencies with constraints on the availability of liquid assets, including the conditions of their application.

These derogations provide that the denomination of liquid assets may be inconsistent with the distribution by currency of net outflows, and/or liquid assets may be substituted by credit lines from the central bank. The derogations are intended to address the inherent difficulties that institutions would face in meeting their liquidity coverage requirement in such currencies where it is not possible to reduce, by sound liquidity management, the resultant need for liquid assets and the holdings of those assets by other market participants.

In accordance with Article 10(1) of Regulation (EU) No 1093/2010 establishing the EBA, the Commission shall decide within three months of receipt of the draft standards whether to endorse the drafts submitted. The Commission may also endorse the draft standards in part only, or with amendments, where the Union's interests so require, having regard to the specific procedure laid down in those Articles.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT.

In accordance with the third subparagraph of Article 10(1) of Regulation (EU) No 1093/2010, the EBA has carried out a public consultation on the draft technical standards submitted to the Commission in accordance with Article 423(3) of Regulation (EU) No 575/2013. A consultation paper was published on 22 October 2013 on the EBA internet site, and the consultation closed on 22 December 2013. Moreover, the EBA invited the EBA's Banking Stakeholder Group set up in accordance with Article 37 of Regulation (EU) No 1093/2010 to provide advice on them.

Together with the draft technical standards, the EBA has submitted an explanation on how the outcome of these consultations has been taken into account in the development of the final draft technical standards submitted to the Commission.

As specifically requested by the Commission, only the draft technical standard and explanatory memorandum are submitted to the Commission for adoption. All relevant accompanying information – notably the background and rationale of the draft technical standards, the impact assessment and the feedback on the public consultation – is included in the full version of the technical standards, which was approved by the EBA's Board of Supervisors and will be published on the EBA's public website: <http://www.eba.europa.eu/regulation-and-policy/liquidity-risk/draft-technical-standards-ts-on-currencies-with-constraints-on-the-availability-of-liquid-assets>.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The provisions of these draft standards set out the derogations, and the conditions for their application, which have been specified with the following overarching objectives in mind. First, the application of a derogation should not be advantageous to the extent that, while it corrects for a disproportionate impact, it would lead to an uneven playing field between institutions. Second, the application of a derogation should not lead to undue risks for an

institution. Third, the use of a derogation should be limited, and – in accordance with Article 419(3) of the Regulation – inversely proportional to the availability of the relevant assets.

Article 2 requires as a condition of using a derogation that an institution notify its competent authority of the proposed use, or a material change in use.

Article 3 sets out conditions which must be met for an institution to be considered to have justified needs for liquid assets in the relevant currency.

Article 4 specifies the derogation in point (a) of Article 419(2) of the Regulation. In particular it requires institutions to maintain effective systems which enable use of the derogation to be monitored and controlled, and requires a general additional 8% haircut to be applied to foreign currency liquid assets held to meet domestic currency net outflows to adjust for currency risk. This additional haircut can be lower in the case of a mutually supported currency peg and higher in the case of a currency which is not actively traded in global foreign exchange markets.

Article 5 specifies the derogation in point (b) of Article 419(2) of the Regulation. In particular it requires that the associated fee to be paid by institutions to the central bank offset the higher yield earned on the assets kept to secure the credit lines and, where applicable, also incorporate a charge which reflects the amount drawn down.

Article 6 ensures that the use of a derogation is inversely proportional to the availability of the relevant assets by limiting the total use of the derogations by institutions to the percentage specified in implementing technical standards containing a list of currencies with constraints on liquid assets adopted pursuant to Article 419(4) of the Regulation. This constitutes an approach to limiting the use of derogations which is sensitive to the actual shortage identified for that currency.

COMMISSION DELEGATED REGULATION (EU) No .../..

of **XXX**

supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the derogations concerning currencies with constraints on the availability of liquid assets

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012¹ and in particular Article 419(5) thereof,

Whereas:

- (1) The Basel Committee on Banking Supervision has established international standards regarding the liquidity coverage ratio and liquidity risk monitoring tools² (BCBS standards).
- (2) In order to ensure effective oversight and application of the derogations provided for in Article 419(2) of Regulation (EU) No 575/2013 and effective monitoring of institutions' compliance with the requirements applicable to those derogations, in line with the BCBS standards, institutions should notify competent authorities when they intend to apply those derogations or when they intend to make a material change to the application of those derogations.
- (3) The BCBS standards establish guiding principles for supervisors in jurisdictions with insufficient high quality liquid assets. In line with Principle 3 of those guiding principles for supervisors, before applying any derogation, in order to demonstrate justified needs, institutions should take reasonable steps, to the extent practicable, to ensure that high quality liquid assets are used and reduce their overall level of liquidity risk to improve compliance with the liquidity coverage requirement.
- (4) In line with Principles 1 and 4 of the guiding principles for supervisors set out in the BCBS standards, it is necessary to ensure that institutions do not apply the derogations as an economic choice that maximises their profits through the selection of alternative high quality liquid assets based primarily on yield considerations. In line with those principles it is also necessary to establish a mechanism for limiting the use of the derogations in order to mitigate risks of non-performance of the alternative assets. Taking into account the BCBS standards it is also necessary to provide for appropriate haircuts for the purposes of the derogation provided for in Article 419(2)(a) of Regulation (EU) No 575/2013 and to establish rules on the fee for the purposes of the

¹ OJ L 176, 27.6.2013, p. 1.

² Basel Committee on Banking Supervision, Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools, January 2013, <http://www.bis.org/publ/bcbs238.pdf>

derogation provided for in Article 419(2)(b) of that Regulation. In particular, as regards the derogation provided for in Article 419(2)(b) of Regulation (EU) No 575/2013, in order to ensure that the price paid by an institution for a central bank credit line is fair, the fee should be composed of two elements. The first should offset the higher yield earned on the assets kept to secure the credit line in order to ensure that the pricing reflects benefits which accrue independent of the amount currently drawn. The second should reflect the amount of the credit line drawn down.

- (5) In line with Principle 2 of the guiding principles for supervisors set out in the BCBS standards, the use of the derogations should be limited for all institutions with exposures in the relevant currency. Pursuant to Article 419(3) of Regulation (EU) No 575/2013, the derogations applied are to be inversely proportional to the availability of the relevant assets. For those reasons, the use of the derogations should be limited to a percentage of a credit institution's net liquidity outflows in the relevant currency which corresponds to the relevant shortage in liquid assets in that currency.
- (6) This Regulation is based on the draft regulatory technical standards submitted by the European Banking Authority (EBA) to the Commission.
- (7) EBA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council³,
- (8) In accordance with the procedure in Article 15 of Regulation (EU) No 1093/2010, the Commission has endorsed with amendments the draft implementing standard submitted by EBA after having sent the draft implementing standard back to EBA explaining the reasons for the amendments. The EBA provided a formal opinion supporting those amendments.

HAS ADOPTED THIS REGULATION:

Article 1
Subject matter

This Regulation specifies the conditions for the application of the derogations referred to in Article 419(2) of Regulation (EU) No 575/2013 concerning currencies with constraints on the availability of liquid assets.

Article 2
Notification of the derogation

1. A credit institution shall notify the competent authority that it intends to apply one or both of the derogations provided for in Article 419(2) of Regulation (EU) No 575/2013. The notification shall be provided in writing 30 days before the date of the first application of the derogation.

³ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

Where an institution intends to make any material change in its application of the derogation as notified in accordance with the first subparagraph, it shall notify the competent authority thereof 30 days before the date of the first application of such change.

In exceptional circumstances where due to sudden market developments or idiosyncratic events or actions outside the control of the institution, it is not possible to provide competent authorities with the notification of a material change 30 days before its first application, institutions shall provide a preliminary notification to competent authorities before the application of a material change. The preliminary notification shall provide a description of the nature of the material change and indication of the percentage extent to which any derogation may be applied after the material change. The preliminary notification shall be completed by a notification in accordance with the second subparagraph within 30 days of the first application of any derogation.

An institution shall notify competent authorities annually whether they intend to continue applying the derogation notified in accordance with the first subparagraph

2. The notification referred to in the first subparagraph of paragraph 1 shall include the following information:
 - (a) whether it concerns the derogation provided for in Article 419(2)(a) of Regulation (EU) No 575/2013, the derogation provided for in Article 419(2)(b) of that Regulation, or both derogations;
 - (b) information on the compliance with the conditions set out in Article 419(3) of Regulation (EU) No 575/2013 and the requirements of Article 3 of this Regulation;
 - (c) for the derogation provided for in Article 419(2)(a) of Regulation (EU) No 575/2013, information confirming that it meets the requirements of Article 4 of this Regulation and in particular regarding the calculation of the haircuts in accordance with Article 4(4) of this Regulation;
 - (d) for the derogation provided for in Article 419(2)(b) of Regulation (EU) No 575/2013, information confirming that it meets the requirements of Articles 5 and 6 of this Regulation and in particular regarding the calculation of the fee for the credit line;
 - (e) an estimate of the institution's future application of the derogation or derogations in terms of the size of percentage derogation applied and its variation over time and a comparison between the institution's liquidity position if it applies the derogation(s) provided for in Article 419(2) of Regulation (EU) No 575/2013 and its liquidity position if it does not apply the derogation(s) provided for in that Article.

Article 3

Assessment of justified needs

An institution shall be deemed to have justified needs for liquid assets for the purposes of Article 419(3) of Regulation (EU) No 575/2013 only where the following conditions are met:

- (a) it has reduced, by sound liquidity management, the need for liquid assets in the full range of business conducted by the institution;

- (a) its holdings of liquid assets are consistent with the availability of those assets in the relevant currency.

Article 4

Application of the derogation provided for in Article 419(2)(a) of Regulation (EU) No 575/2013

1. An institution shall take all reasonable steps to fulfil the liquidity coverage requirement set out in Article 412 of Regulation (EU) No 575/2013 before applying derogation provided for in Article 419(2)(a) of that Regulation.
2. An institution shall ensure that it is at all times able to operationally identify the liquid assets used to meet foreign currency liquidity coverage requirements and the liquid assets held as a result of the application of derogation provided for in Article 419(2)(a) of Regulation (EU) No 575/2013.
3. An institution shall ensure that its foreign exchange risk management framework meets the following conditions:
 - (a) currency mismatches resulting from the use of the derogation provided for in Article 419(2)(a) of Regulation (EU) No 575/2013 are adequately measured, monitored, controlled and justified;
 - (b) liquid assets which are inconsistent with the distribution by currency of liquidity outflows after the deduction of inflows can be liquidated in the currency of the Member State of the relevant competent authority whenever necessary;
 - (c) historical evidence relating to stress periods which supports the conclusion that the institution is able to promptly liquidate the assets referred to in point (b).
4. An institution which uses liquid assets in a currency other than the currency of the Member State of the relevant competent authority to cover liquidity needs in the latter currency shall apply a haircut of 8% to the value of those assets in addition to any haircut applied in accordance with Article 418 of Regulation (EU) No 575/2013.

Where the liquid assets are denominated in a currency that is not actively traded in global foreign exchange markets, the additional haircut shall be higher than 8% or the largest monthly exchange rate movement between both currencies in the 10 years prior to the relevant reporting reference date.

Where the currency of the Member State of the relevant competent authority is formally pegged to another currency under a mechanism in which the central banks of both currencies are bound to support the currency peg, the institution may apply a haircut equal to the width of the exchange rate band.

Article 5

Application of the derogation provided for in Article 419(2)(b) of Regulation (EU) No 575/2013

1. An institution shall take all reasonable steps to fulfil the liquidity coverage requirement set out in Article 412 of Regulation (EU) No 575/2013 before applying the derogation provided for in Article 419(2)(b) of that Regulation.

2. An institution shall obtain from the central bank in respect of the currency with constraints on the availability of liquid assets a credit line which complies with the following conditions:
 - (a) it specifies that the institution has a legally binding entitlement to access the credit facilities and that entitlement is set out in a written agreement;
 - (b) following the decision to provide a credit line, access to the credit facilities is not subject to a credit decision by the central bank;
 - (c) the credit facilities can be drawn on by the institution without delay and no later than one day after giving notice to the central bank;
 - (d) the credit line is at all times available for a period which exceeds the 30 day period of the liquidity coverage requirement specified in Article 412(1) of Regulation (EU) No 575/2013.
3. An institution shall fully post collateral at the central bank which after being subject to any haircut applied by the central bank shall at all times be equal to or exceed the maximum amount that may be drawn on the credit line.

Article 6

Fee payable for the granting of a credit line

1. An institution shall pay a fee established by the central bank and which is made up of two components for the credit line referred to in Article 5(2) of this Regulation and is designed to provide neither an economic advantage nor an economic disadvantage, as compared to the position of institutions which do not apply the derogation provided for in Article 419(2)(b) of Regulation (EU) No 575/2013.
2. The fee to be paid by an institution for the credit shall be the sum of the following components:
 - (a) an amount which is based on the amount of the credit line drawn down;
 - (b) an amount which approximates the difference between the following:
 - (i) the yield on the assets used to secure the credit line;
 - (ii) the yield on a representative portfolio of assets of the type provided for in points (a) to (d) of Article 416(1) of Regulation (EU) No 575/2013.

The amount referred to in point (b) may be adjusted to take into account any material differences in credit risk between the sets of assets referred to in that point.

Article 7

Limitation on the use of derogations

1. When applying the derogations provided for in Article 419(2) of Regulation (EU) No 575/2013, institutions shall not exceed the relevant percentage set in respect of a currency by the implementing technical standards adopted pursuant to Article 419(4) of Regulation (EU) No 575/2013.
2. For the purposes of paragraph 1, when applying the derogations provided for in Article 419(2) of Regulation (EU) No 575/2013 the institutions shall calculate the percentage as the percentage that X represents of Y where:

- (a) “X” is the sum of the value of all liquid assets to which the derogation provided for in Article 419(2)(a) of Regulation (EU) No 575/2013 applies, after application of the any haircuts and the maximum amount that may be drawn on a credit line to which the derogation provided for in Article 419(2)(b) of Regulation (EU) No 575/2013 applies;
- (b) “Y” is the institution’s liquidity coverage requirement pursuant to Article 412 of Regulation (EU) No 575/2013.

Article 8
Final provisions

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

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President
Jean-Claude Juncker