



**Single
Rulebook
Q&A**

Question ID	2021_5692
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Liquidity (LCR, NSFR, AMM)
Article	99
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
Article/Paragraph	Annexes 24 and 25
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Disclose name of institution / entity	No
Type of submitter	Investment firm
Subject matter	Treatment for repo / reverse repo of liquid asset transacted outside the segregated pool for institutions operating under Article 8.3.a
Question	<p>1. For a credit institution reporting under article 8.3.a, should liquid asset collateral in repo / reverse repo transactions away from the segregated pool be reported in “of which collateral extended / received meets operational requirements” rows of templates C73 (e.g. row 1035) and C74 (e.g. row 311)?</p> <p>2. For a credit institution reporting under article 8.3.a, should cash outflow from repo transactions away from the segregated pool be reported in row</p>

	070 (“Secured cash 30 day outflows”) but associated liquid asset collateral not be reported in row 060 (“L1 excl. EHQCB collateral 30 day inflows”) of template C76?
Background on the question	<p>Secured funding inflows (Template C74) and outflows (Template C73) are reported on the LCR as per the asset class of the underlying collateral. However, there appears to be an inconsistency between the treatment of a repo or reverse repo of liquid asset between Template C73 / C74 and Template C76. Post Taxonomy 2.9, the main secured funding outflows and inflows lines on Template C73 and C74 do not need to meet Article 8 requirements in order to be treated as HQLA and be subject to a HQLA haircut. However, the new “Of which” rows introduced post Taxonomy 2.9 as a subsection of the main rows requires the underlying collateral extended / received to be reported only if it meets the operational requirements under Article 8 within Template C73 and C74. The liquidity value of collateral extended / received from this “Of which” row is then considered on Template C76 (rows 050 and 060). On Template C76, the cash outflow from a repo transaction would be deducted from the Liquidity Buffer; however the liquidity value of the collateral received will be added back only if the collateral meets operational requirements under Article 8. Therefore, for a credit institutions operating under Article 8.3.a, a Level 1 repo transaction would generate no outflow on Template C73 (@ 0% factor). Within template C76 the same trade would have a negative impact on liquidity buffer as the cash outflow would reduce the buffer, with no recognition of the Level 1 collateral coming back on unwinding as not meeting operational requirements under Article 8. Example: Transaction 1: Liquidity Buffer of \$0.75bn sourced via Level 1 reverse repo transaction (segregated pool) Transaction 2: Secured cash outflow: Level 1 repo transaction of \$1.00bn (outside segregated pool) Template C76 calculation: HQLA gets reduced from \$0.75bn to \$0.17bn driven by row 091 and row 280 C76 template calculation. Row 091 becomes negative as the Level 1 repo collateral coming back on unwinding is not recognized as it does not meet the operational requirements (credit institution operating under Art 8.3.a). Row ID Item Value / Percentage (010) 040 4 L1 excl. EHQCB liquidity buffer (value according to Article 9): unadjusted 750,000,000 050 5 L1 excl. EHQCB collateral 30 day outflows 750,000,000 060 6 L1 excl. EHQCB collateral 30 day inflows 0 070 7 Secured cash 30 day outflows 1,000,000,000 080 8 Secured cash 30 day inflows 750,000,000 091 9 L1 excl. EHQCB "adjusted amount" (250,000,000) 280 22 Excess liquid asset amount 583,333,333 290 23 Liquidity buffer 166,666,667</p>
EBA answer	<p>The prudential treatment and supervisory reporting of secured lending and capital market-driven transactions, as defined in points (2) and (3) respectively of Article 192 of Regulation (EU) No 575/2013, for the purpose of the LCR as specified in Delegated Regulation (EU) 2015/61 as amended by Delegated Regulation (EU) 2018/1620 (LCR DR) is two-fold:</p>

i. For the purpose of the calculation of liquidity outflows and liquidity inflows arising from the above transactions, in accordance with Articles 28(3) and Article 32(3)(b) LCR DR, credit institutions need to consider secured lending and capital market-driven transactions as follows:

- in the case of secured funding transactions, all transactions with a residual maturity of no more than 30 calendar days, irrespective of whether the assets provided as collateral would comply with the operational requirements referred to in Article 8 LCR DR, if not being used as collateral; and
- in the case of secured lending transactions, all transactions with a residual maturity of no more than 30 calendar days irrespective of whether the assets received as collateral comply with the operational requirements referred to in Article 8 LCR DR.

ii. For the purpose of the calculation of the adjusted composition of the liquidity buffer referred to in Article 17(2) LCR DR, it is however necessary to identify from the transactions referred to in (i) above, those transactions where:

- in the case of secured funding transactions, the assets provided as collateral would comply with the operational requirements referred to in Article 8 LCR DR, if not being used as collateral, and
- in the case of secured lending transactions, the assets received as collateral comply with the operational requirements referred to in Article 8 LCR DR.

In this vein, the fact that an institution manages its liquid assets by placing them in a separate pool according to Article 8(3)(a) LCR DR does not per se predetermine whether an institution's secured funding or lending transactions have to be reported in the relevant "of which"-item of those transactions where the collateral posted or received meets the operational requirements. Whether or not liquid assets received as collateral in secured lending transactions do meet or liquid assets posted as collateral in secured funding transaction would meet the operational requirement, including Article 8(3) LCR DR, and whether the collateral is subject to a corresponding adjustment according to Article 17(2) LCR DR has to be assessed in the individual case.

As the operational requirements do not apply to cash flows, the cash amounts

	<p>received or extended in the secured transactions referred to in (i) need not to be distinguished correspondingly, but are always subject to the adjustment according to Article 17(2) LCR DR. Therefore, it is possible that for a specific secured transaction the cash amount is subject to the adjustment according to Article 17(2) LCR DR, while a liquid asset collateral is not.</p> <p>With respect to supervisory reporting, the above requirements are reflected in the reporting templates C 73.00 and C 74.00 as laid down in Annex XXIV (with additional instructions in Annex XXV) of Regulation (EU) No 680/2014 as amended by Implementing Regulation (EU) 2020/429 (ITS on supervisory reporting). Specifically, in these templates, credit institutions always need to report the transactions referred to in (i), and, separately as an 'of-which' item, the transactions referred to in (ii).</p>
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