Single Rulebook Q&A

Question ID	2022_6331
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Liquidity (LCR, NSFR, AMM)
Article	415
Paragraph	Annex XXV -Reporting on liquidity (part 4: collateral swaps)
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (repealed)
Article/Paragraph	32(3)(e)
Date of submission	05/01/2022
Published as Final Q&A	20/01/2023
Disclose name of institution / entity	No
Type of submitter	Other
Subject matter	Collateral swaps with underlying collateral baskets
Question	How to create combinations for collateral swaps with underlying collateral baskets for a special case where no asset left for one leg? Please see more details with the example.
Background on the question	In Q&A 3313, you answered how to define combinations for one example of collateral swap. What is the expected result if we adjust the example as follows: One collateral swap matures within 30 days. There are 3 securities lent with the total value of 770K (120 K in Level 1 EHQ covered bonds, 450K in Other level 2B, and 200K in Non-Liquid Assets). There are 2 securities borrowed with the total value of 650K (320K in Level 2B residential CQS1 ABS, and 330K in Other 2B). We seek your clarification on the expected final combinations and final inflow/outflows in this special case, where there is no level 2B left on the borrowed leg at the end. What should we do with the excess level 1 lent (120K)? The instructions mention to classify the excess into the 'most liquid combination'. What's the 'most liquid combination' within this example: "level 1 lent vs level 2B Residential borrowed'' or 'other level 2B lent vs level 2B Residential borrowed'?
Final answer	With reference to Q&A 3313 in the context of swap transactions of collateral

	baskets or pools that are maturing within 30 calendar days, institutions have to assign individually non-cash assets lent to non-cash assets borrowed according to categories as defined in Title II, Chapter 2 of Regulation (EU) 2015/61 (LCR DA) starting from the least liquid combination. Accordingly, any excess collateral (as to market value) within one combination is moved to the higher category, so that up to the most liquid combination, the relevant combinations are fully matched. Any overall excess collateral is then captured in the most liquid combination. As regards the example above the assignment would be as following (market value in brackets): 1. Non-liquid assets lent (200) vs Other Level 2B assets borrowed (200) 2. Other Level 2B assets lent (130) vs Other Level 2B assets borrowed (130) 3. Other Level 2B assets lent (320) vs Level 2B Residential borrowed (320) 4. Level 1 EHQ CB lent (120) vs Non-liquid assets (0) In case of excess collateral of one leg of the transaction provided all other collateral are matched, this excess collateral should be mapped to the category Non-liquid assets. In the example, the excess Level 1 EHQ CB lent would be reported in template C 75.00 of Annex XXIV to Regulation (EU) 2021/451 (ITS on Supervisory reporting), column 0010, row 0340 (if the counterparty is a central bank) or row 1700 (if the counterparty is non-central bank) with its market value. For the notional Non-liquid assets no market value would be reported. For each combination, the net liquidity outflow or inflow will be calculated as: 1. Cash outflow of 100 = (200*(0,5-0)) 2. No cash flow 0 = (130 * (0,5-0,5)) 3. Cash outflow of 80 (320 * (0,75-0,5)) Cash inflow of 112 = 120 * (0,93-0)
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6331