

Question ID	2013_132
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	416
Paragraph	5
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
Date of submission	07/08/2013
Published as Final Q&A	29/11/2013
Disclose name of institution / entity	Yes
Name of institution / submitter	The Finnish Financial Supervisory Authority
Country of incorporation / residence	Finland
Type of submitter	Competent authority
Subject matter	Cash in CIUs and its impact on CIUs being treated as liquid assets
Question	<p>According to Article 416(65) of Regulation (EU) No 575/2013 (CRR) CIUs may be treated as liquid assets provided that, among other things, they only invest in liquid assets as referred to in Article 416(1). Typically CIUs hold cash to a certain extent (e.g. 1-10 %) in order to secure their liquidity. However, would it lead the shares or units in the CIU being ineligible for liquid assets if the CIU deposited the cash at another bank, because credit institutions are not included in Article 416(1)? Alternatively would the CIU have to hold the cash directly at the ECB (or inside a bank safe in cash) for being eligible?</p>
Background on the question	<p>Many smaller banks need to adjust significantly their investments in funds to comply with the LCR. Therefore they would highly appreciate if they would know as soon as possible how the funds need to be set up in terms of cash investments in particular.</p>

EBA answer	<p>Most Collective Investment Undertakings (CIUs) will need to hold a relatively small amount of money in the form of deposits with credit institutions, as compared to total assets under management, in order to manage mismatches in the redemption and issue of units in the CIU. These deposits are required for normal prudent business operations and are not part of the underlying investment strategy of the CIU. Therefore, it could be argued that money that is held by a CIU in the form of deposits with credit institutions for the purpose of managing mismatches in the redemption and issue of units or shares in the CIU is not considered an investment under Article 416(65) of Regulation (EU) No 575/2013 (CRR), provided that the amount of money held in such deposits remains small compared to the total assets under management of the CIU and does not form part of the investment policy of the CIU. Thus, by extension, such deposits are not subject to the test for investment in liquid assets in the first sub-paragraph of Article 416(1) of CRR. These deposits should be excluded from the liquid assets reported under the look-through approach of Article 418 (3) of CRR.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_132</p>

European Banking Authority, 21/01/2022
www.eba.europa.eu