

<b>Question ID</b>	2013_159
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Liquidity risk
<b>Article</b>	416, 416, 423, 423
<b>Paragraph</b>	1, 3, 4, 5(b)
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	N/A
<b>Date of submission</b>	14/08/2013
<b>Published as Final Q&amp;A</b>	29/11/2013
<b>Disclose name of institution / entity</b>	Yes
<b>Name of institution / submitter</b>	HSBC Holdings PLC
<b>Country of incorporation / residence</b>	UK
<b>Type of submitter</b>	Credit institution
<b>Subject matter</b>	Uncollateralised stock borrowing (unsecured) Transactions
<b>Question</b>	How should uncollateralised (unsecured) stock borrowing due with 30 days be reported? Such transactions will have an impact on the liquidity position of the institution: 1) If the securities borrowed qualify under Article 416(1) as liquid assets 2) If the securities borrowed do not qualify under Article 416 but have been re-pledged and used to raise funding for the institution with a maturity beyond 30 days 3) If the securities borrowed have been used to cover institution shorts.
<b>Background on the question</b>	The impact of uncollateralised (unsecured) stock borrowing does not seem to be covered under Regulation (EU) No 575/2013 (CRR). Unsegregated client assets co-mingled with the institutions own stock (under re-hypothecation rights) would also represent an uncollateralised borrowing of stock unless a collateralised borrow is booked to reflect the borrowing.
<b>EBA answer</b>	

	<p>Article 416(3) of Regulation (EU) No. 575/2013 CRR sets out the conditions which must be fulfilled in order to report as liquid assets the assets listed in Article 416(1). Article 417 sets out the operational requirements for holdings of liquid assets.</p> <p>In relation to securities borrowed that are re-used as collateral to secure financing with a maturity below 30 days, Article 423(5)(b) of CRR specifies that “The institution shall add an additional outflow corresponding to: collateral that is due to be returned to a counterparty”, i.e. in this case, when collateral borrowed on an unsecured basis is due to be repaid within the 30 day period, the institution shall report this as an additional outflow.</p> <p>In relation to a security borrowed that is due to be returned within 30 days and that is sold short, Article 423(4) specifies that “The institution shall add an additional outflow corresponding to the market value of securities or other assets sold short and to be delivered within the 30 days horizon, unless the institution owns the securities to be delivered or has borrowed them at terms requiring their return only after the 30 day horizon and the securities do not form part of the institutions liquid assets”.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_159">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_159</a>

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