Single Rulebook Q&A

Question ID	2013_189
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	423
Paragraph	4
Subparagraph	N/A
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	n.a.
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Disclose name of institution / entity	Yes
Name of institution / submitter	HSBC Holdings PLC
Country of incorporation / residence	UK
Type of submitter	Credit institution
Subject matter	Outflows associated with shorts - net or gross
Question	Can you clarify whether Article 423(4) of Regulation (EU) No 575/2013 (CRR) requires firms to: 1) assess long and short positions gross per ISIN and to treat shorts gross by ISIN, reporting an outflow under Article 423(4) corresponding to the sum of all the gross short positions per ISIN (not covered >30 days); or 2) assess shorts net of any longs currently used to cover shorts via stock collateralised stock borrow e.g. a long in one ISIN (not qualifying as liquid assets per Article 416) that is currently used as collateral to cover a short in another ISIN (stock collateralised stock borrowing) and maturing inside 30 days, can continue to be eligible as collateral to cover shorts thus reducing the outflow reported under Article 423 (4).
Background on the question	This is fundamental to the European equity markets since: 1) European stock borrowing is by its nature short term or open, given the trading nature of short positions; 2) European stock borrowing is predominantly stock

	collateralised (off balance sheet) equity for equity. A requirement to treat shorts gross by ISIN would gross up balance sheets.
Final answer	According to Article ~~423(4)~~ 30(5) of the Delegated Regulation (EU) 2015/61 ~~Regulation (EU) No. 575/2013 (CRR)~~, institutions shall report an additional outflow per ISIN, corresponding to the market value of securities sold short ~~and to be delivered within the 30 day 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 a part of the institution's liquid assets~~. ~~Thus, if an institution has sold short a security on terms requiring delivery within the 30 day horizon, and the institution at the same time owns or has borrowed the very same security for more than 30 days, the institution should not report an outflow, provided the security owned or borrowed is not already reported as a liquid asset. In other words,~~ The outflow on a security sold short cannot be offset by the collateral provided through a different security. ~~If the security owned or borrowed is reported as a liquid asset, the institution should report an additional outflow for the short position to avoid double counting of the liquid assets.~~
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_189