Single Rulebook Q&A

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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - Liquidity (LCR, NSFR, AMM)
Article	415
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	Annex XIII, Part 2, C 52.00, r120-950
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Disclose name of institution / entity	Yes
Name of institution / submitter	European Banking Federation
Country of incorporation / residence	Belgium
Type of submitter	Industry association
Subject matter	Reporting of collateral swaps
Question	We do not understand how collateral swaps should be integrated in the reporting template. o Indeed, to calculate the inflows / outflows concerning reverse repos and repos, there should theoretically be a cap on the difference between the cash value of the operation and the market value of underlying security. To calculate the inflows / outflows generated by collateral swaps, the same kind of calculation should be done, but without the cap. o Since operationally the same cells should be used to integrate repos / reverse repos and collateral swaps in the EBA template, we do not understand how this can give adequate results in terms of LCR ratio calculation.
Background on the question	Example: An institution contracts a repo maturing in the month with a level 2 asset for a cash value of 100. Case1: Imagine that the market value of this asset has increased since the conclusion of the repo so that it becomes 120,

	which makes a market value according §418 of CRR of 120*85%=102. Then, according to the instruction, we should put 100 in column “amount due” somewhere in lines 1.2.2. and 120 in column “market value” in the same line. So far as we understand the Basel and the European text (§422-2 outflows on other liabilities), you should multiply the cash value by 0% up to the market value of the underlying asset and by 100% for the remaining value. As 100<120*85%, we should only multiply 100 by 0%. Case 2: If the market value of the underlying level 2 asset stays 100, then its market value under §418 is 85 and the I should take an outflow of 15. Which means that the formula to calculate the outflows must be 100% * max(cash value – market value ; 0). If we do not put the max, in case 1, we will take an inflow for a repo which we think was not intended by the text. Consider now that the institution has concluded a collateral swap maturing in the month, giving a level 2 asset with a MV of 100 and receiving a level 1 asset with a MV of 100. The instructions tell you: “Collateral swaps where the institution simultaneously borrows collateral and lends collateral (in the form of assets other than cash), should be reported as follows: The market value of the asset lent should be reported in the “Market value of the asset securing the transaction” column in the appropriate subcategory of section 1.2.2 of this template. The “Amount due” column should be left blank (i.e. zero). The market value of the asset borrowed should be reported in the “Market value of the asset securing the transaction” column in the appropriate subcategory of section 1.1.3 of template 1.3 “Inflows”. The “Amount due” column should be left blank (i.e. zero).” So you should put 100 in the inflows corresponding to the MV of level 1 asset and 100 in the outflows corresponding to the MV of level 2 Normally, in the logic of the LCR, this kind of operation should give you an outflow of 15 corresponding to the need to increase the collateralization of the level 2 asset you provide. Which works in the template if you do the following operation : + 100%* (cash value – market value of the level 1 asset) – 100% * (cash value – market value of the level 2 asset*85%) = +100% * (0-100)- 100% *(1-85)= -100+85=-15 That is the formula of the repos and the reverse repos but without the cap. If we apply the cap, the formulas will give us zero as an output.
Final answer	For the purpose of monitoring the liquidity coverage requirement as specified in Article 412 of the Regulation (EU) No 575/2013 (CRR), collateral swaps are deemed to be equal to repos/reverse repos. Therefore, there is no need to report collateral swaps separately from repos/reverse repos in C 52.00 and C 53.00 templates. Collateral swaps where the institution simultaneously borrows collateral and lends collateral in the form of assets other than cash should be included in C 52.00 and C 53.00. For the purpose of these templates: • "borrower"means the institution which posts an asset the market value of which is higher than the one of the asset received.

	• "lender" means the institution which posts an asset the market value of which is lower than the one of the asset received. Borrowers shall report the transaction in C 52.00 (Outflows). In particular, the market value of the asset borrowed shall be reported in the column "amount due" according to liquidity and credit quality of the asset posted as collateral which shall be reported in the column "market value" and in the column "value according to Art. 418 CRR" if relevant. Lenders shall report the transaction in the template C 53.00 (Inflows). In particular, the market value of the asset lent shall be reported in the column "amount due" according to liquidity and credit quality of the asset received as collateral which shall be reported in column "value according to Art. 418 CRR" (see Q&A 274 that states that the heading of columns 020, c040 and c060 in ID 1.6 of C 53.00 will be changed to "value according to Art. 418 CRR" in next available version of the ITS on Supervisory reporting to avoid confusion about its content). In addition, collateral swaps where liquid assets referred to in in points (a), (b) and (c) of Article 416(1) of the CRR have been obtained against collateral that does not qualify under points (a), (b) and (c) of Article 416(1) should also be reported in C.54.00 as follows: • For transactions where the reporting institutions borrows cash and posts as collateral assets that do not qualify under points (a), (b) and (c) of Article 416(1), the notional and market value of the assets posted as collateral shall be reported in {C 54.00, r010, c010} and {C 54.00, r010, c020} respectively if the transactions matures within 30 days ({C 54.00, r010, c030} and {C 54.00, r010, c040} if over 30 days. • For transactions where the reporting institutions borrows for example a government bond and posts as collateral assets that does not qualify under points (a), (b) and (c) of Article 416(1), the notional and market value of the assets posted as collateral shall be reported in {C 54.00, r030, c010} and {C 54.00, r030, c020} respectively if the transactions matures within 30 days ({C 54.00, r030, c030} and {C 54.00, r030, c040} if over 30 days.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_303