

<b>Question ID</b>	2013_485
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Liquidity risk
<b>Article</b>	425, 129
<b>Paragraph</b>	1, 4-6
<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>	01/11/2013
<b>Published as Final Q&amp;A</b>	28/03/2014
<b>Disclose name of institution / entity</b>	Yes
<b>Name of institution / submitter</b>	Austrian Federal Economic Chamber, Division Bank and Insurance
<b>Country of incorporation / residence</b>	Austria
<b>Type of submitter</b>	Industry association
<b>Subject matter</b>	Cash Inflows excluded from inflow cap
<b>Question</b>	<p>Article 425(1) reads: "Capped inflows shall be the liquidity inflows limited to 75% of liquidity outflows. Institutions may exempt liquidity inflows from deposits placed with other institutions and qualifying for the treatments set out in Article 113(6) or (7) from this limit. Institutions may exempt liquidity inflows from monies due from borrowers and bond investors related to mortgage lending funded by bonds eligible for the treatment set out in Article 129(4), (5) or (6) or by bonds as referred to in Article 52(4) of Directive 2009/65/EC from this limit..." Is the interpretation correct that mortgages that are used as a cover pool for credit enhancing a covered bonds transaction can be excluded from the inflow cap? In contrast to the original Basel III papers it is not possible to identify the definition of the general provision, capping inflows at 75% of cash outflows. Is the inflow cap applicable to every item in the template or at the calculation of the summed amounts?</p>

<b>Background on the question</b>	In contrast to the original Basel III papers we could not identify the definition of the general provision, capping inflows at 75% of cash outflows.
<b>Final answer</b>	<p>In accordance with Article 425 (1) of Regulation (EU) No. 575/2013 (CRR) institutions may exempt contractual liquidity inflows from borrowers and bond investors arising from mortgage lending funded by covered bonds eligible for preferential treatment as set out in Article 129 (4-6) of CRR or by bonds as referred to in Article 52(4) of Directive 2009/65/EC from the 75% inflow cap.</p> <p>As the mortgage lending must be funded by the relevant covered bonds, only inflows from relevant pass-through covered bonds may be eligible for this exemption up to the amount of outflows over the next 30 days related to the covered bonds. The liquidity inflows shall be measured over the next 30 days and fulfil all the conditions in accordance with Article 425(2).</p> <p>The inflow cap is applicable to the total amount of all inflows (excluding exempted inflows), i.e. first the total inflows are to be reduced by exempted inflows and then the 75% inflow cap is to be applied.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_485">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_485</a>

European Banking Authority, 03/10/2023  
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