

Single Rulebook Q&A

Question ID	2013_506
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	424, 425
Paragraph	3(c), 8
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	n.a.
Date of submission	05/11/2013
Published as Final Q&A	20/06/2014
Disclose name of institution / entity	Yes
Name of institution / submitter	Association of German banks
Country of incorporation / residence	Germany
Type of submitter	Industry association
Subject matter	Definition of liquidity facility
Question	Would it be acceptable from a regulatory point of view to use only the swingline portion of a facility (i.e. a loan to an entity to cover possible shortfalls from other debt commitments) as "liquidity facility"?
Background on the question	Within Directive (EU) 36/2013 (CRD) and Regulation (EU) No 575/2013 (CRR) neither a definition nor a more detailed specification of "liquidity facilities" currently exists. A detailed definition of "liquidity facility" with examples is necessary and crucial for (institution wide) IT implementation. If there is no such detailed definition with clear examples (as it is currently the case), the interpretation as well as the implementation might (completely) differ from institution to institution and as a consequence would undermine the principle of having a "single rule book".
Final answer	Article 424(3)(c) of Regulation (EU) No. 575/2013 (CRR) sets out that the

maximum amount that can be drawn of undrawn committed credit facilities and undrawn committed liquidity facilities within the next 30 days shall be multiplied by 10% where they meet, amongst others, the condition that they have not been provided for the purpose of replacing funding of the client in situations where he is unable to obtain its funding requirements in the financial markets. From this it could be inferred that not only the swingline portion - i.e. loans to other entities to cover possible shortfalls from other debt commitments - of a facility would have a place in the liquidity facilities. Therefore the amount of the commitment to be treated as a liquidity facility for the purposes of Part Six of CRR is the overall amount of the currently outstanding funding issued by the client (or proportionate share, if a syndicated facility) maturing within a 30 day period that is backstopped by the facility. According to Article 425(8) of the CRR, no "inflows from any new obligations entered into" can be assumed, i.e. no funding in financial markets can be raised or renewed (except of the secured lending transactions referred to in Article 422(2) of the CRR). Consequently, no evidence is needed whether or not the client is unable to obtain funding in financial markets or whether a particular refinancing instrument fails, as this is the underlying assumption in the LCR. Any additional capacity of the facility (i.e. the remaining commitment) would be treated as a committed undrawn credit facility.

~~This answer does not prejudge the definitions of credit and liquidity facilities that will be adopted in the delegated act the Commission is mandated to prepare in accordance with Article 460 of the CRR.~~

Link

https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_506

European Banking Authority, 10/12/2023

www.eba.europa.eu