

# Single Rulebook Q&A

<b>Question ID</b>	2013_509
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Liquidity risk
<b>Article</b>	412, 418
<b>Paragraph</b>	1, 1
<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>	06/11/2013
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<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>	Valuation of liquid assets
<b>Question</b>	If the institution hedges the price risk associated with an asset, it shall take into account the cash flow resulting from the potential close out of the hedge. Does this mean that: - the market value of the asset plus the market value of the hedge has to be reported? - all types of hedges, including CDS have to be included?
<b>Background on the question</b>	We are not sure if a positive or negative market value of any kind of hedges should be included in the market value of the assets.
<b>Final answer</b>	In accordance with Article 412(1) of Regulation (EU) No 575/2013 (CRR) institutions shall hold liquid assets, the sum of the values of which cover liquidity outflows less the liquidity inflows under stressed conditions so as to ensure that institutions maintain levels of liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and

	<p>outflows under gravely stressed conditions over a period of 30 days. Article 418(1) of the CRR outlines that if an institution hedges the price risk associated with a liquid asset, it shall take into account the cash flow resulting from the potential close-out of the hedge. For the purposes of reporting information on the liquidity coverage requirement according to Article 415 of the CRR, institutions should take into account the cash flow that would arise if the hedge was to be closed out and apply adequate haircuts to the market value of the security.</p> <p>In response to the second part of the question, all hedges are covered.</p> <p>This answer is without prejudice to further guidance which may be provided in the context of the delegated act on the liquidity coverage ratio, and should be read in conjunction with <a href="#">Q&amp;A 779</a>.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_509">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_509</a>

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