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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	412
Paragraph	5
Subparagraph	-
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	FMA
Country of incorporation / residence	Austria
Type of submitter	Competent authority
Subject matter	Supervisory powers Liquidity
Question	Does Article 412(5) of Regulation (EU) No. 575/2013 (CRR) prohibit the competent authorities from imposing a "Liquidity-Add-on" (e.g. LCR-requirement above 100%; similarly to a Capital-Add-on according to Article 104(2) of Directive 2013/36/EU (CRD) according to Article 104(1)(k) and/or Article 105?
Background on the question	According to Article 104(1)(k) and Article 105 of the CRD, competent authorities have the supervisory power to impose "specific liquidity requirements". Given the vague terminology it should be clarified or confirmed that under Pillar II, the competent authorities - among other measures - may require institutions to comply with an "institution-specific-LCR-requirement" (e.g. via the requirement of a higher level of Liquidity Coverage than 100% or compliance with an "adjusted" institution-specific LCR or NSFR). Reflecting the general notion of a Capital-Add-on (Art 104(2)

	<p>of the CRD) a “Liquidity-Add-on” (additional liquidity requirement) seems also to be possible within the purposes of Article 97, Article 98(4), Article 101(4) and Articles 102 and 103 of the CRD and the application of CRR. We understand that Art 412(5) CRR (requirement of LCR up to 100% in maximum) is only applicable concerning pillar I (e.g. Part I and Part 6 of the CRR), and does not refer to measures under pillar II.</p>
<p>Final answer</p>	<p>Article 412(5) of Regulation (EU) No. 575/2013 (CRR) states that "Member States may maintain or introduce national provisions in the area of liquidity requirements before binding minimum standards for liquidity coverage requirements are specified and fully introduced in the Union in accordance with Article 460. Member States or competent authorities may require domestically authorised institutions, or a subset of those institutions, to maintain a higher liquidity coverage requirement up to 100% until the binding minimum standard is fully introduced at a rate of 100% in accordance with Article 460." Thus, Article 412 states the possibility of having national liquidity provisions during the phase where the LCR is being specified and implemented, i.e. until 1 January 2018.</p> <p>Article 104(1)(k) and Article 105 of Directive 2013/36/EU (CRD) refer to the supervisory powers with respect to imposing "specific liquidity requirements, including restrictions on maturity mismatches between assets and liabilities" (Article 104(1)(k)) and the assessment by competent authorities of "whether any imposition of a specific liquidity requirement is necessary to capture liquidity risks to which an institution is or might be exposed" (Article 105). These paragraphs refer to the supervisory evaluation process of institutions' liquidity, i.e. Pillar II. Under the specific framework of Article 105 of the CRD, competent authorities can impose additional liquidity requirements if deemed relevant for a specific institution or, also, for institutions with similar risk profiles according to Article 103-97<u>(4a)</u> of Directive 2013/36/EU (CRD). An example of such additional requirement could be an LCR above 100%, but other metrics may apply as well depending on the specific institution's liquidity and funding profile.</p> <p>In addition, Article 458 of the CRR allows for the relevant competent or designated authority to set additional liquidity requirements for domestically authorised institutions, or a subset of those institutions, as a means of addressing macro-prudential or systemic risk identified at the level of the Member State with the potential to have serious negative consequences to the financial system and the real economy in a specific Member State.</p>
<p>Link</p>	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_1077</p>

