

Question ID	2020_5107
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Liquidity risk
Article	421
Paragraph	2
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Delegated Regulation (EU) 2015/61 - DR with regard to liquidity coverage requirement
Article/Paragraph	25(2)(d)
Date of submission	04/02/2020
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Definition of retail deposits which meet conditions from Article 25(2)(d) LCR Amending Act
Question	<p>Which maturity shall be taken into account at assessing if deposit meets the conditions from Article 25(2) (d) of the LCR amending Act, the original maturity of the originally placed fixed-term deposit or the residual maturity of the present fixed-term deposit? What is the meaning of term "originally placed"?</p> <p>Can the deposit meet conditions from this Article if it wasn't originally placed as fixed-term deposit but was later prolonged as fixed-term deposit and will mature in next 30 calendar days?</p>
Background on the question	<p>Retail deposits which were placed as fixed-term deposits can be less stable as e.g. sight deposits since they are more likely funds that depositors do not need for day-to-day transactions and will be more likely subject to more active management in stress periods. The same logic applies for prolonged deposits that were prolonged for fixed period. Deposits that will mature within 30 calendar days probably won't be prolonged in times of stress and will cause higher outflows comparing to deposits maturing beyond 30 calendar days for which material penalty has to be paid in case of</p>

	<p>withdrawal. According to our understanding explained above usage of higher outflow factors is justified for fixed-term deposits with residual maturity within 30 days regardless if deposits were initially agreed or later prolonged as fixed-term deposits.</p>
Final answer	<p>Article 25(2) of Delegated Regulation (EU) 2015/61 lists the types of deposits to which an outflow percentage higher than 10% should be applied. The specific applicable outflow category is determined according to Article 25(3) of Delegated Regulation (EU) 2015/61.</p> <p>In particular Article 25(2)(d) of Delegated Regulation (EU) 2015/61 covers two types of fixed term deposits: (i) deposits originally placed as fixed term deposits with an expiry date maturing within the next 30 days or (ii) deposits with a notice period shorter than 30 days.</p> <p>Thus, according to Article 25(2) (d) of Delegated Regulation (EU) 2015/61, conditions for type (i) deposits, i.e. originally placed as fixed-term deposits with an expiry date maturing within the next 30 days, are met if the deposits were originally placed, or later prolonged, as fixed-term deposits and will expire within the next 30 calendar days.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5107</p>

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