

❌ Single Rulebook Q&A

Question ID	2020_5190
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2)
Topic	Supervisory reporting - Liquidity (LCR, NSFR, AMM)
Article	415
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
Article/Paragraph	28.4 second subparagraph
Date of submission	27/03/2020
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Disclose name of institution / entity	No
Type of submitter	Other
Subject matter	Collateral swap in case of Domestic Central Bank Counterparty
Question	With the Amended Delegated Act 2018/1620, what are the run off rates and where collateral swaps with central bank counterparties must be reported ?
Background on the question	<p>We enquire about the consistency between Amended delegated act on LCR and ITS on supervisory reporting. The regulation and the ITS are either very punitive, either not consistent together. Could you confirm which of the following approach is the right one ? If we take the example of a Level 2B assets lent against Level 2A assets borrowed: A. One understanding of the regulation, consistent with the reporting rates is : 1) If the counterparty is the Domestic central bank -> haircut of lent leg= 50%, haircut of borrowed leg= 0% -> $(50\% - 0\%) = 50\%$ * market value of the asset borrowed, reported under Section 1.7.3 2) If the counterparty is a Non domestic central bank -> haircut of lent leg 50%, haircut of borrowed leg= 15% -> $(50\% - 15\%) = 35\%$ * market value of the asset borrowed, reported under Section 2.7.3 or 1.7.3 ? 3) For other counterparties, the result is the same as 2), so 35% but reported in Section 2.7.3 The rates of 1) are exactly the "Standard Weights" found in the reporting in the section 1 (TOTAL COLLATERAL SWAPS (counterparty is central bank)) . And it means the outflow rates of domestic central banks are now more punitive</p>

than the ones applied to other counterparties. However, for non-domestic central bank counterparty, it seems they must be reported with domestic central bank trades even if the outflow rates are not the same. B. Another understanding is to consider that the regulation is still the same as previously for domestic central bank counterparties and the change is only for non domestic central bank ones. Consequently, the "Standard Weights" found in the reporting in the section 1 will never be applied. 1) If the counterparty is the Domestic central bank -> 0% * market value of the asset borrowed, reported under Section 1.7.3 2) If the counterparty is a Non domestic central bank -> haircut of lent leg 50%, haircut of borrowed leg= 15% -> (50% - 15%) = 35% * market value of the asset borrowed, reported under Section 1.7.3 3) For other counterparties, the result is the same as 2), so 35% but reported in Section 2.7.3

EBA answer

In accordance with Article 28(4) of Delegated Regulation (EU) 2015/61 as amended by Regulation (EU) 2018/1620 (LCR DR), collateral swaps, and other transactions with a similar form, that mature within the next 30 calendar days shall lead to an outflow in the calculation of the LCR where the asset borrowed is subject to a lower haircut than the asset lent. It is further specified that the outflow shall be calculated by multiplying:

- the market value of the asset borrowed by
- the difference between the outflow rate applicable to the asset lent and the outflow rate applicable to the asset borrowed in accordance with the rates specified in paragraph 3 of the same Article.

However, by derogation from the above, as specified under the second subparagraph of paragraph 4 of the same Article, where the counterparty to the collateral swap or other transaction with a similar form is the domestic central bank of the credit institution, the outflow rate to be applied to the market value of the asset borrowed shall be 0%, i.e., the outflow shall be calculated by multiplying:

- the market value of the asset borrowed by
- 0%.

For the above, credit institutions need to apply the definition of the domestic central bank provided under Article 28(8) LCR DR. Furthermore, as further specified under paragraph 4 of the same Article, where the transaction is done through a branch with the central bank of the Member State or of the third country in which the branch is located, a 0 % outflow rate shall be applied only if the branch has the same access to central bank liquidity, including during stress periods, as credit institutions incorporated in that Member State or third country have.

The above specification is fully reflected in the instructions for completing the reporting template C 75.01, see paragraph 1.1.2 of Part 4 of Annex XXV of Regulation (EU) No 680/2014 as amended by Regulation (EU) 2020/429.

	<p>The standard weights displayed under column 050 of reporting template C 75.01 are provided for information purposes only. The applicable outflow rate, i.e., 0% in the case of the application of the above derogation, would need to be reported under column 060 of reporting template C 75.01.</p> <p>Further information on the supervisory reporting of collateral swaps undertaken with central banks is provided in Q&A 2019_4879.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicid/2020_5190

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