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COMMISSION DELEGATED REGULATION (EU) …/...

of XXX

amending Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions

(Text with EEA relevance)

This draft has not been adopted or endorsed by the European Commission. Any views expressed are the preliminary views of the Commission services and may not in any circumstances be regarded as stating an official position of the Commission.

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

1.1. General Background to Liquidity Regulation and the LCR Delegated Regulation

A painful lesson learned at global level during the financial crisis was the need for detailed liquidity rules. In their absence, some credit institutions became overly dependent on short term financing and liquidity provision by central banks and ultimately had to be bailed out by the injection of massive funds from the public purse.

The need for more stringent liquidity rules has been recognised at international level and standards to this end were included in the so-called Basel III-framework, developed by the Basel Committee on Banking Supervision ('BCBS'). The aim of the liquidity coverage ratio ('LCR') is to avoid the risk of over-reliance on short term financing and on liquidity provision by central banks by requiring credit institutions to hold sufficient liquid assets (i.e. assets which can be liquidated at little or no loss of value) to withstand the excess of liquidity outflows over inflows that could be expected over a 30 day stressed period.

In adopting the Regulation (EU) No 575/2013[1] (Capital Requirements Regulation – 'CRR') in June 2013, the co-legislators introduced a general liquidity coverage requirement (Article 412(1) of the CRR) for all institutions (credit institutions and investment firms) and a reporting requirement (Articles 415 to 425 of the CRR). They delegated, via Article 460 of the CRR, the power to the Commission to specify in details the general liquidity coverage requirement for credit institutions. The Commission adopted Commission Delegated Regulation (EU) 2015/61 of 10 October 2014[2] ('LCR Delegated Regulation'), which entered into force on 1 October 2015. The LCR Delegated Regulation specifies which assets are to be considered as liquid (so called high quality liquid assets - 'HQLA') and how the expected cash outflows and inflows over a 30 day stressed period shall be calculated. The LCR represents one of the most significant innovations of the CRR as compared to the preceding Directives on capital requirements. Whilst the latter also contained general rules on liquidity, there were no detailed rules as to what constituted liquid assets and as to how potential net cash outflows should be calculated.

1.2. Background to amendments to the LCR Delegated Regulation

Based on initial experience with the application of the LCR and based on discussions with Member States, the Commission considers it appropriate to make certain limited amendments to the LCR Delegated Regulation to improve its practical application and enable to achieve its objectives.

The most important amendment is that the calculation of the expected liquidity outflows[3] and inflows[4] on repos[5], reverse repos and collateral swaps transactions[6] should be fully aligned with the international liquidity standard developed by the BCBS. Although the treatment of

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1 EU Regulation No 575/2013, OJ 27.6.2013, L176/1

2 OJ 17.1. 2015, L11/58

3 Article 28(3) of the LCR Delegated Regulation

4 Point (b) of Article 32(3) of the LCR Delegated Regulation

5 A repo transaction is where cash is borrowed against a security provided as collateral, often a government bond. A reverse repo is the same transaction but seen from the perspective of the party lending the cash. A collateral swap is where one security is temporarily swapped against another.

6 Collateral swap outflows/inflows in accordance with Article 28(4)/ point (e) of Article 32(3) of LCR Delegated Regulation respectively.

those transactions in the LCR Delegated Regulation followed that in the CRR and had not been challenged during the many discussions preceding the adoption of the LCR Delegated Regulation, the request is that the cash outflows calculation should be directly linked to the prolongation rate of the transaction (aligned with the haircut on the collateral provided applied to the cash liability, as in the BCBS standard) rather than to the liquidity value of the underlying collateral. This approach should also be followed for collateral swaps. Generally, for repos, reverse repos and collateral swaps the language should be more closely aligned with the BCBS standard. This change will ensure that outflows and inflows on the same transactions are symmetrical and will thereby facilitate efficient liquidity management, particularly by internationally active banks.

The second substantive amendment concerns the treatment of certain reserves[7] with central banks and non-EU Public Sector Entities ('PSEs') that are not rated at least ECAI 1. Under the existing LCR Delegated Regulation, reserves held by a credit institution in a central bank of a third country which is assigned a credit quality step 1 credit assessment may be treated as a Level 1 liquid asset[8], where the credit institution is permitted to withdraw such reserves at any time during stress periods and the conditions for such withdrawal have been specified in an agreement between the central bank in which the reserve are held and the supervisory authority of that third country. It is logical to extend the same treatment to such reserves with central banks that are not assigned credit quality step 1[9], provided the reserves are used to cover stressed net liquidity outflows incurred in the same currency as that in which the reserves are denominated. The central bank can provide liquidity in its own currency and the credit rating of the central bank is less relevant for liquidity purposes than for solvency purposes. If this rule were not changed, those reserves in non-ECAI 1 rated central banks would be excluded from the liquidity buffer even if they were recognized in the local implementation of the LCR. A similar change concerns assets representing claims on or guaranteed by a PSE of a third country provided the exposure to the PSE is treated as equivalent to an exposure to the central government in accordance with Article 116(4) of the CRR. These additions will improve alignment with the international standard and provide a more equitable treatment.

The third substantive amendment relates to the waiver[10] of the minimum issue size for certain non-EU liquid assets. Minimum issue size requirements apply for many EU liquid assets[11]. By extension such rules apply at a consolidated level in respect of liquid assets held by non-EU subsidiaries of an EU parent credit institution. This leads to the exclusion of liquid assets held by the subsidiary to meet local liquidity requirements using liquid assets that are otherwise eligible and acceptable under local liquidity rules but that do not meet EU minimum issue size requirements. This creates a shortfall of liquid assets for the parent at consolidated level since the liquidity requirement arising from the subsidiary would be included in the consolidated liquidity requirement whilst the corresponding eligible liquidity assets held by the non-EU subsidiary would be excluded by the application of EU minimum issue size criteria. Consequently it is proposed to waive for consolidated purposes any applicable minimum issue

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7 Point (d) of Article 10(1) of the LCR Delegated Regulation.

8 In general Level 1 liquid assets (excluding certain covered bonds) may be used without limit in the liquidity buffer, whereas Level 2A assets are subject to a maximum of 40% and Level 2B to a maximum of 15% of the liquidity buffer.

9 This would for example potentially affect those reserves with countries such as Turkey, Brazil, China, India, Morocco, Algeria, Ukraine and Vietnam.

10 Point (a bis) of Article 2(3) of the LCR Delegated Regulation.

11 Minimum issue size requirements apply for covered bonds, corporate bonds, securitisations and shares but not for cash, government securities and central bank assets.

size requirements for third country liquid assets held by a non-EU subsidiary. The scope of the waiver is limited to third country assets covering stressed net liquidity outflows incurred in the same currency where the assets qualify as liquid assets under the national law of the third country. No minimum issue size requirements apply under the international standard. As a safeguard, this option may be withdrawn in full or in part by the competent authority.

The fourth substantive amendment relates to the application of the unwind mechanism[12] for the calculation of the liquidity buffer. To ensure that the implementation of the LCR does not hinder the effective transmission of monetary policy to the economy and given that secured transactions with the ECB or the central bank of a Member State can be expected to be rolled-over under severe stress circumstances, a waiver to the unwind mechanism is introduced for secured transactions with the ECB or the central bank of a Member State involving HQLA and maturing in the next thirty days. This waiver is subject to appropriate safeguards and to prior approval of the competent authority, after consulting the central bank that is the counterparty to the transaction, to avoid possible arbitrage opportunities or adverse incentives for credit institutions. Furthermore, to align more closely with the Basel standard, collateral received through derivatives transactions is removed from the unwind mechanism.

The last substantive amendment concerns the integration in the LCR Delegated Regulation of the new simple, transparent and standardised ('STS') criteria for securitisation. Securitisations can be counted for as Level 2B HQLAs if they fulfil the conditions laid down in Article 13 of the LCR Delegated Regulation. The STS Regulation[13] sets a list of criteria which define STS securitisations. Most of the criteria laid down in the LCR Delegated Regulation have been replaced by a reference to the STS Regulation. Those specific to liquidity (such as the criteria regarding the issue size, the types of underlying exposures or the rating) have been kept.

Finally, given the need to make the above amendments, the opportunity is being taken to correct some references, to improve the drafting of some rules and to insert some missing provisions that are clearly intended.

1.3. Impact Assessment

Given the limited scope of the substantive amendments, it is not proposed to carry out another detailed Impact Assessment. Nevertheless an indication is provided below.

The impact of the change to outflows and inflows on repos, reverse repos and collateral swaps transactions should be relatively neutral or negligible since the substantive change is very minimal[14]. As regards the impact of the treatment of certain reserves with central banks and non-EU PSEs that are not rated at least ECAI 1, this also represents a fairly minor change since those reserves with central banks are limited by nature as is the holding of PSE assets. Moreover, there is a safeguard in that the treatment is limited to liquid assets used to cover the stressed net liquidity outflows incurred in the corresponding currency in line with the

[12] The unwind mechanism aims at calculating the caps on Level 2A and 2B HQLAs in the liquidity buffer. To calculate the amount of HQLAs that an institution has, the LCR Delegated Regulation requires to unwind transactions maturing in the next 30 days where HQLA are exchanged on at least one leg of the transaction.

[13] Regulation (EU) 2017/42 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35-80).

[14] On the repo side, the change is primarily drafting. On the reverse repo side, leaving aside over-collateralisation and assuming the market value of the security matches the cash lent, then the liquidity value of the security equals the cash lent less the corresponding haircut. Collateral swaps are less common.

international standard. The waiver of the minimum issue size for certain non-EU liquid assets will somewhat improve the liquidity position in respect of non-EU business at consolidated level but of course this waiver can in principle[15] only affect non-Level 1 liquid assets which are limited to a maximum of 40% of the liquid buffer. Moreover, the assets subject to the waiver of the minimum issue size must be liquid and must meet local requirements and such issue size limits do not exist under the international standard. In addition the waiver is limited to the stressed net liquidity outflows incurred in the corresponding currency. Furthermore, removing collateral received through derivatives transactions from the unwind mechanism should not have such a big impact on the level of the LCR and the waiver introduced for secured transactions with the ECB or the central bank of a Member State is subject to competent authorities' decisions. This unwind is only considers for the application of the caps on HQLA in the liquidity buffer. As regards the alignment with the definition of STS securitisations, the impact should be quite marginal as the total amount of securitisations held as liquid assets is limited due to the cap on Level 2B assets in the liquidity buffer and to diversification requirements and as most securitisations currently held as Level 2B assets should be compliant with the new STS regulation. Finally, the impact of the non-substantive drafting changes can be considered to be nil or negligible.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE DELEGATED ACT AMENDING THE LCR DELEGATED REGULATION

A series of meetings with Member State experts has been organised to discuss the technical implications of the envisaged drafting. These exchanges with national experts were attended by officials of the European Parliament as observer and have proved very valuable in ensuring the technical soundness of the drafting.

In addition, even if a) most drafting changes are non-substantive (i.e. only correct references, improve the drafting of rules as well as insert some missing provisions that are clearly intended) and b) the substantive changes are relatively minor, the Commission has organised formal stakeholders consultation through the Better Regulation Portal and has consulted the Expert Group on Banking, Payments and Insurance.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

Given the limited amount of changes to the existing LCR Delegated Regulation, it is proposed to adopt the amendments to this Regulation rather than a new whole text. The structure of the amended Delegated Regulation is then identical to the original LCR Delegated Regulation.

4. TIME-TABLE AND PROCEDURE

It is opportune to propose adoption by the College in March 2018.

Following adoption, the Delegated Regulation will be subject to scrutiny by the European Parliament and the Council.

In accordance with Article 462 of the CRR, the Commission remains empowered to review the Delegated Regulation for an indeterminate period of time. The Commission will seek to use this power to keep the legal text up to date in the light of market changes and will

[15] There is no applicable minimum issue size for Level 1 assets, excluding covered bonds. While there is a minimum issue size for Level 1 covered bonds, such treatment is not available for non-EU covered bonds.

consider additional assets that may have become sufficiently liquid to merit inclusion in the liquidity buffer of a credit institution as well as assets which no longer deserve inclusion.

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amending Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012[16], and in particular Article 460 thereof,

Whereas:

(1) Commission Delegated Regulation (EU) 2015/61[17] specifies in detail the liquidity coverage requirement set out in Article 412 of Regulation (EU) No 575/2013, taking into account international standards developed by international fora as well as Union and national specificities. Experience gained since adoption of Delegated Regulation (EU) 2015/61 has shown the need for a small number of amendments to improve convergence at international level.

(2) The treatment of outflow and inflow rates for repurchase agreements (repos), reverse repurchase agreements (reverse repos) and collateral swaps should be fully aligned with the approach in the international standard for the liquidity coverage ratio set by the Basel Committee on Banking Supervision ('BCBS'). The cash outflows calculation should be directly linked to the prolongation rate of the transaction (aligned with the haircut on the collateral provided applied to the cash liability, as in the BCBS standard) rather than to the liquidity value of the underlying collateral. The purpose of this amendment is to provide greater harmonisation at international level and facilitate more efficient liquidity management by credit institutions.

(3) Reserves held by a credit institution in a central bank of a third country which is not assigned a credit quality step 1 credit assessment by a nominated external credit assessment institution may be considered level 1 liquid assets if the credit institution is permitted to withdraw the reserves at any time during stress periods and the conditions for withdrawal are specified in an agreement between the supervisory authority of this third country and the central bank in which the reserves are held, provided that this option has not been withdrawn by the competent authority and that the reserves are only recognized to cover stressed net liquidity outflows incurred in the same currency as that in which the reserves are denominated. Indeed, the central bank can provide

[16] OJ L 176, 27.6.2013, p. 1.

[17] Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions (OJ L 11, 17.1.2015, p. 1)

liquidity in its own currency and the credit rating of the central bank is less relevant for liquidity purposes than for solvency purposes. This addition is in order to align the rules in Delegated Regulation (EU) 2015/61 more closely with the international standard and to provide for a more equitable treatment for internationally active banks. For similar reasons, it is also appropriate to consider assets representing claims on or guaranteed by a public sector entity of a third country as level 1 liquid assets, provided they are treated as an exposure to the central government in accordance with Article 116(4) of Regulation (EU) No 575/2013 and provided the assets are only recognized to cover stressed net liquidity outflows incurred in the same currency as that in which the assets are denominated.

(4) To take adequate account of the activities carried out by credit institutions active outside the Union, it is appropriate to waive any requirement for a minimum issue size applying to liquid assets held by a subsidiary undertaking in a third country and allow such assets to be recognised for consolidated purposes, but only up to the level of the stressed net liquidity outflows incurred in the same currency in respect of the liquidity coverage requirement arising from that subsidiary. This entitlement should be confined to cases where the third country assets qualify as liquid assets under the national law of the third country and should be subject to the right of the competent authority to withdraw this option in whole or in part for the assets concerned, and only for a single credit institution or a subset of credit institutions if this is justified by its or their specific liquidity risk profile. Otherwise, this would create a shortfall of liquid assets for the parent institution at consolidated level since the liquidity requirement arising from a subsidiary in a third country would be included in the consolidated liquidity requirement while the assets held by this subsidiary to fulfil its liquidity requirement in this third country would be excluded from the consolidated liquidity requirement.

(5) In order to ensure that implementation of Delegated Regulation (EU) 2015/61 does not hinder the effective transmission of monetary policy to the economy and given that transactions with the ECB or the central bank of a Member State can be expected to be rolled-over under conditions of severe stress, the unwind mechanism for the calculation of the liquidity buffer should be capable of being waived by competent authorities in the case of secured transactions with the ECB or the central bank of a Member State that involve high quality liquid assets and are due to mature within the next thirty calendar days. The competent authorities should be required to consult with the central bank that is the counterparty to the transaction before agreeing to grant the waiver, and grant of the waiver should be subject to appropriate safeguards in order to avoid possible regulatory arbitrage opportunities or adverse incentives for credit institutions. In addition, in order to align the Union rules more closely with the international standard set by the Basel Committee, collateral received through derivatives transactions shall be removed from the unwind mechanism.

(6) It is also appropriate to take into account the new Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 ('STS Regulation') which sets out a list of criteria to define simple, transparent and standardised ('STS') securitisations. Those criteria ensure that STS securitisations are of high quality and, as such, should be recognised to define high quality liquid assets for the calculation of the liquidity coverage requirement. Securitisations should then

be eligible as level 2B assets under Delegated Regulation (EU) 2015/61 if they fulfil all the requirements laid down in the STS Regulation, in addition to the other criteria, already specified in Delegated Regulation (EU) 2015/61, which are specific to their liquidity characteristics.

(7) Eventually, to ensure a total accuracy of the text, some references are corrected, the drafting of some rules is improved and some missing provisions that were intended are inserted. It is clarified that the liquidity coverage requirement shall be fulfilled for all transactions irrespective of their currency denomination and not in each significant currency even if it shall be monitored in each significant currency. Assets included in a pool available to obtain funding under uncommitted lines can be eligible as liquid assets when the pool is operated by the central bank to take into account the specificities of central banks activities. Where the credit institution relies on the depository institution of the CIU or the CIU management company to calculate the market value and haircuts for shares or units in CIUs for the computation of the liquidity buffer, these calculations shall be confirmed by an external auditor to ensure their correctness. It is specified that deposits and other funding in cooperative networks and institutional protection schemes are eligible as liquid assets only if the central institution receiving the deposits does not treat them as operational deposits to ensure that they do not benefit from a preferential treatment for both the depositor and the institution receiving the deposit or funding. To calculate additional liquidity outflows for other products and services, it is specified that derivatives contracts listed in Annex II and credit derivatives are excluded from the planned derivative payables to avoid any double-counting. The provision on the assets borrowed on an unsecured basis maturing in the next 30 days has been moved in the outflows chapter to ensure consistency in both outflows and inflows chapters. To grant a preferential treatment to intragroup credit and liquidity facilities, the liquidity risk profiles of the liquidity provider and receiver shall be assessed once the preferential treatment is applied as this preferential treatment helps the liquidity receiver to improve its liquidity risk profile and would otherwise never apply. The treatment of short position is also clarified to align it more closely to the international standards. For credit institutions acting as pass-through institutions for the distribution of promotional loans, a symmetrical inflow and outflow rate shall apply to the credit or liquidity lines received and granted but also to the loans received and granted. For the inflows calculation, monies due from all securities maturing in the next 30 calendar days shall be recognized in full as inflows, and not only where those securities are due from financial customers. These corrections and clarifications should be made in the interest of clarity,

HAS ADOPTED THIS REGULATION:

Article 1

Delegated Regulation (EU) 2015/61 is amended as follows:

(1) Article 2 is amended as follows:

(a) in paragraph 3, the following point (aa) is inserted after point (a):

'(aa) third country assets which meet all the requirements laid down in Title II except for the requirement with respect to their issue size, and which are held by a subsidiary undertaking in a third country, may be recognised as liquid assets for consolidated purposes if they satisfy the eligibility

conditions set out in points (i) and (ii). However, if third country assets are to be so recognised, then, for all such assets in a given currency, they shall be recognised only up to the amount of the stressed net liquidity outflows arising in that same currency from that particular undertaking. The eligibility conditions are as follow:

(i) the assets are ones that qualify as liquid assets under the third country's national law setting out the liquidity coverage requirement;

(ii) the option to have the assets recognised as liquid assets under this point has not been withdrawn pursuant to paragraph 4;';

(b) the following paragraph 4 is added:

'4. Competent authorities may withdraw, in full or in part, the option conferred by point (aa) of paragraph 3 to have third country assets recognised as liquid assets.';

(2) Article 3 is amended as follows:

(a) point (8) is replaced by the following:

'8. 'retail deposits' means a liability to a natural person or to an SME, where the SME would qualify for the retail exposure class under the Standardised or IRB approaches for credit risk, or a liability to a company which is eligible for the treatment set out in Article 153(4) of Regulation (EU) No 575/2013, and where the aggregate deposits by that SME or company, aggregated on a group of connected clients basis, do not exceed EUR 1 million;';

(b) in point (9), point (d) is replaced by the following:

'(d) a securitisation special purpose entity ('SSPE');';

(c) point (11) is replaced by the following:

'11. 'stress' means a sudden or severe deterioration in the solvency or liquidity position of a credit institution due to changes in market conditions or idiosyncratic factors as a result of which there is a significant risk that the credit institution becomes unable to meet its commitments as they fall due within the next 30 calendar days;';

(3) Article 4 is amended as follows:

(a) paragraph 5 is replaced by the following:

'5. Credit institutions shall calculate and monitor their liquidity coverage ratio in the reporting currency for all items irrespective of their actual currency denomination. In addition, credit institutions shall separately calculate and monitor their liquidity coverage ratio as follows:

(a) for items that are subject to separate reporting in a currency other than the reporting currency in accordance with one of the provisions of Article 415(2) of Regulation (EU) No 575/2013, in that other currency;

(b) for items denominated in the reporting currency where the aggregate amount of liabilities denominated in currencies other than the reporting currency equals or exceeds 5% of the credit

institution's total liabilities, excluding regulatory capital and off-balance sheet items, in the reporting currency.

Credit institutions shall report to their competent authority the liquidity coverage ratio in accordance with Commission Implementing Regulation (EU) No 680/2014.';

(b) the following paragraph 6 is added:

'6. There shall be no double-counting of liquid assets, inflows and outflows. Where an item can be counted in more than one outflow category, it shall be counted in the outflow category that produces the greatest contractual outflow for that item.';

(4) Article 7 is amended as follows:

(a) paragraph 2 is replaced by the following:

'2. The assets shall be a property, right, entitlement, or interest, that is held by the credit institution, or included in a pool as referred to in point (a), and is free from any encumbrance. For those purposes, an asset shall be deemed to be unencumbered where it is not subject to any legal, contractual, regulatory or other restriction preventing the credit institution from liquidating, selling, transferring, assigning or, generally, disposing of the asset via an outright sale or a repurchase agreement within the following 30 calendar days. The following assets shall be deemed to be unencumbered:

(a) assets included in a pool which are available for immediate use as collateral to obtain additional funding under committed but not yet funded credit lines available to the credit institution or, if the pool is operated by a central bank, under uncommitted and not yet funded credit lines available to the credit institution. This shall include assets placed by a credit institution with the central institution in a cooperative network or institutional protection scheme. Credit institutions shall assume that assets in the pool are encumbered in order of increasing liquidity on the basis of the liquidity classification set out in Chapter 2, starting with assets ineligible for the liquidity buffer;

(b) assets that the credit institution has received as collateral for credit risk mitigation purposes in reverse repo or securities financing transactions and that the credit institution may dispose of.';

(b) paragraph 4 is amended as follows:

(i) point (a) is replaced by the following:

'(a) another credit institution, unless one or more of the following conditions is met:

(i) the issuer is a public sector entity referred to in point (c) or (d) of Article 10(1) or in point (a) or (b) of Article 11(1);

(ii) the asset is a covered bond referred to in point (f) of Article 10(1) or in point (c) or (d) of Article 11(1) or in point (e) of Article 12(1);

(iii) the asset belongs to the category described in point (e) of Article 10(1);';

(ii) point (g) is replaced by the following:

'(g) any other entity that performs one or more of the activities listed in Annex I to Directive 2013/36/EU as its main business. For the purposes of this Article, SSPEs shall be deemed not included within the entities referred to in this point.';

(c) in paragraph 7, the following point (aa) is inserted after point (a):

'(aa) the exposures to central governments referred to in point (d) of Article 10(1);';

(5) Article 8 is amended as follows:

(a) in paragraph (1)(a), point (ii) is replaced by the following:

'(ii) the exposures to central banks referred to in Article 10(1)(b) and (1)(d)(i) and (iii);';

(b) in paragraph (3), point (b) is replaced by the following:

'(b) putting in place internal systems and controls to give the liquidity management function effective operational control to monetise the holdings of liquid assets at any point in the 30 calendar day stress period and to access the contingent funds without directly conflicting with any existing business or risk management strategies. In particular, an asset shall not be included in the liquidity buffer where monetisation of the asset without replacement throughout the 30 calendar day stress period would remove a hedge that would create an open risk position in excess of the internal limits of the credit institution;';

(6) Article 10 is amended as follows:

(a) in point (b) of paragraph 1, point (iii) is replaced by the following:

'(iii) reserves held by the credit institution in a central bank referred to in point (i) or (ii) provided that the credit institution is permitted to withdraw such reserves at any time during stress periods, that the conditions for such withdrawal have been specified in an agreement between the local competent authority and the central bank in which the reserves are held and, where applicable, that the option to have such reserves recognised as liquid assets has not been withdrawn, in full or in part, by the competent authority. For the purposes of this provision, the 'local competent authority' is the authority competent to supervise credit institutions in the jurisdiction of the central bank holding the reserves or the SSM where the ECB is the central bank holding the reserves;';

(b) in point (c) of paragraph 1, the following point (vi) is added:

'(vi) public sector entities provided that they are treated as exposures to the central government of a third country of the type referred to in point (ii), or as exposures to one of the regional governments or local

authorities of the type referred to in point (iv), in accordance with paragraph 4 of Article 116 of Regulation (EU) No 575/2013;';

(c) point (d) of paragraph 1 is replaced by the following:

'(d) the following assets:

(i) assets representing claims on or guaranteed by the central government or central bank of a third country which is not assigned a credit assessment by a nominated ECAI of at least credit quality step 1 in accordance with Article 114(2) of Regulation (EU) No 575/2013;

(ii) assets representing claims on or guaranteed by public sector entities provided that they are treated as exposures to the central government of a third country of the type referred to in point (i) in accordance with paragraph 4 of Article 116 of Regulation (EU) No 575/2013;

(iii) reserves held by the credit institution in a central bank referred to in point (i) provided that the credit institution is permitted to withdraw such reserves at any time during stress periods, that the conditions for such withdrawal have been specified in an agreement between the supervisory authorities of that third country and the central bank in which the reserves are held and, where applicable, that the option to have such reserves recognised as liquid assets has not been withdrawn under Article 2(4);

but, for all such assets in aggregate falling within points (i) to (iii) and denominated in a given currency, the credit institution may only recognise them as level 1 assets up to the amount of its stressed net liquidity outflows incurred in that same currency.

Moreover, where that currency is not the domestic currency of the third country in question, the credit institution may only recognise those assets as level 1 assets up to the amount of such portion of the credit institution's stressed net liquidity outflows incurred in that foreign currency as corresponds to its operations in the jurisdiction where the liquidity risk is being taken;';

(d) paragraph 2 is replaced by the following:

'2. The market value of extremely high quality covered bonds referred to in point (f) of paragraph 1 shall be subject to a haircut of at least 7%. Except as specified in relation to shares and units in CIUs in points (b) and (c) of Article 15(2), no haircut shall be required on the value of the remaining level 1 assets.';

(7) in Article 11(1)(c), point (ii) is replaced by the following:

'(ii) the exposures to institutions in the cover pool meet the conditions laid down in Article 129(1)(c) and in the last subparagraph of Article 129(1) of Regulation (EU) No 575/2013;';

(8) Article 13 is amended as follows:

(a) paragraph 1 is replaced by the following:

'1. Exposures in the form of asset-backed securities referred to in Article 12(1)(a) shall qualify as level 2B securitisations where they satisfy the following conditions:

(a) they are permitted to use and are using the designation 'STS', or a designation that refers directly or indirectly to 'STS', in accordance with Regulation (EU) 2017/42 of the European Parliament and of the Council*;

(b) they meet the criteria laid down in paragraphs 2 to 13 of this Article.

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* Regulation (EU) 2017/42 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35-80).';

(b) in paragraph 2, points (c), (d), (e), (f), (h), (i), (j) and (k) are deleted;

(c) point (g) of paragraph 2 is amended as follows:

(i) the introductory wording is replaced by the following:

'the securitisation position is backed by a pool of underlying exposures and those underlying exposures either all belong to only one of the following subcategories or else they consist of a combination of residential loans referred to in point (i) and residential loans referred to in point (ii):';

(ii) point (iv) is replaced by the following:

'(iv) auto loans and leases to borrowers or lessees established or resident in a Member State. For these purposes, they shall include loans or leases for the financing of motor vehicles or trailers as defined in points (11) and (12) of Article 3 of Directive 2007/46/EC of the European Parliament and of the Council**, agricultural or forestry tractors as referred to in Regulation (EU) No 167/2013 of the European Parliament and of the Council***, two-wheels motorcycles or motor tricycles as referred to in Regulation (EU) No 168/2013 of the European Parliament and of the Council**** or tracked vehicles as referred to in point (c) of Article 2(2) of Directive 2007/46/EC. Such loans or leases may include ancillary insurance and service products or additional vehicle parts, and in the case of leases, the residual value of leased vehicles. All loans and leases in the pool shall be secured with a first-ranking charge or security over the vehicle or an appropriate guarantee in favour of the SSPE, such as a retention of title provision;

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** Directive 2007/46/EC of the European Parliament and of the Council of 5 September 2007 establishing a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles (Framework Directive) (OJ L 263, 9.10.2007, p. 1).

*** Regulation (EU) No 167/2013 of the European Parliament and of the Council of 5 February 2013 on the approval and market surveillance of agricultural and forestry vehicles (OJ L 60, 2.3.2013, p. 1).

**** Regulation (EU) No 168/2013 of the European Parliament and of the Council of 15 January 2013 on the approval and market surveillance of two- or three-wheel vehicles and quadricycles (OJ L 60, 2.3.2013, p. 52).';

(d) paragraphs 3 to 9 are deleted;

(9) Article 15 is amended as follows:

(a) in paragraph 3, point (b) is replaced by the following:

'(b) where the credit institution is not aware of the exposures underlying the CIU, it must assume that the CIU invests, up to the maximum amount allowed under its mandate, in liquid assets in the same order as those assets are classified for the purposes of paragraph 2, starting with those referred to in point (h) of paragraph 2 and ascending until the maximum total investment limit is reached. This assumption shall be applied to determine the liquidity level of the underlying assets where the credit institution is not aware of the exposures underlying the CIU.';

(b) in paragraph 4, the following subparagraph is added:

'The correctness of the calculations by the depository institution or the CIU management company shall be confirmed by an external auditor.';

(10) Article 16 is replaced by the following:

'Article 16

Deposits and other funding in cooperative networks and institutional protection schemes

1. Where a credit institution belongs to an institutional protection scheme of the type referred to in Article 113(7) of Regulation (EU) No 575/2013, to a network that would be eligible for the waiver provided for in Article 10 of that Regulation or to a cooperative network in a Member State, the sight deposits that the credit institution maintains with the central institution may be treated as liquid assets unless the central institution receiving the deposits treats them as operational deposits. If the deposits are treated as liquid assets, they shall be treated in accordance with one of the following provisions:

(a) where, in accordance with the national law or the legally binding documents governing the scheme or network, the central institution is obliged to hold or invest the deposits in liquid assets of a specified level or category, the deposits shall be treated as liquid assets of that same level or category in accordance with this Regulation;

(b) where the central institution is not obliged to hold or invest the deposits in liquid assets of a specified level or category, the deposits shall be treated as level 2B assets in accordance with this Regulation and their outstanding amount shall be subject to a minimum haircut of 25%.

2. Where, under the law of a Member State or the legally binding documents governing one of the networks or schemes described in paragraph 1, the credit institution has access within 30 calendar days to undrawn liquidity funding from the central institution or from another institution within the same network or scheme, such funding shall be treated as a level 2B asset to the extent that it is not collateralised by liquid assets and that it is not being dealt with in accordance with the provisions of Article 34. A minimum haircut of 25% shall be applied to the undrawn committed principal amount of the liquidity funding.';

(11) in Article 17, the following paragraph 4 is added:

'4. The competent authority may in individual cases waive the application of paragraphs 2 and 3 in full or in part with respect to one or more secured funding, secured lending or collateral swap transactions using liquid assets and maturing within 30 calendar days, provided that the following conditions are met:

(a) the counterparty to the transaction or transactions is the ECB or the central bank of a Member State;

(b) exceptional circumstances exist which pose a systemic risk affecting the banking sector of one or more Member States;

(c) the competent authority has consulted with the central bank that is the counterparty to the transaction or transactions before agreeing to the waiver.';

(12) Article 21 is replaced by the following:

'Article 21
Netting of derivatives transactions

Credit institutions shall calculate liquidity outflows and inflows expected over a 30 calendar day period for the contracts listed in Annex II to Regulation (EU) No 575/2013 and for credit derivatives on a net basis by counterparty subject to the existence of bilateral netting agreements in accordance with Article 295 of that Regulation. For the purposes of this Article, net basis shall be considered to be net of collateral to be posted or received, provided that, in the case of collateral to be received, the collateral qualifies as a liquid asset under Title II of this Regulation and the credit institution would be legally entitled and operationally able to reuse it. Cash outflows and inflows arising from foreign currency derivative transactions that involve a full exchange of principal amounts on a simultaneous basis (or within the same day) shall be calculated on a net basis, even where those transactions are not covered by a bilateral netting agreement.';

(13) Article 22 is amended as follows:

(a) in paragraph 2, points (a) and (b) are replaced by the following:

'(a) the current outstanding amount for stable retail deposits and other retail deposits in accordance with Articles 24 and 25;

(b) the current outstanding amounts of other liabilities that become due, can be called for pay-out by the issuer or by the provider of the funding or entail an expectation by the provider of the funding that the credit institution would repay the liability during the next 30 calendar days determined in accordance with Articles 27, 28 and 31A(1);';

(b) the following paragraph 3 is added:

'3. The calculation of liquidity outflows is subject to Article 26.';

(14) in Article 23, paragraph 1 is replaced by the following:

'1. Credit institutions shall regularly assess the likelihood and potential volume of liquidity outflows during 30 calendar days for products or services which are not referred to in Articles 27 to 31A and which they offer or sponsor or which potential purchasers would consider associated with them. Those products or services shall include, but not be limited to, the liquidity outflows resulting from any of the contractual arrangements referred to in Article 420(2) of Regulation (EU) No 575/2013, such as:

(a) other off-balance sheet and contingent funding obligations, including but not limited to uncommitted funding facilities;

(b) undrawn loans and advances to wholesale counterparties;

(c) mortgage loans that have been agreed but not yet drawn down;

(d) credit cards;

(e) overdrafts;

(f) planned outflows related to renewal or extension of new retail or wholesale loans;

(g) planned derivative payables, other than the contracts listed in Annex II to Regulation (EU) No 575/2013 and credit derivatives;

(h) trade finance off-balance sheet related products.';

(15) in Article 25(2), point (b) is replaced by the following:

'(b) the deposit is an internet access only account;';

(16) Article 28 is amended as follows:

(a) paragraph 3 is replaced by the following:

'3. Credit institutions shall multiply liabilities maturing within 30 calendar days and resulting from secured lending or capital market-driven transactions, as defined in points (2) and (3) respectively of Article 192 of Regulation (EU) No 575/2013, by:

(a) 0% if they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 10 of this Regulation as liquid assets of any of the categories of level 1 asset referred to in Article 10, with the exception of extremely high quality covered bonds referred to in point (f) of Article 10(1);

(b) 7% if they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with

Articles 7 and 10 of this Regulation as liquid assets of the category referred to in point (f) of Article 10(1);

(c) 15% if they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 11 of this Regulation as liquid assets of any of the categories of level 2A asset referred to in Article 11;

(d) 25% if they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 13 of this Regulation as liquid assets of any of the categories of level 2B asset referred to in point (i), (ii) or (iv) of point (g) of Article 13(2);

(e) 30% if they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 12 of this Regulation as liquid assets of the category of level 2B asset referred to in point (e) of Article 12(1);

(f) 35% if they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 13 of this Regulation as liquid assets of any of the categories of level 2B asset referred to in point (iii) or (v) of point (g) of Article 13(2);

(g) 50% if they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 12 of this Regulation as liquid assets of any of the categories of level 2B asset referred to in point (b), (c) or (f) of Article 12(1);

(h) the percentage minimum haircut determined in accordance with paragraphs (2) and (3) of Article 15 of this Regulation if they are collateralised by shares or units in CIUs that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 15 as liquid assets of the same level as the underlying liquid assets;

(i) 100% if they are collateralised by assets that do not fall within any of points (a) to (h) of this subparagraph.

The first subparagraph shall have effect subject to the third and fourth subparagraphs of this paragraph.

Where the counterparty to the secured lending or capital market-driven transaction is the credit institution's domestic central bank, the outflow rate shall be 0%. For the purposes of this paragraph, the credit institution's 'domestic central bank' is the ECB where the national central bank of the credit institution's home Member State is a member of the ESCB, or the national central bank of the credit institution's home Member State where that central bank is not a member of the ESCB, or, as the case may be, the central bank of the third country in which the credit institution is incorporated.

For secured lending or capital market-driven transactions that, but for this subparagraph, would require an outflow rate higher than 25%, the outflow

rate shall be 25% where the counterparty to the transaction is the central government or a public sector entity of the credit institution's home Member State or of the third country in which the credit institution is incorporated, or is a multilateral development bank. However, in the case of a transaction where the counterparty is a public sector entity of that Member State or third country, this subparagraph shall only apply to that transaction if the public sector entity is assigned a risk weight of 20% or lower in accordance with Article 116 of Regulation (EU) No 575/2013.';

(b) paragraph 4 is replaced by the following:

'4. Collateral swaps, and other transactions with a similar form that do not comprise a cash leg, that mature within the next 30 calendar days shall lead to an outflow if the asset borrowed is subject to a lower haircut under Chapter 2 than the asset lent. The outflow shall be calculated by multiplying the market value of the asset borrowed by the difference in the outflow rate applicable to the asset lent and the outflow rate applicable to the asset borrowed in accordance with paragraph 3.

The first subparagraph shall have effect subject to the third and fourth subparagraphs of this paragraph.

Where the counterparty to the collateral swap or other transaction is the credit institution's domestic central bank, the outflow rate to be applied to the market value of the asset borrowed shall instead be 0%. The reference to the credit institution's domestic central bank has the same meaning as in paragraph 3.

For collateral swaps or other transactions that, but for this subparagraph, would require an outflow rate of higher than 25% to be applied to the market value of the asset borrowed, the outflow rate to be applied to the market value of that asset shall be 25% where the counterparty is the central government or a public sector entity of the credit institution's home Member State or of the third country in which the credit institution is incorporated, or is a multilateral development bank. However, in the case of a collateral swap or other transaction where the counterparty is a public sector entity of that Member State or third country, this subparagraph shall only apply to that transaction if the public sector entity is assigned a risk weight of 20% or lower in accordance with Article 116 of Regulation (EU) No 575/2013.';

(c) the following paragraph 7 is added:

'7. Assets borrowed on an unsecured basis and maturing within 30 calendar days shall be assumed to run off in full, leading to a 100% outflow of liquid assets, unless the credit institution owns the assets borrowed and the assets borrowed do not form part of the credit institution's liquidity buffer.';

(17) in Article 29, paragraph 2 is amended as follows:

(a) point (a) is replaced by the following:

'(a) the liquidity provider and receiver will present a low liquidity risk profile after the application of the lower outflow rate being proposed under paragraph 1 and the application of the inflow rate referred to in point (c) of that paragraph;';

(b) point (c) is replaced by the following:

'(c) the liquidity risk profile of the liquidity receiver is taken into account adequately in the liquidity risk management of the liquidity provider.';

(18) Article 30 is amended as follows:

(a) paragraphs 2, 3, 4 and 5 are replaced by the following:

2. The credit institution shall calculate and notify to the competent authority an additional outflow for all contracts entered into, the contractual conditions of which lead, within 30 calendar days and following a material deterioration of its credit quality, to additional liquidity outflows or collateral needs. The credit institution shall notify the competent authority of that outflow no later than the submission of the reporting in accordance with Article 415 of Regulation (EU) No 575/2013. Where the competent authority considers that outflow material in relation to the potential liquidity outflows of the credit institution, it shall require the credit institution to add an additional outflow for those contracts corresponding to the additional collateral needs or cash outflows resulting from a material deterioration in the credit institution's credit quality corresponding to a downgrade in its external credit assessment by at least three notches. The credit institution shall apply a 100% outflow rate to those additional collateral or cash outflows. The credit institution shall regularly review the extent of this material deterioration in the light of what is relevant under the contracts that it has entered into and shall notify the result of its review to the competent authority.

3. The credit institution shall add an additional outflow corresponding to collateral needs that would result from the impact of an adverse market scenario on the credit institution's derivatives transactions if material. This calculation shall be made in accordance with Commission Delegated Regulation (EU) 2017/208*.

4. Outflows and inflows expected over 30 calendar days from the contracts listed in Annex II to Regulation (EU) No 575/2013 or from credit derivatives shall be taken into account on a net basis in accordance with Article 21. In the case of a net outflow, the credit institution shall multiply the result by a 100% outflow rate. Credit institutions shall exclude from such calculations those liquidity requirements that would result from the application of paragraphs 1, 2 and 3 of this Article.

5. If the credit institution has a short position that is covered by an unsecured security borrowing, the credit institution shall add an additional outflow corresponding to 100% of the market value of the securities or other assets sold short unless the terms upon which the credit institution has borrowed them require their return only after 30 calendar days. If the short position is covered by a collateralised securities financing transaction, the credit institution shall assume the short position will be maintained throughout the 30 calendar day period and receive a 0% outflow.

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* Commission Delegated Regulation (EU) 2017/208 of 31 October 2016 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for additional liquidity outflows corresponding to collateral needs resulting

from the impact of an adverse market scenario on an institution's derivatives transactions (OJ L 33, 8.2.2017, p. 14).';

(b) paragraph 7 is replaced by the following:

'7. Deposits received as collateral shall not be considered as liabilities for the purposes of Article 24, 25, 27, 28 or 31A but shall be subject to the provisions of paragraphs 1 to 6 of this Article, where applicable. The amount of deposits received exceeding the amount of deposits received as collateral shall be treated as deposits in accordance with Article 24, 25, 27, 28 or 31A.';

(c) paragraph 11 is deleted;

(d) paragraph 12 is replaced by the following:

'12. In relation to the provision of prime brokerage services, where a credit institution has financed the assets of one client by internally netting them against the short sales of another client and the assets do not qualify as liquid assets, those transactions shall be subject to a 50% outflow rate for the contingent obligation.';

(19) Article 31 is amended as follows:

(a) paragraph 6 is replaced by the following:

'6. The undrawn committed amount of a liquidity facility that has been provided to an SSPE for the purpose of enabling such an SSPE to purchase assets, other than securities, from clients that are not financial customers shall be multiplied by 10% to the extent that it exceeds the amount of assets currently purchased from clients and where the maximum amount that can be drawn down is contractually limited to the amount of assets currently purchased.';

(b) in paragraph 9, the second subparagraph is replaced by the following:

'By way of derogation from Article 32(3)(g), where those promotional loans are extended as pass through loans via another credit institution acting as an intermediary, a symmetric inflow and outflow may be applied by the credit institution acting as an intermediary. That inflow and outflow is to be calculated by applying to the undrawn committed credit or liquidity facility received and extended the rate that is applicable to it by virtue of the first subparagraph and respecting the conditions and requirements otherwise imposed in relation to it by this paragraph.';

(c) paragraph 10 is deleted;

(20) The following Article 31A is inserted:

'Article 31A

Outflows from liabilities and commitments not covered by other provisions of this Chapter

1. Credit institutions shall multiply by a 100% outflow rate any liabilities that become due within 30 calendar days, other than those referred to in Articles 24 to 31.

2. If the total of all contractual commitments to extend funding to non-financial customers, other than commitments referred to in Articles 24 to 31, exceeds the amount of inflows from those non-financial customers calculated in accordance with

point (a) of Article 32(3), the excess shall be subject to a 100% outflow rate. For the purposes of this paragraph, non-financial customers shall include, but not be limited to, natural persons, SMEs, corporates, sovereigns, multilateral development banks and public sector entities.';

(21) Article 32 is amended as follows:

(a) paragraphs 2 and 3 are replaced by the following:

'2. Liquidity inflows referred to in paragraph 1 shall receive a 100% inflow rate, including in particular the following inflows:

(a) monies due from central banks and financial customers with a residual maturity of no more than 30 days;

(b) monies due from trade finance transactions referred to in point (b) of the second subparagraph of Article 162(3) of Regulation (EU) No 575/2013 with a residual maturity of no more than 30 days;

(c) monies due from securities maturing within 30 calendar days;

(d) monies due from positions in major indexes of equity instruments, provided there is no double counting with liquid assets. Those monies shall include monies contractually due within 30 calendar days, such as cash dividends from those major indexes and cash due from those equity instruments sold but not yet settled, if they are not recognised as liquid assets in accordance with Title II.

3. By way of derogation from paragraph 2, the inflows set out in this paragraph shall be subject to the following requirements:

(a) monies due from non-financial customers with a residual maturity of no more than 30 days, with the exception of monies due from them from trade finance transactions or maturing securities, shall be reduced for the purposes of principal payment by 50% of their value. For the purposes of this point, non-financial customers has the same meaning as in Article 31A(2). By way of derogation, credit institutions acting as intermediaries as referred to in the second subparagraph of Article 31(9) that have received a loan ('pass-through loan') from credit institutions set up and sponsored by the central or regional government of at least one Member State in order for them to disburse a promotional loan to a final recipient, or have received a similar pass-through loan from a multilateral development bank or a public sector entity, may take an inflow into account up to the amount of the outflow that they apply to the corresponding pass-through loan;

(b) monies due from secured lending and capital market-driven transactions, as defined in points (2) and (3) respectively of Article 192 of Regulation (EU) No 575/2013, with a residual maturity of no more than 30 days shall be multiplied by:

(i) 0% if they are collateralised by assets that, whether or not they are re-used in another transaction, would qualify in accordance with Articles 7 and 10 of this Regulation as liquid assets of any of the categories of level 1 asset referred to in Article 10, with

the exception of extremely high quality covered bonds referred to in point (f) of Article 10(1);

(ii) 7% if they are collateralised by assets that, whether or not they are re-used in another transaction, would qualify in accordance with Articles 7 and 10 of this Regulation as liquid assets of the category referred to in point (f) of Article 10(1);

(iii) 15% if they are collateralised by assets that, whether or not they are re-used in another transaction, would qualify in accordance with Articles 7 and 11 of this Regulation as liquid assets of any of the categories of level 2A asset referred to in Article 11;

(iv) 25% if they are collateralised by assets that, whether or not they are re-used in another transaction, would qualify in accordance with Articles 7 and 13 of this Regulation as liquid assets of any of the categories of level 2B asset referred to in point (i), (ii) or (iv) of point (g) of Article 13(2);

(v) 30% if they are collateralised by assets that, whether or not they are re-used in another transaction, would qualify in accordance with Articles 7 and 12 of this Regulation as liquid assets of the category of level 2B asset referred to in point (e) of Article 12(1);

(vi) 35% if they are collateralised by assets that, whether or not they are re-used in another transaction, would qualify in accordance with Articles 7 and 13 of this Regulation as liquid assets of any of the categories of level 2B asset referred to in point (iii) or (v) of point (g) of Article 13(2);

(vii) 50% if they are collateralised by assets that, whether or not they are re-used in another transaction, would qualify in accordance with Articles 7 and 12 as liquid assets of any of the categories of level 2B asset referred to in point (b), (c) or (f) of Article 12(1);

(viii) the percentage minimum haircut determined by paragraphs (2) and (3) of Article 15 of this Regulation if they are collateralised by assets that, whether or not they are re-used in another transaction, would qualify in accordance with Articles 7 and 15 as shares or units in CIUs of the same level as the underlying liquid assets;

(ix) 100% if they are collateralised by assets that do not fall within any of points (i) to (viii) of this point.

However, no inflow shall be allowed if the collateral is used by the credit institution to cover a short position in accordance with the second sentence of Article 30(5);

(c) monies due from contractual margin loans maturing in the next 30 days made against non-liquid assets collateral may receive a 50% inflow rate. Those inflows may only be considered if the credit

institution is not using the collateral it originally received against the loans to cover any short positions;

(d) monies due that the credit institution owing those monies treats in accordance with Article 27, with the exception of deposits at the central institution referred to in Article 27(3), shall be multiplied by a corresponding symmetrical inflow rate. Where the corresponding rate cannot be established, a 5% inflow rate shall be applied;

(e) collateral swaps, and other transactions with a similar form that do not comprise a cash leg, that mature within 30 calendar days shall lead to an inflow if the asset lent is subject to a lower haircut under Chapter 2 than the asset borrowed. The inflow shall be calculated by multiplying the market value of the asset lent by the difference in the inflow rate applicable to the asset borrowed and the inflow rate applicable to the asset lent in accordance with point (b);

(f) if the collateral obtained through reverse repo, securities borrowing, collateral swaps, or other transactions with a similar form that do not comprise a cash leg, which mature within 30 calendar days is used to cover short positions that can be extended beyond 30 calendar days, the credit institution shall assume that such reverse repo, securities borrowing, collateral swaps, or other transactions with a similar form that do not comprise a cash leg, will be rolled-over and will not give rise to any cash inflows reflecting the need to continue to cover the short position or to re-purchase the relevant securities. Short positions include both instances where in a matched book the credit institution sold short a security outright as part of a trading or hedging strategy and instances where in a matched book the credit institution has borrowed a security for a given period and lent the security out for a longer period;

(g) any undrawn credit or liquidity facilities and any other commitments received, other than those referred to in the second subparagraph of Article 31(9) and in Article 34, shall not be taken into account. Undrawn committed liquidity facilities from central banks shall not be taken into account as an inflow;

(h) monies due from securities issued by the credit institution itself or by a SSPE with which the credit institution has close links shall be taken into account on a net basis with an inflow rate applied on the basis of the inflow rate applicable to the underlying assets in accordance with this Article;

(i) loans with an undefined contractual end date shall be taken into account with a 20% inflow rate, provided that the contract allows the credit institution to withdraw or to request payment within 30 calendar days.';

(b) paragraph 5 is replaced by the following:

'5. Outflows and inflows expected over 30 calendar days from the contracts listed in Annex II of Regulation (EU) No 575/2013 and from credit

derivatives shall be calculated on a net basis in accordance with Article 21 and shall be multiplied by 100% in the event of a net inflow.';

(22) in Article 33(2), point (c) is replaced by the following:

'(c) inflows from loans related to mortgage lending, or from promotional loans referred to in Article 31(9) or in point (a) of Article 32(3), or from a multilateral development bank or a public sector entity that the credit institution has passed-through.';

(23) Article 34(2) is amended as follows:

(a) point (a) is replaced by the following:

'(a) the liquidity provider and receiver will present a low liquidity risk profile after the application of the higher inflow being proposed under paragraph 1 and the application of the outflow rate referred to in point (c) of that paragraph;';

(b) point (c) is replaced by the following:

'(c) the liquidity risk profile of the liquidity receiver is taken into account adequately in the liquidity risk management of the liquidity provider.';

(24) Annex I is amended as follows:

(a) paragraph 3 is replaced by the following:

'3. 'Excess liquid assets' amount: this amount shall be comprised of the components defined herein:

(a) the adjusted non-covered bond level 1 asset amount, which shall be equal to the value post-haircuts of all level 1 liquid assets, excluding level 1 covered bonds, that would be held by the credit institution upon the unwind of any secured funding, secured lending or collateral swap transaction that matures within 30 calendar days from the calculation date and where the credit institution and the counterparty exchange liquid assets on at least one leg of the transaction;

(b) the adjusted level 1 covered bond amount, which shall be equal to the value post-haircuts of all level 1 covered bonds that would be held by the credit institution upon the unwind of any secured funding, secured lending or collateral swap transaction that matures within 30 calendar days from the calculation date and where the credit institution and the counterparty exchange liquid assets on at least one leg of the transaction;

(c) the adjusted level 2A asset amount, which shall be equal to the value post-haircuts of all level 2A assets that would be held by the credit institution upon the unwind of any secured funding, secured lending or collateral swap transaction that matures within 30 calendar days from the calculation date and where the credit institution and the counterparty exchange liquid assets on at least one leg of the transaction; and

(d) the adjusted level 2B asset amount, which shall be equal to the value post-haircuts of all level 2B assets that would be held by the credit institution upon the unwind of any secured funding, secured lending

or collateral swap transaction that matures within 30 calendar days from the calculation date and where the credit institution and the counterparty exchange liquid assets on at least one leg of the transaction.';

(b) paragraph 5 is deleted.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from [*18 months after the date of publication of the amending Regulation*].

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President
Jean-Claude Juncker