Single Rulebook Q&A

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Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR) as amended
Topic	Liquidity risk
Article	Delegated Act LCR
Paragraph	Article 8(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	Article 8 (2)
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	HQLA and amortised cost classification
Question	If a bank holds HQLAs in the amortised cost portfolio and is able to monetise these assets can the securities, e.g. government bonds, in the amortised cost portfolio also be treated as HQLA in LCR calculation?
Background on the question	Banks are obligated by Delegated Act LCR Article 8(2) to have ready access to their holdings of HQLAs and to ensure that there are no legal or operational restrictions to monetising HQLAs at any time during the 30 calendar day stress period.To meet the LCR requirements, now many banks are buying and holding more securities, especially government bonds. From the liquidity management point of view, it is easier put them in the FVTOCI accounting classification. But due to the daily market price appreciation/depreciation, it is better to put them in the amortised cost classification.The treatment of such securities is not clear.
EBA answer	Assets measured at amortised cost could be included in the credit institution's liquidity buffer when these assets comply with the general requirements provided for by Article 7 of the Commission Delegated Regulation (EU) 2015/61 (DR with regard to liquidity coverage requirement), the operational requirements provided for by Article 8 of

	the DR and the respective eligibility criteria for their classification as a level 1 or level 2 asset in accordance with Chapter 2 of the DR. The credit institutions should use market value reduced in accordance with the applicable haircuts for the calculation of the liquidity coverage ratio in accordance with Article 9 of the DR. Article 8(2) of the LCR DR requires credit institutions to have ready access to HQLA and be able to monetise them at any time during the 30 calendar day stress period. For this purpose, it stipulates that HQLA are readily accessible where there are no legal or practical impediments to the credit institution's ability to monetise such an asset in a timely fashion. In this context, and for the purposes of their eligibility in the liquidity buffer, the bank should be able to demonstrate the ability to monetise these assets during the 30 calendar day period and, in particular, that their accounting classification as amortised cost will not represent a practical impediment to its ability for such monetisation. For example, the bank might show an active monitoring and participation in repo markets or – at least – provide evidence of its ability to actually access them when necessary. Also, for instance, it might be assumed that there are no practical impediments if the liquidity policy of the bank does not raise concerns about any limitation for the HQLA, due to their accounting classification, to be expected to be liquidated under stress.
Link	https://eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2018_3955

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