



NEWSFLASH
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financial stability in Europe by
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euro area Member States



EBA recommends ESM and EFSF as “Extremely High” Quality Liquid Assets

- The Capital Requirement Regulation (EU), published by the European Union in June 2013, has tasked the European Banking Authority (EBA) to advise on appropriate uniform definitions of liquid assets for the LCR buffer. Two categories of transferable assets are defined: assets of “extremely high” and “high” liquid and credit quality
- The EBA has now published a report* which provides recommendations on the scope of these two categories, mentioning specifically the EFSF and ESM Notes as assets to be considered as transferable assets of extremely high liquidity and credit quality:

“Particularly the EBA recommends to consider all sort of bonds issued or guaranteed by EEA Sovereigns and EEA Central Banks in the domestic currency and also those issued or guaranteed by Supranational Institutions (the Bank of International Settlements, the International Monetary Fund, the Commission, multilateral development banks, the European Financial Stability Facility and the European Stability Mechanism) as transferable assets of extremely high liquidity and credit quality”.*

- For the time being, this is a **recommendation** of the EBA based on their analysis, and following the mandate from the CRR. It can be expected now that the Commission will adopt a delegated act to specify in detail the liquidity coverage requirements, which will be based on these recommendations and analysis, among others. As per Article 460 the European Commission shall adopt the delegated act referred to by 30 June 2014

* EBA Report on appropriate uniform definitions of extremely HQLA and HQLA and on operational requirements for liquid assets under Article 509(34) and (5) CRR <https://www.eba.europa.eu/-/eba-publishes-reports-on-liquidity>

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