

Bank of England

PRA Rulebook

Prudential Regulation Authority Rulebook

Part

Liquidity Coverage Ratio (CRR)

Printed on: 26/11/2025

Rulebook at: 26/11/2025

Related Links

SS24/15 – The PRA's approach to supervising liquidity and funding risks	https://www.prarulebook.co.uk/guidance/statementss/ss24-15---the-pras-approach-to-supervising-liquidity-and-funding-risks
SoP3/21 – Liquidity and funding permissions	https://www.prarulebook.co.uk/guidance/statements-of-policy/sop---liquidity-and-funding-permissions

Chapters

- 1 Application and Definitions
- 2 Rules on Standards for the Liquidity Coverage Requirement for Credit Institutions (previously Regulation (EU) No 2015/61)
- 3 Rules on Standards for Specifying the Conditions for the Application of the Derogations Concerning Currencies with Constraints on the Availability of Liquid Assets (previously Regulation (EU) No 2016/709)
- 4 Rules on Standards for Additional Liquidity Outflows Corresponding to Collateral Needs Resulting from the Impact of an Adverse Market Scenario on an Institution's Derivatives Transactions (previously Regulation (EU) No 2017/208)

1 Application and Definitions

- 1.1 Chapters 1 to 3 of the Liquidity (CRR) Part of the PRA Rulebook apply in relation to this Part.

01/01/2022

- 1.2 Unless the contrary intention appears, words and expressions used in this Part that are defined in Chapter 4 of the Liquidity (CRR) Part of the PRA Rulebook shall have the same meaning in this Part.

01/01/2022

- 1.3 Unless the contrary intention appears, in any Chapter of this Part a reference to a provision is to the provision in the same Chapter where the reference is made.

01/01/2022

- 1.4 This Part is subject to the Liquidity Coverage Requirement - UK Designated Investment Firms Part of the PRA Rulebook.

01/01/2022

2 Rules on Standards for the Liquidity Coverage Requirement for Credit Institutions (previously Regulation (EU) No 2015/61)

Title I The Liquidity Coverage Ratio

Article 1 Subject Matter

Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook lays down rules to specify in detail the liquidity coverage requirement provided for in Article 412(1) of CRR.

[Note: This rule corresponds to Article 1 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury.]

01/01/2022

Article 2 Scope and Application

1. [Note: Provision left blank]

01/01/2022

2. [Note: Provision left blank]

01/01/2022

3. Where a **CRR consolidation entity** is required to comply with **Chapter 2** of the **Liquidity Coverage Ratio (CRR) Part** of the **PRA** Rulebook on the basis of its consolidated situation all the following provisions shall apply:

- (a) third country assets held by a subsidiary **undertaking** in a third country may be recognised as liquid assets for consolidation purposes where they qualify as liquid assets under that third country's national law setting out the liquidity coverage requirement and they satisfy one of the following conditions:
 - (i) the assets meet all the requirements laid down in **Title II (The Liquidity Buffer)**;
 - (ii) the assets fail to meet the specific requirement laid down in **Title II (The Liquidity Buffer)** with respect to their issue size but meet all the other requirements laid down therein.

The assets recognisable by virtue of point (ii) may only be recognised up to the amount of the **stressed net liquidity outflows** incurred in the particular currency in which they are denominated and arising from that same subsidiary **undertaking**;

- (b) liquidity outflows in a subsidiary **undertaking** in a third country which are subject under the national law of that third country setting out the liquidity coverage requirement to higher percentages than those specified in **Title III (Liquidity outflows and inflows)** shall be subject to consolidation in accordance with the higher rates specified in the national law of the third country;
- (c) liquidity inflows in a subsidiary **undertaking** in a third country which are subject under the national law of that third country setting out the liquidity coverage requirement to lower percentages than those specified in **Title III (Liquidity outflows and inflows)** shall be subject to consolidation in accordance with the lower rates specified in the national law of the third country;
- (d) investment firms within the group shall be subject to **Article 4** of this **Chapter 2** of the **Liquidity Coverage Ratio (CRR) Part** of the **PRA** Rulebook on a consolidated basis and to **Article 412** of **CRR** in relation to the definition of liquid assets, liquidity outflows and inflows for both individual and consolidated purposes. Other than as

specified in this point, investment firms shall remain subject to the detailed liquidity coverage ratio requirement for investment firms as laid down in the **Liquidity Coverage Requirement - UK Designated Investment Firms Part** of the **PRA** Rulebook;

- (e) at a consolidated level the amount of inflows arising from a specialised credit institution referred to in **Article 33 paragraphs (3) and (4)** shall only be recognised up to the amount of the outflows arising from the same **undertaking**.

[Note: This rule corresponds to Article 2 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**.]

01/01/2022

Article 3 Definitions

For the purposes of **Chapter 2** of the **Liquidity Coverage Ratio (CRR) Part** of the **PRA** Rulebook, the following definitions shall apply:

- (1) '**level 1 assets**' means assets of extremely high liquidity and credit quality as referred to in **Article 10**;
- (2) '**level 2 assets**' means assets of high liquidity and credit quality and further subdivided into level 2A and 2B assets in accordance with **Articles 11 and 12**;
- (3) '**liquidity buffer**' means the amount of liquid assets that a credit institution holds in accordance with **Title II (The Liquidity Buffer)**;
- (4) '**reporting currency**' means the currency in which the liquidity items referred to in Titles II and III of Part Six of **CRR** must be reported to the **competent authority** in accordance with **Article 415(1) of CRR**;
- (5) '**asset coverage requirement**' means the ratio of assets to liabilities as determined for credit enhancement purposes in relation to covered bonds by the national law of the **United Kingdom** or a third country;
- (7) '**net liquidity outflows**' means the amount which results from deducting a credit institution's liquidity inflows from its liquidity outflows in accordance with **Title III (Liquidity outflows and inflows)**;
- (9A) '**UK deposit guarantee scheme**' means the depositor protection part of the Financial Services Compensation Scheme established under section 213 of **FSMA**;
- (10) '**personal investment company**' ('**PIC**') means an **undertaking** or a trust whose owner or beneficial owner, respectively, is a natural person or a group of closely related natural persons, which was set up with the sole purpose of managing the wealth of the owners and which does not carry out any other commercial, industrial or professional activity. The purpose of the **PIC** may include other ancillary activities

such as segregating the owners' assets from corporate assets, facilitating the transmission of assets within a family or preventing a split of the assets after the death of a member of the family, provided these are connected to the main purpose of managing the owners' wealth;

- (11) '**stress**' (or '**stressed**') 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;
- (12) '**margin loans**' means collateralised loans extended to customers for the purpose of taking leveraged trading positions.
- (13) [Note: Provision left blank]
- (14) [Note: Provision left blank]
- (15) [Note: Provision left blank]
- (16) [Note: Provision left blank]

[Note: This rule corresponds to Article 3 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**.]

01/01/2022

Article 4 The Liquidity Coverage Ratio

1. The detailed liquidity coverage requirement in accordance with **Article 412(1)** of **CRR** shall be equal to the ratio of a credit institution's **liquidity buffer** to its **net liquidity outflows** over a 30 calendar day **stress** period and shall be expressed as a percentage. Credit institutions shall calculate their liquidity coverage ratio in accordance with the following formula:

$$\frac{\text{Liquidity Buffer}}{\text{Net Liquidity Outflows over a 30 calendar day stress period}} = \text{Liquidity Coverage Ratio (\%)}$$

01/01/2022

2. Credit institutions shall maintain a liquidity coverage ratio of at least 100%.

01/01/2022

3. By derogation from **paragraph 2**, credit institutions may monetise their liquid assets to cover their **net liquidity outflows** during **stress** periods, even if such a use of liquid assets may result in their liquidity coverage ratio falling below 100% during such periods.

01/01/2022

4. Where at any time the liquidity coverage ratio of a credit institution has fallen or can be reasonably expected to fall below 100%, the requirement laid down in **Article 414** of **CRR** shall apply. Until the liquidity coverage ratio has been restored to the level referred to in **paragraph 2**, the credit institution shall report to the **competent authority** in accordance with **Article 414** of **CRR**.

01/01/2022

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 for certain items as follows:

- (a) for items that are subject to separate reporting in a currency other than the **reporting currency** in accordance with **Article 415(2)** of **CRR**, credit institutions shall separately calculate and monitor their liquidity coverage ratio 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, credit institutions shall separately calculate and monitor their liquidity coverage ratio in the **reporting currency**

Credit institutions shall report to their **competent authority** the liquidity coverage ratio in accordance with **Reporting (CRR) Part** of the **PRA** Rulebook.

01/01/2022

6. Credit institutions shall not double-count liquid assets, inflows and outflows.

[Note: The rule corresponds to Article 4 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 5 Stress Scenarios for the Purposes of the Liquidity Coverage Ratio

Credit institutions may regard the following scenarios as indicators of circumstances in which they may be considered as being subject to stress:

- (a) the run-off of a significant proportion of its retail deposits;
- (b) a partial or total loss of unsecured wholesale funding capacity, including wholesale deposits and other sources of contingent funding such as received committed or uncommitted liquidity or credit lines;
- (c) a partial or total loss of secured, short-term funding;
- (d) additional liquidity outflows as a result of a credit rating downgrade of up to three notches;
- (e) increased market volatility affecting the value of collateral or its quality or creating additional collateral needs;
- (f) unscheduled draws on liquidity and credit facilities;
- (g) potential obligation to buy-back debt or to honour non-contractual obligations.

[Note: This rule corresponds to Article 5 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury]

01/01/2022

Title II The Liquidity Buffer

Chapter 1 General Provisions

Article 6 Composition of the Liquidity Buffer

In order to be eligible to form part of a credit institution's liquidity buffer, the liquid assets shall comply with each of the following requirements:

- (a) the general requirements laid down in Article 7;
- (b) the operational requirements laid down in Article 8;
- (c) the respective eligibility criteria for their classification as a level 1 or level 2 asset in accordance with Chapter 2 of Title II (The Liquidity Buffer).

[Note: The rule corresponds to Article 6 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the *Treasury*]

01/01/2022

Article 7 General Requirements for Liquid Assets

1. In order to qualify as liquid assets, the assets of a credit institution shall comply with paragraphs 2 to 6.

01/01/2022

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. 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 of Title II (The Liquidity Buffer), 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.

01/01/2022

3. The assets shall not have been issued by the credit institution itself, its parent undertaking, other than a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking or by a securitisation special purpose entity with which the credit institution has close links.

01/01/2022

4. The assets shall not have been issued by any of 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) 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);
 - (b) an investment firm;
 - (c) an insurance undertaking;
 - (d) a reinsurance undertaking;
 - (e) a financial holding company;
 - (f) a mixed financial holding company;
 - (g) any other entity that performs one or more of the Annex 1 activities as its main business. For the purposes of this Article, SSPEs shall be deemed not included within the entities referred to in this point.

01/01/2022

5. The value of the assets shall be capable of being determined on the basis of widely disseminated and easily available market prices. In the absence of market-based prices, the value of the assets must be capable of being determined on the basis of an easy-to-calculate formula that uses publicly available inputs and is not significantly dependent upon strong assumptions.

01/01/2022

6. The assets shall be listed on a recognised exchange or tradable via active outright sale or via simple repurchase transaction on generally accepted repurchase markets. These criteria shall be assessed separately for each market. An asset admitted to trading in

an organised venue which is not a recognised exchange, either in the United Kingdom or in a third country, shall be deemed liquid only where the trading venue provides for an active and sizable market for outright sales of assets. The credit institution shall take into account the following as minimum criteria to assess whether a trading venue provides for an active and sizeable market for the purposes of this paragraph:

- (a) historical evidence of market breadth and depth as proven by low bid-ask spreads, high trading volume and a large and diverse number of market participants;
- (b) the presence of a robust market infrastructure.

01/01/2022

7. The requirements laid down in paragraphs 5 and 6 shall not apply to:

- (a) banknotes and coins referred to in point (a) of Article 10(1);
- (aa) the exposures to central governments referred to in point (d) of Article 10(1);
- (b) the exposures to central banks referred to in points (b) and (d) of Article 10(1) and in point (b) of Article 11(1);
- (c) the restricted-use committed liquidity facility referred to in point (d) of Article 12(1).

[Note: This rule corresponds to Article 7 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 8 Operational Requirements

1. Credit institutions shall have policies and limits in place to ensure that the holdings of liquid assets comprising their liquidity buffer remain appropriately diversified at all times. For those purposes, credit institutions shall take into account the extent of diversification between the various categories of liquid assets and within the same category of liquid assets referred to in Chapter 2 of Title II (The Liquidity Buffer) and any other relevant diversification factors, such as types of issuers, counterparties or the geographical location of those issuers and counterparties.

01/01/2022

2. Credit institutions shall have ready access to their holdings of liquid assets and be able to monetise them at any time during the 30 calendar day **stress** period via outright sale or repurchase agreement on generally accepted repurchase markets. A liquid asset shall be deemed readily accessible to a credit institution where there are no legal or practical impediments to the credit institution's ability to monetise such an asset in a timely fashion.

Assets used to provide credit enhancement in structured transactions or to cover operational costs of the credit institutions shall not be deemed as readily accessible to a credit institution.

Assets held in a third country where there are restrictions to their free transferability shall be deemed readily accessible only insofar as the credit institution uses those assets to meet liquidity outflows in that third country. Assets held in a non-convertible currency shall be deemed readily accessible only insofar as the credit institution uses those assets to meet liquidity outflows in that currency.

01/01/2022

3. Credit institutions shall ensure that their liquid assets are under the control of a specific liquidity management function within the credit institution by:

- (a) placing the liquid assets in a separate pool under the direct management of the liquidity function and with the sole intent of using them as a source of contingent funds, including during **stress** periods; or
- (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; or
- (c) a combination of options (a) and (b), if appropriate.

01/01/2022

4. Credit institutions shall regularly, and at least once a year, monetise a sufficiently representative sample of their holdings of liquid assets by means of outright sale or simple repurchase agreement on a generally accepted repurchase market. Credit institutions shall develop strategies for disposing of samples of liquid assets which are adequate to:
 - (a) test the access to the market for those assets and their usability;
 - (b) check that the credit institution's processes for the timely monetisation of assets are effective;
 - (c) minimise the risk of sending a negative signal to the market as a result of the credit institution's monetising its assets during **stress** periods.

The requirement laid down in the first subparagraph shall not apply to **level 1 assets** referred to in **Article 10**, other than extremely high quality covered bonds, to the restricted-use committed liquidity facility referred to in subparagraph (d) of **Article 12(1)**.

01/01/2022

5. The requirement set out in **paragraph 2** shall not prevent credit institutions from hedging the market risk associated with their liquid assets provided that the following conditions are met:
 - (a) the credit institution puts in place appropriate internal arrangements in accordance with **paragraphs 2** and **3** to ensure that those assets continue to be readily available and under the control of the liquidity management function;
 - (b) the **net liquidity outflows** and inflows that would result in the event of an early close-out of the hedge are taken into account in the valuation of the relevant asset in accordance with **Article 9**.

01/01/2022

6. Credit institutions shall ensure that the currency denomination of their liquid assets is consistent with the distribution by currency of their **net liquidity outflows**.

[Note: This rule corresponds to Article 8 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 9 Valuation of Liquid Assets

For the purposes of calculating its liquidity coverage ratio, a credit institution shall use the market value of its liquid assets. The market value of liquid assets shall be reduced in accordance with the haircuts set out in **Chapter 2 of Title II (The Liquidity Buffer)** and with Article 8(5)(b), where applicable.

[Note: This rule corresponds to Article 9 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Chapter 2 Liquid Assets

Article 10 Level 1 Assets

1. **Level 1 assets** shall only include assets falling under one or more of the following categories and meeting in each case the eligibility criteria laid down herein:
 - (a) coins and banknotes;
 - (b) the following exposures to central banks:
 - (i) assets representing claims on or guaranteed by the **Bank of England**;
 - (ii) assets representing claims on or guaranteed by **central banks of third countries**, provided that exposures to the central bank or its central government (if applicable) are assigned a credit assessment by a nominated external credit assessment institution (ECAI) which is at least credit quality step 1 in accordance with Article 114(2) of **CRR**;
 - (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 and that the conditions for such withdrawal have been specified in an agreement between the **competent authority** of the credit institution and the central bank in which the reserves are held, or in the applicable rules of the third country.

For the purposes of this point, the following shall apply:

- where the reserves are held by a subsidiary credit institution, the conditions for the withdrawal shall be specified in an agreement between the **United Kingdom** or third country **competent authority** of the subsidiary credit institution and the central bank in which the reserves are held, or in the applicable rules of the third country, as applicable;
- where the reserves are held by a branch, the conditions for the withdrawal shall

be specified in an agreement between the *competent authority* of the *United Kingdom* or third country where the branch is located and the central bank in which the reserves are held, or in the applicable rules of the third country, as applicable;

(c) assets representing claims on or guaranteed by the following central or regional governments, local authorities or public sector entities:

- (i) the central government of the *United Kingdom*;
- (ii) the central government of a third country, provided that it is assigned a credit assessment by a nominated ECAI which is at least credit quality step 1 in accordance with Article 114(2) of *CRR*;
- (iii) regional governments or local authorities in the *United Kingdom*, provided that they are treated as exposures to the central government of the *United Kingdom* in accordance with Article 115(2) of *CRR*;
- (iv) regional governments or local authorities in a *third country* of the type referred to in point (ii), provided that they are treated as exposures to the central government of the third country in accordance with Article 115(4) of *CRR*;
- (v) public sector entities provided that they are treated as exposures to the central government of the *United Kingdom* or to one of the regional governments or local authorities referred to in point (iii) in accordance with paragraph 4 of Article 116 of *CRR*;

(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 of credit quality step 1 by a nominated ECAI in accordance with Article 114(2) of *CRR*;
- (ii) reserves held by the credit institution in a central bank referred to in point (i), provided that the credit institution is permitted to withdraw those reserves at any time during *stress* periods and provided that the conditions for such withdrawal have been specified either in an agreement between the *competent authorities* of that third country and the central bank in which the reserves are held or in the applicable rules of that third country.

For the purposes of point (ii), the following shall apply:

- where the reserves are held by a subsidiary credit institution, the conditions for the withdrawal shall be specified either in an agreement between the third country *competent authority* of the subsidiary credit institution and the central bank in which the reserves are held or in the applicable rules of the third country;

— where the reserves are held by a branch, the conditions for the withdrawal shall be specified either in an agreement between the *competent authority* of the third country where the branch is located and the central bank in which the reserves are held or in the applicable rules of the third country.

The aggregate amount of assets falling within points (i) and (ii) of the first subparagraph and denominated in a given currency that the credit institution may recognise as *level 1 assets* shall not exceed the amount of the credit institution's *stressed net liquidity outflows* incurred in that same currency.

Moreover, where part or all of the assets falling within points (i) and (ii) of the first subparagraph are denominated in a currency which 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 an amount equal to the amount of the credit institution's *stressed net liquidity outflows* incurred in that foreign currency that corresponds to the credit institution's operations in the jurisdiction where the liquidity risk is being taken;

(e) assets issued by credit institutions which meet at least one of the following two requirements:

(i) the issuer is a credit institution incorporated or established by the central government of the *United Kingdom* or the regional government or local authority in the *United Kingdom*, the government or local authority is under the legal obligation to protect the economic basis of the credit institution and maintain its financial viability throughout its life-time and any exposure to that regional government or local authority, as applicable, is treated as an exposure to the central government of the *United Kingdom* in accordance with Article 115(2) of *CRR*;

(ii) the credit institution is a promotional lender which, for the purposes of this Article, shall be understood as any credit institution whose purpose is to advance the public policy objectives of the central or a regional government of, or a local authority in, the *United Kingdom* predominantly through the provision of promotional loans on a non-competitive, not for profit basis, provided that at least 90% of the loans that it grants are directly or indirectly guaranteed by the central or regional government or local authority and that any exposure to that regional government or local authority, as applicable, is treated as an exposure to the government of the *United Kingdom* in accordance with Article 115(2) of *CRR*;

(f) exposures in the form of extremely high quality covered bonds, which shall comply with all of the following requirements:

(i) they are CRR covered bonds or meet the requirements to be eligible for the

treatment set out in Article 129(4) or (5) of **CRR**;

- (ii) the exposures to institutions in the cover pool meet the conditions laid down in Article 129(1)(c) of **CRR** or, where the **competent authority** has granted the partial waiver referred to in the last subparagraph of Article 129(1) of **CRR**, the conditions referred to in that subparagraph;
 - (iii) the credit institution investing in the covered bonds and the issuer meet the transparency requirement referred to in Article 129(7) of **CRR**;
 - (iv) their issue size is at least GBP 440 million (or the equivalent amount in domestic currency);
 - (v) the covered bonds are assigned a credit assessment by a nominated ECAI which is at least credit quality step 1 in accordance with Article 129(4) of **CRR**, the equivalent credit quality step in the event of a short term credit assessment or, in the absence of a credit assessment, they are assigned a 10% risk weight in accordance with Article 129(5) of **CRR**;
 - (vi) the cover pool meets at all times an **asset coverage requirement** of at least 2% in excess of the amount required to meet the claims attaching to the covered bonds;
- (g) assets representing claims on or guaranteed by the multilateral development banks and the international organisations referred to in Article 117(2) and Article 118, respectively, of **CRR**.

01/01/2022

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**.

[Note: The rule corresponds to Article 10 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 11 Level 2A Assets

1. Level 2A assets shall only include assets falling under one or more of the following categories and meeting in each case the eligibility criteria laid down herein:
- (a) assets representing claims on or guaranteed by regional governments, local authorities or public sector entities in the **United Kingdom**, where exposures to

them are assigned a risk weight of 20% in accordance with Article 115(1) and (5) and Article 116(1), (2) and (3) of CRR, as applicable;

- (b) assets representing claims on or guaranteed by the central government or the central bank of a third country or by a regional government, local authority or public sector entity in a third country, provided that they are assigned a 20% risk weight in accordance with Articles 114(2), 115 or 116 of CRR, as applicable;
- (c) exposures in the form of high quality covered bonds, which shall comply with all of the following requirements:
 - (i) they are CRR covered bonds or meet the requirements to be eligible for the treatment set out in Article 129(4) or (5) of CRR;
 - (ii) the exposures to institutions in the cover pool meet the conditions laid down in Article 129(1)(c) of CRR or, where the competent authority has granted the partial waiver referred to in the last subparagraph of Article 129(1) of CRR, the conditions referred to in that subparagraph;
 - (iii) the credit institution investing in the covered bonds and the issuer meet the transparency requirement laid down in Article 129(7) of CRR;
 - (iv) their issue size is at least GBP 220 million (or the equivalent amount in domestic currency);
 - (v) the covered bonds are assigned a credit assessment by a nominated ECAI which is at least credit quality step 2 in accordance with Article 129(4) of CRR, the equivalent credit quality step in the event of a short term credit assessment or, in the absence of a credit assessment, they are assigned a 20% risk weight in accordance with Article 129(5) of CRR;
 - (vi) the cover pool meets at all times an asset coverage requirement of at least 7% in excess of the amount required to meet the claims attaching to the covered bonds. However, where covered bonds with a credit quality step 1 credit assessment do not meet the minimum issue size for extremely high quality covered bonds in accordance with point (f)(iv) of Article 10(1) but meet the requirements for high quality covered bonds laid down in points (i), (ii), (iii) and (iv), they shall instead be subject to a minimum asset coverage requirement of 2%;

- (d) exposures in the form of covered bonds issued by credit institutions in third countries, which shall comply with all of the following requirements:

- (i) they are covered bonds in accordance with the national law of the third country which must define them as debt securities issued by credit institutions, or by a wholly owned subsidiary of a credit institution which guarantees the issue, and secured by a cover pool of assets, in respect of which bondholders shall have direct recourse for the repayment of principal and interest on a priority basis in

- the event of the issuer's default;
- (ii) the issuer and the covered bonds are subject by the national law in the third country to special public supervision designed to protect bondholders and the supervisory and regulatory arrangements applied in the third country must be at least equivalent to those applied in the ***United Kingdom***;
 - (iii) the covered bonds are backed by a pool of assets of one or more of the types described in points (b), (d)(i), (f)(i) or (g) of Article 129(1) of ***CRR***. Where the pool comprises loans secured by immovable property, the requirements in Articles 208 and 229(1) of ***CRR*** must be met;
 - (iv) the exposures to institutions in the cover pool meet the conditions laid down in Article 129(1)(c) of ***CRR*** or, where the ***competent authority*** has granted the partial waiver referred to in the last subparagraph of Article 129(1) of ***CRR***, the conditions referred to in that subparagraph;
 - (v) the credit institution investing in the covered bonds and the issuer meet the transparency requirement laid down in Article 129(7) of ***CRR***;
 - (vi) the covered bonds are assigned a credit assessment by a nominated ECAI which is at least credit quality step 1 in accordance with Article 129(4) of ***CRR***, the equivalent credit quality step in the event of a short term credit assessment or, in the absence of a credit assessment, they are assigned a 10% risk weight in accordance with Article 129(5) of ***CRR***; and
 - (vii) the cover pool meets at all times an ***asset coverage requirement*** of at least 7% in excess of the amount required to meet the claims attaching to the covered bonds. However, where the issue size of the covered bonds is GBP 440 million (or the equivalent amount in domestic currency) or higher, they shall instead be subject to a minimum ***asset coverage requirement*** of 2%;
- (e) corporate debt securities which meet all of the following requirements:
- (i) they are assigned a credit assessment by a nominated ECAI which is at least credit quality step 1 in accordance with Article 122 of ***CRR*** or the equivalent credit quality step in the event of a short term credit assessment;
 - (ii) the securities issue size is at least GBP 220 million (or the equivalent in domestic currency);
 - (iii) the maximum time to maturity of the securities at the time of issuance is 10 years.

01/01/2022

2. The market value of each of the level 2A assets shall be subject to a haircut of at least 15%.

[Note: This rule corresponds to Article 11 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the *Treasury*]

01/01/2022

Article 12 Level 2B Assets

1. Level 2B assets shall only include assets falling under one or more of the following categories and meeting in each case the eligibility criteria laid down herein:
 - (a) exposures in the form of asset-backed securities meeting the requirements laid down in Article 13;
 - (b) corporate debt securities which meet all of the following requirements:
 - (i) they have received a credit assessment by a nominated ECAI which is at least credit quality step 3 in accordance with Article 122 of *CRR* or the equivalent credit quality step in the event of a short term credit assessment;
 - (ii) the securities issue size is at least GBP 220 million (or the equivalent in domestic currency);
 - (iii) the maximum time to maturity of the securities at the time of issuance is 10 years;
 - (c) shares, provided that they meet all of the following requirements:
 - (i) they form part of the Financial Times Stock Exchange 100 (FTSE 100) in the *United Kingdom* or a major stock index of a third country composed of leading companies in the relevant jurisdiction;
 - (ii) they are denominated in pounds Sterling or, where denominated in a different currency, they count as level 2B only up to the amount to cover stressed *net liquidity outflows* in that currency or in the jurisdiction where the liquidity risk is taken; and
 - (iii) they have a proven record as a reliable source of liquidity at all times, including during stress periods. This requirement shall be deemed met where the level of decline in the share's stock price or increase in its haircut during a 30 day calendar day market stress period did not exceed 40% or 40 percentage points, respectively;
 - (d) restricted-use committed liquidity facilities that may be provided by the *Bank of England* or the *central bank of a third country*, provided that the requirements laid down in *Article 14* are met;
 - (e) exposures in the form of high quality covered bonds which shall comply with all of

the following requirements:

- (i) they are CRR covered bonds or meet the requirements to be eligible for the treatment set out in Article 129(4) or (5) of the CRR;
 - (ii) the credit institution investing in the covered bonds meets the transparency requirement laid down in Article 129(7) of the CRR;
 - (iii) the issuer of the covered bonds makes the information referred to in Article 129(7)(a) of the CRR available to investors on at least a quarterly basis;
 - (iv) their issue size is at least GBP 220 million (or the equivalent amount in domestic currency);
 - (v) the covered bonds are collateralised exclusively by the assets referred to in points (a) and (d)(i) of Article 129(1) of the CRR;
 - (vi) the pool of underlying assets consists exclusively of exposures which qualify for a 35% or lower risk weight under Article 125 of the CRR for credit risk;
 - (vii) the cover pool meets at all times an asset coverage requirement of at least 10% in excess of the amount required to meet the claims attaching to the covered bonds;
 - (viii) the issuing credit institution needs to publicly disclose on a monthly basis that the cover pool meets the 10% asset coverage requirement;
- (f) for credit institutions which in accordance with their statutes of incorporation are unable for reasons of religious observance from holding interest bearing assets, non-interest bearing assets constituting a claim on or guaranteed by central banks or by the central government or the central bank of a third country or by a regional government, local authority or public sector entity in a third country, provided that those assets have a credit assessment by a nominated ECAI of at least credit quality step 5 in accordance with Article 114 of CRR, or the equivalent credit-quality step in the event of a short-term credit assessment.

01/01/2022

2. The market value of each of the level 2B assets shall be subject to the following minimum haircuts:

- (a) the applicable haircut set out in Article 13(14) for level 2B securitisations;
- (b) a 50% haircut for corporate debt securities referred to in paragraph (1)(b);
- (c) a 50% haircut for shares referred to in paragraph (1)(c);
- (d) a 30% haircut for covered bond programmes or issues referred to in paragraph (1)(e);

01/01/2022 50% haircut for non-interest bearing assets referred to in **paragraph (1)(f)**.

3. For credit institutions which in accordance with their statutes of incorporation are unable for reasons of religious observance to hold interest bearing assets, the credit institution may apply for permission from the **competent authority** to derogate from points (ii) and (iii) of **paragraph 1(b)** of this Article where there is evidence of insufficient availability of non-interest bearing assets meeting these requirements and the non-interest bearing assets in question are adequately liquid in private markets.

[Note: This is a permission under section 144G of **FSMA** to which Part 8 of the **Capital Requirements Regulations** applies]

[Note: This rule corresponds to Article 12 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 13 Level 2B Securitisations

1. Exposures in the form of asset-backed securities as referred to in **Article 12(1)(a)** shall qualify as level 2B securitisations where the following conditions are satisfied:
 - (a) the designation 'STS' or 'simple, transparent and standardised', or a designation that refers directly or indirectly to those terms, is permitted to be used for the securitisation in accordance with regulation 12 of the Securitisation Regulations 2024 (SI 2024/102) and is being so used;
 - (b) the criteria laid down in **paragraph 2** and **paragraphs 10 to 13** of this Article are met.

01/11/2024

2. The securitisation position and the exposures underlying the position shall meet all the following requirements:
 - (a) the position has been assigned a credit assessment of credit quality step 1 by a nominated ECAI in accordance with Article 264 of **CRR** or the equivalent credit quality step in the event of a short-term credit assessment;
 - (b) the position is in the most senior tranche or tranches of the securitisation and possesses the highest level of seniority at all times during the ongoing life of the

transaction. For these purposes, a tranche shall be deemed to be the most senior where after the delivery of an enforcement notice and where applicable an acceleration notice, the tranche is not subordinated to other tranches of the same securitisation transaction or scheme in respect of receiving principal and interest payments, without taking into account amounts due under interest rate or currency **derivative contracts**, fees or other similar payments in accordance with Article 242(6) of **CRR**;

- (g) 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):
- (i) residential loans secured with a first-ranking mortgage granted to individuals for the acquisition of their main residence, provided that one of the two following conditions is met:
 - the loans in the pool meet on average the loan-to-value requirement laid down in point (i) of Article 129(1)(d) of **CRR**;
 - the national law of the jurisdiction where the loans were originated provides for a loan-to-income limit on the amount that an obligor may borrow in a residential loan. The loan-to-income limit is calculated on the gross annual income of the obligor, taking into account the tax obligations and other commitments of the obligor and the risk of changes in the interest rates over the term of the loan. For each residential loan in the pool, the percentage of the obligor's gross income that may be spent to service the loan, including interest, principal and fee payments, does not exceed 45%;
 - (iii) commercial loans, leases and credit facilities to **undertakings** established in the **United Kingdom** to finance capital expenditures or business operations other than the acquisition or development of commercial real estate, provided that at least 80% of the borrowers in the pool in terms of portfolio balance are small and medium-sized enterprises at the time of issuance of the securitisation, and none of the borrowers is an institution as defined in Article 4(1)(3) of **CRR**;
 - (iv) auto loans and leases to borrowers or lessees established or resident in the **United Kingdom**. For these purposes, auto loans and leases shall include loans or leases for the financing of motor vehicles or trailers as defined in provisions implementing points (11) and (12) of Article 3 of Directive 2007/46/EC of the European Parliament and of the Council, tractors as defined in point (8) of Article 3 of Regulation (EU) No 167/2013 of the European Parliament and of the Council (as it had effect immediately before exit day), powered two-

wheelers or powered tricycles as defined in points (68) and (69) of Article 3 of Regulation (EU) No 168/2013 of the European Parliament and of the Council (as it had effect immediately before exit day) or tracked vehicles as referred to in provisions implementing 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;

- (v) loans and credit facilities to individuals resident in the *United Kingdom* for personal, family or household consumption purposes.

01/01/2022

10. The underlying exposures shall not have been originated by the credit institution holding the securitisation position in its *liquidity buffer*, its subsidiary, its parent undertaking, a subsidiary of its parent undertaking or any other *undertaking* closely linked with that credit institution.

01/01/2022

11. The issue size of the tranche shall be at least GBP 88 million (or the equivalent amount in domestic currency).

01/01/2022

12. The remaining weighted average life of the tranche shall be 5 years or less, which shall be calculated using the lower of either the transaction's pricing prepayment assumption or a 20% constant prepayment rate, for which the credit institution shall assume that the call is exercised on the first permitted call date.

01/01/2022

13. The originator of the exposures underlying the securitisation shall be an institution as defined in Article 4(3) of *CRR* or an *undertaking* whose principal activity is to pursue one or more of the activities listed in points 2 to 12 and point 15 of Annex I to Directive 2013/36/EU, as that Directive has effect immediately before exit day,

provided that for the purposes of this paragraph the reference in point 4 of Annex 1 to that Directive to point (3) of Article 4 of Directive (EU) 2015/2366 is to be read as a reference to regulation 2 of the Payment Services Regulations 2017.

01/01/2022

14. The market value of level 2B securitisations shall be subject to the following minimum haircuts:

- (a) 25% for securitisations backed by the subcategories of assets referred to in points (g)(i)and (iv) of **paragraph 2**;
- (b) 35% for securitisations backed by the subcategories of assets referred to in points (g)(iii) and (v) of **paragraph 2**.

[Note: This rule corresponds to Article 13 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 14 Restricted-Use Committed Liquidity Facilities

In order to qualify as level 2B assets, the restricted-use committed liquidity facilities that may be provided by a central bank as referred to in paragraph (1)(d) of Article 12 shall fulfil all of the following criteria:

- (a) during a non-**stress** period, the facility is subject to a commitment fee on the total committed amount which is at least the greater of the following:
 - (i) 75 basis points per annum; or
 - (ii) at least 25 basis points per annum above the difference in yield on the assets used to back the facility and the yield on a representative portfolio of liquid assets, after adjusting for any material differences in credit risk.

During a **stress** period, the central bank may reduce the commitment fee described in the first subparagraph of this point, provided that the minimum requirements applicable to liquidity facilities under the alternative liquidity approaches in accordance with **Article 19** are met;

- (b) the facility is backed by **unencumbered assets** of a type specified by the central bank. The assets provided as collateral shall fulfil all of the following criteria:
 - (i) they are held in a form which facilitates their prompt transfer to the central bank in the event of the facility being called;
 - (ii) their value post-haircut as applied by the central bank is sufficient to cover the

- total amount of the facility;
- (iii) they are not to be counted as liquid assets for the purposes of the credit institution's *liquidity buffer*;
- (c) the facility is compatible with the counterparty policy framework of the central bank;
- (d) the commitment term of the facility exceeds the 30 calendar day *stress* period referred to in [Article 4](#);
- (e) the facility is not revoked by the central bank prior to its contractual maturity and no further credit decision is taken for as long as the credit institution concerned continues to be assessed as solvent;
- (f) there is a formal policy published by the central bank stating its decision to grant restricted-use committed liquidity facilities, the conditions governing the facility and the types of credit institutions that are eligible to apply for those facilities.

[Note: This rule corresponds to Article 14 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the [Treasury](#)]

01/01/2022

Article 15 Cius

1. Shares or units in CIUs shall qualify as liquid assets of the same level as the liquid assets underlying the relevant *undertaking* up to an absolute amount of GBP 440 million (or equivalent amount in domestic currency) for each credit institution on an individual basis, provided that:
 - (a) the requirements in [Article 132\(3\)](#) of [CRR](#) are complied with;
 - (b) the CIU invests only in liquid assets and derivatives, in the latter case only to the extent necessary to mitigate interest rate, currency or credit risk in the portfolio.

01/01/2022

2. Credit institutions shall apply the following minimum haircuts to the value of their shares or units in CIUs depending on the category of underlying liquid assets:
 - (a) 0% for coins and banknotes and exposures to central banks referred to in [Article 10\(1\)\(b\)](#);
 - (b) 5% for *level 1 assets* other than extremely high quality covered bonds;
 - (c) 12% for extremely high quality covered bonds referred to in [Article 10\(1\)\(f\)](#);

- (d) 20% for level 2A assets;
- (e) 30% for level 2B securitisations backed by the subcategories of assets referred to in points (i), (ii) and (iv) of Article 13(2)(g);
- (f) 35% for level 2B covered bonds referred to in Article 12(1)(e);
- (g) 40% for level 2B securitisations backed by the subcategories of assets referred to in points (iii) and (v) of Article 13(2)(g); and
- (h) 55% for level 2B corporate debt securities referred to in Article 12(1)(b), shares referred to in Article 12(1)(c) and non-interest bearing assets referred to in Article 12(1)(f).

01/01/2022

3. The approach referred to in paragraph 2 shall be applied as follows:

- (a) where the credit institution is aware of the exposures underlying the CIU, it may look-through to those underlying exposures to assign them the appropriate haircut in accordance with paragraph 2;
- (b) where the credit institution is not aware of the exposures underlying the CIU, it shall assume, for the purposes of determining the liquidity level of the underlying assets and for the purposes of assigning the appropriate haircut to those assets, that the CIU invests in liquid assets, up to the maximum amount allowed under its mandate, in the same ascending order as liquid assets are classified for the purposes of paragraph 2, starting with the assets referred to in point (h) of paragraph 2 and ascending until the maximum total investment limit is reached.

01/01/2022

4. Credit institutions shall develop robust methodologies and processes to calculate and report the market value and haircuts for shares or units in CIUs. Where the exposure is not sufficiently material for a credit institution to develop its own methodologies and provided that, in each case, the competent authority is satisfied that this condition has been met, a credit institution may only rely on the following third parties to calculate and report the haircuts for shares or units in CIUs:

- (a) the depository institution of the CIU, provided that the CIU invests exclusively in securities and deposits all such securities at this depository institution; or
- (b) for other CIUs, the CIU management company.

The correctness of the calculations made by the depository institution or by the CIU management company when determining the market value and haircuts for shares or units in CIUs shall be confirmed by an external auditor on at least an annual basis.

01/01/2022

5. Where a credit institution fails to comply with the requirements laid down in paragraph 4 of this Article in relation to shares or units in a CIU, it shall cease to recognise them as liquid assets for the purposes of this Chapter 2 of the Liquidity Coverage Ratio (CRR) Part in accordance with Article 18.

[Note: This rule corresponds to Article 15 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 17 Composition of the Liquidity Buffer by Asset Level

1. Credit institutions shall comply at all times with the following requirements on the composition of their liquidity buffer:

- (a) a minimum of 60% of the liquidity buffer is to be composed of level 1 assets;
- (b) a minimum of 30% of the liquidity buffer is to be composed of level 1 assets excluding extremely high quality covered bonds referred to in Article 10(1)(f);
- (c) a maximum of 15% of the liquidity buffer may be held in level 2B assets.

01/01/2022

2. The requirements set out in paragraph 1 shall be applied after adjusting for the impact on the stock of liquid assets of secured funding, secured lending or collateral swap transactions using liquid assets on at least one leg of the transaction where the transactions mature within 30 calendar days, after deducting any applicable haircuts and provided that the credit institution complies with the operational requirements laid down in Article 8.

01/01/2022

3. Credit institutions shall determine the composition of their *liquidity buffer* in accordance with the formulae laid down in Annex I to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook.

01/01/2022

4. Credit institutions may apply to the competent authority for permission, on a case-by-case basis, to disapply paragraphs 2 and 3 in full or in part with respect to one or more secured funding, secured lending or collateral swap transactions with the Bank of England using liquid assets on at least one leg of the transaction and maturing within 30 calendar days.

[Note: This is a permission under section 144G of FSMA to which Part 8 of the Capital Requirements Regulations applies]

01/01/2022

5. [Note: Provision left blank]

[Note: This rule corresponds to Article 17 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 18 Breach of Requirements

1. Where a liquid asset ceases to comply with any applicable general requirements laid down in Article 7, the operational requirements laid down in Article 8(2) or any applicable eligibility criteria laid down in this Chapter 2 of Title II (The Liquidity Buffer), the credit institution shall cease to recognise it as a liquid asset no later than 30 calendar days from the date when the breach of requirements occurred.

01/01/2022

2. Paragraph 1 shall apply to shares or units in a CIU ceasing to meet eligibility requirements only where they do not exceed 10% of the CIU's overall assets.

[Note: This rule corresponds to Article 18 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 19 Alternative Liquidity Approaches

1. Where there are insufficient liquid assets in a given currency for credit institutions to meet the liquidity coverage ratio laid down in Article 4, one or more of the following provisions shall apply:
 - (a) the requirement on currency consistency set out in Article 8(6) shall not apply in relation to that currency;
 - (b) the credit institution may cover the deficit of liquid assets in a currency with credit facilities from the *Bank of England* or the *central banks of third countries* of that currency, provided that the facility complies with all the following requirements:
 - (i) it is contractually irrevocably committed for the next 30 calendar days;
 - (ii) it is priced with a fee which is payable regardless of the amount, if any, drawn down against that facility;
 - (iii) the fee is set in an amount such that the net yield on the assets used to secure the facility must not be higher than the net yield on a representative portfolio of liquidity assets, after adjusting for any material differences in credit risk;
 - (c) where there is a deficit of *level 1 assets* but there are sufficient level 2A assets, the credit institution may hold additional level 2A assets in the *liquidity buffer* and the caps by asset level set out in Article 17 shall be deemed amended accordingly. These additional level 2A assets shall be subject to a minimum haircut equal to 20%. Any level 2B assets held by the credit institution shall remain subject to the haircuts applicable in each case in accordance with this Chapter 2 of Title II (The Liquidity Buffer).

01/01/2022

2. Credit institutions shall apply the derogations provided for in paragraph 1 on an inversely proportional basis with regard to the availability of the relevant liquid assets. Credit institutions shall assess their liquidity needs for the application of this Article taking into account their ability to reduce, by sound liquidity management, the need for those liquid assets and the holdings of those assets by other market participants.

01/01/2022

3. [Note: Provision left blank]

01/01/2022

4. The detailed conditions applicable to the use of the derogations laid down in paragraph 1(a) and (b) shall be determined in accordance with Chapter 3 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook.

[Note: This rule corresponds to Article 19 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury]

01/01/2022

Title III Liquidity Outflows and Inflows

Chapter 1 Net Liquidity Outflows

Article 20 Definition of Net Liquidity Outflows

1. The **net liquidity outflows** shall be the sum of liquidity outflows in point (a) reduced by the sum of liquidity inflows in point (b), but shall not be less than zero, and shall be calculated as follows:
- (a) the sum of the liquidity outflows as defined in Chapter 2 of Title III (Liquidity Outflows and Inflows);
 - (b) the sum of liquidity inflows as defined in Chapter 3 of Title III (Liquidity Outflows and Inflows), calculated as follows:
 - (i) the inflows exempted from the cap as referred to in Article 33(2) and (3);
 - (ii) the lower of the inflows referred to in Article 33(4) and 90% of the outflows referred to in (a) reduced by the exempt inflows in Article 33(2) and (3), but not less than zero;
 - (iii) the lower of the inflows other than those referred to in Article 33(2), (3) and (4) and 75% of the outflows referred to in (a) reduced by the exempt inflows in Article 33(2) and (3) and the inflows in Article 33(4) divided by 0,9 to allow for the effect of the 90% cap, but not less than zero.

01/01/2022

2. Liquidity inflows and liquidity outflows shall be assessed over a 30 calendar day stress period, under the assumption of a combined idiosyncratic and market-wide stress scenario as referred to in Article 5.

01/01/2022

3. The calculation laid down in **paragraph 1** shall be performed in accordance with the formula set out in **Annex II of Chapter 2** of the **Liquidity Coverage Ratio (CRR) Part** of the **PRA Rulebook**.

[Note: This rule corresponds to Article 20 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 21 Netting of Derivatives Transactions

1. Credit institutions shall calculate liquidity outflows and inflows expected over a 30 calendar day period, for the contracts listed in Annex II to **CRR** and for credit derivatives, on a net basis by counterparty subject to the existence of bilateral netting agreements meeting the conditions laid down in Article 295 of that Regulation.

01/01/2022

2. By way of derogation from **paragraph 1**, credit institutions shall calculate 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) on a net basis, even where those transactions are not covered by a bilateral netting agreement.

01/01/2022

3. For the purposes of this Article, net basis shall be considered to be net of collateral to be posted or received in the next 30 calendar days. However, in the case of collateral to be received in the next 30 calendar days, net basis shall be considered to be net of that collateral only if both of the following conditions are met:

- (a) the collateral, when received, will qualify as a liquid asset under **Title II (The Liquidity Buffer)**;
- (b) the credit institution will be legally entitled and operationally able to reuse the collateral, when received.

[Note: This rule corresponds to Article 21 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Chapter 2 Liquidity Outflows

Article 22 Definition of Liquidity Outflows

1. Liquidity outflows shall be calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down as indicated in this **Chapter 2** of **Title III (Liquidity Outflows and Inflows)**.

01/01/2022

2. Liquidity outflows referred to in **paragraph 1** shall include, in each case multiplied by the applicable outflow rate:

- (a) the current outstanding amount for stable **retail deposits** and other **retail deposits** determined 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**;
- (c) the additional outflows determined in accordance with **Article 30**;
- (d) the maximum amount that can be drawn down during the next 30 calendar days from undrawn committed credit and liquidity facilities determined in accordance with **Article 31**;
- (e) the additional outflows identified in the assessment in accordance with **Article 23**.

01/01/2022

3. The calculation of liquidity outflows in accordance with **paragraph 1** shall be subject to any netting of interdependent inflows that is permitted under **Article 26**.

[Note: This rule corresponds to Article 22 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 23 Additional Liquidity Outflows for Other Products and Services

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:

- (a) other off-balance-sheet and contingent funding obligations, including 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 the renewal of existing retail or wholesale loans or the extension of new retail or wholesale loans;
- (g) derivative payables, other than the contracts listed in Annex II to **CRR** and credit derivatives;
- (h) trade finance off-balance-sheet related products.

01/01/2022

2. The outflows referred to in **paragraph 1** shall be assessed under the assumption of a combined idiosyncratic and market-wide **stress** as referred to in **Article 5**. For that assessment, credit institutions shall take particular account of material reputational damage that could result from not providing liquidity support to such products or services. Credit institutions shall report at least once a year to the **competent authority** those products and services for which the likelihood and potential volume of the liquidity outflows referred to in **paragraph 1** are material and the institutions shall assign appropriate outflows.

[Note: This rule corresponds to Article 23 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 24 Outflows from Stable Retail Deposits

- Unless the criteria for a higher outflow rate under Article 25(2), (3) or (5) are fulfilled, the amount of **retail deposits** covered by a the **UK deposit guarantee scheme** or an equivalent deposit guarantee scheme in a third country shall be considered as stable and multiplied by 5% where the deposit is either:
 - (a) part of an established relationship making withdrawal highly unlikely; or
 - (b) held in a transactional account.

01/01/2022

- For the purpose of **paragraph 1(a)** a retail deposit shall be considered to be part of an established relationship where the depositor meets at least one of the following criteria:
 - (a) has an active contractual relationship with the credit institution of at least 12 **months** duration;
 - (b) has a borrowing relationship with the credit institution for residential loans or other long term loans;
 - (c) has at least one other active product, other than a loan, with the credit institution.

01/01/2022

- For the purposes of **paragraph 1(b)** a retail deposit shall be considered as being held in a transactional account where salaries, income or transactions are regularly credited and debited respectively against that account.

01/01/2022

- [Note: Provision left blank]

01/01/2022

- [Note: Provision left blank]

[Note: This rule corresponds to Article 24 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 25 Outflows from Other Retail Deposits

1. Credit institutions shall multiply by 10% other ***retail deposits***, including that part of ***retail deposits*** not covered by **Article 24**, unless the conditions laid down in **paragraph 2** apply.

01/01/2022

2. Other ***retail deposits*** shall be subject to higher outflow rates, as determined by the credit institution, in accordance with **paragraph 3**, where the following conditions are met:
 - (a) the total deposit balance, including all the client's deposit accounts at that credit institution or group, exceeds GBP 440,000;
 - (b) the deposit is an internet access-only account;
 - (c) the deposit offers an interest rate that fulfils any of the following conditions:
 - (i) the rate significantly exceeds the average rate for similar retail products;
 - (ii) its return is derived from the return on a market index or set of indices;
 - (iii) its return is derived from any market variable other than a floating interest rate;
 - (d) the deposit was originally placed as fixed-term with an expiry date maturing within the 30 calendar day period or the deposit presents a fixed notice period shorter than 30 calendar days, in accordance with contractual arrangements, other than those deposits that qualify for the treatment provided for in **paragraph 4**;
 - (e) for credit institutions established in the **United Kingdom**, the depositor is resident in a third country or the deposit is denominated in a currency other than pounds Sterling. For credit institutions or branches in third countries, the depositor is a non-resident in the third country or the deposit is denominated in another currency than the domestic currency of the third country.

01/01/2022

3. Credit institutions shall, subject to any ***requirement*** imposed by the ***competent authority***, apply a higher outflow rate determined as follows:
 - (a) where the ***retail deposits*** fulfil the criterion in point (a) or two of the criteria in points (b) to (e) of **paragraph 2**, an outflow rate of between 10% and 15% shall be applied;
 - (b) where the ***retail deposits*** fulfil point (a) of **paragraph 2** and at least another criterion referred to in **paragraph 2**, or three or more criteria of **paragraph 2**, an

outflow rate of between 15% and 20% shall be applied.

Credit institutions shall apply the outflow rate referred to in paragraph 3(b) to ***retail deposits*** where the assessment referred to **paragraph 2** has not been carried out or is not completed.

01/01/2022

4. Credit institutions may exclude from the calculation of outflows certain clearly circumscribed categories of ***retail deposits*** as long as in each and every instance the credit institution rigorously applies the following provisions for the whole category of those deposits, unless an exception can be justified on the basis of circumstances of hardship for the depositor:
 - (a) within 30 calendar days, the depositor is not allowed to withdraw the deposit; or
 - (b) for early withdrawals within 30 calendar days, the depositor has to pay a penalty that includes the loss of interest between the date of withdrawal and the contractual maturity date plus a material penalty that does not have to exceed the interest due for the time that elapsed between the date of deposit and the date of withdrawal.

If a portion of the deposit referred to in the first subparagraph can be withdrawn without incurring such a penalty, only that portion shall be treated as a demand deposit and the remaining balance shall be treated as a term deposit as referred to in this paragraph. An outflow rate of 100% shall be applied to cancelled deposits with a residual maturity of less than 30 calendar days and where pay-out has been agreed to another credit institution.

01/01/2022

5. By derogation from **paragraphs 1 to 4** and **Article 24**, credit institutions shall multiply ***retail deposits*** that they have taken in third countries by a higher percentage outflow rate if such a percentage is provided for by the national law establishing liquidity requirements in that third country.

[Note: This rule corresponds to Article 25 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 26 Outflows with Inter-Dependent Inflows

A credit institution may apply to the ***competent authority*** for permission to calculate the liquidity outflow net of an interdependent inflow. For the purpose of this Article, an interdependent inflow is an inflow which:

- (a) is directly linked to the outflow and is not considered in the calculation of liquidity inflows in ***Chapter 3 of Title III (Liquidity Outflows and Inflows)***;
- (b) is required pursuant to a legal, regulatory or contractual commitment; and
- (c) either:
 - (i) arises compulsorily before the outflow; or
 - (ii) is received within 10 days and is guaranteed by the central government of the ***United Kingdom***.

[Note: This is a permission under section 144G of ***FSMA*** to which Part 8 of the ***Capital Requirements Regulations*** applies]

[Note: This rule corresponds to Article 26 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the ***Treasury***]

01/01/2022

Article 27 Outflows from Operational Deposits

1. Credit institutions shall multiply by 25% liabilities resulting from deposits that are maintained as follows:
 - (a) by the depositor in order to obtain clearing, custody, cash management or other comparable services in the context of an established operational relationship from the credit institution;
 - (c) by the depositor in the context of an established operational relationship other than that mentioned in point (a).
 - (d) [Note: Provision left blank]

01/01/2022

2. By derogation from ***paragraph 1***, credit institutions shall multiply by 5% the portion of liabilities resulting from deposits referred to in ***paragraph 1(a)*** which is covered by the ***UK deposit guarantee scheme*** or an equivalent deposit guarantee scheme in a third country.

01/01/2022

4. Clearing, custody, cash management or other comparable services referred to in points (a) and (d) of **paragraph 1** only cover such services to the extent that they are rendered in the context of an established relationship which is critically important to the depositor. Deposits referred to in points (a), (c) and (d) of **paragraph 1** shall have significant legal or operational limitations that make significant withdrawals within 30 calendar days unlikely. Funds in excess of those required for the provision of operational services shall be treated as non-operational deposits.

01/01/2022

5. Deposits arising out of a correspondent banking relationship or from the provision of prime brokerage services shall not be treated as an operational deposit and shall receive a 100% outflow rate.

01/01/2022

6. In order to identify the deposits referred to in point (c) of **paragraph 1**, a credit institution shall consider that there is an established operational relationship with a non-**financial customer**, excluding term deposits, savings deposits and brokered deposits, where all of the following criteria are met:

- (a) the remuneration of the account is priced at least 5 basis points below the prevailing rate for wholesale deposits with comparable characteristics, but need not be negative;
- (b) the deposit is held in specifically designated accounts and priced without creating economic incentives for the depositor to maintain funds in the deposit in excess of what is needed for the operational relationship;
- (c) material transactions are credited and debited on a frequent basis on the account considered;
- (d) one of the following criteria is met:
 - (i) the relationship with the depositor has existed for at least 24 **months**;
 - (ii) the deposit is used for a minimum of 2 active services. These services may include direct or indirect access to national or international payment services, security trading or depository services.

Only that part of the deposit which is necessary to make use of the service of which the deposit is a by-product shall be treated as an operational deposit. The excess shall be treated as non-operational.

[Note: This rule corresponds to Article 27 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the *Treasury*]

01/01/2022

Article 28 Outflows from Other Liabilities

1. Credit institutions shall multiply liabilities resulting from deposits by clients that are non-*financial customers*, sovereigns, central banks, multilateral development banks, public sector entities, *credit unions* authorised by the *competent authority, personal investment companies* or by clients that are *deposit brokers*, to the extent they do not fall under *Article 27* by 40%.

By derogation from the first subparagraph, where the liabilities referred to in that subparagraph are covered by the *UK deposit guarantee scheme* or an equivalent deposit guarantee scheme in a third country they shall be multiplied by 20%.

01/01/2022

2. Credit institutions shall multiply liabilities resulting from the institution's own operating expenses by 0%.

01/01/2022

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 *CRR*, by:

- (a) 0% where they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with *Articles 7 and 10* 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% where they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with *Articles 7 and 10* as liquid assets of the category referred to in point (f) of *Article 10(1)*;
- (c) 15% where they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with *Articles 7 and 11* as liquid assets of any of the categories of level 2A asset referred to in *Article 11*;

- (d) 25% where they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 13 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% where they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 12 as liquid assets of the category of level 2B asset referred to in point (e) of Article 12(1);
- (f) 35% where they are collateralised by assets that, but for being used as collateral for those transactions, would qualify in accordance with Articles 7 and 13 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% where they are collateralised by assets that, but for being used as collateral for those transactions, 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);
- (h) the percentage minimum haircut determined in accordance with paragraphs (2) and (3) of Article 15 where 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% where they are collateralised by assets that do not fall within any of points (a) to (h) of this subparagraph.

By way of derogation from the first subparagraph, where the counterparty to the secured lending or capital market-driven transaction is the domestic central bank of the credit institution, the outflow rate shall be 0%. However, in cases where the transaction is done through a branch with the Bank of England 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 the United Kingdom or third country have.

By way of derogation from the first subparagraph, for secured lending or capital market-driven transactions that would require an outflow rate under that first subparagraph higher than 25%, the outflow rate shall be 25% where the counterparty to the transaction is an eligible counterparty.

4. Collateral swaps, and other transactions with a similar form, that mature within the next 30 calendar days shall lead to an outflow where the asset borrowed is subject to a lower haircut under **Chapter 2 of Title III (Liquidity Outflows and Inflows)** than the asset lent. 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 determined in accordance with the rates specified in **paragraph 3**. For the purposes of this calculation, a 100% haircut shall be applied to assets that do not qualify as liquid assets.

By way of derogation from the first subparagraph, 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%. However, in cases where the transaction is done through a branch with the **Bank of England** 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 the **United Kingdom** or third country have.

By way of derogation from the first subparagraph, for collateral swaps or other transactions with a similar form that would require an outflow rate higher than 25% under that first subparagraph, the outflow rate to be applied to the market value of the asset borrowed shall be 25% where the counterparty is an eligible counterparty.

01/01/2022

5. The offsetting balances held in segregated accounts related to client protection regimes imposed by national regulations shall be treated as inflows in accordance with **Article 32** and shall be excluded from the stock of liquid assets.

01/01/2022

6. Credit institutions shall apply a 100% outflow rate to all notes, bonds and other debt securities issued by the credit institution, unless the bond is sold exclusively in the retail market and held in a retail account, in which case those instruments can be treated as the appropriate **retail deposit** category. Limitations shall be placed such that those instruments cannot be bought and held by parties other than retail customers.

01/01/2022

7. Assets borrowed on an unsecured basis and maturing within the next 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*.

01/01/2022

8. For the purposes of this Article, 'domestic central bank' means any of the following:

- (a) [Note: Provision left blank]
- (b) the *Bank of England*;
- (c) the central bank of the third country in which the credit institution is incorporated.

01/01/2022

9. For the purposes of this Article, 'eligible counterparty' means any of the following:

- (a) the central government, a public sector entity, a regional government or a local authority of the *United Kingdom*;
- (b) the central government, a public sector entity, a regional government or a local authority of the *United Kingdom* or of the third country in which the credit institution is incorporated for the transactions undertaken by that credit institution;
- (c) a multilateral development bank.

However, public sector entities, regional governments and local authorities shall only count as an eligible counterparty where they are assigned a risk weight of 20% or lower in accordance with Article 115 or Article 116 of *CRR*, as applicable.

[Note: This rule corresponds to Article 28 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the *Treasury*]

01/01/2022

Article 29 Outflows within a Group

1. By way of derogation from Article 31 credit institutions may apply to the *competent authority* for permission to apply a lower outflow rate on a case by case basis for undrawn credit or liquidity facilities with a counterparty who is:
- (a) the parent or subsidiary institution of the credit institution or another subsidiary of the same parent institution or linked to the institution by a common management

relationship; and

- (b) established in the ***United Kingdom***;
- (c) [Note: Provision left blank];
- (d) [Note: Provision left blank].

[Note: This is a permission under section 144G of ***FSMA*** to which Part 8 of the ***Capital Requirements Regulations*** applies]

01/01/2022

- 1A. A credit institution must ensure that the lower outflow rate permitted under ***paragraph (1)*** does not fall below the inflow rate applied by the counterparty.

[Note: This rule corresponds to Article 29 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the ***Treasury***]

01/01/2022

Article 30 Additional Outflows

1. Collateral other than cash and assets referred to in ***Article 10*** which is posted by the credit institution for contracts listed in Annex II of ***CRR*** and credit derivatives, shall be subject to an additional outflow of 20%.

Collateral in assets referred to in ***Article 10(1)(f)*** which is posted by the credit institution for contracts listed in Annex II of ***CRR*** and credit derivatives shall be subject to an additional outflow of 10%.

01/01/2022

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 the credit institution's 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 ***CRR***. Where the ***competent authority*** considers that outflow to be 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 of 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**.

01/01/2022

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 Chapter 4 of the **Liquidity Coverage Ratio (CRR) Part**.

01/01/2022

4. Outflows and inflows expected over 30 calendar days from the contracts listed in Annex II to **CRR** and 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 result from the application of **paragraphs 1, 2 and 3** of this Article.

01/01/2022

5. Where 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. Where 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 will receive a 0% outflow.

01/01/2022

6. The credit institution shall add an additional outflow corresponding to 100% of:

- (a) the excess collateral the credit institution holds that can be contractually called at any times by the counterparty;
- (b) collateral that is due to be posted to a counterparty within 30 calendar days;
- (c) collateral that corresponds to assets that would qualify as liquid assets for the purposes of **Title II (The Liquidity Buffer)** that can be substituted for assets corresponding to assets that would not qualify as liquid assets for the purposes of **Title II (The Liquidity Buffer)** without the consent of the credit institution.

01/01/2022

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 cash received exceeding the amount of cash received as collateral shall be treated as deposits in accordance with **Article 24, 25, 27, 28 or 31a**.

01/01/2022

8. Credit institutions shall assume a 100% outflow for loss of funding on asset-backed securities, covered bonds and other structured financing instruments maturing within 30 calendar days, when these instruments are issued by the credit institution itself or by conduits or SPVs sponsored by the credit institution.

01/01/2022

9. Credit institutions shall assume a 100% outflow for loss of funding on asset-backed commercial papers, conduits, securities investment vehicles and other such financing facilities. This 100% outflow rate shall apply to the maturing amount or to the amount of assets that could potentially be returned or the liquidity required.

01/01/2022

10. For that portion of financing programs under **paragraphs 8 and 9**, credit institutions that are providers of associated liquidity facilities do not need to double count the maturing financing instrument and the liquidity facility for consolidated programs.

01/01/2022

12. In relation to the provision of prime brokerage services, where a credit institution has covered the short sales of a client by internally matching them with the assets 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.

[Note: This rule corresponds to Article 30 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the *Treasury*]

01/01/2022

Article 31 Outflows from Credit and Liquidity Facilities

1. For the purpose of this Article, a liquidity facility shall be understood to mean any committed, undrawn back-up facility that would be utilised to refinance the debt obligations of a customer in situations where such a customer is unable to rollover that debt in financial markets. Its amount shall be calculated as the amount of the debt issued by the customer currently outstanding and maturing within 30 calendar days that is backstopped by the facility. The portion of the liquidity facility that is backing a debt that does not mature within 30 calendar days shall be excluded from the scope of the definition of the facility. Any additional capacity of the facility shall be treated as a committed credit facility with the associated drawdown rate as specified in this Article. General working capital facilities for corporate entities will not be classified as liquidity facilities, but as credit facilities.

01/01/2022

2. Credit institutions shall calculate outflows for credit and liquidity facilities by multiplying the amount of the credit and liquidity facilities by the corresponding outflow rates set out in paragraphs 3 to 5. Outflows from committed credit and liquidity facilities shall be determined as a percentage of the maximum amount that can be drawn down within 30 calendar days, net of any liquidity requirement that would be applicable under Article 23 for the trade finance off-balance sheet items and net of any collateral made available to the credit institution and valued in accordance with Article 9, provided that the collateral fulfils all of the following conditions:

- (a) it may be reused or hypothecated by the credit institution;
- (b) it is held in the form of liquid assets, but is not recognised as part of the liquidity buffer; and
- (c) it does not consist in assets issued by the counterparty of the facility or one of its

affiliated entities.

If the necessary information is available to the credit institution, the maximum amount that can be drawn down for credit and liquidity facilities shall be determined as the maximum amount that could be drawn down given the counterparty's own obligations or given the pre-defined contractual drawdown schedule coming due over 30 calendar days.

01/01/2022

3. The maximum amount that can be drawn down from undrawn committed credit facilities and undrawn committed liquidity facilities within the next 30 calendar days shall be multiplied by 5% if they qualify for the *retail deposit* exposure class.

01/01/2022

4. The maximum amount that can be drawn down from undrawn committed credit facilities within 30 calendar days shall be multiplied by 10% where they meet the following conditions:
 - (a) they do not qualify for the *retail deposit* exposure class;
 - (b) they have been provided to clients that are not *financial customers*, including non-financial corporates, sovereigns, central banks, multilateral development banks and public sector entities;
 - (c) they have not been provided for the purpose of replacing funding of the client in situations where the client is unable to obtain funding requirements in the financial markets.

01/01/2022

5. The maximum amount that can be drawn down from undrawn committed liquidity facilities within the next 30 calendar days shall be multiplied by 30% where they meet the conditions referred to in *paragraph 4* points (a) and (b), and by 40% when they are provided to *personal investment companies*.

01/01/2022

6. The undrawn committed amount of a liquidity facility that has been provided to an SSPE for the purpose of enabling that 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.

01/01/2022

8. The credit institution shall multiply the maximum amount that can be drawn down from other undrawn committed credit and undrawn committed liquidity facilities within 30 calendar days by the corresponding outflow rate as follows:
 - (a) 40% for credit and liquidity facilities extended to credit institutions and for credit facilities extended to other regulated financial institutions, including insurance undertakings and investment firms, CIUs or non-open ended investment scheme;
 - (b) 100% for liquidity facilities that the credit institution has granted to SSPEs other than those referred to in **paragraph 6** and for arrangements under which the institution is required to buy or swap assets from an SSPE;
 - (c) 100% for credit and liquidity facilities to ***financial customers*** not referred to in points (a) and (b) and **paragraphs 1 to 7**.

01/01/2022

9. By way of derogation from **paragraphs 1 to 8**, credit institutions which have been set up and are sponsored by the central or regional government of the **United Kingdom** may apply the treatments set out in **paragraphs 3 and 4** to credit and liquidity facilities that are extended to promotional lenders for the sole purpose of directly or indirectly funding promotional loans, provided that those loans meet the requirements for the outflow rates referred to in **paragraphs 3 and 4**.

By way of derogation from point (g) of **Article 32(3)**, 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 shall be calculated by applying to the undrawn committed credit or liquidity facility received and extended the rate that is applicable to that facility by virtue of the first subparagraph of this paragraph and respecting the conditions and requirements otherwise imposed in relation to it by this paragraph.

The promotional loans referred to in this paragraph shall be available only to *persons* who are not *financial customers* on a non-competitive, not for profit basis in order to promote public policy objectives of the central or regional government of the *United Kingdom*. It shall only be possible to draw on such facilities following the reasonably expected demand for a promotional loan and up to the amount of such demand provided there is a subsequent reporting on the use of the funds distributed.

[Note: This rule corresponds to Article 31 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the *Treasury*]

01/01/2022

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, except for the liabilities referred to in *Articles 24 to 31*.

01/01/2022

2. Where the total of all contractual commitments to extend funding to non-*financial customers* within 30 calendar days, 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, and shall exclude *financial customers* and central banks.

[Note: This rule corresponds to Article 31a of Regulation (EU) No 2015/61 as it applied immediately before revocation by the *Treasury*]

01/01/2022

Chapter 3 Liquidity Inflows

Article 32 Inflows

1. Liquidity inflows shall be assessed over a period of 30 calendar days. They shall comprise only contractual inflows from exposures that are not past due and for which the credit institution has no reason to expect non-performance within 30 calendar days.

01/01/2022

2. Credit institutions shall apply a 100% inflow rate to inflows referred to in **paragraph 1**, including in particular the following inflows:
 - (a) monies due from central banks and **financial customers** with a residual maturity of no more than 30 calendar days;
 - (b) monies due from trade finance transactions referred to in point (b) of the second subparagraph of Article 162(3) of **CRR** with a residual maturity of no more than 30 calendar 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 (The Liquidity Buffer)**.

01/01/2022

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 calendar days, with the exception of monies due from those customers 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, the term '**non-financial customers**' shall have the same meaning as in **Article 31a(2)**. However, credit institutions acting as intermediaries that have received a commitment as referred to in the second subparagraph of **Article 31(9)** from a credit institution set up and sponsored by the central or regional government of the **United Kingdom** in order for them to disburse a promotional loan to a final recipient, or have received a similar commitment 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 commitment to extend those promotional loans;

- (b) monies due from secured lending and capital market-driven transactions, as defined in points (2) and (3) respectively of Article 192 of **CRR**, with a residual maturity of no more than 30 calendar days shall be multiplied by:
- (i) 0% where 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** 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% where 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** as liquid assets of the category referred to in point (f) of **Article 10(1)**;
 - (iii) 15% where 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** as liquid assets of any of the categories of level 2A asset referred to in **Article 11**;
 - (iv) 25% where 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** 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% where 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 the category of level 2B asset referred to in point (e) of **Article 12(1)**;
 - (vi) 35% where 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** 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 in accordance with paragraphs (2) and (3) of **Article 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 15** as shares or units in CIUs of the same level as the underlying liquid assets;

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

However, no inflow shall be recognised where 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 calendar days made against non-liquid assets collateral may receive a 50% inflow rate. Those inflows may only be considered where 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** 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 mature within 30 calendar days shall lead to an inflow where the asset lent is subject to a lower haircut under **Chapter 2 of Title III (Liquidity Outflows and Inflows)** than the asset borrowed. The inflow shall be calculated by multiplying the market value of the asset lent by the difference between the inflow rate applicable to the asset borrowed and the inflow rate applicable to the asset lent in accordance with the rates specified in point (b). For the purposes of this calculation, a 100% haircut shall apply to assets that do not qualify as liquid assets;
- (f) where the collateral obtained through reverse repos, securities borrowings, collateral swaps, or other transactions with a similar form, maturing 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 repos, securities borrowings, collateral swaps or other transactions with a similar form 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 shall 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) undrawn credit or liquidity facilities, including undrawn committed liquidity facilities from central banks, and 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 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.

01/01/2022

4. Point (a) of **paragraph 3** shall not apply to monies due from secured lending and capital market-driven transactions as defined in points (2) and (3) of Article 192 of **CRR** that are collateralised by liquid assets in accordance with **Title II (The Liquidity Buffer)** as referred to in point (b) of **paragraph 3**. Inflows from the release of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets shall be taken into account in full, provided that those segregated balances are maintained in liquid assets as defined in **Title II (The Liquidity Buffer)**.

01/01/2022

5. Outflows and inflows expected over 30 calendar days from the contracts listed in Annex II to **CRR** and from credit derivatives shall be calculated on a net basis in accordance with **Article 21** and shall be multiplied by a 100% inflow rate in the event of a net inflow.

01/01/2022

6. Credit institutions shall not take into account any inflows from any of the liquid assets referred to in **Title II (The Liquidity Buffer)** other than payments due on the assets that are not reflected in the market value of the asset.

01/01/2022

7. Credit institutions shall not take into account inflows from any new obligations entered into.

01/01/2022

8. Credit institutions shall take liquidity inflows which are to be received in third countries where there are transfer restrictions or which are denominated in non-convertible currencies into account only to the extent that they correspond to outflows respectively in the third country or currency in question.

[Note: This rule corresponds to Article 32 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the *Treasury*]

01/01/2022

Article 33 Cap On Inflows

1. Credit institutions shall limit the recognition of liquidity inflows to 75% of total liquidity outflows as defined in **Chapter 2 of Title III (Liquidity Outflows and Inflows)** unless a specific inflow is exempted as referred to in **paragraphs 2, 3 or 4**.

01/01/2022

2. A credit institution may apply for permission from the **competent authority** fully or partially to exempt from the cap referred to in **paragraph 1** the following liquidity inflows:

- (a) inflows where the provider is a parent or a subsidiary of the credit institution or another subsidiary of the same parent or linked to the credit institution by a common management relationship;
- (b) inflows from deposits placed with other credit institutions within a group of entities qualifying for the treatment set out in Article 113(6) of **CRR**;
- (c) inflows referred to in **Article 26**, including inflows from loans related to mortgage lending, or promotional loans referred to in **Article 31(9)** or from a multilateral development bank or a public sector entity that the credit institution has passed-through.

[Note: This is a permission under section 144G of **FSMA** to which Part 8 of the **Capital Requirements Regulations** applies]

01/01/2022

3. Specialised credit institutions may apply for permission from the **competent authority** to be exempted from the cap on inflows. For the purpose of this paragraph, a specialised credit institution is a credit institution whose:
 - (a) main activities are leasing and factoring business, excluding the activities described in **paragraph 4**;
 - (b) business activities exhibit a low liquidity risk profile; and
 - (c) ratio of main activities, as referred to in (a), exceeds 80% of its total balance sheet at an individual level.

[Note: This is a permission under section 144G of **FSMA** to which Part 8 of the **Capital Requirements Regulations** applies]

01/01/2022

4. Specialised credit institutions may apply for permission from the **competent authority** to be subject to a cap on inflows of 90%. For the purpose of this paragraph, a specialised credit institution is a credit institution whose:
 - (a) main activities are the following:
 - (i) financing for the acquisition of motor vehicles;
 - (ii) an activity that immediately before exit day would have amounted to consumer credit for the purposes of provisions implementing Directive 2008/48/EC;
 - (b) business activities exhibit a low liquidity risk profile; and
 - (c) ratio of main activities, as referred to in (a) exceeds 80% of the total balance sheet at an individual level.

[Note: This is a permission under section 144G of **FSMA** to which Part 8 of the **Capital Requirements Regulations** applies]

01/01/2022

5. Credit institutions must disclose the derogations applied in **paragraphs 3 and 4** in their annual report.

01/01/2022

6. The exemptions laid down in **paragraphs 2, 3** **4**, when permitted by the ***competent authority***, may be applied at both the individual and consolidated levels subject to **Article 2(3)(e)**.

01/01/2022

7. Credit institutions shall determine the amount of the ***net liquidity outflows*** under the application of the inflow cap in accordance with the formula laid down in **Annex II** to Chapter 2 of the **Liquidity Coverage Ratio (CRR) Part** of the **PRA Rulebook**.

[Note: This rule corresponds to Article 33 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 34 Inflows Within a Group

1. By way of derogation from **Article 32(3)(g)**, credit institutions may apply to the ***competent authority*** for permission to apply a higher inflow rate on a case by case basis for undrawn credit and liquidity facilities with a counterparty who:

- (a) is the parent or a subsidiary of the credit institution or another subsidiary of the same parent or linked to the credit institution by a common management relationship;
- (b) applies, by way of derogation from **Article 31**, a corresponding symmetric outflow rate to any inflow rate that exceeds 40%; and
- (c) is established in the **United Kingdom**;
- (d) [Note: Provision left blank].

[Note: This is a permission under section 144G of **FSMA** to which Part 8 of the **Capital Requirements Regulations** applies]

[Note: This rule corresponds to Article 34 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Title IV Final Provisions

Article 35 United Kingdom-Guaranteed Bank Assets

1. Assets issued by credit institutions which benefit from a guarantee from the central government of the ***United Kingdom*** shall qualify as ***level 1 assets*** only where the guarantee:

- (a) was granted or committed to for a maximum amount prior to 30 June 2014;
- (b) is a direct, explicit, irrevocable and unconditional guarantee and covers the failure to pay principal and interest when due.

01/01/2022

2. Where the guarantor is a regional government or local authority in the ***United Kingdom***, the guaranteed asset shall qualify as level 1 only where exposures to such regional government or local authority are treated as exposures to their central government in accordance with Article 115(2) of ***CRR*** and the guarantee complies with the requirements laid down in ***paragraph 1***.

01/01/2022

3. The assets referred to in ***paragraphs 1*** and ***2*** shall continue to qualify as ***level 1 assets*** for as long as the guarantee remains in force in relation to the relevant issuer or its assets, as applicable, as amended or replaced from time to time. Where the amount of a guarantee in favour of an issuer or its assets is increased at any time after 30 June 2014, the assets shall only qualify as liquid assets up to the maximum amount of the guarantee that was committed prior to that date.

01/01/2022

4. The assets referred to in this Article shall be subject to the same requirements applicable under ***Chapter 2*** of the ***Liquidity Coverage Ratio (CRR) Part*** of the ***PRA*** Rulebook to ***level 1 assets*** representing claims on or guaranteed by the central or regional governments, local authorities or public sector entities referred to in ***Article 10(1)(c)***.

01/01/2022

5. Where a credit institution or its assets benefit from a guarantee scheme, the scheme as a whole shall be regarded as a guarantee for the purposes of this Article.

[Note: This rule corresponds to Article 35 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 37 Transitional Provision for Securitisations Backed by Residential Loans

1. By derogation from Article 13, securitisations issued before 1 October 2015, where the underlying exposures are residential loans as referred to in point (g)(i) of Article 13(2), shall qualify as Level 2B assets if they meet all the requirements set out in Article 13 other than the loan-to-value or loan-to-income requirements set out in that point (g)(i) of Article 13(2).

01/01/2022

2. By derogation from Article 13, securitisations issued after 1 October 2015, where the underlying exposures are residential loans as referred to in point (g)(i) of Article 13(2) that do not meet the average loan-to-value or the loan-to-income requirements set out in that point, shall qualify as Level 2B assets until 1 October 2025, provided that the underlying exposures include residential loans that were not subject to a national law regulating loan-to-income limits at the time they were granted and such residential loans were granted at any time prior to 1 October 2015.

[Note: This rule corresponds to Article 37 of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 38 Transitional Provision for the Introduction of the Liquidity Coverage Ratio

1. [Note: Provision left blank]

01/01/2022

2. [Note: Provision left blank]

01/01/2022

Article 39 Entry Into Force

[Note: Provision left blank]

01/01/2022

Annex I Formulae for the Determination of the Liquidity Buffer Composition

1. Credit institution shall use the formulae laid down in this Annex to determine the composition of their *liquidity buffer* in accordance with Article 17.

01/01/2022

2. Calculation of the *liquidity buffer*: as of the calculation date, the *liquidity buffer* of the credit institution shall be equal to:

- (a) the *level 1 asset* amount; plus
 - (b) the level 2A asset amount; plus
 - (c) the level 2B asset amount;
- minus the lesser of:
- (d) the sum of (a), (b) and (c); or
 - (e) the ‘excess liquid assets amount’ as calculated in accordance with paragraphs 3 and 4 of this Annex.

01/01/2022

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.

01/01/2022

4. Calculation of the ‘excess liquid assets amount’: this amount shall be equal to:

- (a) the adjusted non-covered bond **level 1 asset** amount; plus
 - (b) the adjusted level 1 covered bond amount; plus
 - (c) the adjusted level 2A asset amount; plus
 - (d) the adjusted level 2B asset amount;
- minus the lesser of:
- (e) the sum of (a), (b), (c) and (d);
 - (f) 100/30 times (a);
 - (g) 100/60 times the sum of (a) and (b);
 - (h) 100/85 times the sum of (a), (b) and (c).

[Note: This rule corresponds to Annex I of Regulation (EU) No 2015/61 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Annex II Formula for the Calculation of the Net Liquidity Outflow

NLO = **Net liquidity outflow**

TO = Total outflows

TI = Total inflows

FEI = Fully exempted inflows

IHC = Inflows subject to higher cap of 90% outflows

IC = Inflows subject to cap of 75% of outflows

Net liquidity outflows equals total outflows less the reduction for fully exempt inflows less the reduction for inflows subject to the 90% cap less the reduction for inflows subject to the 75% cap

NLO = $TO - \min(FEI, TO) - \min(IHC, 0,9 * \max(TO - FEI, 0)) - \min(IC, 0,75 * \max(TO - FEI - IHC/0,9, 0))$

[Note: This rule corresponds to Annex II of Regulation (EU) No 2015/61 as it applied immediately before revocation by the Treasury]

01/01/2022

3 Rules on Standards for Specifying the Conditions for the Application of the Derogations Concerning Currencies with Constraints on the Availability of Liquid Assets (previously Regulation (EU) No 2016/709)

Article 1 Subject Matter

Chapter 3 of the **Liquidity Coverage Ratio (CRR) Part** of the **PRA** Rulebook specifies the conditions for the application of the derogations referred to in **Article 419(2)** of **CRR** concerning currencies with constraints on the availability of liquid assets.

[Note: This rule corresponds to Article 1 of Regulation (EU) No 2016/709 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 2 Notification of the Derogation

1. [Note: Provision left blank]

01/01/2022

2. [Note: Provision left blank]

01/01/2022

Article 3 Assessment of Justified Needs

An institution shall be deemed to have justified needs for liquid assets for the purposes of **Article 419(3)** of **CRR** only where the following conditions are met:

- (a) it has reduced, by sound liquidity management, the need for liquid assets in the full range of business conducted by the institution;
- (b) its holdings of liquid assets are consistent with the availability of those assets in the relevant currency.

[Note: This rule corresponds to Article 3 of Regulation (EU) No 2016/709 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 4 Application of the Derogation Provided for in Article 419(2)(a) of CRR

1. An institution shall take all reasonable steps to fulfil the liquidity coverage requirement set out in **Article 412** of **CRR** before applying the derogation provided for in **Article 419(2)(a)** of **CRR**.

01/01/2022

2. An institution shall ensure that it is at all times able to operationally identify the liquid assets used to meet foreign currency liquidity coverage requirements and the liquid assets held as a result of the application of the derogation provided for in **Article 419(2)(a)** of **CRR**.

01/01/2022

3. An institution shall ensure that its foreign exchange risk management framework meets the following conditions:

- (a) currency mismatches resulting from the use of the derogation provided for in **Article 419(2)(a)** of **CRR** are adequately measured, monitored, controlled and justified;
- (b) liquid assets inconsistent with the distribution by currency of liquidity outflows after the deduction of inflows can be liquidated in pounds Sterling whenever necessary;
- (c) historical evidence relating to **stress** periods supports the conclusion that the

institution is able to promptly liquidate the assets referred to in point (b).

01/01/2022

4. An institution which uses liquid assets in a currency other than pounds Sterling to cover liquidity needs in pounds Sterling shall apply a haircut of 8% to the value of those assets in addition to any haircut applied in accordance with **Article 418** of **CRR**.

Where the liquid assets are denominated in a currency that is not actively traded in global foreign exchange markets, the additional haircut shall be the higher of 8% and the largest **monthly** exchange rate movement between both currencies in the 10 years prior to the relevant reporting reference date.

[Note: This rule corresponds to Article 4 of Regulation (EU) No 2016/709 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 5 Application of the Derogation Provided for in Article 419(2)(B) of CRR

1. An institution shall take all reasonable steps to fulfil the liquidity coverage requirement set out in **Article 412** of **CRR** before applying the derogation provided for in **Article 419(2)(b)** of **CRR**.

01/01/2022

2. An institution shall obtain from the central bank in respect of the currency with constraints on the availability of liquid assets a credit line which complies with the following conditions:

- (a) the credit line specifies that the institution has a legally binding entitlement to access the credit facilities and that entitlement is set out in a written agreement;
- (b) following the decision to provide a credit line, access to the credit facilities is not subject to a credit decision by the central bank;
- (c) the credit facilities can be drawn on by the institution without delay and no later than 1 day after giving notice to the central bank;
- (d) the credit line is at all times available for a period exceeding the 30 day-period of the liquidity coverage requirement specified in **Article 412(1)** of **CRR**.

01/01/2022

3. An institution shall fully post collateral at the central bank, which, after being subject to any haircut applied by the central bank, shall at all times be equal to or greater than the maximum amount that may be drawn on the credit line.

[Note: This rule corresponds to Article 5 of Regulation (EU) No 2016/709 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 6 Fee Payable for the Granting of a Credit Line

1. An institution shall pay a fee established by the central bank. The fee shall be made up of two components for the credit line referred to in Article 5(2) and shall ensure that there is no economic advantage or disadvantage arising from the application of the derogation provided for in Article 419(2)(b) of CRR, when compared to institutions which do not apply the derogation.

01/01/2022

2. The fee to be paid by an institution for the credit line shall be the sum of the following components:

- (a) an amount which is based on the amount of the credit line drawn down;
- (b) an amount which approximates the difference between the following:
 - (i) the yield on the assets used to secure the credit line;
 - (ii) the yield on a representative portfolio of assets of the type provided for in points (a) to (d) of Article 416(1) of CRR.

The amount referred to in point (b) of the first subparagraph may be adjusted to take into account any material differences in credit risk between the sets of assets referred to in that point.

[Note: This rule corresponds to Article 6 of Regulation (EU) No 2016/709 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 7 Limitation on the Use of Derogations

1. [Note: Provision left blank]

01/01/2022

2. [Note: Provision left blank]

01/01/2022

Article 8 Final Provisions

[Note: Provision left blank]

01/01/2022

4 Rules on Standards for Additional Liquidity Outflows

Corresponding to Collateral Needs Resulting from the Impact of an Adverse Market Scenario on an Institution's Derivatives Transactions (previously Regulation (EU) No 2017/208)

Article 1 Materiality of an Institution's Derivatives Transactions

1. An institution's derivatives transactions shall be considered material for the purposes of the first subparagraph of Article 423(3) of CRR where the total of notional amounts of such transactions has exceeded 10% of the *net liquidity outflows* as referred to in Article 412(1) of CRR at any time in the previous two years.

01/01/2022

2. For the purposes of paragraph 1, the *net liquidity outflows* shall be calculated without the additional outflow component referred to in the first subparagraph of Article 423(3) of CRR.

[Note: This rule corresponds to Article 1 of Regulation (EU) No 2017/208 as it applied immediately before revocation by the Treasury]

01/01/2022

Article 2 Calculation of an Additional Outflow Corresponding to Collateral Needs Resulting from the Impact of an Adverse Market Scenario on an Institution's Derivative Transactions

1. The additional outflow corresponding to collateral needs resulting from the impact of an adverse market scenario on an institution's derivatives transactions considered as material in application of **Article 1**, shall be the largest absolute net 30-day collateral flow realised during the 24 **months** preceding the date of calculation of the liquidity coverage requirement referred to in **Article 412(1)** of **CRR**.

01/01/2022

2. Institutions may only treat inflows and outflows of transactions on a net basis where they are executed under the same master netting agreement. The absolute net collateral flow shall be based on both realised outflows and inflows, and the netting shall be calculated at the institution's portfolio level.

[Note: This rule corresponds to Article 2 of Regulation (EU) No 2017/208 as it applied immediately before revocation by the **Treasury**]

01/01/2022

Article 3 Entry Into Force

[Note: Provision left blank]

01/01/2022