

# Single Rulebook Q&A

<b>Question ID</b>	2022_6345
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Liquidity risk
<b>Article</b>	428p
<b>Paragraph</b>	5
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Regulation (EU) 2021/451 - ITS on supervisory reporting of institutions
<b>Article/Paragraph</b>	Annex XIII -Reporting on Required Stable Funding (Specific remarks ), point 17
<b>Date of submission</b>	24/01/2022
<b>Published as Final Q&amp;A</b>	20/01/2023
<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Other
<b>Subject matter</b>	Encumbrance duration of reverse repo in NSFR when the received collateral has been sold short
<b>Question</b>	When the received collateral through a reverse repo has been sold outright, what should the encumbrance duration for the reverse repo be?
<b>Background on the question</b>	In the instruction on reporting of items requiring stable funding (Annex XIII, point 17), it states that "The residual maturity of this encumbrance shall be the higher between: i) the residual maturity of the transaction where the assets were borrowed and ii) the residual maturity of the transaction where the assets were re-pledged". The question is when the received collateral via a reverse repo has been sold outright, then what is the encumbrance duration for the reverse repo? BCBS published a FAQ in d396.pdf to allow the use of the maturity date of the reverse repo : "5.1.d...If the collateral has been sold outright, thereby creating a short position, the corresponding onbalance sheet receivable should be considered encumbered for the term of the residual maturity of this receivable, and receive an RSF factor according to the answer to question 5.1.c above". Should we follow the BCBS approach for this case? Or should we apply a more conservative approach by taking the higher between the maturity of the reverse repo and the maturity date of

	the security itself?
<b>Final answer</b>	<p>Since the maturity of the reverse repo transaction is contingent upon the return of the collateral that is no longer held by the institution, the reverse repo transaction should be considered encumbered for the term of the residual maturity of the reverse repo transaction itself.</p> <p>This follows from creating an analogy to Article 428p(5) of Regulation (EU) 2013/575 as amended by Regulation (EU) 2019/876, which foresees the application of the encumbrance treatment to the transaction through which an asset is sourced and where the asset has been re-used or repledged and where that asset is accounted for off-balance sheet.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6345">https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2022_6345</a>

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