Jersey Financial Services Commission

Appendix E: HQLA Concentration and Encumbrance

Consultation Paper No.3 2017

Basel III: Liquidity Management

[Draft] Guide on the reporting of the make-up of HQLA and other liquid assets, including any concentrations and encumbrance

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1 Overview

1.1 Consultation

1.1.1 This document outlines draft requirements relating to the provision of detailed information on *HQLA* and other potential sources of liquidity for prudential reporting purposes. It is intended to incorporate this within the *JFSC's* prudential reporting requirements from December 2018. (For more details see **Section 4.9** of the consultation paper). The introduction is provided in full, which outlines the nature of data requested, with the exact format to be determined nearer to the implementation date – the final guide will be provided at least 6 months prior to the implementation date.

1.2 Introduction

1.2.1 This document specifies prudential reporting on the availability of unencumbered assets, including *HQLA* that could be used to derive funding for liquidity purposes. It is intended to provide both a comprehensive picture and information relevant to the assessment of the liquidity of *HQLA*. Three breakdowns are specified as being required, as set out in Sections 2 to 4.

1.2.2 **Section 2** specifies the reporting of the type and location of available unencumbered assets, including *HQLA* that could be sold or could serve as collateral for secured borrowing in secondary markets at prearranged or current haircuts at reasonable costs. *JIBs* will be required to list all holdings that they consider to be a potential material source of liquidity.

1.2.3 For each holding, *JIBs* will be required to:

1.2.3.1 Separately identify their own holdings, customer collateral received that the bank is permitted to deliver or re-pledge, as well as the part of such collateral that it is currently delivering or re-pledging at each reporting date;

1.2.3.2 Identify holdings by *HQLA* classification and counterparty; and

1.2.3.3 Report the *Realisable Value*, *Adjusted Amount* and *Haircut Amount*, the latter two only relevant to holdings that form part of the *JIB's* stock of *HQLA*.

1.2.4 **Sections 3** and **4** provide greater detail on reporting required with respect to each asset on repo marketability and the potential use of central bank facilities.

1.2.5 **Section 3** specifies the reporting of the *Realisable Value*, *Adjusted Amount* (where relevant), and *Haircut Amount* (where relevant), type and location of available unencumbered assets, including *HQLA*, that could serve as collateral for secured borrowing in secondary markets at prearranged or current haircuts.

1.2.6 **Section 4** specifies reporting of the *Realisable Value*, *Adjusted Amount* (where relevant), and *Haircut Amount* (where relevant), type and location of available unencumbered assets that are eligible for secured financing with relevant central banks at prearranged (if available) or current haircuts at reasonable costs, for standing facilities only (ie excluding emergency assistance arrangements). This would include collateral that has already been accepted at the central bank but remains unused. For assets to be counted in this metric, the *JIB* must have already put in place the operational procedures that would be needed to monetise the collateral. For each asset, the *JIB* is required to:

› Provide the estimated haircut that the secondary market or relevant central bank would require. In the case of the latter, a bank would be expected to reference, under business as usual, the haircut required by the central bank that it would normally access for such assets; and

› Report the expected monetised value of the collateral (rather than the notional amount) and where the assets are actually held, in terms of the location of the assets and what business lines have access to those assets.