

Frankfurt am Main, 30 September 2015

## **Treatment of central bank reserves with regard to the Liquidity Coverage Requirement (LCR):**

### **Common understanding between the ECB and National Competent Authorities**

In accordance with Article 416 (1) (a) of the Regulation (EU) No 575/2013 and Article 10(1) (b) (iii) of the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, the ECB and competent authorities have reached a common understanding as regards the conditions for the treatment of central bank reserves with regard to the Liquidity Coverage Requirement (LCR): the part of the daily account holdings that exceed the average daily required reserves is considered withdrawable at any time in times of stress and thus may be reported under Article 416 (1) (a) of the Regulation (EU) No 575/2013 and is eligible for inclusion in level 1 assets under Article 10(1) (b) (iii) of the Commission Delegated Regulation (EU) 2015/61 ('Level 1 assets').

On each day  $t$ , the reserve holdings exceeding the average daily required reserves are taken into account for Level 1 assets. Average daily required reserves are to be understood as the amount of the minimum reserves to be held over a reserve maintenance period, as laid down in Regulation (EC) No 1745/2003 of the ECB of 12 September 2003 on the application of minimum reserves<sup>1</sup>, divided by the number of days of a reserve maintenance period. If balances are below the average daily required reserves, the amount considered for the Level 1 assets is zero.

$$\text{Withdrawable Reserves} = \max(\text{RACT}_t - \text{RAVG}, 0)$$

$\text{RACT}_t$  = Actual balances on reserve accounts on day  $t$

$\text{RAVG}$  = Average daily required reserves for the respective maintenance period.

Fixed-term deposits held with the Eurosystem are considered as high quality liquid assets for recognition in the LCR if such fixed-term deposits are considered eligible collateral for Eurosystem credit operations, including the marginal lending facility.

This common understanding is applicable to both significant and less significant credit institutions.

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<sup>1</sup> As amended by subsequent Regulations.