

PRESS RELEASE

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New EBA report examines the impact of upcoming regulation on the liquidity management ecosystem

Navigating new waters: The ripple effects of regulation on liquidity management answers key questions and includes case studies on the implications of the new Basel III regulatory framework.

The Euro Banking Association (EBA) today announced the publication of a new report by its Liquidity Management Working Group (LMWG). *“Navigating new waters: The ripple effects of regulation on liquidity management”* addresses the changes that the EU’s application of Basel III, the third Capital Requirements Regulation (CRR III), will bring to today’s capital adequacy measures.

The report addresses key questions that the liquidity management ecosystem must answer given the significance and reach that the refinement of the EU’s Basel III framework will have. It also includes case studies that summarise the implications of updated risk weightings across three areas – trade finance instruments, nostro accounts and credit lines.

“Whether you apply an internal model or the standardised approach, you’ll need to evaluate how these changes impact your overall portfolio. That could mean reassessing your portfolio composition, reallocating risk-weighted assets to areas with lower capital consumption or reducing exposure in segments where capital requirements increase disproportionately,” says **Krister Billing, Deputy Chairman of the EBA Board and Chairman of the LMWG**. “These shifts could influence how banks position and offer credit lines to different counterparties. Ultimately, banks may also need to revisit their pricing strategies – to maintain target profitability or returns, or to stay aligned with market trends – and in some cases, they might even consider exiting certain product lines.”

The changes to be brought by CRR III will not only require reassessments at the level of banks. Similarly, corporates should assess how higher capital costs for banks might affect the expense of their own liquidity management activities. With updated regulations making bank capital more costly, the imperative to optimise cash usage and minimise reliance on external financing becomes even stronger.

While the final Basel III regulation is deep and far-reaching, the phase-in period is generous, with output floors only to go live in 2030, allowing for ample time to prepare.

The report *Navigating new waters: The ripple effects of regulation on liquidity management* is available for [download](#) for EBA Members. A [fact sheet](#) is available on the EBA website.

About the EBA Liquidity Management Working Group (LMWG)

Efficient and effective liquidity management arrangements and processes are important for the business of banks and corporates alike. Liquidity managers are currently facing many challenges, including the migration of liquidity management practices into the digital area and to real-time processes.

To support liquidity management professionals in better understanding and dealing with ongoing market developments as well as related technical, operational, regulatory and organisational questions, the Euro Banking Association (EBA) launched a Liquidity Management Working Group (LMWG), which began its work in the third quarter of 2017.

The objective of the EBA Liquidity Management WG is to deliver thought leadership on liquidity management practices with a clear focus on the segment of corporates. The working group will not address commercial or business aspects. The deliverables will be primarily informative and include an analysis of trends and envisaged future developments.

For more information, please visit: [Liquidity Management Working Group](#)

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About the Euro Banking Association (EBA)

The Euro Banking Association (EBA) is a practitioners' body for banks and other service providers supporting a pan-European vision for payments.

The mission of the EBA is to foster dialogue and experience exchange amongst payments industry practitioners towards a pan-European vision for payments. We pursue our mission through involving member organisations and relevant stakeholders in thought leadership on innovation, helping our members to understand and implement regulation and by supporting the development of market practices.

The EBA has more than 160 members from the European Union and across the world.

For additional information about the Euro Banking Association, please visit www.abe-eba.eu or follow us on [LinkedIn](#).