

# Terms of Engagement for EBA Working Group on Liquidity Management Phase VIII – “Bring it home”

## 1. Context and Purpose

Over the past phases, the EBA Liquidity Management Working Group (LMWG) has focused on regulatory developments, such as CRR/CRD IV, Basel III/IV, and their implications for liquidity management, payments and cash management. Moving forward, the LMWG will transition from regulatory interpretation to practical application. The next phase, titled “**Bring It Home**”, aims to translate these regulatory insights into tangible outcomes on liquidity and cash management products and services.

## 2. Why “Bring It Home”?

- Recent regulatory changes have reshaped liquidity management frameworks, creating both challenges and opportunities for banks, payment service providers, and their corporate clients. As the regulatory landscape becomes more complex—with stricter requirements for liquidity coverage, stable funding, and operational challenges—there is a pressing need to move beyond interpreting the rules. The “Bring It Home” phase is designed to translate regulatory insights into actionable strategies that directly impact the design, structure, and use of liquidity and cash management solutions.
- At the same time, corporate treasurers are facing rapidly evolving liquidity needs. They require greater flexibility, real-time visibility, and innovative solutions to manage global cash flows efficiently while ensuring compliance with new prudential standards.
- The working group will focus on bridging the gap between regulatory theory and day-to-day practice, examining how new rules affect key tools such as cash pooling, virtual accounts, and liquidity structures.
- This approach aims to provide members with practical guidance for adapting their solutions to meet both regulatory expectations and the operational demands of corporate clients.
- Additionally, the group will explore the integration of emerging technologies—such as tokenised assets and stablecoins—into liquidity management, helping members anticipate and address the opportunities and risks associated with digital transformation in the regulatory era.

The goal is to empower EBA members to systematically assess their liquidity offerings, ensuring they remain compliant, operationally efficient, and responsive to the changing requirements of corporate treasurers.

## 3. Objectives of this phase

- **Map regulatory requirements to product features:**
  - How do instant payment and other regulations affect liquidity solutions such as cash pooling, virtual account setups and deposit gathering arrangements?

- What is the expected impact of tokenised assets, stablecoins and central bank digital currencies (CBDC) on current and future liquidity services?
- **Identify operational and strategic challenges:**
  - How can institutions balance regulatory compliance with evolving client needs and their own funding requirements?
  - What are the key challenges in managing liquidity across multiple jurisdictions and currencies?
- **Develop best practices**
  - What are corporate treasurers' expectations for liquidity solutions today and in the future?
  - How can these practices continue to help corporates meet their liquidity objectives?

#### 4. Key topics for discussion

- **Cash Pooling under regulatory constraints:**
  - Impact of regulation on notional vs. physical pooling structures.
  - Treatment of intercompany positions and internal credit lines.
  - Are operational processes being disrupted by evolving requirements?
- **Virtual accounts and liquidity segmentation:**
  - Are new regulations disrupting operational processes?
  - What opportunities exist for enhanced automation and reconciliation?
- **Liquidity optimisation in a regulated environment:**
  - How can institutions maintain flexibility while meeting prudential requirements?
  - What role will real-time payments and tokenisation play in future liquidity management?

#### 5. New and related area stablecoins, tokenised assets, and global liquidity movement

- As liquidity management continues to evolve, digital assets are emerging as a complementary layer to traditional fiat currency structures. Stablecoins with near-instant settlement capabilities, have the potential to enhance the efficiency of cash pooling and intra-group liquidity transfers.
- Beyond stablecoins, tokenised assets for liquidity investments introduce new possibilities for fractional ownership and real-time transferability. Will these innovations enable treasurers to deploy surplus fiat liquidity into tokenised money market instruments or short-term debt.
- Finally, tokenised value for global transfers may reduce reliance on correspondent banking networks, creating a possible secure, transparent, and faster mechanism for transferring value across jurisdictions but without oversight of central bank as a regulator.

These innovations offer a possible new mechanism for transferring value across jurisdictions. However, they may also introduce challenges related to conversion and liquidity risk, particularly during periods of market stress. It remains to be seen whether such developments will ultimately complement or disrupt existing liquidity strategies.

## **6. Deliverables**

Currently, we are considering smaller deliverables across different areas when discussing “Bring It Home – Liquidity Products in the Regulatory Era.”

## **7. Membership and organisation**

The EBA LMWG is composed of experts in the field of liquidity & cash management from the EBA member banks.

The EBA LMWG will be chaired by a Board Member of the EBA. The LMWG will be facilitated by EBA staff with the support of other (external) resources as are required and approved by the Board.

The LMWG will have four to five face-to-face workshops at the premises of the EBA or of hosting institutions of working group members. Meetings may also be held online. The Chair may invite external attendees to share experiences with the LMWG.