

The HQLA solution helps monitor bank liquidity requirements under Basel III.

Increased liquidity requirements

One of the key reforms introduced by Basel III, the Liquidity Coverage Ratio (LCR), requires banks to hold an adequate amount of unencumbered High-Quality Liquid Assets (HQLA) that can be converted easily and immediately into cash in private markets. Under Basel III, banks are required to demonstrate daily that their LCR ratio — HQLA divided by total net cash outflows over a specified 30-day stress period — is always greater than 100%. The LCR divides eligible assets into Level 1, Level 2A and Level 2B, whereby Level 1 assets, due to their higher quality, receive preferential treatment in the HQLA composition over the level 2 assets.

The Basel LCR framework has been transcribed into each jurisdiction's national law in different ways. Therefore, eligible assets for each category vary depending on the local LCR rules.

Determine HQLA eligibility

With LCR phased in since 2015, banking organization globally are constantly striving to improve their compliance processes. Bloomberg leverages its unrivaled reference data along with a newly created set of HQLA-specific data points to provide a solution that facilitates the determination of an appropriate level of eligibility for regulatory reporting.

A comprehensive tool for Basel III transparency

Bloomberg's HQLA solution offers a set of data points to assist clients in complying with Basel III's LCR requirements and regulatory reporting (e.g., FR 2052a reporting in the U.S. and Common Reporting (COREP) in the EU). This data, which firms can also leverage for calculating their standardized credit risk capital requirements, is available via Bloomberg's enterprise data feed, which supports both batch requests as well as bulk offerings. Our HQLA solution is scalable and can be customized to clients' specific needs. The full suite consists of 3 data sets:

- **HQLA Classification** – Twenty one data points needed to assist in determining an appropriate level of HQLA for 8 jurisdictions. These security-level data points include the level of eligibility for different jurisdictions, 30-day stress period price metrics, Organisation for Economic Co-operation and Development (OECD) classifications and risk weighting.

- **Liquid & Readily Marketable** – Nineteen data points to assist clients in determining if fixed income securities are liquid and readily marketable.
- **Central Bank Eligibility** – Three data points to assist in determining if a security is accepted as eligible collateral by 14 major global central banks, together with the corresponding haircut values.

Benefits of the Bloomberg solution

- Business rules leverages Bloomberg's extensive reference data
- Eligibility logic is consistently and defensibly applied and updated timely as Basel III requires
- Multi-asset class coverage of potentially eligible assets
- Additional reference data points included in files assists in further refining eligibility to determine a more precise and customized level
- Eligibility data points included, simplifying the laborious process of determining eligibility

SOC 3 Certification by Ernst & Young (EY).

E&Y has examined management's assertion that Bloomberg L.P., as of August 31st 2017, maintained effective control processes over HQLA and determined that assertion to be fairly stated.

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HQLA classification data

Field name	Description
BRAM HQLA Basel III Eligible Asset Class Designation*	Returns NR, N, 1, 2A or 2B if the security is HQLA-eligible, according to the Bank of International Settlements Guidelines.
BRAM HQLA U.S. Eligible Asset Class Designation	Returns NR, N, 1, 2A or 2B if the security is HQLA-eligible, according to US LCR requirements.
BRAM HQLA EU Eligible Asset Class Designation	Returns NR, N, 1, 2A or 2B if the security is HQLA-eligible, according to European Delegated Act on the Liquidity Coverage Ratio, supplementing the Capital Requirements Regulation (CRR).
HQLA Canadian Eligible Asset Class Designation	Returns NR, N, 1, 2A or 2B if the security is HQLA-eligible asset class, according to Canadian Liquidity Adequacy Requirements (LAR).
HQLA Australian Eligible Asset Class Designation	Returns NR, N, 1, 2A or 2B if the security is HQLA-eligible, according to Australian requirements.
HQLA Japanese Eligible Asset Class Designation	Returns NR, N, 1, 2A or 2B if the security is HQLA-eligible, according to the Japanese FSA (Financial Services Agency) requirements.
HQLA FR 2052a Eligible Asset Class Designation	Returns the asset category code based on FR 2052a reporting.
HQLA EBA Eligible Asset Class Designation	Specifies the asset category code based on the European Banking Authority (EBA) LCR monitoring report.
EU Basel III Standardized Risk Weight	Risk weight used in the denominator of the risk based capital adequacy ratio to determine risk weighted assets, as per the final European Union (EU) implementation of Basel III.
EU Basel III Standardized Risk Weight Exposure Type	Exposure type of the risk weight used in the risk based capital adequacy ratio to determine risk weighted assets, as per the final European Union (EU) implementation of Basel III.
U.S. Basel III Standardized Risk Weight Exposure Type	Exposure type of the risk weight used in the risk-based capital adequacy ratio to determine risk-weighted assets, as per the final U.S. Basel III rule.
BRAM U.S. Basel III Standardized Risk Weight	Credit Risk weight under the standardized approach per the final U.S. Basel III rule.
Current OECD Member Country	Returns Y or N based on if the country of the issuer is an OECD member.
Current OECD Member Country of Risk Classification	Returns the sovereign's OECD country risk classification (CRC) number using the scale of 0 to 7, where 0 is the highest classification and 7 is the lowest.
BRAM HQLA Major Equity Index Flag*	Returns Y or N based on if the security is a constituent of a major or nationally recognized equity index.
BRAM HQLA 30-day price drop	The magnitude, in percentage terms, of the most recent single largest 30 calendar day price drop over relevant history.
BRAM HQLA maximum 30-day price drop date	The start date of the most recent 30 calendar day period with the largest single price drop over relevant history.
BRAM HQLA 30-day price drop analysis starting date	The start date of the time period that was analyzed to find the 30 calendar day period that had the single largest magnitude price drop.
HQLA 1Y Average Entity Level Daily Trading Volume	One year trailing average daily trading volume, in thousands, at the entity level (i.e. including all issues of the issuing entity). Qualifying municipals can be held for High-Quality Liquid Asset (HQLA) purposes in the United States (U.S.) as long as the entity does not hold more than twice the average daily trading volume during the four previous quarters of all general obligation securities issued by that municipal. Rule applies to General Obligation bonds only.
HQLA HK Eligible Asset Class Designation	Returns 'NR', 'N', '1', '2A' or '2B' based on if the security belongs to an asset class that is eligible to be included in the stock of High-Quality Liquid Asset (HQLA) according to the Hong Kong Monetary Authority (HKMA) requirements for Liquidity Coverage Ratio (LCR) calculations.
HQLA Singapore Eligible Asset Class Designation	Returns 'NR', 'N', '1', '2A', '2B(I)' or '2B(II)' based on if the security belongs to an asset class that is eligible to be included in the stock of High-Quality Liquid Asset (HQLA) according to the Monetary Authority of Singapore (MAS) requirements for Liquidity Coverage Ratio (LCR) calculations.

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Central bank eligibility

Among major central banks, there are no consistent standards for securities accepted as eligible collateral. Central Bank Eligibility (CBE) data from Bloomberg eliminates the need for this repetitive, manual process. It provides essential details about all securities accepted as collateral by 14 major global central banks. Bloomberg updates the list of eligible assets daily with haircuts and delivers a consolidated enterprise data feed for each asset category. CBE data is available as a stand-alone enterprise data feed or as part of the complete HQLA solution offering.

Enterprise advantages

The HQLA solution adds value enterprise-wide.

Front office

Can recognize advantageous liquidity eligibility criteria very quickly and capitalize on these opportunities without burdening internal teams with repetitive research tasks.

Bank collateral managers

Can assess central bank eligibility requirements and HQLA eligibility more easily for intraday credit transactions, repo transactions and transactions involving other instruments implemented by central banks.

Risk managers

Gain liquidity benchmarking capability without conducting repetitive research tasks. Compliance teams receive independent third party reporting verification for internal analysis.

Compliance

Compliance teams receive independent third party data for internal verification.

Bloomberg for enterprise

To succeed today, financial institutions must respond to challenges that are not addressed by traditional approaches. They require world-class solutions that integrate people, processes, information and technology for the front office, middle office and operations. Bloomberg partners with these institutions to protect and capitalize on data, manage risk, deliver transparency and control costs. Through enterprise-level expertise and three decades of deep industry experience, Bloomberg creates real value through the use of innovative technology that turns data into a strategic asset.

Learn more

Learn more about how we can help your firm determine a bank's liquidity level. Visit bloomberg.com/enterprise or reach us at eprise@bloomberg.net.

Take the next step.

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