Annex

Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards

Table of Contents

Basel III Framework on Liquidity Standards

Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards

Liquidity Coverage Ratio

1. Introduction

1.1 In the backdrop of the global financial crisis that started in 2007, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. In this regard, the Basel III rules text on liquidity – *"Basel III: International framework for liquidity risk measurement, standards and monitoring"* was issued in December 2010 which presented the details of global regulatory standards on liquidity. Two minimum standards viz. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for funding liquidity were prescribed by the Basel Committee for achieving two separate but complementary objectives.

1.2 The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. The NSFR promotes resilience over longer-term time horizons by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. In addition, a set of five monitoring tools to be used for monitoring the liquidity risk exposures of banks was also prescribed in the said document.

1.3 At the time of issuing the December 2010 document, the Basel Committee had put in place a rigorous process to review the standard and its implications for financial markets, credit extension and economic growth. Subsequently, in January 2013 the BCBS issued a revised document on LCR, viz., 'Basel III : Liquidity Coverage Ratio and liquidity risk monitoring tools', incorporating amendments to the definition of HQLAs and net cash outflows, a revised timetable for phase-in of the standard and additional text to give effect to the Committee's intention for the stock of liquid assets to be used in times of stress. The changes to the definition of the LCR include an expansion in the range of assets eligible as HQLA and some refinements to the assumed inflow and outflow rates to better reflect actual experience in times of stress.

2. Objective

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

3. Scope

To start with, the LCR and monitoring tools would be applicable for Indian banks at whole bank level only i.e. on a stand-alone basis including overseas operations through branches. However, banks should endeavour to move over to meeting the standard at consolidated level also. For foreign banks operating as branches in India, the framework would be applicable on stand- alone basis (i.e. for Indian operations only).

4. Definition of LCR

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

4.1 The LCR requirement would be binding on banks from January 1, 2015; with a view to provide a transition time for banks, the requirement would be minimum 60% for the calendar year 2015 i.e. with effect from January 1, 2015, and rise in equal steps to reach the minimum required level of 100% on January 1, 2019, as per the time-line given below:

	January 1 2015	**January 1 2016**	**January 1 2017**	**January 1 2018**	**January 1 2019**
Minimum LCR	**60%**	**70%**	**80%**	**90%**	**100%**

Banks should, however, strive to achieve a higher ratio than the minimum prescribed above as an effort towards better liquidity risk management.

4.2 With effect from January 1, 2019, i.e. after the phase-in arrangements are complete, the LCR should be minimum 100% (i.e. the stock of HQLA should at least equal total net cash outflows) on an ongoing basis because the stock of unencumbered HQLA is intended to serve as a defence against the potential onset of liquidity stress. During a period of financial stress, however, banks may use their stock of HQLA, and thereby falling below 100%. Banks should immediately report to RBI (Department of Banking Operations and Development as also Department of Banking Supervision) such use of stock of HQLA along with reasons for such usage and corrective steps initiated to rectify the situation.

4.3 The stress scenario specified by the BCBS for LCR incorporates many of the shocks experienced during the crisis that started in 2007 into one significant stress scenario for which a bank would need sufficient liquidity on hand to survive for up to 30 calendar days. The scenario, thus, entails a combined idiosyncratic and market-wide shock that would result in:

a) the run-off of a proportion of retail deposits;

b) a partial loss of unsecured wholesale funding capacity;

c) a partial loss of secured, short-term financing with certain collateral and counterparties;

d) additional contractual outflows that would arise from a downgrade in the bank's public credit rating by up to three notches, including collateral posting requirements;

e) increases in market volatilities that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts or additional collateral, or lead to other liquidity needs;

f) unscheduled draws on committed but unused credit and liquidity facilities that the bank has provided to its clients; and

g) the potential need for the bank to buy back debt or honour non-contractual obligations in the interest of mitigating reputational risk.

5 **High Quality Liquid Assets**

5.1 Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. They should be unencumbered i.e. without legal, regulatory or operational impediments. Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value. The liquidity of an asset depends on the underlying stress scenario, the volume to be monetized and the timeframe considered. Nevertheless, there are certain assets that are more likely to generate funds without incurring large discounts due to fire-sales even in times of stress.

5.2 While the fundamental characteristics of these assets include low credit and market risk; ease and certainty of valuation; low correlation with risky assets and listing on a developed and recognized exchange market, the market related characteristics include active and sizeable market; presence of committed market makers; low market concentration and flight to quality (tendencies to move into these types of assets in a systemic crisis).

5.3 There are two categories of assets which can be included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 2 assets are sub-divided into Level 2A and Level 2B assets on the basis of their price-volatility. Assets to be included in each category are those that the bank is holding on the first day of the stress period.

5.4 Level 1 assets of banks would comprise of the following and these assets can be included in the stock of liquid assets without any limit as also without applying any haircut:

i. Cash including cash reserves in excess of required CRR.
ii. Government securities in excess of the minimum SLR requirement.
iii. Within the mandatory SLR requirement, Government securities to the extent allowed by RBI[1], under Marginal Standing Facility (MSF).
iv. Marketable securities issued or guaranteed by foreign sovereigns[2] satisfying all the following conditions:

[1] Government securities to the extent of 2 per cent of NDTL may be included i.e. currently allowed under marginal standing facility (MSF).

[2] These securities will include only marketable securities which attract a 0% risk-weight in terms of paragraph 5.3.1 of RBI's Master Circular on 'Basel III Capital Regulations' dated July 1, 2013. In cases where a foreign sovereign has been assigned a non-0% risk weight as per rating by an international rating agency, but a 0% risk-weight has been assigned at national discretion under Basel II Framework, marketable securities issued or guaranteed by that foreign sovereign within its domestic jurisdiction will be allowed to the extent those securities cover a bank's stressed net cash outflows in that specific foreign currency stemming from the bank's operations in the jurisdiction where the bank's liquidity risk is being taken.

(a) assigned a 0% risk weight under the Basel II standardized approach for credit risk;

(b) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; and proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions.

(c) not issued by a bank/financial institution/NBFC or any of its affiliated entities.

5.5 Level 2 assets (comprising Level 2A assets and Level 2B assets) can be included in the stock of liquid assets, subject to the requirement that they comprise no more than 40% of the overall stock of HQLAs after haircuts have been applied. The portfolio of Level 2 assets held by the bank should be well diversified in terms of type of assets, type of issuers and specific counterparty or issuer. Level 2A and Level 2B assets would comprise of the following:

(a) Level 2A Assets

A minimum 15% haircut should be applied to the current market value of each Level 2A asset held in the stock. Level 2A assets are limited to the following:

i. Marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel II Standardised Approach for credit risk and provided that they are not issued by a bank/financial institution/NBFC or any of its affiliated entities.

ii. Corporate bonds[3], not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA-[4] or above by an Eligible Credit Rating Agency[5].

ii. Commercial Papers[3] not issued by a bank/PD/financial institution or any of its affiliated entities, which have a short-term rating equivalent to the long-term rating of AA-[4] or above by an Eligible Credit Rating Agency[6].

(b) Level 2B Assets

[3] Corporate debt securities (including commercial paper) in this respect include only plain-vanilla assets whose valuation is readily available based on standard methods and does not depend on private knowledge, i.e. these do not include complex structured products or subordinated debt.

[4] In the event of difference in ratings from two or more eligible credit rating agencies, banks may be guided by paragraph 6.7 of Master Circular on Basel III Capital Regulations dated July 1, 2013.

[5] As specified in the RBI Master Circular on Basel III – Capital Regulations.

[6] As specified in the RBI Master Circular on 'Guidelines for Issue of Commercial Paper'.

A minimum 50% haircut should be applied to the current market value of each Level 2B asset held in the stock. Further, Level 2B assets should comprise no more than 15% of the total stock of HQLA. They must also be included within the overall Level 2 assets. Level 2B assets are limited to the following:

i. Marketable securities representing claims on or claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%, i.e., they should have a credit rating not lower than BBB- as per our Master Circular on ‘Basel III – Capital Regulations’.
ii. Common Equity Shares which satisfy all of the following conditions:
    a) not issued by a bank/financial institution/NBFC or any of its affiliated entities;
    b) included in NSE CNX Nifty index and/or S&P BSE Sensex index.

5.6 All assets in the stock of liquid assets must be managed as part of that pool by the bank and shall be subject to the following operational requirements:

- must be available at all times to be converted into cash,
- should be unencumbered,
- should not be co-mingled / used as hedges on trading position; designated as collateral or credit enhancement in structured transactions; designated to cover operational costs,
- should be managed with sole intent for use as a source of contingent funds,
- should be under the control of specific function/s charged with managing liquidity risk of the bank, e.g. ALCO.

5.7 Banks should periodically monetize a proportion of assets through repo or outright sale to test the saleability of these assets and to minimize the risk of negative signalling during period of stress. Banks are also expected to maintain liquid assets consistent with distribution of their liquidity needs by currency.

5.8 If an eligible liquid asset becomes ineligible (e.g. due to downgrade), banks will be allowed to keep the asset in their stock of liquid assets for an additional 30 calendar days in order to have sufficient time to adjust the stock / replace the asset.

6. Calculation of LCR

6.1 As stated in the definition of LCR, it is a ratio of two factors, viz, the Stock of HQLA and the Net Cash Outflows over the next 30 calendar days. Therefore, computation of LCR of a bank will require calculations of the numerator and denominator of the ratio, as detailed in subsequent paragraphs.

6.2 The formula for the calculation of the stock of HQLA is as follows:

Stock of HQLA = Level 1 + Level 2A + Level 2B – Adjustment for 15% cap – Adjustment for 40% cap

Where:

Adjustment for 15% cap = Max [{Level 2B – 15/85*(Adjusted Level 1 + Adjusted Level 2A)}, {Level 2B - 15/60*Adjusted Level 1}, 0]

Adjustment for 40% cap = Max {(Adjusted Level 2A + Level 2B – Adjustment for 15% cap - 2/3*Adjusted Level 1 assets), 0}

6.3 Calculation of the stock of HQLA requires computations of adjusted Level 1 and Level 2 assets. As stated in para 5.5 above, Level 2 assets cannot exceed 40% of the overall stock of liquid assets after haircuts have been applied and Level 2B assets cannot exceed 15% of the total stock of HQLA after haircuts have been applied. However, there may be instances when assets classified under a lower level may get temporarily converted into an asset classified under a higher level or vice-versa (e.g. borrowing/lending cash, a Level 1 asset, by repo/reverse repo of Corporate Bonds, a Level 2A asset). Therefore, the calculation of 40% cap on Level 2 assets and 15% cap on Level 2B assets should take into account the impact of such secured funding transactions on the stock of HQLA to be categorised under a particular Level. In order to ensure this while calculating the eligible amounts of HQLAs under Level 1 and Level 2, any repo / reverse repo transactions undertaken in repo-eligible Level 2 assets up to and including 30 days needs to be reversed i.e., adjusted. Presently, Corporate Bonds are the only Level 2 assets where repo is allowed. The required adjustments are shown below:

S. No.	Particulars		Amount	Factor	Adjusted Amount (Amount * Factor)
1	Total Level 1 Assets			100%	
2	Adjustments required :				
	(i)	Add amount lent under a reverse repo transaction undertaken for up to and including 30 days in corporate bonds (irrespective of whether they qualify as Level 2 assets or not)		100%	
	(ii)	Deduct amount borrowed under a repo transaction undertaken for up to and including 30 days in corporate bonds (irrespective of whether they qualify as Level 2 assets or not)		100%	
3	Total Adjusted Level 1 Assets {1 + 2 (i) - 2 (ii)}				

Adjusted Level 1 assets are, therefore, arrived at by adding back the amount of cash lent (reverse repo) and by subtracting the amount of cash borrowed (repo) up to 30 days against corporate bonds.

6.4 Similarly, following adjustments are required in Level 2A assets also:

S. No.	Particulars		Amount	Factor	Adjusted Amount (Amount * Factor)
1	Total Level 2A Assets			85%	
2	Adjustments required :				
	(i)	Add market value of Level 2A corporate bonds placed as collateral under a repo transaction undertaken for up to (and including) 30 days.		85%	

	(ii)	Deduct market value of Level 2A securities acquired as collateral under a reverse repo transaction undertaken for up to (and including) 30 days		85%	
3	Total Adjusted Level 2A Assets {1 + 2 (i) - 2 (ii)}				

Adjusted Level 2A assets are therefore arrived at by adding the amount of Level 2 A securities placed as collateral (after applying the haircut of 15%) and by subtracting the amount of Level 2 A securities acquired (after applying the haircut of 15%).

6.5 As no repoable securities like corporate bonds are included under Level 2B assets, the adjusted Level 2B assets would be same as unadjusted Level 2B assets.

6.6. The maximum amount of adjusted Level 2 assets in the stock of HQLA of banks is equal to two-thirds of the adjusted amount of Level 1 assets after haircuts have been applied. Any excess of adjusted Level 2 assets over two-thirds of the adjusted Level 1 assets needs to be deducted from the stock of liquid assets. The maximum amount of Level 2B assets in the stock of HQLA is equal to 15/85 of the sum of the adjusted amounts of Level 1 and Level 2A assets, and up to a maximum of one fourth of the adjusted amount of Level 1 assets, both after haircuts have been applied. Any excess of Level 2B assets over these limits must be deducted from the stock of HQLA.

6.7 *Calculation of Total net cash outflows*

6.7.1 The total net cash outflows is defined as the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows. In other words, Total net cash outflows over the next 30 days = Outflows - Min (inflows; 75% of outflows). The various items of assets (inflow) and liabilities (outflow) along with their respective run-off rates and the inflow rates are specified in the format of Basel III Liquidity Return-1 (BLR-1) given in the Appendix I of this Framework.

6.7.2 Banks will not be permitted to double count items, i.e. if an asset is included as part of the "stock of HQLA" (i.e. the numerator), the associated cash inflows cannot also be counted as cash inflows (i.e. part of the denominator). Where there is potential that an item could be counted in multiple outflow categories, (e.g. committed liquidity facilities granted to cover debt maturing within the 30 calendar day period), a bank only has to assume up to the maximum contractual outflow for that product.

7. Liquidity Risk Monitoring Tools

7.1 In addition to the two liquidity standards, the Basel III framework also prescribes five monitoring tools / metrics for better monitoring a bank's liquidity position. While some of these monitoring tools/metrics have been in use by banks in the past in the form of various regulatory returns on their liquidity position, certain additional returns under Basel III Liquidity Framework have been prescribed. These metrics along with their objective and the prescribed returns are detailed below:

(a) Contractual Maturity Mismatch

i. The contractual maturity mismatch profile identifies the gaps between the contractual inflows and outflows of liquidity for defined time bands. These maturity gaps indicate how much liquidity a bank would potentially need to raise in each of these time bands if all outflows occurred at the earliest possible date. This metric provides insight into the extent to which the bank relies on maturity transformation under its current contracts.

ii. No new return under Basel III is prescribed by RBI for analysing contractual maturity mismatch. The existing statement on structural liquidity[7] which captures the gap between inflows and outflows from various items of assets and liabilities will continue to address this metric.

[7] Circular DBOD.BP.No.56/21.04.098/2012-13 dated November 7, 2012 on 'Liquidity Risk Management by Banks'

(b) Concentration of Funding

i. This metric is meant to identify those sources of funding that are of such significance, the withdrawal of which could trigger liquidity problems. The metric thus encourages the diversification of funding sources recommended in the Basel Committee's Sound Principles. This metrics aims to address the funding concentration of banks by monitoring their funding from each significant counterparty, each significant product / instrument and each significant currency.

ii. At present funding concentration of banks in India is restricted under regulatory limits on Inter-bank liability[8] and call borrowings[9]. These regulatory limits will continue to exist. In addition, banks will be now required to furnish to RBI a Statement of Funding Concentration (BLR-2) as per the format given in Appendix I, which will have the details of sources of funding from significant counterparties, significant instruments / products and details of funding through securitization on a monthly basis. As regards addressing the currency concentration risk, the same is captured in the Statement of structural liquidity[10], foreign currency - Indian operations - Liquidity Return 1 - Part A 2 wherein banks are required to furnish their assets and liabilities in major / significant currencies as well as information on Aggregate gap limit.

(c) Available Unencumbered Assets

i. This metric provides supervisors with data on the quantity and key characteristics of banks' available unencumbered assets. These assets have the potential to be used as collateral to raise additional secured funding in secondary markets and / or are eligible at central banks.

ii. A Statement of available unencumbered assets (BLR- 3) as given in Appendix I is now prescribed to address this metric. It captures the details of the amount, type and location of available unencumbered assets that could serve as collateral for secured borrowing in

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[8] Circular DBOD.No.BP.BC.66/21.01.002/2006-2007 dated March 6, 2007 on 'Prudential Limits for Inter-Bank Liabilities (IBL)'

[9] Master Circular on Call/Notice Money Market Operations dated July 1, 2013

[10] Circular DBOD.BP.No.56/21.04.098/2012-13 dated November 7, 2012 on 'Liquidity Risk Management by Banks'

secondary markets and / or are eligible for borrowing from the RBI/central banks. The reporting frequency of this return will be quarterly.

(d) LCR by Significant Currency

i. While the LCR standard is required to be met in one single currency, in order to better capture potential currency mismatches, the LCR in each significant currency needs to be monitored.

ii. Accordingly, a statement on LCR by significant currency (BLR-4) as given in Appendix - I needs to be furnished on monthly basis.

(e) Market-related Monitoring Tools

i. This includes high frequency market data that can serve as early warning indicators in monitoring potential liquidity difficulties at banks.

ii. To address this metric, a Statement on other Information on liquidity (BLR-5) is prescribed which requires banks to report on a monthly basis, the price movements in their equity prices (if listed), and interest rates at which long-term bonds and certificates of deposit (CDs) are issued by them. This also includes information on breach / penalty in respect of regulatory liquidity requirements.

8. Basel III Liquidity Returns

The above mentioned returns and the corresponding frequency of submission are summarised below. Banks will be required to submit these returns to the Principal Chief General Manager, Department of Banking Supervision, Central Office, Reserve Bank of India, Mumbai from the month / quarter ending September 2014.

S. No.	Name of the Basel III Liquidity Return (BLR)	Frequency of submission	Time period by which required to be reported
1.	Statement on Liquidity Coverage Ratio (LCR)- BLR-1	Monthly	within 15 days
2.	Statement of Funding Concentration - BLR-	Monthly	within 15 days

	2		
3.	Statement of Available Unencumbered Assets - BLR-3	Quarterly	within a month
4.	LCR by Significant Currency - BLR-4	Monthly	within a month
5.	Statement on Other Information on Liquidity - BLR-5	Monthly	within 15 days

9. LCR Disclosure Standards

9.1 Banks are required to disclose information on their LCR in their annual financial statements under Notes to Accounts, starting with the financial year ending March 31, 2015, for which the LCR related information needs to be furnished only for the quarter ending March 31, 2015. However, in subsequent annual financial statements, the disclosure should cover all the four quarters of the relevant financial year. The disclosure format is given in the Appendix II.

9.2 Data must be presented as simple averages of monthly observations over the previous quarter (i.e. the average is calculated over a period of 90 days). However, with effect from the financial year ending March 31, 2017, the simple average should be calculated on daily observations.

9.3 For most data items, both unweighted and weighted values of the LCR components must be disclosed as given in the disclosure format. The unweighted value of inflows and outflows is to be calculated as the outstanding balances of various categories or types of liabilities, off-balance sheet items or contractual receivables. The “weighted” value of HQLA is to be calculated as the value after haircuts are applied. The “weighted” value for inflows and outflows is to be calculated as the value after the inflow and outflow rates are applied. Total HQLA and total net cash outflows must be disclosed as the adjusted value, where the “adjusted” value of HQLA is the value of total HQLA after the application of both haircuts *and* any applicable caps on Level 2B and Level 2 assets as indicated in this Framework. The adjusted value of net cash outflows is to be calculated after the cap on inflows is applied, if applicable.

9.4 In addition to the disclosures required by the format given in Appendix, banks should provide sufficient qualitative discussion (in their annual financial statements under Notes to Accounts) around the LCR to facilitate understanding of the results and data provided. For example, *where significant to the LCR*, banks could discuss:

(a) the main drivers of their LCR results and the evolution of the contribution of inputs to the LCR's calculation over time;

(b) intra-period changes as well as changes over time;

(c) the composition of HQLA;

(d) concentration of funding sources;

(e) derivative exposures and potential collateral calls;

(f) currency mismatch in the LCR;

(g) a description of the degree of centralisation of liquidity management and interaction between the group's units; and

(h) other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.

APPENDIX 1 – Basel III Liquidity Returns

				BLR 1
	Statement on Liquidity Coverage Ratio (LCR)			
Name of the Bank				
Reporting Frequency		Monthly		
Position as on				
			(Amount in Rs. Crore)	
I	II	III	IV	V (III*IV)
	Panel I			
S No.	**High Quality Liquid Assets (`HQLAs)**[1]	Unweighted Amount	Factor to be Multiplied	Weighted Amount
	Level 1 Assets			
1	Cash in hand		100%	
2	Excess CRR balance		100%	
3	Government Securities in excess of minimum SLR requirement		100%	
4	Government securities within the mandatory SLR requirement, to the extent allowed by RBI under MSF *(presently to the extent of 2 per cent of NDTL as allowed for MSF)*		100%	
5	Marketable securities issued or guaranteed by foreign sovereigns having 0% risk-weight under Basel II Standardised Approach (country-wise details to be provided under memo item no.1)		100%	
6	Total Level 1 Assets (1+2+3+4+5)			
7	**Add** amount lent under a reverse repo transaction undertaken for up to and including 30 days in corporate bonds (irrespective of whether they qualify as Level 2 assets or not)		100%	
8	**Deduct** amount borrowed under a repo transaction undertaken for up to and including 30 days in corporate bonds (irrespective of whether they qualify as Level 2 assets or not)		100%	

[1] HQLAs included in this Statement must meet all the respective criteria stipulated for them in the circular.

9	Total Adjusted Level 1 Assets (6 + 7 - 8)			
	Level 2 Assets			
	Level 2A Assets			
10	Marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel II Standardised Approach for credit risk and provided that they are not issued by a bank/financial institution/NBFC or any of its affiliated entities. (issuer-wise details to be provided under memo item no.2)		85%	
11	Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency.		85%	
12	Commercial Papers not issued by a bank/ PD/financial institution or any of its affiliated entities, which have a short-term rating equivalent to the long-term rating of AA- or above by an Eligible Credit Rating Agency.		85%	
13	Total Level 2A Assets (10+11+12)			
14	**Add** market value of Level 2A corporate bonds placed as collateral under a repo transaction undertaken for up to (and including) 30 days.		85%	
15	**Deduct** market value of Level 2A securities acquired as collateral under a reverse repo transaction undertaken for up to (and including) 30 days		85%	
16	Total Adjusted Level 2A Assets (13 + 14 – 15)			
	Level 2B Assets			
17	Marketable securities representing claims on or claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%		50%	
18	Common Equity Shares not issued by a bank/financial institution/NBFC or any of its affiliated entities and included in NSE CNX Nifty and/or S&P BSE Sensex indices		50%	
19	Total Level 2B Assets (17 + 18)			
20	Total Stock of HQLAs = Level 1 + Level 2A + Level 2B – Adjustment for 15% cap – Adjustment for 40% cap			

	Where: Adjustment for 15% cap = Max (Level 2B – 15/85*(Adjusted Level 1 + Adjusted Level 2A), Level 2B - 15/60*Adjusted Level 1, 0) Adjustment for 40% cap = Max ((Adjusted Level 2A + Level 2B – Adjustment for 15% cap) - 2/3*Adjusted Level 1 assets, 0) **[Note – Only Weighted Amounts of various assets to be taken for this formula]**			
	Panel II			
S No.	**Net Cash outflows over the 30 days period**	Unweighted Amount	Run-off Factors	Weighted Amount
A	**Cash Outflows**			
1	Retail Deposits [(i) + (ii)]			
(i)	stable Deposits		5%	
(ii)	less Stable Deposits		10%	
2	Unsecured wholesale funding [(i) + (ii) + (iii) + (iv) + (v)]			
(i)	Demand and term deposits (less than 30 days maturity) provided by small business customers [(a) + (b)]			
(a)	stable deposits		5%	
(b)	less stable deposits		10%	
(ii)	Operational deposits generated by clearing, custody and cash management activities [(a) + (b)]			
(a)	portion covered by deposit insurance		5%	
(b)	portion not covered by deposit insurance		25%	
(iii)	Non-financial corporates, sovereigns, central banks, multilateral development banks, and PSEs		40%	
(iv)	Funding from other legal entity customers		100%	
3	Secured Funding [(i) + (ii) + (iii) + (iv)]:			
(i)	Secured funding transaction with RBI/central bank or backed by Level 1 assets with any counterparty		0%	
(ii)	Backed by Level 2A assets with any counterparty		15%	

(iii)	Backed by Level 2B assets with any counterparty		50%	
(iv)	Any other secured funding		100%	
4	Additional requirements [(i)+(ii)+(iii)+(iv)+(v)+(vi)+(vii)+(viii)+(ix)+(x) + (xi)]			
(i)	Net derivative cash outflows		100%	
(ii)	Liquidity needs (e.g. collateral calls) related to financing transactions, derivatives and other contracts where 'downgrade triggers' up to and including a 3-notch downgrade		100%	
(iii)	Market valuation changes on derivatives transactions (largest absolute net 30-day collateral flows realised during the preceding 24 months) based on look back approach		100%	
(iv)	Increased liquidity needs related to the potential for valuation changes on non-Level 1 posted collateral securing derivatives		20%	
(v)	Increased liquidity needs related to excess non-segregated collateral held by the bank that could contractually be called at any time by the counterparty		100%	
(vi)	Increased liquidity needs related to contractually required collateral on transactions for which the counterparty has not yet demanded the collateral be posted		100%	
(vii)	Increased liquidity needs related to derivative transactions that allow collateral substitution to non-HQLA assets		100%	
(viii)	ABCP, SIVs, SPVs etc. maturing within the 30 days period [(a)+(b)]			
(a)	liabilities from maturing ABCP, SIVs, SPVs, etc. (applied to maturing amounts and returnable assets)		100%	
(b)	asset Backed Securities applied to maturing amounts		100%	
(ix)	Currently undrawn committed credit and liquidity facilities[2] provided to [(a)+(b)+(c)+(d)+(e)+(f)+(g)]			
(a)	retail and small business clients		5%	
(b)	non-financial corporates, sovereigns and central banks, multilateral development banks, and PSEs – Credit facilities		10%	

[2] Excluding unconditionally revocable and unconditionally cancellable facilities, which will be covered under Sl No.(x) 'Other contingent funding liabilities'

(c)	non-financial corporates, sovereigns and central banks, multilateral development banks, and PSEs – Liquidity facilities		30%	
(d)	banks		40%	
(e)	other financial institutions (including securities firms, insurance companies) – Credit facilities		40%	
(f)	other financial institutions (including securities firms, insurance companies) – Liquidity facilities		100%	
(g)	other legal entity customers		100%	
(x)	Other contingent funding liabilities [(a) + (b) + (c)]			
(a)	Guarantees, Letters of credit and Trade Finance		5%	
(b)	Revocable credit and liquidity facilities		5%	
(c)	Any other		5%	
(xi)	Any other contractual outflows not captured elsewhere in this template		100%	
B	**Total Cash Outflows** (1+2+3+4+5+6+7)			
C	**Cash Inflows**[3]			
1	Maturing secured lending transactions backed by the following collaterals [(i) + (ii) + (iii)]			
(i)	With Level 1 assets		0%	
(ii)	With Level 2A assets		15%	
(iii)	With Level 2B assets		50%	
2	Margin Lending backed by all other collateral		50%	
3	All other assets		100%	
4	Lines of credit – Credit or liquidity facilities or other contingent funding facilities that the bank holds at other institutions for its own purpose		0%	
5	Other inflows by counterparty [(i) + (ii) + (iii)]			
(i)	Retail and small business counterparties		50%	
(ii)	Amounts to be received from non-financial wholesale counterparties, from transactions other than those listed in above inflow categories		50%	
(iii)	Amounts to be received from financial		100%	

[3] Banks should include only such contractual inflows from the outstanding exposures that are fully performing and for which the bank has no reason to expect a default within the 30 day time horizon.

	institutions and RBI/central banks, from transactions other than those listed in above inflow categories			
6	Net derivatives cash inflows		100%	
7	Other contractual cash inflows (please specify as footnotes)		50%	
D	Total Cash Inflows [1 + 2 + 3 + 4 + 5+6+7]			
E	Total Cash Outflows less Total Cash Inflows [B-D]			
F	25% of Total Cash outflows [B*0.25]			
G	Total Net Cash Outflows [Higher of E or F]			

Liquidity Coverage Ratio =

$$\frac{\text{Total Stock of High Quality Liquid Assets (Item 20 in Panel I)}*100}{\mathit{Total\ Net\ Cash\ Outflows}\ (\mathit{Item\ G\ in\ Panel}\ 2)} =$$

Memo Item No.1		
Investment in securities issued by 0% risk weighted foreign sovereigns, as reported at S.No. 5 under Panel I above – country-wise break up to be provided below:		
Sl No.	Name of the Country	Amount
(i)		
(ii)		
----		
n		

Memo Item No.2		
Investment in securities representing claims on or claims guaranteed by sovereigns, PSEs or multilateral development banks that are assigned a 20% risk-weight, as reported in S.No. 10 under Panel I above – Issuer-wise break up to be provided below:		
Sl No.	Name of the Issuer/Guarantor	Amount
2.1	Foreign Sovereigns (give country names)	
(i)		
(ii)		

2.2	Public Sector Entities (PSEs)	

(i)		
(ii)		

2.3	MDBs, BIS, IMF	
(i)		
--		
	Total (to be reported in Row 10 under Panel I)	

Explanatory Notes:

Explanation for calculating the cash inflows and cash outflows relating to some items are given below:

(i) **Retail Deposits:** All demand and term deposits (irrespective of maturity) including foreign currency deposits placed with a bank by a natural person. However, in cases of bulk deposits i.e. Rs.1 crore and above where banks have decided to disallow premature withdrawal in terms of circular DBOD.No.Dir.BC.74/13.03.00/2012-13 dated January 24, 2013 on 'Interest Rates on and Premature Withdrawal of Rupee Term Deposits', bulk deposits of residual maturity of more than 30 days may be excluded.

(ii) **Stable deposits:** These are insured deposits (to the extent covered by DICGC) in transactional accounts where salaries/pensions are automatically deposited or are paid out from or relationship based accounts (e.g. the deposit customer has another relationship with bank, say, a loan).

(iii) **Less Stable deposits:** Other than stable deposits.

(iv) **Unsecured wholesale funding:** The wholesale funding included in the LCR is defined as all funding from non-natural persons, i.e. legal entities, that is callable within the LCR's horizon of 30 days or that has its earliest possible contractual maturity date situated within this horizon (such as maturing term deposits and unsecured debt securities) as also funding with an undetermined maturity.

(v) **Small Business Customers:** As defined in para 5.9.3 (i) of RBI Master Circular on Basel III Capital Regulations dated July 1, 2013, i.e. where the total average annual turnover is less than Rs.50 crore provided total aggregated funding from any such Small Business Customer is less than Rs.50 crore. "Aggregated funding" means the gross amount (i.e. not netting any form of credit extended to the legal entity) of all forms of funding (e.g. deposits or debt securities or similar derivative exposure for which the counterparty is known to be a small business customer).

(vi) **Operational deposits:** Qualifying operational deposits generated by clearing, custody or cash management activities and:

- The deposits are by-products of the underlying services provided by the banking organisation and not sought out in the wholesale market in the sole interest of offering interest income.
- The deposits are held in specifically designated accounts and priced without giving an economic incentive to the customer (not limited to paying market interest rates) to leave any excess funds on these accounts.

(vii) **Secured Funding:** "Secured funding" is defined as those liabilities and general obligations that are collateralised by legal rights to specifically designated assets owned by the borrowing institution. For calculating 'cash outflow', it will include all outstanding secured funding transactions with maturities within the 30 calendar day stress horizon. The amount of outflow is calculated based on the amount of funds raised through the transaction, and not the value of the underlying collateral.

(viii) **Derivatives cash outflows**: Banks should calculate, in accordance with their existing valuation methodologies, expected contractual derivative cash inflows and outflows. Cash flows may be calculated on a net basis (i.e. inflows can offset outflows) by counterparty, only where a valid master netting agreement exists. Banks should exclude from such calculations those liquidity requirements that would result from increased collateral needs due to market value movements or falls in value of collateral posted. Options should be assumed to be exercised when they are 'in the money' to the option buyer. Where derivative payments are collateralised by HQLA, cash outflows should be calculated net of any corresponding cash or collateral inflows that would result, all other things being equal, from contractual obligations for cash or collateral to be provided to the bank, if the bank is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the collateral is received. This is in line with the principle that banks should not double count liquidity inflows and outflows.

(ix) **Increased liquidity needs related to downgrade triggers embedded in financing transactions, derivatives and other contracts:** Often contracts governing derivatives and other transactions have clauses that require the posting of additional collateral, drawdown of contingent facilities, or early repayment of existing liabilities upon the bank's downgrade by a recognised credit rating organisation. The scenario therefore requires that for each contract in which "downgrade triggers" exist, the bank assumes that 100% of this additional collateral or cash outflow will have to be posted for any downgrade up to and including a 3-notch downgrade of the bank's long-term credit rating.

(x) **Increased liquidity needs related to the potential for valuation changes on posted collateral securing derivative and other transactions**: Most counterparties to derivatives transactions typically are required to secure the mark-to-market valuation of their positions and that this is predominantly done using Level 1 securities like cash or government securities, etc. However, if counterparties are securing mark-to-market exposures with collaterals other than Level 1 securities, to cover the potential loss of market value on those securities, such collaterals are to be accounted for 'cash outflow'. For this purpose, run-off rate of 20% will be applied on the notional amount required to be posted as collateral after any other haircuts that may be applicable to the collateral category.

(xi) **Increased liquidity needs related to market valuation changes on derivative or other transactions**: As market practice requires collateralisation of mark-to-market exposures on derivative and other transactions, banks face potentially substantial liquidity risk exposures to these valuation changes. Inflows and outflows of transactions executed under the same master netting agreement can be treated on a net basis. Any outflow generated by increased needs related to market valuation changes should be included in the LCR calculated by identifying the largest absolute net 30-day collateral flow realised during the preceding 24 months. The absolute net collateral flow is based on both realised outflows and inflows.

(xii) **Loss of funding on asset-backed commercial paper, securities investment vehicles and other such financing facilities:** Banks having structured financing facilities that include the issuance of short-term debt instruments, such as asset backed commercial paper, should fully consider the potential liquidity risk arising from these structures. These risks include, but are not limited to, (i) the inability to refinance maturing debt, and (ii) the existence of derivatives or derivative-like components (embedded options) contractually written into the documentation associated with the structure that would allow the "return" of assets in a financing arrangement, or that require the original asset transferor to provide liquidity, effectively ending the financing arrangement ("liquidity puts") within the 30-day period. Where the structured financing activities of a bank are conducted through a special purpose entity (such as a special purpose vehicle or structured investment vehicle - SIV), the bank should, in determining the HQLA requirements, look through to the maturity of the debt instruments issued by the entity and any embedded options in financing arrangements that may potentially trigger the “return” of assets or the need for liquidity, irrespective of whether or not the SPV is consolidated.

				BLR-2
Statement of Funding Concentration				
Name of the Bank				
Reporting Frequency		Monthly		
Statement for the Month				
Part A	Funding Concentration based on Counterparty			
A1	Significant Counterparty[4] – Deposits and borrowings			
A1.1	Significant Counterparty – Deposits			
Sr No.	Name of the Counterparty	Amount (Rs.crore)	% of Total deposits	% of Total Liabilities
1				
2				
----				
n				
A1.2	Significant Counterparty - Borrowings			
Sr No.	Name of the Counterparty	Amount (Rs.crore)	% of Total deposits	% of Total Liabilities
1				
2				
---				
n				
A2	Top 20 Large Deposits			
Sr No.	Name of the Depositor	Types of Deposits	Amount (Rs. Crore)	% of Total Deposits
1		Savings		
		Current		
		Term		
		Total		

20		Savings		
		Current		
		Term		
		Total		
	Total			

[4] A "significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the bank's total liabilities.

A3	Top 10 borrowings		
Sr No.	Name of the counterparty	Amount (Rs.crore)	% of Total borrowings
1			

10			
	Total		
Part B	Funding Concentration based on instrument/product		
B1	Significant instrument/product[5]		
Sr. No.	Name of the instrument/product	Amount (Rs. crore)	% of Total liabilities
1			
2			

	Total		
B2	Details of funding sources through Securitisation		
Sr. No.	Particulars	Amount (Rs. crore)	% of Total liabilities
1			
2			

	Total		

Note: This statement is to be furnished separately for domestic and overseas operations. In case of overseas operations, the reporting may be done jurisdiction wise.

[5] A "significant instrument/product" is defined as a single instrument/product of group of similar instruments/products which in aggregate amount to more than 1% of the bank's total liabilities. Example of funding instruments/products - wholesale deposits, certificates of deposits, long term bonds, etc.

					BLR-3
Statement of Available Unencumbered Assets[6]					
Name of the Bank					
Reporting Frequency			Quarterly		
Statement for the Quarter					
Available unencumbered assets that are marketable as collateral in secondary markets and/or eligible for central bank's standing facilities					
1	2	3	4	5	6
Sr No.	Value (Rs. in crores)	Type of Asset	Location	Estimated haircut required by the secondary market (Rs. in crores)	Expected monetised value of the collateral (Rs. in crore)
1					
2					
----					
n					
Available unencumbered assets that are marketable as collateral in secondary markets and/or eligible for central bank's standing facilities by significant currency[7]					
Sr No.	Type of Asset	Value (Rs. in crores)	Location	Estimated haircut required by the secondary market (Rs. in crores)	Expected monetised value of the collateral (Rs. in crore)
1					
2					
----					
n					

[6] In case of investments which are marked to market, market value may be indicated. Otherwise, book value to be indicated

[7] A currency is considered "significant" if the aggregate stock of available unencumbered

BLR 4

Statement on Liquidity Coverage Ratio by Significant Currency

A currency is considered as "significant" if the aggregate liabilities denominated in that currency amount to 5 per cent or more of the bank's total liabilities – This statement should include only those assets and liabilities including contingent liabilities which are denominated in the specific 'significant' foreign currency. For preparing this ratio, types of HQLAs, haircuts, adjustments, cash outflow and inflow items and their run-off rates would be same as in the case of LCR in INR.

Name of the Bank		
Reporting Frequency	Monthly	
Position as on		
	(Amount in million in foreign currency)	

	Panel I - Details of HQLAs	Unweighted	Weighted
1	Total Level 1 assets		
2	Total adjusted Level 1 assets		
3	Total Level 2 A assets		
4	Total adjusted Level 2 A assets		
5	Total Level 2B assets		
6	Total Stock of HQLAs		

	Panel 2 - Net cash outflows over the 30 days period	
A	Total cash outflows	
B	Total cash inflows	
C	Total Cash Outflows less Total Cash Inflows [A-B]	
D	25% of Total Cash outflows [A*0.25]	
	Total Net Cash Outflows [Higher of C or D]	

Foreign Currency Liquidity Coverage Ratio =

$$\frac{\text{Total Stock of High Quality Liquid Assets (Item 6 in Panel I)in Foreign Currency} * 100}{\textit{Total Net Cash Outflows over the } 30 \textit{ day time period in that currency } (\textit{Item D in Panel } 2)}$$

	BLR-5
Statement on 'Other Information' on Liquidity	
Name of the Bank	
Reporting Frequency	
Statement for the Month	

Part I						
A		Movement in Equity Share Prices for listed entities of the Group				
Entity	Face Value	Opening Price on the First Trading day	Highest Price of the month & Date	Lowest Price of the month & Date	Closing Price on the last trading day	Volatility (Standard deviation) of the Price for the month (%)
1						
2						

B	Movement in prices of Non-equity, debt and money market instruments issued by the bank									
Sl No	Type of Instrument	Face Value	Date of Issue	Amount Outstanding	Date of Maturity	Coupon/Discount at the time of Issue (%)	Price during the month			
							Opening	High	Low	Closing

Part II

Information on Breach/Penalty in respect of Regulatory Liquidity Requirements

A. Breach/Penalty in respect of Domestic Regulatory Liquidity Requirements (CRR and SLR)

Particulars of breach and penalty, if any, imposed (in Rupees)	Date of breach	Amount of breach (in Rupees)	Action Initiated by the bank

B. Breach/Penalty in respect of Domestic Regulatory Liquidity Requirements of Overseas Branches - Please give details of regulatory requirements

Name of the Branch and the jurisdiction	Particulars of breach and penalty, if any, imposed (in foreign currency)	Date of breach	Amount of breach (in foreign currency)	Action initiated by the bank

C. Details of Letters of Displeasures/Strictures, if any issued by RBI and regulators/ supervisors abroad on account of liquidity issues, or which could pose liquidity problems for the bank.

			Appendix II
LCR Disclosure Template			
(Rs.in Crore)		**Total Unweighted[8] Value (average)**	**Total Weighted[9] Value (average)**
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)		
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
(i)	Stable deposits		
(ii)	Less stable deposits		
3	Unsecured wholesale funding, of which:		
(i)	Operational deposits (all counterparties)		
(ii)	Non-operational deposits (all counterparties)		
(iii)	Unsecured debt		
4	Secured wholesale funding		
5	Additional requirements, of which		
(i)	*Outflows related to derivative exposures and other collateral requirements*		
(ii)	*Outflows related to loss of funding on debt products*		
(iii)	*Credit and liquidity facilities*		
6	Other contractual funding obligations		
7	Other contingent funding obligations		
8	**TOTAL CASH OUTFLOWS**		
Cash Inflows			
9	Secured lending (e.g. reverse repos)		
10	Inflows from fully performing exposures		
11	Other cash inflows		
12	**TOTAL CASH INFLOWS**		
			Total Adjusted[10] Value
21	**TOTAL HQLA**		
22	**TOTAL NET CASH OUTFLOWS**		
23	**LIQUIDITY COVERAGE RATIO (%)**		

Note – Data to be entered only in blank and light grey cells.

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[8] Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows) except where otherwise mentioned in the circular and LCR template.

[9] Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

[10] Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates *and* (ii) any applicable caps (i.e. cap on Level 2B and Level 2 assets for HQLA and cap on inflows).