Annex

Amendments to Various Instructions on Liquidity Risk Management

<table>
<tr><th>Sl No.</th><th>Topic, Reference Circular & Issue</th><th>Existing Instructions</th><th>Amendment</th></tr>
<tr><td>1.</td><td>Statements of Structural Liquidity as prescribed in Appendix II to circular DBOD.BP.No.56/21.04.098/2012-13 dated November 7, 2012 on “Liquidity Risk Management by Banks”.

Issue: Align time buckets in SLS statement with LCR monitoring requirement.</td><td>Formats for ‘Statements of Structural Liquidity as prescribed for (a) Domestic Currency, Indian Operations, (b) Foreign Currency, Indian Operations, (c) Combined Indian Operations - Domestic and Foreign currency, (d) Overseas branch Operations - Country Wise, and (e) Consolidated Bank Operations, inter-alia have the following time buckets:

<table><tr><td>8-14 days</td><td>15-28 days</td><td>29 days and upto 3 months</td></tr></table></td><td>The afore-mentioned time buckets will stand changed as follows with effect from February 1, 2016:
<table><tr><td>8-14 days</td><td>15 - 30 days</td><td>31 days and upto 2 months</td><td>More than 2 months and upto 3 months</td></tr></table></td></tr>
<tr><td>2.</td><td>Statement of Short-term Dynamic Liquidity as prescribed in Appendix III</td><td>Format for Statement of Short-term Dynamic Liquidity inter-alia has the</td><td>The afore-mentioned time buckets will stand changed as follows with effect from</td></tr>
</table>

	to circular DBOD.BP.No.56/21.04.098/2012-13 dated November 7, 2012 on "Liquidity Risk Management by Banks". Issue: Align time buckets in Dynamic Liquidity statement with LCR monitoring requirement.	following time buckets: <table><tr><td>8-14 days</td><td>15-28 days</td><td>29 days and upto 90 days</td></tr></table>	February 1, 2016: <table><tr><td>8-14 days</td><td>15- 30 days</td><td>31 days and upto 2 months</td><td>More than 2 months and upto 3 months</td></tr></table>
3.	Level 2 B Assets as prescribed under paragraph 5.5 of circular DBOD.BP.BC.No.120 / 21.04.098/2013-14 dated June 9, 2014 on "Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards."	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;	In addition to the assets prescribed under Level 2B, with effect from February 1, 2016, Corporate debt securities (including commercial paper) can also be reckoned as Level 2B HQLAs, subject to a 50% haircut and the securities having usual fundamental and market related characteristics for HQLAs and meeting the following conditions: • not issued by a bank, financial institution, PD, NBFC or any of its affiliated entities; • have a long-term credit rating from an Eligible Credit Rating Agency

		b) included in NSE CNX Nifty index and/or S&P BSE Sensex index.	between A+ and BBB- or in the absence of a long term rating, a short-term rating equivalent in quality to the long-term rating; • traded in large, deep and active repo or cash markets characterised by a low level of concentration; and • have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e. a maximum decline of price not exceeding 20% or increase in haircut over a 30-day period not exceeding 20 percentage points during a relevant period of significant liquidity stress.
4.	Run-off factor for Retail Term Deposits as prescribed in Explanatory Note (i) to BLR-1 in circular DBOD.BP.BC.No.120 /	**Retail Deposits:** All demand and term deposits (irrespective of maturity) including foreign currency deposits placed with a bank by a	**Retail Deposits:** All demand and term deposits (irrespective of maturity) including foreign currency deposits placed with a bank by a natural person.

	21.04.098/2013-14 dated June 9, 2014 and amendment thereto vide Sr No.7 of Part D of circular dated March 31, 2015.	natural person. However, in cases of bulk deposits i.e. ₹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. Cash outflows related to retail term deposits with a residual maturity or withdrawal notice period of greater than 30 days can be excluded from total expected cash outflows if the depositor has no legal right to withdraw deposits within the 30-day horizon of the LCR, or if early withdrawal results in a significant penalty that is materially greater	However, cash outflows related to retail term deposits with a residual maturity or withdrawal notice period of greater than 30 days can be excluded from total expected cash outflows if the depositor has no legal right to withdraw deposits within the 30-day horizon of the LCR, or if early withdrawal results in a significant penalty that is materially greater than the loss of interest. Despite a clause that says the depositor has no legal right to withdraw a deposits, if a bank allows a depositor to withdraw such deposits or waives the applicable penalty for the pre-mature withdrawal, the entire category of these funds would then have to be treated as demand deposits (i.e. regardless of the remaining term, the deposits would be subject to run-off rates applicable to retail deposits). However, pre-mature withdrawals under the conditions of government orders /regulatory orders/ bankruptcy/legal

		than the loss of interest. Despite a clause that says the depositor has no legal right to withdraw a deposits, if a bank allows a depositor to withdraw such deposits or waives the applicable penalty for the pre-mature withdrawal, the entire category of these funds would then have to be treated as demand deposits (i.e. regardless of the remaining term, the deposits would be subject to run-off rates applicable to retail deposits).	orders/deceased settlement claims will be exempted from this clause. Banks should advise such pre-mature withdrawals to RBI on a quarterly basis.
5.	Outflow factor for contingent funding liabilities like Guarantees, Letters of credit and Trade finance as prescribed in APPENDIX 1 – Basel III Liquidity Returns (BLR 1 – Panel II - Sr No. A – 4 - (x) (a)) to circular DBOD.BP.BC.No.120 / 21.04.098/2013-14 dated June 9, 2014.	Outflow factor = 5%	Outflow factor = 3%

6.	LCR by Significant Currency – Prescribed vide para 7.1 (d) of circular DBOD.BP.BC.No.120 / 21.04.098/2013-14 dated June 9, 2014.	All banks in India, including branches of foreign banks are required to report this on a monthly basis.	As branches of foreign banks do not hold any foreign currency HQLAs, they are exempted from submitting this statement with effect from the date of this circular.
7.	Explanation on 'Use of a Pool of Collateral' – Explanatory Note to Circular DBOD.BP.BC.No.120 / 21.04.098/2013-14 dated June 9, 2014	Not prescribed in detail	Treatment of a Pool of Collateral towards Stock of HQLAs: (i) An HQLA-eligible asset received as a component of a pool of collateral for a secured transaction (eg reverse repo) can be included in the stock of HQLA (with associated haircuts) to the extent that it can be monetised separately. (ii) If a bank pledges a pool of HQLA and non-HQLA collateral with a clearing entity such as a central counterparty (CCP) against secured funding transactions, it may count the unused portion of HQLA-eligible collateral pledged towards its stock of HQLA (with associated haircuts). If the bank cannot determine which specific assets remain unused, it may

			assume that assets are encumbered in order of increasing liquidity value in LCR, i.e. assets ineligible for the stock of HQLA are assigned first, followed by Level 2B assets, then Level 2A and finally Level 1. While doing this, the banks should comply with concentration or diversification requirements of the home/host central bank.
8.	'Principles for determining Cash flow under Secured Funding Transactions (SFTs) secured with a Pool of Collateral' – Explanatory Note to Circular DBOD.BP.BC.No.120 / 21.04.098/2013-14 dated June 9, 2014 and amendment thereto vide Sr No.11 of Part D of circular dated March 31, 2015	Not prescribed in detail	'Principles for determining Cash flow under SFTs secured with a Pool of Collateral' (i) The amount of outflow for funds raised under a SFT is calculated based on the amount of funds raised through the transaction, and not the value of the underlying collateral. (ii) Due to the high-quality of Level 1 assets, no reduction in funding availability against these assets is assumed to occur. Moreover, no reduction in funding availability is

			expected for any maturing secured funding transactions with the bank's domestic central bank. Accordingly, outflow rates are prescribed for SFTs with various assets in Sl No.A.3 in Panel II of BLR-1 Statement in circular dated June 9, 2014. (iii) All secured funding transactions maturing within 30 days should be reported according to the collateral actually pledged as of close of business on the LCR measurement date applying the outflow factors prescribed in Sl No.A.3 in Panel II of BLR-1 Statement in circular dated June 9, 2014 (iv) If a bank pledges a pool of HQLA and non-HQLA collateral to secured funding transactions and a portion of the secured funding transactions has a residual maturity greater than 30 days, and the bank cannot determine which specific assets in the collateral pool are used to

			collateralise the transactions with a residual maturity greater than 30 days, then it may assume that assets are encumbered to these transactions in order of increasing liquidity value under LCR. That is assets with the lowest liquidity value in the LCR are assigned to the transactions with the longest residual maturities first, followed by followed by Level 2B assets, then Level 2A and finally Level 1. While doing this, the banks should comply with concentration or diversification requirements of the home/host central bank.
9.	Outflow factor for "Deposits against which a loan has been allowed" – BLR-1 Statement under Appendix 1 Circular DBOD.BP.BC.No.120 / 21.04.098/2013-14 dated June 9, 2014 and Explanatory Note thereto.	Not prescribed in detail.	Banks generally allow loans against deposits of customers. If a deposit is contractually pledged to a bank as collateral to secure a credit facility or loan granted by the bank that will not mature or be settled in the next 30 days, then banks may exclude such pledged deposit from the LCR calculation, i.e. outflows,

			only if the following conditions are met: • the loan will not mature or be settled in the next 30 days; • the pledge/lien arrangement is subject to a legally enforceable contract disallowing withdrawal of the deposit before the loan is fully settled or repaid; and • the amount of deposit to be excluded cannot exceed the outstanding balance of the loan (which may be the drawn portion of a credit facility). The above treatment does not apply to a deposit which is pledged against an undrawn facility, in which case the higher of the outflow rate applicable to the undrawn facility or the pledged deposit applies.
10.	Outflow factor for “Funding from other legal entity customers” BLR-1, Panel II - Cash outflows 2 (iv)	100% (without explaining the treatment for legal entities such as HUFs,	As regards deposits from other legal entities such as HUFs, partnerships, AoPs, trusts, etc., a bank may include the

	-Statement under Appendix 1 Circular DBOD.BP.BC.No.120 / 21.04.098/2013-14 dated June 9, 2014.	partnerships, AoPs, trusts, etc.)	same under the category of Small Business Customers provided that the total aggregate funding raised from the customer is upto Rs. 5 crore (on an aggregate basis where applicable) and the deposit is managed as a retail deposit. This means that the bank treats such deposits in its internal risk management systems consistently over time and in the same manner as other retail deposits, and that the deposits are not individually managed in a way comparable to larger corporate deposits. However, deposits from such entities not meeting the above criteria would continue to attract an out flow factor of 100%.