



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2019-20/217
DOR.BP.BC.No.65/21.04.098/2019-20

April 17, 2020

All Commercial Banks
(excluding Regional Rural Banks, Local Area Banks and Payments Banks)

Madam/Dear Sir,

Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR)

Please refer to our [circular DBOD.BP.BC.No.120/21.04.098/2013-14 dated June 9, 2014](#) and associated circulars thereon.

2. As part of post Global Financial Crisis (GFC) reforms, Basel Committee on Banking Supervision (BCBS) had introduced Liquidity Coverage Ratio (LCR), which requires banks to maintain High Quality Liquid Assets (HQLAs) to meet 30 days net outgo under stressed conditions. Further, as per Banking Regulation Act, 1949, the banks in India are required to hold liquid assets to maintain Statutory Liquidity Ratio (SLR). In view of the fact that liquid assets under SLR and HQLAs under LCR are largely the same, we have been allowing banks to use a progressively increasing proportion of the SLR securities for being considered as HQLAs for LCR so that the need to maintain liquid assets for both the requirements is optimised.

3. At present the assets allowed as Level 1 High Quality Liquid Assets (HQLAs), inter alia, includes among others within the mandatory SLR requirement, Government securities to the extent allowed by RBI under (i) Marginal Standing Facility (MSF) and (ii) Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [15 per cent of the bank's NDTL with effect from April 1, 2020]. Given that SLR has now been reduced to 18 per cent of NDTL from April 11, 2020, and with increase in MSF from 2 per cent to 3 per cent of the banks' NDTL (with effect from March 27, 2020 and applicable upto June 30, 2020), entire SLR-eligible assets held by banks are now permitted to be reckoned as HQLAs for meeting LCR.

4. Further, banks¹ are required to maintain LCR of 100 per cent with effect from January 1, 2019. In order to accommodate the burden on banks' cash flows on account of the Covid19 pandemic, banks are permitted to maintain LCR as under:

From date of circular to September 30, 2020 -	80 per cent
Oct 1, 2020 to March 31, 2021 -	90 per cent
April 1, 2021 onwards -	100 per cent

¹ SFBs are required to meet LCR of 90 per cent with effect from January 1, 2020 and 100 per cent from January 1, 2021

Banks shall prepare LCR restoration plans upon breach of the aforesaid prescribed LCR requirement, for scrutiny by the Department of Supervision, Reserve Bank of India.

Yours faithfully,

(Saurav Sinha)
Chief General Manager-in-Charge