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RBI Releases Draft Guidelines on Liquidity Risk Management and Basel III Framework on Liquidity Standards

The Reserve Bank of India today released on its website, [Draft Guidelines](#) on *Liquidity Risk Management and Basel III Framework on Liquidity Standards* for comments and feedback.

To address the deficiencies witnessed in liquidity risk management in the recent crisis and to strengthen liquidity risk management in banks, the Basel Committee on Banking Supervision (BCBS) published "*Principles for Sound Liquidity Risk Management and Supervision*" in September 2008. This was followed by the publication of "*Basel III: International framework for liquidity risk measurement, standards and monitoring*" in December 2010 i.e., the Basel III rules text on liquidity prescribing two minimum global regulatory standards viz. liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) for liquidity risk and a set of five monitoring tools.

The Reserve Bank, being a member of the BCBS, is fully committed to the objective of the Basel III reform package and, therefore, intends to implement these proposals for banks operating in India. Accordingly, draft guidelines on *Liquidity Risk Management and Basel III Framework on Liquidity Standards* have been prepared.

The draft guidelines have been presented in two sections viz., Section I and II. Section I consolidates the various instructions/guidance on liquidity risk management that the Reserve Bank of India has issued from time to time in the past, and where appropriate, harmonizes and enhances these instructions/guidance in line with the BCBS's *Principles for Sound Liquidity Risk Management and Supervision*. Section II covers the Basel III guidelines on liquidity risk as will be applicable to the Indian banks. Two minimum global regulatory standards viz. LCR and NSFR as set out in the Basel III rules text issued by the BCBS in December 2010 have been prescribed under the guidelines which will become binding from 1 January 2015 and 1 January 2018, respectively. Till then, these guidelines have been issued for compliance on best effort basis. Banks are expected to submit the liquidity returns under the Basel III framework to the Reserve Bank from the month /quarter ending June 2012.

Comments/feedback on the draft guidelines may please be forwarded to the Chief General Manager-in-Charge, Department of Banking Operations and Development, Reserve Bank of India, Central Office Building, 12th Floor, S.B. Singh Marg, Mumbai-400001, latest by March 21, 2012 by [email](#).

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