Attachment # 1

SAMA's General Guidance concerning Amended LCR

A. **Introduction**

Saudi banks should complete the Amended LCR Prudential return in accordance with the following:

1. General Guidance Notes
2. Specific Guidance Notes
3. Prudential Return
4. Frequently Asked Questions (FAQs)
5. National Discretion

Please note that all revisions have been shaded in the above document.

SAMA's General Guidance

1. **Background and Frequency of Reporting**

SAMA wishes to continue monitoring the LCR and NSFR Global Liquidity Ratios where for LCR, it will be on the basis of the Amended LCR package being implemented through this circular, and NSFR will continue to be on the basis of SAMA's circular of 8 February, 2012.

These guidance notes are built under the current BCBS regime of LCR as agreed in the GHOS meeting of January, 2013. In this regard, the following documents were issued in January 2013 and approved by the BCBS.

- A GHOS Press Release was issued entitled "Group of Governors and Heads of Supervision endorses revised liquidity standard for banks" of January 2013
- A BCBS document entitled "Basel III: The Liquidity Coverage Ratio and Liquidity Monitoring Tool".

The attached Guidance Notes and Prudential returns are based on the most recent Basle QIS package, and it should be noted that the attached SAMA Prudential returns contains a column entitled "Paragraph in document". This is reference to the paragraph in the BCBS document of January 2013 entitled "Basle III: Liquidity Coverage Ratio and Liquidity Monitoring tools" which can be obtained from the BIS website: www.bis.org.

1A). Objective of LCR and use of HQLA

16. This standard aims to ensure that a bank has an adequate stock of unencumbered HQLA that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar day liquidity stress scenario. At a minimum, the stock of unencumbered HQLA 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 by management and supervisors (SAMA), or that the bank can be resolved in an orderly way. Furthermore, it gives the central bank additional time to take appropriate measures, should they be regarded as necessary. As

noted in the Sound Principles, given the uncertain timing of outflows and inflows, banks are also expected to be aware of any potential mismatches within the 30-day period and ensure that sufficient HQLA are available to meet any cash flow gaps throughout the period.

17. The LCR builds on traditional liquidity “coverage ratio” methodologies used internally by banks to assess exposure to contingent liquidity events. The total net cash outflows for the scenario are to be calculated for 30 calendar days into the future. The standard requires that, absent a situation of financial stress, the value of the ratio be no lower than 100%. The 100% threshold is the minimum requirement absent a period of financial stress, and after the phase-in arrangements are complete. References to 100% may be adjusted for any phase-in arrangements in force (The 100% threshold is the minimum requirement absent a period of financial stress, and after the phase-in arrangements are complete.) 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 defense against the potential onset of liquidity stress. During a period of financial stress, however, banks may use their stock of HQLA, thereby falling below 100%, as maintaining the LCR at 100% under such circumstances could produce undue negative effects on the bank and other market participants. SAMA will subsequently assess this situation and will adjust their response flexibly according to the circumstances.

18. SAMA’s decisions regarding a bank’s use of its HQLA should be guided by consideration of the core objective and definition of the LCR. SAMA would exercise judgment in their assessment and account not only for prevailing macro financial conditions, but also consider forward-looking assessments of macroeconomic and financial conditions. In determining a response, SAMA is aware that some actions could be pro-cyclical if applied in circumstances of market-wide stress. SAMA would seek to take these considerations into account on a consistent basis across jurisdictions, where considered pertinent.

(a) SAMA would assess conditions at an early stage, and take actions if deemed necessary, to address potential liquidity risk.

(b) SAMA would allow for differentiated responses to a reported LCR below 100%. Any potential supervisory response would be proportionate with the drivers, magnitude, duration and frequency of the reported shortfall.

(c) SAMA would assess a number of firm- and market-specific factors in determining the appropriate response as well as other considerations related to both domestic and global frameworks and conditions. Potential considerations include, but are not limited to: (i) The reason(s) that the LCR fell below 100%. This includes use of the stock of HQLA, an inability to roll over funding or large unexpected draws on contingent obligations. In addition, the reasons may relate to overall credit, funding and market conditions, including liquidity in credit, asset and funding markets, affecting individual banks or all institutions, regardless of their own condition; (ii) The extent to which the reported decline in the LCR is due to a firm-specific or market-wide shock; (iii) A bank’s overall health and risk profile, including activities, positions with

respect to other supervisory requirements, internal risk systems, controls and other management processes, among others; (iv) The magnitude, duration and frequency of the reported decline of HQLA; (v) The potential for contagion to the financial system and additional restricted flow of credit or reduced market liquidity due to actions to maintain an LCR of 100%;
(vi) The availability of other sources of contingent funding such as central bank funding,(The Sound Principles require that a bank develop a Contingency Funding Plan (CFP) that clearly sets out strategies for addressing liquidity shortfalls, both firm-specific and market-wide situations of stress. A CFP should, among other things, "reflect central bank lending programs and collateral requirements, including facilities that form part of normal liquidity management operations, e.g. the availability of seasonal credit)" or other actions by prudential authorities.

(d) SAMA has a range of tools/ options at their disposal to address a reported LCR below 100%, Banks may use their stock of HQLA in both idiosyncratic and systemic stress events, although the supervisory response may differ between the two. (i) At a minimum, a bank should present an assessment of its liquidity position, including the factors that contributed to its LCR falling below 100%, the measures that have been and will be taken and the expectations on the potential length of the situation. Enhanced reporting to SAMA should be commensurate with the duration of the shortfall. (ii) If appropriate, SAMA could also require actions by a bank to reduce its exposure to liquidity risk, strengthen its overall liquidity risk management, or improve its contingency funding plan. (iii) However, in a situation of sufficiently severe system-wide stress, effects on the entire financial system should be considered. Potential measures to restore liquidity levels should be discussed, and should be executed over a period of time considered appropriate to prevent additional stress on the bank and on the financial system as a whole.

(e) SAMA's responses should be consistent with the overall approach to the prudential framework.

1B) Definition of the LCR

19. The scenario for this standard 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 and including 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 honor non-contractual obligations in the interest of mitigating reputational risk.

20. In summary, the stress scenario specified 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.

21. This stress test should be viewed as a minimum supervisory requirement for banks. Banks are expected to conduct their own stress tests to assess the level of liquidity they should hold beyond this minimum, and construct their own scenarios that could cause difficulties for their specific business activities. Such internal stress tests should incorporate longer time horizons than the one mandated by this standard. Banks are expected to share the results of these additional stress tests with SAMA.

22. The LCR has two components:

(a) Value of the stock of HQLA in stressed conditions; and

(b) Total net cash outflows, calculated according to the scenario parameters outlined below.

Stock of HQLA/ Total net cash outflows over the next 30 calendar days ≥ 100%

Stock of HQLA

23. The numerator of the LCR is the “stock of HQLA”. Under the standard, banks must hold a stock of unencumbered HQLA to cover the total net cash outflows (as defined below) over a 30-day period under the prescribed stress scenario. In order to qualify as “HQLA”, assets should be liquid in markets during a time of stress and, ideally, be central bank eligible. The following sets out the characteristics that such assets should generally possess and the operational requirements that they should satisfy. (Refer to the sections on “Definition of HQLA” and “Operational requirements” for the characteristics that an asset must meet to be part of the stock of HQLA and the definition of “unencumbered” respectively.)

Characteristics of HQLA

24. Assets are considered to be HQLA 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 in sale or repurchase agreement (repo) markets due to fire-sales even in times of stress. This section outlines the factors that influence whether or not the market for an asset can be relied upon to raise liquidity when considered in the context of possible stresses. These factors should assist supervisors in determining which assets, despite meeting the criteria from paragraphs 49 to 54 of BCBS LCR Guidelines, 2013, are not sufficiently liquid in private markets to be included in the stock of HQLA.

(i) Fundamental characteristics

• **Low risk:** assets that are less risky tend to have higher liquidity. High credit standing of the issuer and a low degree of subordination increase an asset's liquidity. Low duration, (Footnote: Duration measures the price sensitivity of a fixed income security to changes in interest rate.) low legal risk, low inflation risk and denomination in a convertible currency with low foreign exchange risk all enhance an asset's liquidity.

• **Ease and certainty of valuation:** an asset's liquidity increases if market participants are more likely to agree on its valuation. Assets with more standardized, homogenous and simple structures tend to be more fungible, promoting liquidity. The pricing formula of a high-quality liquid asset must be easy to calculate and not depend on strong assumptions. The inputs into the pricing formula must also be publicly available. In practice, this should rule out the inclusion of most structured or exotic products.

• **Low correlation with risky assets:** the stock of HQLA should not be subject to wrong-way (highly correlated) risk. For example, assets issued by financial institutions are more likely to be illiquid in times of liquidity stress in the banking sector.

• **Listed on a developed and recognized exchange:** being listed increases an asset's transparency.

(ii) Market-related characteristics

• Active and sizable market: the asset should have active outright sale or repo markets at all times. This means that:

− There should be historical evidence of market breadth and market depth. This could be demonstrated by low bid-ask spreads, high trading volumes, and a large and diverse number of market participants. Diversity of market participants reduces market concentration and increases the reliability of the liquidity in the market.

− There should be robust market infrastructure in place. The presence of multiple committed market makers increases liquidity as quotes will most likely be available for buying or selling HQLA.

• **Low volatility:** Assets whose prices remain relatively stable and are less prone to sharp price declines over time will have a lower probability of triggering forced sales to meet liquidity requirements. Volatility of traded prices and spreads are simple proxy measures of market volatility. There should be historical evidence of relative stability of market terms (e.g. prices and haircuts) and volumes during stressed periods.

• **Flight to quality:** historically, the market has shown tendencies to move into these types of assets in a systemic crisis. The correlation between proxies of market liquidity and banking system stress is one simple measure that could be used.

Note: By large, deep and active markets, SAMA understands that the relevant instrument should be at least repo-able with the Central banks and preferably other regulated entities

25. As outlined by these characteristics, the test of whether liquid assets are of “high quality” is that, by way of sale or repo, their liquidity-generating capacity is assumed to remain intact even in periods of severe idiosyncratic and market stress. Lower quality assets typically fail to meet that test. An attempt by a bank to raise liquidity from lower quality assets under conditions of severe market stress would entail acceptance of a large fire-sale discount or haircut to compensate for high market risk. That may not only erode the market’s confidence in the bank, but would also generate mark-to-market losses for banks holding similar instruments and add to the pressure on their liquidity position, thus encouraging further fire sales and declines in prices and market liquidity. In these circumstances, private market liquidity for such instruments is likely to disappear quickly.

26. HQLA (except Level 2B assets as defined below) should ideally be eligible at central banks (In most jurisdictions, HQLA should be central bank eligible in addition to being liquid in markets during stressed periods. In jurisdictions where central bank eligibility is limited to an extremely narrow list of assets, SAMA may allow unencumbered, non-central bank eligible assets that meet the qualifying criteria for Level 1 or Level 2 assets to count as part of the stock - see Definition of HQLA beginning from paragraph 45) for intraday liquidity needs and overnight liquidity facilities. In the past, central banks have provided a further backstop to the supply of banking system liquidity under conditions of severe stress. Central bank eligibility should thus provide additional confidence that banks are holding assets that could be used in events of severe stress without damaging the broader financial system. That in turn would raise confidence in the safety and soundness of liquidity risk management in the banking system.

27. It should be noted however, that central bank eligibility does not by itself constitute the basis for the categorization of an asset as HQLA.

Operational Requirement

28. All assets in the stock of HQLA are subject to the following operational requirements. The purpose of the operational requirements is to recognize that not all assets outlined in paragraphs 49-54 of BCBS LCR Guidelines 2013 that meet the asset class, risk-weighting and credit-rating criteria should be eligible for the stock as there are other operational restrictions on availability of HQLA that can prevent timely monetization during a stress period.

29. These operational requirements are designed to ensure that the stock of HQLA is managed in such a way that the bank can, and is able to demonstrate that it can, immediately use the stock of assets as a source of contingent funds that is available for the bank to convert into cash through outright sale or repo, to fill funding gaps between cash inflows and outflows at any time during the 30-day stress period, with no restriction on the use of the liquidity generated.

30. A bank should periodically monetize a representative proportion of the assets in the stock through repo or outright sale, in order to test its access to the market, the effectiveness of its processes for monetization, the availability of the assets, and to minimize the risk of negative signaling during a period of actual stress.

31. All assets in the stock should be unencumbered. “Unencumbered” means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer, or assign the asset. An asset in the stock should not be pledged (either explicitly or implicitly) to secure, collateralize or credit-enhance any transaction, nor be designated to cover operational costs (such as rents and salaries). Assets received in reverse repo and securities financing transactions that are held at the bank, have not been re- hypothecated, and are legally and contractually available for the bank's use can be considered as part of the stock of HQLA. In addition, assets which qualify for the stock of HQLA that have been pre-positioned or deposited with, or pledged to, the central bank or a public sector entity (PSE) but have not been used to generate liquidity may be included in the stock. (If a bank has deposited, pre-positioned or pledged Level 1, Level 2 and other assets in a collateral pool and no specific securities are assigned as collateral for any transactions, it may assume that assets are encumbered in order of increasing liquidity value in the 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. This determination must be made in compliance with any requirements, such as concentration or diversification, of the central bank or PSE.)

32. A bank should exclude from the stock those assets that, although meeting the definition of "unencumbered" specified in paragraph 31 BCBS LCR Guidelines, 2013, the bank would not have the operational capability to monetize to meet outflows during the stress period. Operational capability to monetize assets requires having procedures and appropriate systems in place, including providing the function identified in paragraph 33 BCBS LCR Guidelines, 2013, with access to all necessary information to execute monetization of any asset at any time. Monetization of the asset must be executable, from an operational perspective, in the standard settlement period for the asset class in the relevant jurisdiction.

33. The stock should be under the control of the function charged with managing the liquidity of the bank (e.g. the treasurer), meaning the function has the continuous authority, and legal and operational capability, to monetize any asset in the stock. Control must be evidenced either by maintaining assets in a separate pool managed by the function with the sole intent for use as a source of contingent funds, or by demonstrating that the function can monetize the asset at any point in the 30-day stress period and that the proceeds of doing so are available to the function throughout the 30-day stress period without directly conflicting with a stated business or risk management strategy. For example, an asset should not be included in the stock if the sale of that asset, without replacement throughout the 30-day period, would remove a hedge that would create an open risk position in excess of internal limits.

34. A bank is permitted to hedge the market risk associated with ownership of the stock of HQLA and still include the assets in the stock. If it chooses to hedge the market risk, the bank should take into account (in the market value applied to each asset) the cash outflow that would arise if the hedge were to be closed out early (in the event of the asset being sold).

35. In accordance with Principle 9 of the Sound Principles a bank "should monitor the legal entity and physical location where collateral is held and how it may be mobilized in a timely manner". Specifically, it should have a policy in place that identifies legal entities, geographical locations, currencies and specific custodial or bank accounts where HQLA are held. In addition, the bank should determine whether any such assets should be excluded for operational reasons and therefore, have the ability to determine the composition of its stock on a daily basis.

36. As noted in paragraphs 171 and 172, BCBS LCR Guidelines, 2013, qualifying HQLA that are held to meet statutory liquidity requirements at the legal entity or sub-consolidated level (where applicable) may only be included in the stock at the consolidated level to the extent that the related risks (as measured by the legal entity's or sub-consolidated group's net cash outflows in the LCR) are also reflected in the consolidated LCR. Any surplus of HQLA held at the legal entity can only be included in the consolidated stock if those assets would also be freely available to the consolidated (parent) entity in times of stress.

37. In assessing whether assets are freely transferable for regulatory purposes, banks should be aware that assets may not be freely available to the consolidated entity due to regulatory, legal, tax, accounting or other impediments. Assets held in legal entities without market access should only be included to the extent that they can be freely transferred to other entities that could monetize the assets.

38. In certain jurisdictions, large, deep and active repo markets do not exist for eligible asset classes, and therefore such assets are likely to be monetized through outright sale. In these circumstances, a bank should exclude from the stock of HQLA those assets where there are impediments to sale, such as large fire-sale discounts which would cause it to breach minimum solvency requirements, or requirements to hold such assets, including, but not limited to, statutory minimum inventory requirements for market making.

39. Banks should not include in the stock of HQLA any assets, or liquidity generated from assets, they have received under right of rehypothecation, if the beneficial owner has the contractual right to withdraw those assets during the 30-day stress period. (Refer to paragraph 146 for the appropriate treatment if the contractual withdrawal of such assets would lead to a short position - e.g. because the bank had used the assets in longer-term securities financing transactions).

40. Assets received as collateral for derivatives transactions that are not segregated and are legally able to be rehypothecated may be included in the stock of HQLA provided that the bank records an appropriate outflow for the associated risks as set out in paragraph 116 BCBS LCR Guidelines, 2013.

41. As stated in Principle 8 of the Sound Principles, a bank should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems. Banks and regulators should be aware that the LCR stress scenario does not cover expected or unexpected intraday liquidity needs.

42. While the LCR is expected to be met and reported in a single currency, banks are expected to be able to meet their liquidity needs in each currency and maintain HQLA consistent with the distribution of their liquidity needs by currency. The bank should be able to use the stock to generate liquidity in the currency and jurisdiction in which the net cash outflows arise. As such, the LCR by currency is expected to be monitored and reported to allow the bank and SAMA to track any potential currency mismatch issues that could arise, as outlined in Part 2. In managing foreign exchange liquidity risk, the bank should take into account the risk that its ability to swap currencies and access the relevant foreign exchange markets may erode rapidly under stressed conditions. It should be aware that sudden, adverse exchange rate movements could sharply widen existing mismatched positions and alter the effectiveness of any foreign exchange hedges in place.

43. In order to mitigate cliff effects that could arise, if an eligible liquid asset became ineligible (e.g. due to rating downgrade), a bank is permitted to keep such assets in its stock of liquid assets for an additional 30 calendar days. This would allow the bank additional time to adjust its stock as needed or replace the asset.

Diversification of the stock of HQLA

44. The stock of HQLA should be well diversified within the asset classes themselves (except for sovereign debt of the bank's home jurisdiction or from the jurisdiction in which the bank operates; central bank reserves; central bank debt securities; and cash). Although some asset classes are more likely to remain liquid irrespective of circumstances, ex-ante it is not possible to know with certainty which specific assets within each asset class might be subject to shocks ex-post. Banks should therefore have policies and limits in place in order to avoid concentration with respect to asset types, issue and issuer types, and currency (consistent with the distribution of net cash outflows by currency) within asset classes.

(Refer to Paragraph 16-44 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

2. Frequency and Timing

With regard to submission of the attached Prudential return (Amended LCR), all Banks (except foreign bank's branches) will be expected to provide their returns to SAMA on a monthly basis to be due 30 days following each month end. However, given the significant changes in the amended LCR calculations, SAMA will provide additional time for banks for their first set of Prudential returns. This is in order to introduce the necessary systems changes and enhancements. Consequently, the first submission of prudential returns for data as of 30 June 2013 should be provided by 30 September 2013 while all subsequent monthly submissions are to be provided within 30 days following each month end.

All reporting will be as per the attached Prudential Returns in SR 000's.

3. Summary of Major Requirement and Changes in the amended LCR

3.1 Graduated approach

10. Specifically, the LCR will be introduced as planned on 1 January 2015, but the minimum requirement will be set at 60% and rise in equal annual steps to reach 100% on 1 January 2019. This graduated approach, coupled with the revisions made to the 2010 publication of the liquidity standards are designed to ensure that the LCR can be introduced without material disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity.

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

11. The Basel Committee and SAMA affirms their view that, during periods of stress, it would be entirely appropriate for banks to use their stock of HQLA, thereby falling below the minimum. SAMA will subsequently assess this situation and will give guidance on usability according to circumstances.

(Refer to Paragraph 11 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

3.2 **Definition of High Quality Liquid Assets (HQLA)**[1]

45. The stock of HQLA should comprise assets with the characteristics outlined in paragraphs 24-27 of LCR BCBS documentation. This section describes the type of assets that meet these characteristics and can therefore be included in the HGLA (stock).

46. There are two categories of assets that can be included in the stock. Assets to be included in each category are those that the bank is holding on the first day of the stress period, irrespective of their residual maturity. “Level 1” assets can be included without limit, while “Level 2” assets can only comprise up to 40% of the total (level 1 and level 2) stock.

47. SAMA may also choose to include within Level 2 as an additional class of assets (Level 2B assets - see paragraph 53 below). If included, these assets should comprise no more than 15% of the total stock of HQLA. They must also be included within the overall 40% cap on Level 2 assets.

48. The 40% cap on Level 2 assets and the 15% cap on Level 2B assets should be determined after the application of required haircuts, and after taking into account the unwind of short-term securities financing transactions and collateral swap transactions maturing within 30 calendar days that involve the exchange of HQLA. The details of the calculation methodology are provided in Annex 1 of BCBS document. In this context, short term transactions are transactions with a maturity date up to and including 30 calendar days.

(Refer to Paragraph 48 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Note that SAMA has disallowed Level 2B assets in all aspect to LCR computation till further notice

[1] With regard to level 2B assets, banks must refer to *National Discretion* item # 2 contained in attachment # 5

(i) Level 1 assets

49. Level 1 assets can comprise an unlimited share of the pool and are not subject to a haircut under the LCR (For purpose of calculating the LCR, Level 1 assets in the stock of HQLA should be measured at an amount no greater than their current market value). However, national supervisors may wish to require haircuts for Level 1 securities based on, among other things, their duration, credit and liquidity risk, and typical repo haircuts.

(Refer to footnote 11 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

In KSA, there are no requirements for haircuts to level-1 assets.

50. Level 1 assets are limited to:

(a) coins and banknotes;

(b) central bank reserves ,including required reserves, (In this context, central bank reserves would include banks' overnight deposits with the central bank, and term deposits with the central bank that: (i) are explicitly and contractually repayable on notice from the depositing bank; or (ii) that constitute a loan against which the bank can borrow on a term basis or on an overnight but automatically renewable basis ,only where the bank has an existing deposit with the relevant central bank. Other term deposits with central banks are not eligible for the stock of HQLA; however, if the term expires within 30 days, the term deposit could be considered as an inflow per paragraph 154.) to the extent that the central bank policies allow them to be drawn down in times of stress;
(Refer to footnote 12 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Note: The Murabahah facility made available to SAMA by Shariah Compliant banks fall under the category on Central Bank reserves and can be included in Level 1 assets

(c) marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs, the Bank for International Settlements, the International Monetary Fund, the European Central Bank and European Community, or multilateral development banks (The Basel III liquidity framework follows the categorization of market participants applied in the Basel II Framework, unless otherwise specified) , and satisfying all of the following conditions:

(Refer to footnote 14 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

- Assigned a 0% risk-weight under the Basel II Standardized Approach for credit risk (Paragraph 50(c) includes only marketable securities that qualify for Basel II paragraph 53. When a 0% risk-weight has been assigned at national discretion according to the provision in paragraph 54 of the Basel II Standardized Approach, the treatment should follow paragraph 50(d) or 50(e).);
(Refer to footnote 15 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

- Traded in large, deep and active repo or cash markets characterized by a low level of concentration;

- Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions; and

- Not an obligation of a financial institution or any of its affiliated entities. (This requires that the holder of the security must not have recourse to the financial institution or any of the financial institution's affiliated entities. In practice, this means that securities, such as government-guaranteed issuance during the financial crisis, which remain liabilities of the financial institution, would not qualify for the stock of HQLA. The only exception is when the bank also qualifies as a PSE under the Basel II Framework where securities issued by the bank could qualify for Level 1 assets if all necessary conditions are satisfied.)
(Refer to footnote 16 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Note: ***As an example,*** by reliable source of liquidity, SAMA understands that the relevant instrument, as a minimum has been eligible for Repo (without a significant increase in haircut received) either from the Central Bank or other key regulated entities even in stressful times such as those which transpired in the global financial crises from 2007, onwards. ***This condition is in sync with criteria as mentioned above and paragraph 26 of the LCR rules.***

(d) Where the sovereign has a non-0% risk weight, sovereign or central bank debt securities issued in domestic currencies by the sovereign or central bank ***in the country in which the liquidity risk is being taken or in the bank's home country***.

(e) where the sovereign has a non-0% risk weight, domestic sovereign or central bank debt securities issued in foreign currencies are eligible up to the amount of the 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.

Note: The onus is on the regulated entities to determine if all of the above conditions are satisfied whilst reporting Liquid Assets under level 1 category to SAMA. SAMA would also review adherence to the stipulated conditions through off site and onsite monitoring.

(ii) Level 2A and 2B assets

With regard to Level 2A and 2B assets[1], in KSA, there is only a deep, large and active market for Saudi shares or equity. For other markets, banks must decide as to meeting the BCBS criteria.

51. <u>Level 2 assets (comprising Level 2A assets and any Level 2B assets[1] permitted by the supervisor)</u> can be included in the stock of HQLA, subject to the requirement that they comprise no more than 40% of the overall stock after haircuts have been applied. The method for calculating the cap on Level 2 assets and the cap on Level 2B assets is set out in paragraph 48 and Annex 1 of the BCBS LCR Guidelines, 2013,.

52. A 15% haircut is applied to the current market value of each Level 2A asset held in the stock of HQLA.

Level 2A assets are limited to the following:

(a) Marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs or multilateral development banks that satisfy all of the following conditions:

- assigned a 20% risk weight under the Basel II Standardized Approach for credit risk (Paragraphs 50(d) and (e) may overlap with paragraph 52(a) in terms of sovereign and central bank securities with a 20% risk weight. In such a case, the assets can be assigned to the Level 1 category according to Paragraph 50(d) or (e), as appropriate.);
  (Refer to footnote 17 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

- traded in large, deep and active repo or cash markets characterized by a low level of concentration;
- have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (ie maximum decline of price not exceeding 10% or increase in haircut not exceeding 10 percentage points over a 30-day period during a relevant period of significant liquidity stress);
  (Refer to Paragraph 52(a) of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

- not an obligation of a financial institution or any of its affiliated entities.

(b) Corporate debt securities ,including commercial paper (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

[1] Refer to Note 1 on page 3.

structured products or subordinated debt.):and covered bonds (Covered bonds are bonds issued and owned by a bank or mortgage institution and are subject by law to special public supervision designed to protect bond holders. Proceeds deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of the validity of the bonds, are capable of covering claims attached to the bonds and which, in the event of the failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest).that satisfy all of the following conditions:

(Refer to footnotes 19 and 20 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

- In the case of corporate debt securities or covered bonds not issued by a financial institution or any of its affiliated entities;

- Either (i) have a long-term credit rating from a recognized external credit assessment institution (ECAI) of at least AA- (In the event of split ratings, the applicable rating should be determined according to the method used in Basel II's standardized approach for credit risk. Local rating scales (rather than international ratings) of a SAMA approved ECAI that meet the eligibility criteria outlined in paragraph 91 of the Basel II Capital Framework can be recognized if corporate debt securities or covered bonds are held by a bank for local currency liquidity needs arising from its operations in that local jurisdiction. This also applies to Level 2B assets).or in the absence of a long term rating, a short-term rating equivalent in quality to the long-term rating; or (ii) do not have a credit assessment by a recognized ECAI but are internally rated as having a probability of default (PD) corresponding to a credit rating of at least AA-;

  (Refer to footnote 21 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

- Traded in large, deep and active repo or cash markets characterized 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: ie maximum decline of price or increase in haircut over a 30-day period during a relevant period of significant liquidity stress not exceeding 10%.

  (Refer to Paragraph 54(a) of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Note: By relevant period of significant liquidity stress, SAMA understands these to be of similar quantum such as those which transpired in the global financial crises from 2007, onwards.

Note: The onus is on the regulated entities to determine if all of the above conditions are satisfied whilst reporting Liquid Assets under level 2A

category to SAMA. SAMA would also review adherence to the stipulated conditions through off site and onsite monitoring.

(iii) Level 2B assets (additional HQLA available under amended LCR)

53. Certain additional assets (Level 2B assets)[1] may be included in Level 2 at the discretion of national authorities. In choosing to include these assets in Level 2 for the purpose of the LCR, <u>supervisors are expected to ensure that such assets fully comply with the qualifying criteria (As with all aspects of the framework, compliance with these criteria will be assessed as part of peer reviews undertaken under the Committee's Regulatory Consistency Assessment Programme). Supervisors are also expected to ensure that banks have appropriate systems and measures to monitor and control the potential risks (e.g. credit and market risks) that banks could be exposed to in holding these assets.</u>
(Refer to footnote 22 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

54. A larger haircut is applied to the current market value of each Level 2B asset held in the stock of HQLA.

Level 2B assets are limited to the following:

(a) Residential mortgage backed securities (RMBS) that satisfy all of the following conditions may be included in Level 2B, subject to a 25% haircut:

- Not issued by, and the underlying assets have not been originated by the bank itself or any of its affiliated entities;
- Have a long-term credit rating from a recognized ECAI of AA or higher, 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 characterized by a low level of concentration;
- ***Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, ie 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;***
- ***The underlying asset pool is restricted to residential mortgages and cannot contain structured products;***
- The underlying mortgages are "full recourse'' loans (i.e. in the case of foreclosure the mortgage owner remains liable for any shortfall in sales proceeds from the property) and have a maximum loan-to-value ratio (LTV) of 80% on average at issuance; and
- ***The securitisations are subject to "risk retention" regulations which require issuers to retain an interest in the assets they securitise.***

(b) Corporate debt securities (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, ie these do not include complex structured products or subordinated debt.) that satisfy all of the following conditions may be included in Level 2B, subject to a 50% haircut:

- Not issued by a financial institution or any of its affiliated entities;
- Either (i) have a long-term credit rating from a recognized ECAI 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; or (ii) do not have a credit assessment by a recognized ECAI and are internally rated as having a PD corresponding to a credit rating of between A+ and BBB-;
- Traded in large, deep and active repo or cash markets characterized by a low level of concentration; and

(Refer to footnote 22 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

(c) Common equity shares that satisfy all of the following conditions may be included in Level 2B, subject to a 50% haircut:

- not issued by a financial institution or any of its affiliated entities;
- exchange traded and centrally cleared;
- <u>a constituent of the major stock index in the home jurisdiction or where the liquidity risk is taken, as decided by the supervisor in the jurisdiction where the index is located;</u>
- denominated in the domestic currency of a bank's home jurisdiction or in the currency of the jurisdiction where a bank's liquidity risk is taken;
- traded in large, deep and active repo or cash markets characterized 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, ie a maximum decline of share price not exceeding 40% or increase in haircut not exceeding 40 percentage points over a 30-day period during a relevant period of significant liquidity.

  (Refer to Paragraph 52(a) of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Note: SAMA does not utilize Level 2B assets for the purpose of LCR computation, currently

3.2.1 Treatment for Jurisdictions with insufficient HQLA[1]

(a) Assessment of eligibility for alternative liquidity approaches (ALA)

55. Some jurisdictions may have an insufficient supply of Level 1 assets (or both Level 1 and Level 2 assets - Insufficiency in Level 2 assets alone does not qualify for the alternative treatment.) in their domestic currency to meet the aggregate demand of banks with significant exposures in this currency. To address this situation, the Committee has developed alternative treatments for holdings in the stock of HQLA, which are expected to apply to a limited number

[1] Refer to Note 1 on page 3.

of currencies and jurisdictions, and subject to qualifying criteria set out in Annex 2 and will be determined through an independent peer review process overseen by the Committee. The purpose of this process is to ensure that the alternative treatments are only used when there is a **true shortfall** in HQLA in the domestic currency relative to the needs in that currency. (For member states of a monetary union with a common currency, that common currency is considered the "domestic currency").

(Refer to footnotes 24 and 25 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

56. To qualify for the alternative treatment, a jurisdiction should be able to demonstrate that:

- There is an insufficient supply of HQLA in its domestic currency, taking into account all relevant factors affecting the supply of, and demand for, such HQLA; (The assessment of insufficiency is only required to take into account the Level 2B assets if the national authority chooses to include them within HQLA. In particular, if certain Level 2B assets are not included in the stock of HQLA in a given jurisdiction, then the assessment of insufficiency in that jurisdiction does not need to include the stock of Level 2B assets that are available in that jurisdiction)
  (Refer to footnote 26 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

- The insufficiency is caused by long-term structural constraints that cannot be resolved within the medium term;
- It has the capacity, through any mechanism or control in place, to limit or mitigate the risk that the alternative treatment cannot work as expected; and
- It is committed to observing the obligations relating to supervisory monitoring, disclosure, and periodic self-assessment and independent peer review of its eligibility for alternative treatment.

All of the above criteria have to be met to qualify for the alternative treatment.

57. Irrespective of whether a jurisdiction seeking ALA treatment will adopt the phase-in arrangement set out in paragraph 10 for implementing the LCR, the eligibility for that jurisdiction to adopt ALA treatment will be based on a fully implemented LCR standard (i.e. 100% requirement).

(b) Potential options for alternative treatment[1]

58. Option 1: <u>A jurisdiction seeking to adopt Option 1 should justify in the independent peer review that the fee is suitably set in a manner as prescribed in this paragraph.</u> Contractual committed liquidity facilities from the relevant central bank, with a fee: For currencies that do not have sufficient HQLA, as determined by reference to the qualifying principles and criteria, Option 1 would allow banks to access contractual committed liquidity facilities provided by the relevant central bank (i.e. relevant given the currency in question) for a fee.

These facilities should not be confused with regular central bank standing arrangements. In particular, these facilities are contractual arrangements between the central bank and the commercial bank with a maturity date which, at a minimum, falls outside the 30-day LCR window. Further, the contract must be irrevocable prior to maturity and involve no ex-post credit decision by the central banks. Such facilities are only permissible if there is also a fee for the facility which is charged regardless of the amount, if any, drawn down against that facility and the fee is set so that banks which claim the facility line to meet the LCR, and banks which do not, have similar financial incentives to reduce their exposure to liquidity risk. That is, the fee should be set so that the net yield on the assets used to secure the facility should not be higher than the net yield on a representative portfolio of Level 1 and Level 2 assets, after adjusting for any material differences in credit risk. A jurisdiction seeking to adopt Option 1 should justify in the independent peer review that the fee is suitably set in a manner as prescribed in this paragraph.
(Refer to Paragraph 58 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

59. *Option 2 – Foreign currency HQLA to cover domestic currency liquidity needs:*

To qualify for this treatment, the jurisdiction concerned should demonstrate in the independent peer review the effectiveness of its currency peg mechanism and assess the long-term prospect of keeping the peg.

For currencies that do not have sufficient HQLA, as determined by reference to the qualifying principles and criteria, Option 2 would allow supervisors to permit banks that evidence a shortfall of HQLA in the domestic currency (which would match the currency of the underlying risks) to hold HQLA in a currency that does not match the currency of the associated liquidity risk, provided that the resulting currency mismatch positions are justifiable and controlled within limits agreed by their supervisors. Supervisors should restrict such positions within levels consistent with the bank's foreign exchange risk management capacity and needs, and ensure that such positions relate to currencies that are freely and reliably convertible, are effectively managed by the bank, and would not pose undue risk to its financial strength. In managing those positions, the bank should take into account the risks that its ability to swap currencies, and its access to the relevant foreign exchange markets, may erode rapidly under stressed conditions. It should also take into account that sudden, adverse exchange rate movements could sharply widen existing mismatch positions and alter the effectiveness of any foreign exchange hedges in place.

60. To account for foreign exchange risk associated with foreign currency HQLA used to cover liquidity needs in the domestic currency, such liquid assets should be subject to a minimum haircut of 8% for major currencies that are active in global foreign exchange markets (These refer to currencies that exhibit significant and active market turnover in the global foreign currency market (e.g. the average market turnover of the currency as a percentage of the global foreign currency market turnover over a ten-year period is not lower than 10%).

For other currencies, jurisdictions should increase the haircut to an appropriate level on the basis of historical (monthly) exchange rate volatilities between the currency pair over an extended period of time. (As an illustration, the exchange rate volatility data used for deriving the FX haircut may be based on the 30-day moving FX price volatility data (mean + 3 standard deviations) of the currency pair over a ten-year period, adjusted to align with the 30-day time horizon of the LCR).If the domestic currency is formally pegged to another currency under an effective mechanism, the haircut for the pegged currency can be lowered to a level that reflects the limited exchange rate risk under the peg arrangement. To qualify for this treatment, the jurisdiction concerned should demonstrate in the independent peer review the effectiveness of its currency peg mechanism and assess the long-term prospect of keeping the peg.

(Refer to Paragraph 60 and footnotes 27 and 28 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

61. Haircuts for foreign currency HQLA used under Option 2 would apply only to HQLA in excess of a threshold specified by supervisors which is not greater than 25%. (The threshold for applying the haircut under Option 2 refers to the amount of foreign currency HQLA used to cover liquidity needs in the domestic currency as a percentage of total net cash outflows in the domestic currency. Hence under a threshold of 25%, a bank using Option 2 will only need to apply the haircut to that portion of foreign currency HQLA in excess of 25% that are used to cover liquidity needs in the domestic currency.) This is to accommodate a certain level of currency mismatch that may commonly exist among banks in their ordinary course of business.
(Refer to footnotes 29 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

62. *Option 3 – Additional use of Level 2 assets with a higher haircut:* This option addresses currencies for which there are insufficient Level 1 assets, as determined by reference to the qualifying principles and criteria, but where there are sufficient <u>Level 2A assets. In this case, supervisors may choose to allow banks that evidence a shortfall of HQLA</u> in the domestic currency (to match the currency of the liquidity risk incurred) to hold additional Level 2A assets in the stock. These additional Level 2A assets would be subject to a minimum haircut of 20%, i.e. 5% higher than the 15% haircut applicable to Level 2A assets that are included in the 40% cap. The higher haircut is used to cover any additional price and market liquidity risks arising from increased holdings of Level 2A assets beyond the 40% cap, and to provide a disincentive for banks to use this option based on yield considerations. (For example, a situation to avoid is that the opportunity cost of holding a portfolio that benefits from this option would be lower than the opportunity cost of holding a theoretical compliant portfolio of Level 1 and Level 2 assets, after adjusting for any material differences in credit risk.)
(Refer to footnotes 30 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Supervisors have the obligation to conduct an analysis to assess whether the additional haircut is sufficient for Level 2A assets in their markets, and should increase the haircut if this is warranted to achieve the purpose for which it is intended. Supervisors should explain and justify the outcome of the analysis (including the level of increase in the haircut, if applicable) during the independent peer review assessment process. Any Level 2B assets held by the bank would remain subject to the cap of 15%, regardless of the amount of other Level 2 assets held.

Note: SAMA has not utilized any of the options under the alternate treatment
(Refer to Paragraph 62 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

(c) Maximum level of usage of options for alternative treatment[1]

63. The usage of any of the above options would be constrained by a limit specified by supervisors in jurisdictions whose currency is eligible for the alternative treatment. The limit should be expressed in terms of the maximum amount of HQLA associated with the use of the options (whether individually or in combination) that a bank is allowed to include in its LCR, as a percentage of the total amount of HQLA the bank is required to hold in the currency concerned. (The required amount of HQLA in the domestic currency includes any regulatory buffer (i.e. above the 100% LCR standard) that the supervisor may reasonably impose on the bank concerned based on its liquidity risk profile.)
(Refer to footnotes 31 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Amount of HQLA associated with the options refer to:

(i) in the case of Option 1, the amount of committed liquidity facilities granted by the relevant central bank;

(ii) in the case of Option 2, the amount of foreign currency HQLA used to cover the shortfall of HQLA in the domestic currency; and

(iii) in the case of Option 3, the amount of Level 2 assets held (including those within the 40% cap).

64. If, for example, the maximum level of usage of the options is set at 80%, it means that a bank adopting the options, either individually or in combination, would only be allowed to include HQLA associated with the options (after applying any relevant haircut) up to 80% of the required amount of HQLA in the relevant currency. (As an example, if a bank has used Option 1 and Option 3 to the extent that it has been granted an Option 1 facility of 10%, and held Level

[1] Refer to Note 1 on page 3.

2 assets of 55% after haircut (both in terms of the required amount of HQLA in the domestic currency), the HQLA associated with the use of these two options amount to 65% (i.e. 10%+55%), which is still within the 80% level. The total amount of alternative HQLA used is 25% (i.e. 10% + 15% (additional Level 2A assets used).Thus, at least 20% of the HQLA requirement will have to be met by Level 1 assets in the relevant currency.
(Refer to footnotes 32 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

65. The appropriateness of the maximum level of usage of the options allowed by a supervisor will be evaluated in the independent peer review process. The level set should be consistent with the projected size of the HQLA gap faced by banks subject to the LCR in the currency concerned, taking into account all relevant factors that may affect the size of the gap over time. The supervisor should explain how this level is derived, and justify why this is supported by the insufficiency of HQLA in the banking system. Where a relatively high level of usage of the options is allowed by the supervisor (eg over 80%), the suitability of this level will come under closer scrutiny in the independent peer review.

Note: SAMA has not utilized any of the options under the alternate treatment
(Refer to Paragraph 65 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

(d) Supervisory obligations and requirements[1]

66. A jurisdiction with insufficient HQLA must, among other things, fulfil the following obligations (the detailed requirements are set out in Annex 2):

• Supervisory monitoring: There should be a clearly documented supervisory framework for overseeing and controlling the usage of the options by its banks, and for monitoring their compliance with the relevant requirements applicable to their use of the options;

• Disclosure framework: The jurisdiction should disclose its framework for applying the options to its banks (whether on its website or through other means). The disclosure should enable other national supervisors and stakeholders to gain a sufficient understanding of its compliance with the qualifying principles and criteria and the manner in which it supervises the use of the options by its banks;

• Periodic self-assessment of eligibility for alternative treatment: The jurisdiction should perform a self-assessment of its eligibility for alternative treatment every five years after it has adopted the options, and disclose the results to other national supervisors and stakeholders.
(Refer to Paragraph 66 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

67. The use of the options by their banks, having regard to the guiding principles set out below.

- Principle 1: Banks' use of the options is not simply an economic choice that maximizes the profits of the bank through the selection of alternative HQLA based primarily on yield considerations. ***The liquidity characteristics of an alternative HQLA portfolio must be considered to be more important than its net yield***

- Principle 2: Supervisors should ensure that the use of the options is constrained, both for all banks with exposures in the relevant currency and on a bank-by-bank basis.

- ***Principle 3: Supervisor should ensure that*** banks have, to the extent practicable, taken reasonable steps to use Level 1 and Level 2 assets and reduce ***their overall level of liquidity risk to improve the LCR***, before the alternative treatment ***can be applied.***

- Principle 4: Supervisors should have a mechanism for restraining the usage of the options to mitigate risks of non-performance of the alternative HQLA.

Note: SAMA has not utilized any of the options under the alternate treatment

3.4 Treatment for Shariah[1]

68. *Shari'ah* compliant banks face a religious prohibition on holding certain types of assets, such as interest-bearing debt securities. Even in jurisdictions that have a sufficient supply of HQLA, an insurmountable impediment to the ability of *Shari'ah* compliant banks to meet the LCR requirement may still exist. In such cases, national supervisors in jurisdictions in which *Shari'ah* compliant banks operate have the discretion to define *Shari'ah* compliant financial products (such as *Sukuk*) as alternative HQLA applicable to such banks only, subject to such conditions or haircuts that the supervisors may require. **It should be noted that the intention of this treatment is not to allow *Shari'ah* compliant banks to hold fewer HQLA. The minimum LCR standard, calculated based on alternative HQLA (post-haircut) recognized as HQLA for these banks, should not be lower than the minimum LCR standard applicable to other banks in the jurisdiction concerned.**

Note: SAMA has not utilized any of the options under the alternate treatment

B. Total net cash outflows

69. The term total net cash outflows (Where applicable, cash inflows and outflows should include interest that is expected to be received and paid during the 30-day time horizon).is defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent ***30*** calendar days. Total expected cash inflows are subject to an aggregate cap

[1] Refer to Note 1 on page 3.

of 75% of total expected cash outflows. 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 under the scenario up to an aggregate cap of 75% of total expected cash outflows.

Total net cash outflows over the next 30 calendar days = Total expected cash outflows – Min {total expected cash inflows; 75% of total expected cash outflows}

(Refer to footnotes 33 and Paragraph 69 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Note: Saudi Arabia has no effective deposit insurance scheme. Consequently, any run-off rate subject to deposit insurance is not valid for KSA banks.

70. While most roll-off rates, draw-down rates and similar factors are harmonized across jurisdictions as outlined in this standard, a few parameters are to be determined by supervisory authorities at the national level. Where this is the case, the parameters should be transparent and made publicly available.

71. Annex 4 of BCBS LCR guidelines provide a summary of the factors that are applied to each category ***unless otherwise specified explicitly in these guidelines.***

72. Banks will not be permitted to double count items, ie if an asset is included as part of the "stock of HQLA" (ie the numerator), the associated cash inflows cannot also be counted as cash inflows (ie 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.

(Refer to Paragraph 70-72 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

3.5 Cash Outflows

*3.5.1 **(i) RETAIL DEPOSIT RUN-OFF***

73. Retail deposits are defined as deposits placed with a bank by a natural person, and those subject to the LCR include demand deposits and term deposits, unless otherwise excluded under the criteria set out in paragraphs 82 and 83 BCBS LCR Guidelines, 2013.

74. These retail deposits are divided into "stable" and "less stable" portions of funds as described below. The run-off rates for retail deposits are minimum floors, with higher run-off rates established by individual jurisdictions as

appropriate to capture depositor behavior in a period of stress in each jurisdiction.
(Refer to Paragraph 74 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

(a) Stable deposits (run-off rate = 3% and higher)

75. Stable deposits, which usually receive a run-off factor of 5%, are the amount of the deposits that are fully insured ("Fully insured" means that 100% of the deposit amount, up to the deposit insurance limit, is covered by an effective deposit insurance scheme. Deposit balances up to the deposit insurance limit can be treated as "fully insured" even if a depositor has a balance in excess of the deposit insurance limit. However, any amount in excess of the deposit insurance limit is to be treated as "less stable". For example, if a depositor has a deposit of 150 that is covered by a deposit insurance scheme, which has a limit of 100, where the depositor would receive at least 100 from the deposit insurance scheme if the financial institution were unable to pay, then 100 would be considered "fully insured" and treated as stable deposits while 50 would be treated as less stable deposits. However if the deposit insurance scheme only covered a percentage of the funds from the first currency unit (e.g. 90% of the deposit amount up to a limit of 100) then the entire 150 deposit would be less stable.)
by an effective deposit insurance scheme or by a public guarantee that provides equivalent protection and where:

- The depositors have other established relationships with the bank that make deposit withdrawal highly unlikely; or

- The deposits are in transactional accounts (e.g. accounts where salaries are automatically deposited).

(Refer to footnotes 34 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

76. For the purposes of this standard, an "effective deposit insurance scheme" refers to a scheme (i) that guarantees that it has the ability to make prompt payouts, (ii) for which the coverage is clearly defined and (iii) of which public awareness is high. The deposit insurer in an effective deposit insurance scheme has formal legal powers to fulfil its mandate and is operationally independent, transparent and accountable. A jurisdiction with an explicit and legally binding sovereign deposit guarantee that effectively functions as deposit insurance can be regarded as having an effective deposit insurance scheme.

(Refer to Paragraph 76 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

77. The presence of deposit insurance alone is not sufficient to consider a deposit "stable".

78. Jurisdictions may choose to apply a run-off rate of 3% to stable deposits in their jurisdiction, if they meet the above stable deposit criteria and the following

additional criteria for deposit insurance schemes (The Financial Stability Board has asked the International Association of Deposit Insurers (IADI), in conjunction with the Basel Committee and other relevant bodies where appropriate, to update its Core Principles and other guidance to better reflect leading practices. The criteria in this paragraph will therefore be reviewed by the Committee once the work by IADI has been completed).

(Refer to footnotes 35 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

- The insurance scheme is based on a system of prefunding via the periodic collection of levies on banks with insured deposits; (The requirement for periodic collection of levies from banks does not preclude that deposit insurance schemes may, on occasion, provide for contribution holidays due to the scheme being well-funded at a given point in time.)
  (Refer to footnotes 36 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

- the scheme has adequate means of ensuring ready access to additional funding in the event of a large call on its reserves, e.g. an explicit and legally binding guarantee from the government, or a standing authority to borrow from the government;

- access to insured deposits is available to depositors in a short period of time once the deposit insurance scheme is triggered. (This period of time would typically be expected to be no more than 7 business days)

Jurisdictions applying the 3% run-off rate to stable deposits with deposit insurance arrangements that meet the above criteria should be able to provide evidence of run-off rates for stable deposits within the banking system below 3% during any periods of stress experienced that are consistent with the conditions within the LCR.

Note: KSA does not currently have deposit insurance; hence the guidelines identified above, for stable deposits do not apply

(Refer to Paragraph 78 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

(b) Less stable deposits (run-off rates = 10% and higher)

79. Supervisory authorities are expected to develop additional buckets with higher run-off rates as necessary to apply to buckets of potentially less stable retail deposits in their jurisdictions, with a minimum run-off rate of 10%. These jurisdiction-specific run-off rates should be clearly outlined and publicly transparent. Buckets of less stable deposits could include deposits that are not fully covered by an effective deposit insurance scheme or sovereign deposit guarantee, high-value deposits, deposits from sophisticated or high net worth

individuals, deposits that can be withdrawn quickly (e.g. internet deposits) and foreign currency deposits, as determined by each jurisdiction.

Note: In connection with the guidance provided in Para 79, above, SAMA would be undertaking a study shortly to assess if potentially higher run off rates would be applicable to the less stable deposits category.

(Refer to Paragraph 79 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

80. If a bank is not able to readily identify which retail deposits would qualify as "stable" according to the above definition (e.g. the bank cannot determine which deposits are covered by an effective deposit insurance scheme or a sovereign deposit guarantee), it should place the full amount in the "less stable" buckets as established by its supervisor.

81. Foreign currency retail deposits are deposits denominated in any other currency than the domestic currency in a jurisdiction in which the bank operates. Supervisors will determine the run-off factor that banks in their jurisdiction should use for foreign currency deposits. Foreign currency deposits will be considered as "less stable" if there is a reason to believe that such deposits are more volatile than domestic currency deposits. Factors affecting the volatility of foreign currency deposits include the type and sophistication of the depositors, and the nature of such deposits (eg whether the deposits are linked to business needs in the same currency, or whether the deposits are placed in a search for yield).

Note: **In KSA, run-off rates for all currencies are as per BCBS guidelines.**

Currently in KSA, there are no material factors to suggest that foreign currency deposits would be less stable in comparison to SAR denominated deposits. Its noteworthy that the USD denominated deposits are the most common category of FCY deposits with regulated entities, which is pegged to Saudi Riyal.

(Refer to Paragraph 81 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

82. Cash outflows related to retail term deposits with a residual maturity or withdrawal notice period of greater than 30 days will 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*** (If a portion of the term deposit can be withdrawn without incurring such a penalty, only that portion should be treated as a demand deposit. The remaining balance of the deposit should be treated as a term deposit.)

In KSA, with regard to item 82 above, Term Deposits are not to be withdrawn under exceptional circumstances as described below in items 83 and 84.

(Refer to footnote 38 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

83. If a bank allows a depositor in exceptional circumstances to withdraw such deposits without applying the corresponding penalty, or despite a clause that says the depositor has no legal right to withdraw, 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 the deposit run-off rates as specified in paragraphs 74-81 BCBS LCR Guidelines, 2013.

84. Notwithstanding the above, SAMA may also opt to treat retail term deposits that meet the qualifications set out in paragraph 82, BCBS LCR Guidelines, 2013, with a higher than 0% run-off rate, if they clearly state the treatment that applies for their jurisdiction and apply this treatment in a similar fashion across banks in their jurisdiction. Such reasons could include, but are not limited to, supervisory concerns that depositors would withdraw term deposits in a similar fashion as retail demand deposits during either normal or stress times, concern that banks may repay such deposits early in stressed times for reputational reasons, or the presence of unintended incentives on banks to impose material penalties on consumers if deposits are withdrawn early. In these cases SAMA would assess a higher run-off against all or some of such deposits.

3.5.2 (ii) Unsecured wholesale funding run-off

85. For the purposes of the LCR, "unsecured wholesale funding" is defined as those liabilities and general obligations that are raised from non-natural persons (i.e. legal entities, including sole proprietorships and partnerships) and are **not** collateralized by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution. Obligations related to derivative contracts are explicitly excluded from this definition.

86. The wholesale funding included in the LCR is defined as all funding 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 well as funding with an undetermined maturity. This should include all funding with options that are exercisable at the investor's discretion within the 30 calendar day horizon. For funding with options exercisable at the bank's discretion, SAMA would take into account reputational factors that may limit a bank's ability not to exercise the option. (This could reflect a case where a bank may imply that it is under liquidity stress if it did not exercise an option on its own funding.) In particular, where the market expects certain liabilities to be redeemed before their legal final maturity date, banks and SAMA should assume such behavior for the purpose of the LCR and include these liabilities as outflows.

87. Wholesale funding that is callable (This takes into account any embedded options linked to the funds provider's ability to call the funding before

contractual maturity.) by the funds provider subject to a contractually defined and binding notice period surpassing the 30-day horizon is not included.

88. For the purposes of the LCR, unsecured wholesale funding is to be categorised as detailed below, based on the assumed sensitivity of the funds providers to the rate offered and the credit quality and solvency of the borrowing bank. This is determined by the type of funds providers and their level of sophistication, as well as their operational relationships with the bank. The run-off rates for the scenario are listed for each category.

(Refer to Paragraph 86-88 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

(a) Unsecured wholesale funding provided by small business customers: 5%, 10% and higher

89. Unsecured wholesale funding provided by small business customers is treated the same way as retail deposits for the purposes of this standard, effectively distinguishing between a "stable" portion of funding provided by small business customers and different buckets of less stable funding defined by each jurisdiction. The same bucket definitions and associated run-off factors apply as for retail deposits.

90. This category consists of deposits and other extensions of funds made by nonfinancial small business customers. "Small business customers" are defined in line with the definition of loans extended to small businesses in paragraph 231 of the Basel II framework that are managed as retail exposures and are generally considered as having similar liquidity risk characteristics to retail accounts provided the total aggregated funding ("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). In addition, applying the limit on a consolidated basis means that where one or more small business customers are affiliated with each other, they may be considered as a single creditor such that the limit is applied to the total funding received by the bank from this group of customers.) raised from one small business customer is less than €1 million (on a consolidated basis where applicable).
(Refer to footnote 41 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

91. Where a bank does not have any exposure to a small business customer that would enable it to use the definition under paragraph 231 of the Basel II Framework, the bank may include such a deposit in this category provided that the total aggregate funding raised from the customer is less than €1 million (on a consolidated 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.

92. Term deposits from small business customers should be treated in accordance with the treatment for term retail deposits as outlined in paragraph 82, 83, and 84, BCBS LCR Guidelines, 2013.

(b) Operational deposits generated by clearing, custody and cash management activities: 25%

93. Certain activities lead to financial and non-financial customers needing to place, or leave, deposits with a bank in order to facilitate their access and ability to use payment and settlement systems and otherwise make payments. These funds may receive a 25% run-off factor only if the customer has a substantive dependency with the bank and the deposit is required for such activities. SAMA's approval on a case by case basis, would have to be given to ensure that banks utilizing this treatment (para 93-104) actually are conducting these operational activities at the level indicated. SAMA may choose not to permit banks to utilise the operational deposit run-off rates in cases where, for example, a significant portion of operational deposits are provided by a small proportion of customers (i.e. concentration risk).

94. Qualifying activities in this context refer to clearing, custody or cash management activities that meet the following criteria:

• The customer is reliant on the bank to perform these services as an independent third party intermediary in order to fulfil its normal banking activities over the next 30 days. For example, this condition would not be met if the bank is aware that the customer has adequate back-up arrangements.

• These services must be provided under a legally binding agreement to institutional customers.

• The termination of such agreements shall be subject either to a notice period of at least 30 days or significant switching costs (such as those related to transaction, information technology, early termination or legal costs) to be borne by the customer if the operational deposits are moved before 30 days.

95. Qualifying operational deposits generated by such an activity are ones where:

• The deposits are by-products of the underlying services provided by the banking organization 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. In the case that interest rates in a jurisdiction are close to zero, it would be expected that such accounts is non-interest bearing. Banks should be particularly aware that during prolonged periods of low interest rates, excess balances (as defined below) could be significant.

96. Any excess balances that could be withdrawn and would still leave enough funds to fulfil these clearing, custody and cash management activities do not qualify for the 25% factor. In other words, only that part of the deposit balance with the service provider that is proven to serve a customer's operational needs can qualify as stable. Excess balances should be treated in the appropriate category for non-operational deposits. If banks are unable to determine the amount of the excess balance, then the entire deposit should be assumed to be excess to requirements and, therefore, considered non-operational.

97. Banks must determine the methodology for identifying excess deposits that are excluded from this treatment. This assessment should be conducted at a sufficiently granular level to adequately assess the risk of withdrawal in an idiosyncratic stress. The methodology should take into account relevant factors such as the likelihood that wholesale customers have above average balances in advance of specific payment needs, and consider appropriate indicators (e.g. ratios of account balances to payment or settlement volumes or to assets under custody) to identify those customers that are not actively managing account balances efficiently.

98. Operational deposits would receive a 0% inflow assumption for the depositing bank given that these deposits are required for operational reasons, and are therefore not available to the depositing bank to repay other outflows.

99. Notwithstanding these operational categories, if the deposit under consideration arises out of correspondent banking or from the provision of prime brokerage services, it will be treated as if there were no operational activity for the purpose of determining run-off factors. (Correspondent banking refers to arrangements under which one bank /correspondent, holds deposits owned by other banks/ respondents and provides payment and other services in order to settle foreign currency transactions e.g. so-called nostro and vostro accounts used to settle transactions in a currency other than the domestic currency of the respondent bank for the provision of clearing and settlement of payments. Prime brokerage is a package of services offered to large active investors, particularly institutional hedge funds. These services usually include: clearing, settlement and custody; consolidated reporting; financing e.g. margin, repo or synthetic; securities lending; capital introduction; and risk analytics.)

(Refer to Paragraph 93-99 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

100. **The following paragraphs describe the types of activities that may generate operational deposits.** A bank should assess whether the presence of such an activity does indeed generate an operational deposit as not all such activities qualify due to differences in customer dependency, activity and practices.

101. **A clearing relationship**. In this context, refers to a service arrangement that enables customers to transfer funds (or securities) indirectly through direct participants in domestic settlement system to final recipients. Such services are limited to the following activities: transmission, reconciliation and confirmation of payment orders; daylight overdraft, overnight financing and maintenance of post-settlement balances; and determination of intra-day and final settlement positions.

(Refer to Paragraph 101 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

102. **A custody relationship, in this context**, refers to the provision of safekeeping, reporting, processing of assets or the facilitation of the operational and administrative elements of related activities on behalf of customers in the process of their transacting and retaining financial assets. Such services are limited to the settlement of securities transactions, the transfer of contractual payments, the processing of collateral, and the provision of custody related cash management services. Also included are the receipt of dividends and other income, client subscriptions and redemptions. Custodial services can furthermore extend to asset and corporate trust servicing, treasury, escrow, funds transfer, stock transfer and agency services, including payment and settlement services (excluding correspondent banking), and depository receipts.

(Refer to Paragraph 102 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

103. **A cash management relationship, in this context**, refers to the provision of cash management and related services to customers. Cash management services, in this context, refers to those products and services provided to a customer to manage its cash flows, assets and liabilities, and conduct financial transactions necessary to the customer's ongoing operations. Such services are limited to payment remittance, collection and aggregation of funds, payroll administration, and control over the disbursement of funds

(Refer to Paragraph 103 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

(d) Unsecured wholesale funding provided by non-financial corporates and sovereigns, central banks, multilateral development banks, and PSEs: 20% or 40%

104. The portion of the operational deposits generated by clearing, custody and cash management activities that is fully covered by deposit insurance can receive the same treatment as "stable" retail deposits.

(c) Treatment of deposits in institutional networks of cooperative banks: 25% or 100%

105. Treatment of deposits in institutional networks of cooperative banks: 25% or 100% - An institutional network of cooperative (or otherwise named) banks is a group of legally autonomous banks with a statutory framework of cooperation with common strategic focus and brand where specific functions are performed by central institutions or specialized service providers. A 25% run-off rate can be given to the amount of deposits of member institutions with the central institution or specialized central service providers that are placed (a) due to statutory minimum deposit requirements, which are registered at regulators or (b) in the context of common task sharing and legal, statutory or contractual arrangements so long as both the bank that has received the monies and the bank that has deposited participate in the same institutional network's mutual protection scheme against illiquidity and insolvency of its members. As with other operational deposits, these deposits would receive a 0% inflow assumption for the depositing bank, as these funds are considered to remain with the centralized institution.

106. SAMA's prior approval would have be required to ensure that banks utilizing this treatment actually are the central institution or a central service provider of such a cooperative (or otherwise named) network. Correspondent banking activities would not be included in this treatment and would receive a 100% outflow treatment, as would funds placed at the central institutions or specialized service providers for any other reason other than those outlined in (a) and (b) in the paragraph above, or for operational functions of clearing, custody, or cash management as outlined in paragraphs 101-103, BCBS LCR Guidelines, 2013,

(d) Unsecured wholesale funding provided by non-financial corporates and sovereigns, central banks, multilateral development banks, and PSEs: 20% or 40%

(Refer to Paragraph 104-106 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

107. This category comprises all deposits and other extensions of unsecured funding from non-financial corporate customers (that are not categorized as small business customers) and (both domestic and foreign) sovereign, central bank, multilateral development bank, and PSE customers that are not specifically held for operational purposes (as defined above). The run-off factor for these funds is 40%, unless the criteria in paragraph 108, BCBS LCR Guidelines, 2013, are met.

108. Unsecured wholesale funding provided by non-financial corporate customers, sovereigns, central banks, multilateral development banks, and PSEs without operational relationships can receive a 20% run-off factor if the entire amount of the deposit is fully covered by an effective deposit insurance scheme or by a public guarantee that provides equivalent protection.

(e) Unsecured wholesale funding provided by other legal entity customers: 100%

109. This category consists of all deposits and other funding from other institutions (including banks, securities firms, insurance companies, etc.), fiduciaries, (Fiduciary is defined in this context as a legal entity that is authorized to manage assets on behalf of a third party. Fiduciaries include asset management entities such as pension funds and other collective investment vehicles).beneficiaries, (Beneficiary is defined in this context as a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract), conduits and special purpose vehicles, affiliated entities of the bank (Outflows on unsecured wholesale funding from affiliated entities of the bank are included in this category unless the funding is part of an operational relationship, a deposit in an institutional network of cooperative banks or the affiliated entity of a non-financial corporate) and other entities that are not specifically held for operational purposes (as defined above) and not included in the prior three categories. The run-off factor for these funds is 100%.
(Refer to footnotes 43-45 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

110. All notes, bonds and other debt securities issued by the bank are included in this category regardless of the holder, unless the bond is sold exclusively in the retail market and held in retail accounts (including small business customer accounts treated as retail per paragraphs 89-91), in which case the instruments can be treated in the appropriate retail or small business customer deposit category. To be treated in this manner, it is not sufficient that the debt instruments are specifically designed and marketed to retail or small business customers. Rather there should be limitations placed such that those instruments cannot be bought and held by parties other than retail or small business customers.

111. Customer cash balances arising from the provision of prime brokerage services, including but not limited to the cash arising from prime brokerage services as identified in paragraph 99, should be considered separate from any required segregated balances related to client protection regimes imposed by national regulations, and should not be netted against other customer exposures included in this standard. These offsetting balances held in segregated accounts are treated as inflows in paragraph 154 ***of Basel LCR rules*** and should be excluded from the stock of HQLA.

(Refer to Paragraph 110-111 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

(iii) Secured funding run-off

112. For the purposes of this standard, “secured funding” is defined as those liabilities and general obligations that are collateralized by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution.

113. Loss of secured funding on short-term financing transactions: In this scenario, the ability to continue to transact repurchase, reverse repurchase and

other securities financing transactions is limited to transactions backed by HQLA or with the bank's domestic sovereign, PSE or central bank.(In this context, PSEs that receive this treatment should be limited to those that are 20% risk weighted or better, and "domestic" can be defined as a jurisdiction where a bank is legally incorporated.) Collateral swaps should be treated as repurchase or reverse repurchase agreements, as should any other transaction with a similar form. Additionally, collateral lent to the bank's customers to effect short positions (A customer short position in this context describes a transaction where a bank's customer sells a security it does not own, and the bank subsequently obtains the same security from internal or external sources to make delivery into the sale. Internal sources include the bank's own inventory of collateral as well as rehypothecatable collateral held in other customer margin accounts. External sources include collateral obtained through a securities borrowing, reverse repo, or like transaction.) should be treated as a form of secured funding. For the scenario, a bank should apply the following factors to all outstanding secured funding transactions with maturities within the 30 calendar day stress horizon, including customer short positions that do not have a specified contractual maturity. The amount of outflow is calculated based on the amount of funds raised through the transaction, and not the value of the underlying collateral.

114. 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. A reduction in funding availability will be assigned to maturing transactions backed by Level 2 assets equivalent to the required haircuts. A 25% factor is applied for maturing secured funding transactions with the bank's domestic sovereign, multilateral development banks, or domestic PSEs that have a 20% or lower risk weight, when the transactions are backed by assets other than Level 1 or Level 2A assets, in recognition that these entities are unlikely to withdraw secured funding from banks in a time of market-wide stress. This, however, gives credit only for outstanding secured funding transactions, and not for unused collateral or merely the capacity to borrow.

(Refer to Paragraph 113-114 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

(iv) Additional requirements

116. **Derivatives cash outflows:** the sum of all net cash outflows should receive a 100% factor. 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. (These risks are captured in paragraphs

119 and 123,of BCBS LCR guidelines). Options should be assumed to be exercised when they are ‘in the money’ to the option buyer.
(Refer to Paragraph 116 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

117. 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.

118. Increased liquidity needs related to downgrade triggers embedded in financing transactions, derivatives and other contracts: (100% of the amount of collateral that would be posted for, or contractual cash outflows associated with, any downgrade up to and including a 3-notch downgrade). 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. Triggers linked to a bank’s short-term rating should be assumed to be triggered at the corresponding long-term rating in accordance with published ratings criteria. The impact of the downgrade should consider impacts on all types of margin collateral and contractual triggers which change rehypothecation rights for non-segregated collateral.

119. Increased liquidity needs related to the potential for valuation changes on posted collateral securing derivative and other transactions: (20% of the value of non-Level 1 posted collateral). Observation of market practices indicates that 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 cash or sovereign, central bank, multilateral development banks, or PSE debt securities with a 0% risk weight under the Basel II standardised approach. When these Level 1 liquid asset securities are posted as collateral, the framework will not require that an additional stock of HQLA be maintained for potential valuation changes. If however, counterparties are securing mark-to-market exposures with other forms of collateral, to cover the potential loss of market value on those securities, 20% of the value of all such posted collateral, net of collateral received on a counterparty basis (provided that the collateral received is not subject to restrictions on reuse or rehypothecation) will be added to the stock of required HQLA by the bank posting such collateral. This 20% will be calculated based on the

notional amount required to be posted as collateral after any other haircuts have been applied that may be applicable to the collateral category. Any collateral that is in a segregated margin account can only be used to offset outflows that are associated with payments that are eligible to be offset from that same account.

120. 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% of the non-segregated collateral that could contractually be recalled by the counterparty because the collateral is in excess of the counterparty's current collateral requirements.

121. Increased liquidity needs related to contractually required collateral on transactions for which the counterparty has not yet demanded the collateral be posted: 100% of the collateral that is contractually due but where the counterparty has not yet demanded the posting of such collateral.

122. Increased liquidity needs related to contracts that allow collateral substitution to non-HQLA assets: 100% of the amount of HQLA collateral that can be substituted for non-HQLA assets without the bank's consent that have been received to secure transactions that have not been segregated.

123. 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. Supervisors may adjust the treatment flexibly according to circumstances.

2. Cash inflows

142. When considering its available cash inflows, the bank should only include contractual inflows (including interest payments) from outstanding exposures that are fully performing and for which the bank has no reason to expect a default within the 30-day time horizon. Contingent inflows are not included in total net cash inflows.

143. Banks and supervisors need to monitor the concentration of expected inflows across wholesale counterparties in the context of banks' liquidity management in order to ensure that their liquidity position is not overly dependent on the arrival of expected inflows from one or a limited number of wholesale counterparties.

144. Cap on total inflows: In order to prevent banks from relying solely on anticipated inflows to meet their liquidity requirement, and also to ensure a minimum level of HQLA holdings, the amount of inflows that can offset outflows is capped at 75% of total expected cash outflows as calculated in the standard. This requires that a bank must maintain a minimum amount of stock of HQLA equal to 25% of the total cash outflows.

(i) Secured lending, including reverse repos and securities borrowing

145. A bank should assume that maturing reverse repurchase or securities borrowing agreements secured by Level 1 assets will be rolled-over and will not give rise to any cash inflows (0%). Maturing reverse repurchase or securities lending agreements secured by Level 2 HQLA will lead to cash inflows equivalent to the relevant haircut for the specific assets. A bank is assumed not to roll-over maturing reverse repurchase or securities borrowing agreements secured by non-HQLA assets, and can assume to receive back 100% of the cash related to those agreements. Collateralised loans extended to customers for the purpose of taking leveraged trading positions ("margin loans") should also be considered as a form of secured lending; however, for this scenario banks may recognise no more than 50% of contractual inflows from maturing margin loans made against non-HQLA collateral. This treatment is in line with the assumptions outlined for secured funding in the outflows section.

146. As an exception to paragraph 145, if the collateral obtained through reverse repo, securities borrowing, or collateral swaps, which matures within the 30-day horizon, is re-used (ie rehypothecated) and is used to cover short positions that could be extended beyond 30 days, a bank should assume that such reverse repo or securities borrowing arrangements will be rolled-over and will not give rise to any cash inflows (0%), reflecting its need to continue to cover the short position or to re-purchase the relevant securities. Short positions include both instances where in its 'matched book' the bank sold short a security outright as part of a trading or hedging strategy and instances where the bank is short a security in the 'matched' repo book (ie it has borrowed a security for a given period and lent the security out for a longer period).

Maturing secured lending transactions backed by the following asset category:	**Inflow rate (if collateral is not used to cover short positions):**	**Inflow rate (if collateral is used to cover short positions):**
Level 1 assets	0%	0%
Level 2A assets	15%	0%
Level 2B assets		
Eligible RMBS	25%	0%
Other Level 2B assets	50%	0%
Margin lending backed by all other collateral	50%	0%
Other collateral	100%	0%

For remaining content regarding cash inflows, refer to paragraphs 147-160 in BCBS LCR guidelines and SAMA specific guidance attachment no. 2.

Note:

115. For all other maturing transactions the run-off factor is 100%, including transactions where a bank has satisfied customers' short positions with its own long inventory. The table below summarises the applicable standards.

Illustrative Summary of the Amended LCR

Item	**Factors**
Stock of HQLA	
A. Level 1 assets:	
• Coins and bank notes • Qualifying marketable securities from sovereigns, central banks, PSEs, and multilateral development banks • Qualifying central bank reserves • Domestic sovereign or central bank debt for non-0% risk-weighted • Sovereigns	100%
B. Level 2 assets (maximum of 40% of HQLA):	
Level 2A assets	
• Sovereign, central bank, multilateral development banks, and PSE assets qualifying for 20% risk weighting • Qualifying corporate debt securities rated AA- or higher • Qualifying covered bonds rated AA- or higher	85%
Level 2B assets (maximum of 15% of HQLA)	
• Qualifying RMBS	75%
• Qualifying corporate debt securities rated between A+ and BBB-	50%
• Qualifying common equity shares	50%
Total value of stock of HQLA	
Cash Outflows	
A. Retail deposits:	
Demand deposits and term deposits (less than 30 days maturity)	
• Stable deposits (deposit insurance scheme meets additional criteria)	3%
• Stable deposits	5%
• Less stable retail deposits	10%
Term deposits with residual maturity greater than 30 days	0%
B. Unsecured wholesale funding:	
Demand and term deposits (less than 30 days maturity) provided by small business customers:	
• Stable deposits	5%
• Less stable deposits	10%
Operational deposits generated by clearing, custody and cash management activities	25%
• Portion covered by deposit insurance	5%
Cooperative banks in an institutional network (qualifying deposits with	25%

the centralized institution)	
Non-financial corporates, sovereigns, central banks, multilateral development banks, and PSEs	40%
• If the entire amount fully covered by deposit insurance scheme	20%
Other legal entity customers	100%
C. Secured funding: (See note 1 on the following page)	
• Secured funding transactions with a central bank counterparty or • backed by Level 1 assets with any counterparty.	0%
• Secured funding transactions backed by Level 2A assets, with any • counterparty	15%
• Secured funding transactions backed by non-Level 1 or non-Level 2A • assets, with domestic sovereigns, multilateral development banks, or • domestic PSEs as a counterparty	25%
• Backed by RMBS eligible for inclusion in Level 2B	25%
• Backed by other Level 2B assets	50%
• All other secured funding transactions	100%
D. Additional requirements:	
Liquidity needs (e.g. collateral calls) related to financing transactions, derivatives and other contracts	3 notch downgrade
Market valuation changes on derivatives transactions (largest absolute net 30-day collateral flows realized during the preceding 24 months)	Look back approach
Valuation changes on non-Level 1 posted collateral securing derivatives	20%
Excess collateral held by a bank related to derivative transactions that could contractually be called at any time by its counterparty	100%
Liquidity needs related to collateral contractually due from the reporting bank on derivatives transactions	100%
Increased liquidity needs related to derivative transactions that allow collateral substitution to non-HQLA assets	100%
ABCP, SIVs, conduits, SPVs, etc.:	
• Liabilities from maturing ABCP, SIVs, SPVs, etc. (applied to maturing amounts and returnable assets)	100%
• Asset Backed Securities (including covered bonds) applied to maturing amounts.	100%
Currently undrawn committed credit and liquidity facilities provided to:	
• retail and small business clients	5%
• non-financial corporates, sovereigns and central banks, multilateral development banks, and PSEs	10% for credit 30% for liquidity
• banks subject to prudential supervision	40%
• other financial institutions (include securities firms, insurance companies)	40% for credit 100% for liquidity
• other legal entity customers, credit and liquidity facilities	100%
Other contingent funding liabilities (such as guarantees, letters of credit, revocable credit and liquidity facilities, etc.)	National discretion
Trade finance	0-5%
Customer short positions covered by other customers' collateral	50%
Any additional contractual outflows	100%
Net derivative cash outflows	100%
Any other contractual cash outflows	100%
Total cash outflows	

Note 1:

~~115. For all other maturing transactions the run-off factor is 100%, including transactions where a bank has satisfied customers' short~~

~~***positions with its own long inventory. The table above summarises the applicable standards:***~~

Specific changes in LCR[1]

A. HIGH QUALITY LIQUID ASSETS (HQLA)

Expand the definition of HQLA by including Level 2B assets, subject to higher haircuts and a limit

- Corporate debt securities rated A+ to BBB– with a **50%** haircut
- Certain unencumbered equities subject to a **50%** haircut
- Certain residential mortgage-backed securities rated AA or higher with a **25%** haircut

Aggregate of Level 2B assets, after haircuts, subject to a limit of **15%** of total HQLA

Rating requirement on qualifying Level 2 assets

- Use of local rating scales and inclusion of qualifying commercial paper

Usability of the liquidity pool

- Incorporate language related to the expectation that banks will use their pool of HQLA during periods of stress

Operational requirements

- Refine and clarify the operational requirements for HQLA

Operation of the cap on Level 2 HQLA

- Revise and improve the operation of the cap on Level 2 assets

Central bank reserves

[1] Extract of GHOS Press Release of January 2013

- Clarify language to confirm that supervisors have national discretion to include or exclude <u>required central bank reserves (as well as overnight and certain term deposits) as HQLA as they consider appropriate.</u>

B. <u>INFLOWS AND OUTFLOWS</u>

Insured deposits

- Reduce outflow on certain types of fully insured retail deposits from **5% to 3%**[1]

Reduce outflow on fully insured non-operational deposits from non-financial corporates, sovereigns, central banks and public sector entities (PSEs) from **40% to 20%**

Non-financial corporate deposits

- Reduce the outflow rate for "non-operational" deposits provided by non-financial corporates, sovereigns, central banks and PSEs from **75% to 40%**

Committed liquidity facilities to non-financial corporates

- Clarify the definition of liquidity facilities and reduce the drawdown rate on the unused portion of committed liquidity facilities to non-financial corporates, sovereigns, central banks and PSEs from **100% to 30%**

Committed but unfunded inter-financial liquidity and credit facilities

- Distinguish between interbank and inter-financial credit and liquidity facilities and reduce the outflow rate on the former from **100% to 40%**

Derivatives

- Additional derivatives risks included in the LCR with a **100%** outflow (relates to collateral substitution, and excess collateral that the bank is contractually obligated to return/provide if required by a counterparty)
- Introduce a standardized approach for liquidity risk related to market value changes in derivatives positions
- Assume net outflow of **0%** for derivatives (and commitments) that are contractually secured/collateralized by HQLA

Trade finance

- Include guidance to indicate that a low outflow rate (**0–5%**) is expected to apply

Equivalence of central bank operations

- Reduce the outflow rate on maturing secured funding transactions with central banks from **25% to 0%**

Client servicing brokerage

- Clarify the treatment of activities related to client servicing brokerage (which generally lead to an **increase in net outflows**)

C. OTHERS

Rules text clarifications

- A number of clarifications to the rules text to promote consistent application and reduce arbitrage opportunities (e.g. operational deposits from wholesale clients, derivatives cash flows, open maturity loans). Also incorporation of previously published FAQs.

Internationally agreed phase-in of the LCR

- The minimum LCR in 2015 would be **60%** and increase by **10 percentage points per year** to reach 100% in 2019.

- Regulatory Guidance concerning specific items on Prudential returns refer to next page.

Attachment # 2

SAMA's Specific Guidance to complete Prudential Returns concerning Amended LCR

Overview:

Bank must complete the attached Prudential Returns (attachment # 3) on the basis of the following:

1. Specific Guidance Document – attachment # 2
2. Frequently Asked Questions (FAQs) – attachment # 4
3. SAMA's response to National Discretion Items – attachment # 5

SPECIFIC GUIDANCE

Row	Heading	Description	Basel III LCR standards reference
A)a)	**Level 1 assets**		
6	Coins and banknotes	Coins and banknotes currently held by the bank that are immediately available to meet obligations. Deposits placed at, or receivables from, other institutions should be reported in the inflows section.	50(a)
7	Total central bank reserves; of which:	Total amount held in central bank reserves (including required reserves) including banks' overnight deposits with the central bank, and term deposits with the central bank that: (i) are explicitly and contractually repayable on notice from the depositing bank; or (ii) that constitute a loan against which the bank can borrow on a term basis or on an overnight but automatically renewable basis (only where the bank has an existing deposit with the relevant central bank). Other term deposits with central banks are not eligible for the stock of HQLA; however, if the term expires within	50(b), footnote 12

Row	Heading	Description	Basel III LCR standards reference
		30 days, the term deposit could be considered as an inflow (reported in line 304).	
8	part of central bank reserves that can be drawn in times of stress	Total amount held in central bank reserves and overnight and term deposits at the same central bank (as reported in line 7) which can be drawn down in times of stress. Amounts required to be installed in the central bank reserves within 30 days should be reported in line 165 of the outflows section. **Please refer to the instructions from your supervisor for the specification of this item.**	50(b), footnote 13
Securities with a 0% risk weight:			
11	issued by sovereigns	Marketable debt securities issued by sovereigns, receiving a 0% risk weight under the standardized approach to credit risk of the Basel II framework (paragraph 53).	50(c)
12	guaranteed by sovereigns	Marketable debt securities guaranteed by sovereigns, receiving a 0% risk weight under the standardized approach to credit risk of the Basel II framework (paragraph 53).	50(c)
13	issued or guaranteed by central banks	Marketable debt securities issued or guaranteed by central banks, receiving a 0% risk weight under the standardized approach to credit risk of the Basel II framework (paragraph 53).	50(c)
14	issued or guaranteed by PSEs	Marketable debt securities issued or guaranteed by public sector entities, receiving a 0% risk weight under the standardized approach to credit risk of the Basel II framework (paragraphs 57 and 58).	50(c)
15	issued or guaranteed by BIS, IMF, ECB and European Community or MDBs	Marketable debt securities issued or guaranteed by the Bank for International Settlements, the International Monetary Fund, the European Central Bank (ECB) and European Community. or multilateral development banks (MDBs); receiving a 0% risk weight under the standardized approach to credit risk of the Basel II framework (paragraphs 56 and 59).	50(c)
For non-0% risk-weighted sovereigns:			
17	sovereign or central bank debt securities issued in domestic currency by the sovereign or central bank in the country in which the liquidity risk is taken or in the bank's home country	Debt securities issued by the sovereign or central bank in the domestic currency of that country that is not eligible for inclusion in line items 11 or 13 because of the non-0% risk weight of that country. Banks are only permitted to include debt issued by sovereigns or central banks of their home jurisdictions or, to the extent of the liquidity risk taken in other jurisdictions, of those jurisdictions.	50(d)
18	domestic sovereign or central bank debt securities issued in foreign currencies, up to the amount of the 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	Debt securities issued by the domestic sovereign or central bank in foreign currencies (that are not eligible for inclusion in line items 11 or 13 because of the non-0% risk weight), up to the amount of the 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.	50(e)

Row	Heading	Description	Basel III LCR standards reference
Total Level 1 assets:			
19	Total stock of Level 1 assets	Total outright holdings of Level 1 assets plus all borrowed securities of Level 1 assets	49
20	Adjustment to stock of Level 1 assets	Adjustment to the stock of Level 1 assets for purpose of calculating the caps on Level 2 and Level 2B assets.	Annex 1
21	Adjusted amount of Level 1 assets	Adjusted amount of Level 1 assets used for the purpose of calculating the adjustment to the stock of HQLA due to the cap on Level 2 assets in line item 49 and the cap on Level 2B assets in line item 48.	Annex 1
A)b)	**Level 2A assets**		
	Securities with a 20% risk weight:		
25	issued by sovereigns	Marketable debt securities issued by sovereigns, receiving a 20% risk weight under the standardized approach to credit risk of the Basel II framework (paragraph 53), satisfying all the conditions listed in paragraph 52(a) of the Basel III LCR standards, and not included in lines 17 or 18.	52(a)
26	guaranteed by sovereigns	Marketable debt securities guaranteed by sovereigns, receiving a 20% risk weight under the standardized approach to credit risk of the Basel II framework (paragraph 53), satisfying all the conditions listed in paragraph 52(a) of the Basel III LCR standards.	52(a)
27	issued or guaranteed by central banks	Marketable debt securities issued or guaranteed by central banks, receiving a 20% risk weight under the standardized approach to credit risk of the Basel II framework (paragraph 53), satisfying all the conditions listed in paragraph 52(a) of the Basel III LCR standards, and not included in lines 17 or 18.	52(a)
28	issued or guaranteed by PSEs	Marketable debt securities issued or guaranteed by PSEs, receiving a 20% risk weight under the standardized approach to credit risk of the Basel II framework (paragraphs 57 and 58), satisfying all the conditions listed in paragraph 52(a) of the Basel III LCR standards.	52(a)
29	issued or guaranteed by MDBs	Marketable debt securities issued or guaranteed by multilateral development banks, receiving a 20% risk weight under the standardized approach to credit risk of the Basel II framework (paragraph 59), satisfying all the conditions listed in paragraph 52(a) of the Basel III LCR standards.	52(a)
Non-financial corporate bonds:			
30	rated AA- or better	Non-financial corporate bonds (including commercial paper) (i) having a long-term credit assessment by a recognized ECAI of at least AA- or in the absence of a long term rating, a short term rating equivalent in quality to the long-term rating or (ii) not having a credit assessment by a recognized ECAI but are internally rated as having a probability of default (PD) corresponding to a credit rating of at least AA-, satisfying the conditions listed in paragraph 52(b) of the Basel III LCR standards.	52(b)
Covered bonds (not self-issued):			
31	rated AA- or better	Covered bonds, not self-issued, (i) having a long-term credit assessment by a recognized ECAI of at least AA- or in the absence of a long term rating, a short-term rating equivalent in quality to the long-term rating or (ii) not having a credit assessment by a recognized ECAI but are internally rated as having a probability of default (PD) corresponding to a credit rating of at least AA-, satisfying the conditions listed in paragraph 52(b) of the Basel III LCR standards.	52(b)
Total Level 2A assets:			

Row	Heading	Description	Basel III LCR standards reference
32	Total stock of Level 2A assets	Total outright holdings of Level 2A assets plus all borrowed securities of Level 2A assets, after applying haircuts	52(a),(b)
33	Adjustment to stock of Level 2A assets	Adjustment to the stock of Level 2A assets for purpose of calculating the caps on Level 2 and Level 2B assets.	Annex 1
34	Adjusted amount of Level 2A assets	Adjusted amount of Level 2A assets used for the purpose of calculating the adjustment to the stock of HQLA due to the cap on Level 2 assets in line item 49 and the cap on Level 2B assets in line item 48.	Annex 1
A)c) Level 2B assets **Please refer to the instructions from your supervisor for the specification of items in the Level 2B assets subsection. (Note below)** In choosing to include any Level 2B assets in Level 2, national supervisors are expected to ensure that (i) such assets fully comply with the qualifying criteria set out Basel III LCR standards, paragraph 54; and (ii) banks have appropriate systems and measures to monitor and control the potential risks (e.g. credit and market risks) that banks could be exposed to in holding these assets.			
37	Residential mortgage backed securities (RMBS), rated AA or better	RMBS that satisfy all of the conditions listed in paragraph 54(a) of the Basel III LCR standards.	54(a)
38	Non-financial corporate bonds, rated BBB- to A+	Non-financial corporate debt securities (including commercial paper) rated BBB- to A+ that satisfy all of the conditions listed in paragraph 54(b) of the Basel III LCR standards.	54(b)
39	Non-financial common equity shares	Non-financial common equity shares that satisfy all of the conditions listed in paragraph 54(c) of the Basel III LCR standards.	54(c)
Total Level 2B assets:			
40	Total stock of Level 2B RMBS assets	Total outright holdings of Level 2B RMBS assets plus all borrowed securities of Level 2B RMBS assets, after applying haircuts	54(a)
41	Adjustment to stock of Level 2B RMBS assets	Adjustment to the stock of Level 2B RMBS assets for purpose of calculating the caps on Level 2 and Level 2B assets.	Annex 1
42	Adjusted amount of Level 2B RMBS assets	Adjusted amount of Level 2B RMBS assets used for the purpose of calculating the adjustment to the stock of HQLA due to the cap on Level 2 assets in line item 49 and the cap on Level 2B assets in line item 48.	Annex 1
43	Total stock of Level 2B non- RMBS assets	Total outright holdings of Level 2B non-RMBS assets plus all borrowed securities of Level 2B non-RMBS assets, after applying haircuts	54(b),(c)
44	Adjustment to stock of Level 2B non-RMBS assets	Adjustment to the stock of Level 2B non-RMBS assets for purpose of calculating the caps on Level 2 and Level 2B assets.	Annex 1
45	Adjusted amount of Level 2B non-RMBS assets	Adjusted amount of Level 2B non-RMBS assets used for the purpose of calculating the adjustment to the stock of HQLA due to the cap on Level 2 assets in line item 49 and the cap on Level 2B assets in line item 48.	Annex 1
46	Adjusted amount of Level 2B (RMBS and non-RMBS) assets	Sum of adjusted amount of Level 2B RMBS assets and adjusted amount of Level 2B non-RMBS assets	Annex 1
48	Adjustment to stock of HQLA due to cap on Level 2B assets	Adjustment to stock of HQLA due to 15% cap on Level 2B assets.	47, Annex 1

Row	Heading	Description	Basel III LCR standards reference
49	49 Adjustment to stock of HQLA due to cap on Level 2 assets	Adjustment to stock of HQLA due to 40% cap on Level 2 assets.	51, Annex 1
A)d)	**Total stock of HQLA**		
52	Total stock of HQLA	Total stock of HQLA after taking haircuts and the adjustment for the caps on Level 2 and Level 2B assets into account.	
56	Assets held at the entity level, but excluded from the consolidated stock of HQLA	Any surplus of liquid assets held at the legal entity that is excluded (i.e. not reported in lines above) from the consolidated stock because of reasonable doubts that they would be freely available to the consolidated (parent) entity in times of stress. Eligible liquid assets that are held by a legal entity being consolidated to meet its local LCR requirements (where applicable) can be included in the consolidated LCR to the extent that such liquid assets are used to cover the total net cash outflows of that entity, notwithstanding that the assets are subject to liquidity transfer restrictions. If the liquid assets held in excess of the total net cash outflows of the legal entity are not transferable, such surplus liquidity should be excluded from the standard and reported in this line. For practical reasons, the liquidity transfer restrictions to be accounted for in the consolidated ratio are confined to existing restrictions imposed under applicable laws, regulations and supervisory requirements. Banks should report the market value of Level 1 assets excluded in column D, the market value of Level 2A assets excluded in column E, the market value of Level 2B RMBS assets excluded in column F and the market value of Level 2B non-RMBS assets excluded in column G.	36–37, 171–172
57	of which, can be included in the consolidated stock by the time the standard is implemented	Any assets reported in row 56 but which the bank believes will, through management actions executed prior to the implementation date of the standard; meet the eligibility requirements for the stock of liquid assets.	
59	Assets excluded from the stock of HQLA due to operational restrictions	Level 1 and Level 2 assets held by the bank that are not included in the stock of HQLA (i.e. not reported in lines above), because of the operational restrictions noted in paragraphs 31-34 and 38-40 of the Basel III LCR standards. Banks should report the market value of Level 1 assets excluded in column D, the market value of Level 2A assets excluded in column E, the market value of Level 2B RMBS assets excluded in column F and the market value of Level 2B non-RMBS assets excluded in column G.	31–34, 38–40
60	of which, can be included in the stock by the time the standard is implemented	Any assets reported in row 59 but which the bank believes will, through management actions executed prior to the implementation date of the standard; meet the eligibility requirements for the stock of liquid assets.	

<table>
<tr><th>Row</th><th>Heading</th><th>Description</th><th>Basel III LCR standards reference</th></tr>
<tr><td colspan="4">A)e) Treatment for jurisdictions with insufficient HQLA
Please refer to the instructions from your supervisor for the specification of this subsection. (Note below)
Some jurisdictions may not have sufficient supply of Level 1 assets (or both Level 1 and Level 2 assets) in their domestic currency to meet the aggregate demand of banks with significant exposures in this currency (note that an insufficiency in Level 2 assets alone does not qualify for the alternative treatment). To address this situation, the Committee has developed alternative treatments for the holdings in the stock of HQLA, which are expected to apply to a limited number of currencies and jurisdictions.

Eligibility for such alternative treatment will be judged on the basis of qualifying criteria set out in Annex 2 of the Basel III LCR standards and will be determined through an independent peer review process overseen by the Committee. The purpose of this process is to ensure that the alternative treatments are only used when there is a true shortfall in HQLA in the domestic currency relative to the needs in that currency.

There are three potential options for this treatment (line items 67 to 71). If your supervisor intends to adopt this treatment, it is expected that they provide specific instructions to the banks under its supervision for reporting the relevant information under the option it intends to use. To avoid double-counting, if an asset has already been included in the eligible stock of HQLA, it should not be reported under these options.</td></tr>
<tr><td colspan="4">Option 1 – Contractual committed liquidity facilities from the relevant central bank, with a fee. These facilities should not be confused with regular central bank standing arrangements. In particular, these facilities are contractual arrangements between the central bank and the commercial bank with a maturity date which, at a minimum, falls outside the 30-day LCR window. Further, the contract must be irrevocable prior to maturity and involve no ex-post credit decision by the central bank.
Such facilities are only permissible if there is also a fee for the facility which is charged regardless of the amount, if any, drawn down against that facility and the fee is set so that banks which claim the facility line to meet the LCR, and banks which do not, have similar financial incentives to reduce their exposure to liquidity risk. That is, the fee should be set so that the net yield on the assets used to secure the facility should not be higher than the net yield on a representative portfolio of Level 1 and Level 2 assets, after adjusting for any material differences in credit risk.</td></tr>
<tr><td>67</td><td>Option 1 – Contractual committed liquidity facilities from the relevant central bank</td><td>Only include the portion of facility that is secured by available collateral accepted by the central bank, after haircut specified by the central bank. Please refer to the instructions from your supervisor for the specification of this item. (Note below)</td><td>58</td></tr>
<tr><td colspan="4">Option 2 – Foreign currency HQLA to cover domestic currency liquidity needs

For currencies that do not have sufficient HQLA, supervisors may permit banks that evidence a shortfall of HQLA in the domestic currency (which would match the currency of the underlying risks) to hold HQLA in a currency that does not match the currency of the associated liquidity risk, provided that the resulting currency mismatch positions are justifiable and controlled within limits agreed by their supervisors.

To account for foreign exchange risk associated with foreign currency HQLA used to cover liquidity needs in the domestic currency, such liquid assets should be subject to a minimum haircut of 8% for major currencies that are active in global foreign exchange markets. For other currencies, supervisors should increase the haircut to an appropriate level on the basis of historical (monthly) exchange rate volatilities between the currency pair over an extended period of time.

If the domestic currency is formally pegged to another currency under an effective mechanism, the haircut for the pegged currency can be lowered to a level that reflects the limited exchange rate risk under the peg arrangement. Haircuts for foreign currency HQLA used under Option 2 would apply only to HQLA in excess of a threshold specified by supervisors which is not greater than 25% that are used to cover liquidity needs in the domestic currency.</td></tr>
<tr><td>69</td><td>Level 1 assets</td><td>Subject to the limit mentioned above, the aggregate amount of the excess of Level 1 assets in a given foreign currency or currencies that can be used to cover the associated liquidity need of the domestic currency. Please refer to the instructions from your supervisor for the specification of</td><td>59</td></tr>
</table>

Row	Heading	Description	Basel III LCR standards reference
		this item.	
70	Level 2 assets	Subject to the limit mentioned above, the aggregate amount of the excess of Level 2 assets in a given foreign currency or currencies that can be used to cover the associated liquidity need of the domestic currency. **Please refer to the instructions from your supervisor for the specification of this item.**	59
Option 3 – Additional use of Level 2 assets with a higher haircut This option addresses currencies for which there are insufficient Level 1 assets, as determined by the qualifying principles and criteria, but where there are sufficient Level 2A assets. In this case, supervisors may choose to allow banks that evidence a shortfall of liquid assets in the domestic currency (to match the currency of the liquidity risk incurred) to hold additional Level 2A assets in the stock. These additional Level 2A assets should be subject to a minimum 20% – i.e. 5% higher than the 15% haircut applicable to Level 2A assets that are included in the 40% cap. Any Level 2B assets held by the bank would remain subject to the cap of 15%, regardless of the amount of other Level 2 assets held.			
71	Option 3 – Additional use of Level 2 assets with a higher haircut	Assets reported in lines 25 to 31 that are **not** counted towards the regular stock of HQLA because of the cap on Level 2 assets. **Please refer to the instructions from your supervisor for the specification of this item.**	62
72	Total usage of alternative treatment (post-haircut) before applying the cap	Sum of the usage of alternative treatment should be equal to total outright holdings and all borrowed securities under different options. **Please refer to the instructions from your supervisor for the specification of this item.**	
73	Cap on usage of alternative treatment	**Please refer to the instructions from your supervisor for the specification of this item.**	
74	Total usage of alternative treatment (post-haircut) after applying the cap	The lower of the cap and eligible alternative treatment (post haircut) before applying the cap. **Please refer to the instructions from your supervisor for the specification of this item.**	
A)f)	**Total stock of HQLA plus usage of alternative treatment**		
77	Total stock of HQLA plus usage of alternative treatment	Sum of stock of HQLA and usage of alternative treatment after cap.	
6.1.2 Outflows, Liquidity Coverage Ratio (LCR) (panel B1) This section calculates the total expected cash outflows in the LCR stress scenario for the subsequent 30 calendar days. They 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 to be drawn down (Basel III LCR standards paragraph 69). Where there is potential that an item could be reported 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 (Basel III LCR standards paragraph 72). **a) Retail deposit run-off** Retail deposits are defined as deposits placed with a bank by a natural person. Deposits from legal entities, sole proprietorships and partnerships are captured in wholesale deposit categories. Retail deposits reported in lines 87 to 104 include demand deposits and term deposits maturing in or with a notice period up to 30 days. Term deposits with a residual contractual maturity greater than 30 days which may be withdrawn within 30 days without entailing a significant withdrawal penalty materially greater than the loss of interest, should be considered to mature within the 30-day horizon and should also be included in lines 87 to 104 as appropriate. If a portion of the term deposit can be			

Row	Heading	Description	Basel III LCR standards reference
withdrawn without incurring such a penalty, only that portion should be treated as a demand deposit. The remaining balance of the deposit should be treated as a term deposit. Notes, bonds and other debt securities sold exclusively to the retail market and held in retail accounts can be reported in the appropriate retail deposit category (Basel III LCR standards paragraph 110). To be treated in this manner, it is not sufficient that the debt instruments are specifically designed and marketed to retail customers. Rather there should be limitations placed such that those instruments cannot be bought and held by parties other than retail customers. Per paragraph 76 of the Basel III LCR standards, an “effective deposit insurance scheme” refers to a scheme (i) that guarantees that it has the ability to make prompt payouts, (ii) for which the coverage is clearly defined and (iii) of which public awareness is high. The deposit insurer in an effective deposit insurance scheme has formal legal powers to fulfill its mandate and is operationally independent, transparent and accountable. A jurisdiction with an explicit and legally binding sovereign deposit guarantee that effectively functions as deposit insurance can be regarded as having an effective deposit insurance scheme.			
83	Total retail deposits; of which	Total retail deposits as defined above.	73–84
84	Insured deposits; of which:	The portion of retail deposits that are fully insured by an effective deposit insurance scheme.	75–78
85	in transactional accounts; of which:	Total insured retail deposits in transactional accounts (e.g. accounts where salaries are automatically credited)	75, 78
86	eligible for a 3% run-off rate; of which:	The amount of insured transactional retail deposits that are in jurisdictions where the supervisor chooses to apply a 3% runoff rate given the deposits are fully insured by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards. **Please refer to the instructions from your supervisor for the specification of these items.**	78
87	are in the reporting bank's home jurisdiction	Of the deposits referenced in line 86, the amount that **are** in the reporting bank’s home jurisdiction.	78
88	are not in the reporting bank's home jurisdiction	Of the deposits referenced in line 86, the amount that **are not** in the reporting bank’s home jurisdiction.	78
89	eligible for a 5% run-off rate; of which:	The amount of insured transactional retail deposits that are in jurisdictions where the supervisor does **not** choose to apply a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	75
90	are in the reporting bank's home jurisdiction	Of the deposits referenced in line 89, the amount that **are** in the reporting bank’s home jurisdiction.	75
91	are not in the reporting bank's home jurisdiction	Of the deposits referenced in line 89, the amount that **are not** in the reporting bank’s home jurisdiction.	75
92	in non-transactional accounts with established relationships that make deposit withdrawal highly unlikely; of which:	Total insured retail deposits in non-transactional accounts where the customer has another relationship with the bank that would make deposit withdrawal highly unlikely.	75, 78
94	are in the reporting bank's home jurisdiction	Of the deposits referenced in line 93, the amount that **are** in the reporting bank’s home jurisdiction.	78
95	are not in the reporting bank's home jurisdiction	Of the deposits referenced in line 93, the amount that **are not** in the reporting bank’s home jurisdiction.	78
96	eligible for a 5% run-off rate; of which:	The amount of insured non-transactional established relationship retail deposits that are in jurisdictions where the supervisor does not choose to apply a 3% run-off rate. **Please**[1]	75

Row	Heading	Description	Basel III LCR standards reference
		refer to the instructions from your supervisor for the specification of these items.	
97	are in the reporting bank's home jurisdiction	Of the deposits referenced in line 96, the amount that **are** in the reporting bank's home jurisdiction.	75
98	are not in the reporting bank's home jurisdiction	Of the deposits referenced in line 96, the amount that **are not** in the reporting bank's home jurisdiction.	75
99	in non-transactional and non-relationship accounts	Insured retail deposits in non-transactional accounts where the customer does **not** have another relationship with the bank that would make deposit withdrawal highly unlikely.	79
100	Uninsured deposits	The portion of retail deposits that are non-maturing or mature within 30 days that are not fully insured by an effective deposit insurance scheme (i.e. all retail deposits not reported in lines 87 to 99, excluding any deposits included in lines 102 to 104).	79
101	Additional deposit categories with higher runoff rates as specified by supervisor	Other retail deposit categories, as defined by the supervisor. These amounts should **not** be included in the lines above.	79
102	Category 1	As defined by supervisor	79
103	Category 2	As defined by supervisor	79
104	Category 3	As defined by supervisor	79
105	Term deposits (treated as having >30 day remaining maturity); of which	Retail deposits with a residual maturity or withdrawal notice period greater than 30 days where the depositor has no legal right to withdraw deposits within 30 days, or where early withdrawal results in a significant penalty that is materially greater than the loss of interest.	82–84
106	With a supervisory run-off rate	As defined by supervisor	84
107	Without supervisory run-off rate	All other term retail deposits treated as having > 30 day remaining maturity as defined in line 105.	82

b) Unsecured wholesale funding run-off

Unsecured wholesale funding is defined as liabilities and general obligations that are raised from non-natural persons (i.e. legal entities, including sole proprietorships and partnerships) and are **not** collateralized by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution, excluding derivatives.

Wholesale funding included in the LCR is defined as all funding that is callable within the LCR's 30-day horizon or that has its earliest possible contractual maturity date within this horizon (such as maturing term deposits and unsecured debt securities) as well as funding with an undetermined maturity. This includes all funding with options that are exercisable at the investor's discretion within the 30-day horizon. It also includes funding with options exercisable at the bank's discretion where the bank's ability not to exercise the option is limited for reputational reasons. In particular, where the market expects certain liabilities to be redeemed before their legal final maturity date and within the 30-day horizon, such liabilities should be included in the appropriate outflows category.

Small business customers

Unsecured wholesale funding provided by small business customers consists of deposits and other extensions of funds made by non-financial small business customers. "Small business customers" are defined in line with the definition of loans extended to small businesses in paragraph 231 of the Basel II framework that are managed as retail exposures and are generally considered as having similar liquidity risk characteristics to retail accounts, provided the total aggregated funding raised from the small business customer is less than €1 million (on a consolidated basis where applicable) (Basel III LCR standards paragraph 90).

"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) (Basel III LCR standards footnote 41).

Row	Heading	Description	Basel III LCR standards reference
Applying the limit on a consolidated basis means that where one or more small business customers are affiliated with each other, they may be considered as a single creditor such that the limit is applied to the total funding received by the bank from this group of customers (Basel III LCR standards footnote 41). Where a bank does not have any exposure to a small business customer that would enable it to use the definition under paragraph 231 of the Basel II Framework, the bank may include such a deposit in this category provided that the total aggregate funding raised from the customer is less than €1 million (on a consolidated 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. Term deposits from small business customers with a residual contractual maturity of greater than 30 days which can be withdrawn within 30 days without a significant withdrawal penalty materially greater than the loss of interest should be considered to fall within the 30-day horizon and should also be included in lines 116 to 133 as appropriate. If a portion of the term deposit can be withdrawn without incurring such a penalty, only that portion should be treated as a demand deposit. The remaining balance of the deposit should be treated as a term deposit.			
111	Total unsecured wholesale funding		85–111
112	Total funding provided by small business customers; of which:	Total small business customer deposits as defined above.	89–92
113	Insured deposits; of which:	The portion of deposits or other forms of unsecured wholesale funding which are provided by non-financial small business customers and are non-maturing or mature within 30 days that are fully insured by an effective deposit insurance scheme.	89, 75–78
114	in transactional accounts; of which:	Total insured small business customer deposits in transactional accounts (e.g. accounts where salaries are paid out from).	89, 75, 78
115	eligible for a 3% run-off rate; of which:	The amount of insured transactional small business customer deposits that are in jurisdictions where the supervisor chooses to apply a 3% run-off rate given the deposits are fully insured by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards. **Please refer to the instructions from your supervisor for the specification of these items.**	89, 78
116	are in the reporting bank's home jurisdiction	Of the deposits referenced in line 115, the amount that **are** in the reporting bank's home jurisdiction.	89, 78
117	are not in the reporting bank's home jurisdiction	Of the deposits referenced in line 115, the amount that **are not** in the reporting bank's home jurisdiction.	89, 78
118	eligible for a 5% run-off rate; of which:	The amount of insured transactional small business customer deposits that are in jurisdictions where the supervisor does not choose to apply a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	89, 75
119	are in the reporting bank's home jurisdiction	Of the deposits referenced in line 118, the amount that **are** in the reporting bank's home jurisdiction.	89, 75
120	are not in the reporting bank's home jurisdiction	Of the deposits referenced in line 118, the amount that **are not** in the reporting bank's home jurisdiction.	89, 75
121	in non-transactional accounts with established relationships that make deposit withdrawal highly unlikely; of which:	Total insured small business customer deposits in non-transactional accounts where the customer has another relationship with the bank that would make deposit withdrawal highly unlikely.	89, 75, 78
122	eligible for a 3% run-off rate; of which:	The amount of insured non-transactional established relationship small business customer deposits that are in	89, 78

Row	Heading	Description	Basel III LCR standards reference
		jurisdictions where the supervisor chooses to apply a 3% runoff rate given the deposits are fully insured by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards. **Please refer to the instructions from your supervisor for the specification of these items.**	
123	are in the reporting bank's home jurisdiction	Of the deposits referenced in line 122, the amount that **are** in the reporting bank's home jurisdiction.	89, 78
124	are not in the reporting bank's home jurisdiction	Of the deposits referenced in line 122, the amount that **are not** in the reporting bank's home jurisdiction.	89, 78
125	eligible for a 5% run-off rate; of which:	The amount of insured non-transactional established relationship small business customer deposits that are in jurisdictions where the supervisor does not choose to apply a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	89, 75
126	are in the reporting bank's home jurisdiction	Of the deposits referenced in line 125, the amount that **are** in the reporting bank's home jurisdiction.	89, 75
127	are not in the reporting bank's home jurisdiction	Of the deposits referenced in line 125, the amount that **are not** in the reporting bank's home jurisdiction.	89, 75
128	in non-transactional and non-relationship accounts	Insured small business customer deposits in non-transactional accounts, where the customer does not have another relationship with the bank that would make deposit withdrawal highly unlikely.	89, 79
129	Uninsured deposits	The portion of small business customer deposits that are non-maturing or mature within 30 days, that are not fully insured by an effective deposit insurance scheme (i.e. all small business customer deposits not reported in lines 116 to 128, excluding any reported in lines 131 to 133).	89, 79
130	Additional deposit categories with higher runoff rates as specified by supervisor	Other small business customer deposits, as defined by supervisor. Amounts in these categories should not be included in the lines above.	89, 79
131	Category 1	As defined by supervisor	89, 79
132	Category 2	As defined by supervisor	89, 79
133	Category 3	As defined by supervisor	89, 79
134	Term deposits (treated as having >30 day maturity); of which:	Small business customer deposits with a residual maturity or withdrawal notice period of greater than 30 days where the depositor has no legal right to withdraw deposits within 30 days, or if early withdrawal is allowed, would result in a significant penalty that is materially greater than the loss of interest.	92, 82-84
135	With a supervisory run-off rate	As defined by supervisor	92, 84
136	Without supervisory run-off rate	All other term small business customer deposits treated as having > 30 day remaining maturity as defined in line 134.	92, 82
Unsecured wholesale funding generated by clearing, custody and cash management activities ("operational deposits"): Reported in lines 140 to 153 are portions of deposits and other extensions of funds from financial and non-financial wholesale customers (excluding deposits less than €1 million from small business customers which are reported in lines 116 to 136) generated out of clearing, custody and cash management activities ("operational deposits"). These funds may receive a 25% run-off factor only if the customer has a substantive dependency with the bank and the deposit is required for such activities. Qualifying activities in this context refer to clearing, custody or cash management activities that meet the following			

<table>
<tr><th>Row</th><th>Heading</th><th>Description</th><th>Basel III LCR standards reference</th></tr>
<tr><td colspan="4">criteria:

The customer is reliant on the bank to perform these services as an independent third party intermediary in order to fulfill its normal banking activities over the next 30 days. For example, this condition would not be met if the bank is aware that the customer has adequate back-up arrangements.
These services must be provided under a legally binding agreement to institutional customers.
The termination of such agreements shall be subject either to a notice period of at least 30 days or significant switching costs (such as those related to transaction, information technology, early termination or legal costs) to be borne by the customer if the operational deposits are moved before 30 days.

Qualifying operational deposits generated by such an activity are ones where:

The deposits are by-products of the underlying services provided by the banking organization 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. In the case that interest rates in a jurisdiction are close to zero, it would be expected that such accounts is non-interest bearing.

Any excess balances that could be withdrawn and would still leave enough funds to fulfill these clearing, custody and cash management activities do not qualify for the 25% factor. In other words, only that part of the deposit balance with the service provider that is proven to serve a customer’s operational needs can qualify as stable. Excess balances should be treated in the appropriate category for non-operational deposits. If banks are unable to determine the amount of the excess balance, then the entire deposit should be assumed to be excess to requirements and, therefore, considered non-operational.
Deposits arising out of correspondent banking or from the provision of prime brokerage services (as defined in Basel III LCR standards footnote 42) should not be reported in these lines rather as non-operational deposits in lines 156 to 163 as appropriate (Basel III LCR standards paragraph 99) and lines 169 and 171, respectively.
A clearing relationship, in this context, refers to a service arrangement that enables customers to transfer funds (or securities) indirectly through direct participants in domestic settlement systems to final recipients. Such services are limited to the following activities: transmission, reconciliation and confirmation of payment orders; daylight overdraft, overnight financing and maintenance of post-settlement balances; and determination of intra-day and final settlement positions. (Basel III LCR standards, paragraph 101)

A custody relationship, in this context, refers to the provision of safekeeping, reporting, processing of assets or the facilitation of the operational and administrative elements of related activities on behalf of customers in the process of their transacting and retaining financial assets. Such services are limited to the settlement of securities transactions, the transfer of contractual payments, the processing of collateral, and the provision of custody related cash management services. Also included are the receipt of dividends and other income, client subscriptions and redemptions. Custodial services can furthermore extend to asset and corporate trust servicing, treasury, escrow, funds transfer, stock transfer and agency services, including payment and settlement services (excluding correspondent banking), and depository receipts. (Basel III LCR standards, paragraph 102)

A cash management relationship, in this context, refers to the provision of cash management and related services to customers. Cash management services, in this context, refers to those products and services provided to a customer to manage its cash flows, assets and liabilities, and conduct financial transactions necessary to the customer’s ongoing operations. Such services are limited to payment remittance, collection and aggregation of funds, payroll administration, and control over the disbursement of funds. (Basel III LCR standards, paragraph 103)</td></tr>
<tr><td>137</td><td>Total operational deposits; of which:</td><td>The portion of unsecured operational wholesale funding generated by clearing, custody and cash management activities as defined above.</td><td>93–104</td></tr>
<tr><td>138</td><td>provided by non-financial corporates</td><td>Such funds provided by non-financial corporates. Funds from small business customers that meet the requirements outlined in paragraphs 90 and 91 of the Basel III LCR standards should not be reported here but are subject to lower run-off rates in</td><td>93–104</td></tr>
</table>

Row	Heading	Description	Basel III LCR standards reference
		rows 116 to 129.	
139	insured, with a 3% run-off rate	The portion of such funds provided by non-financial corporates that **are** fully covered by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards and are in jurisdictions where the supervisor chooses to prescribe a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	104
140	insured, with a 5% run-off rate	The portion of such funds provided by non-financial corporates that **are** fully covered by an effective deposit insurance scheme but that are not prescribed a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	104
141	uninsured	The portion of such funds provided by non-financial corporates that **are not** fully covered by an effective deposit insurance scheme.	93–103
142	provided by sovereigns, central banks, PSEs and MDBs	Such funds provided by sovereigns, central banks, PSEs and multilateral development banks.	93–104
143	insured, with a 3% run-off rate	The portion of such funds provided by sovereigns, central banks, PSEs and multilateral development banks that **are** fully covered by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards and are in jurisdictions where the supervisor chooses to prescribe a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	104
144	insured, with a 5% run-off rate	The portion of such funds provided by sovereigns, central banks, PSEs and multilateral development banks that **are** fully covered by an effective deposit insurance scheme but that are not prescribed a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	104
145	uninsured	The portion of such funds provided by sovereigns, central banks, PSEs and multilateral development banks that **are not** fully covered by an effective deposit insurance scheme.	93–103
146	provided by banks	Such funds provided by banks.	93–104
147	insured, with a 3% run-off rate	The portion of such funds provided by banks that **are** fully covered by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards and are in jurisdictions where the supervisor chooses to prescribe a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	104
148	insured, with a 5% run-off rate	The portion of such funds provided by banks that **are** fully covered by an effective deposit insurance scheme but that are not prescribed a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	104
149	uninsured	The portion of such funds provided by banks that **are not** fully covered by an effective deposit insurance scheme.	93–103
150	provided by other financial institutions and other legal entities	Such funds provided by financial institutions (other than banks) and other legal entities.	93–104
151	insured, with a 3% run-off rate	The portion of such funds provided by financial institutions (other than banks) and other legal entities that **are** fully	104

Row	Heading	Description	Basel III LCR standards reference
		covered by an effective deposit insurance scheme that meets the conditions outlined in paragraph 78 of the Basel III LCR standards and are in jurisdictions where the supervisor chooses to prescribe a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	
152	insured, with a 5% run-off rate	The portion of such funds provided by financial institutions (other than banks) and other legal entities that **are** fully covered by an effective deposit insurance scheme but that are not prescribed a 3% run-off rate. **Please refer to the instructions from your supervisor for the specification of these items.**	104
153	uninsured	The portion of such funds provided by financial institutions (other than banks) and other legal entities that **are not** fully covered by an effective deposit insurance scheme.	93–103
Non-operational deposits in lines 156 to 163 include all deposits and other extensions of unsecured funding not included under operational deposits in lines 140 to 153, excluding notes, bonds and other debt securities, covered bond issuance or repo and secured funding transactions (reported below). Deposits arising out of correspondent banking or from the provision of prime brokerage services (as defined in the Basel III LCR standards, footnote 42) should **not** be included in these lines (Basel III LCR standards, paragraph 99). Customer cash balances arising from the provision of prime brokerage services, including but not limited to the cash arising from prime brokerage services as identified in Basel III LCR standards, paragraph 99, should be considered separate from any required segregated balances related to client protection regimes imposed by national regulations, and should not be netted against other customer exposures included in this standard. These offsetting balances held in segregated accounts are treated as inflows in Basel III LCR standards, paragraph 154 and should be excluded from the stock of HQLA (Basel III LCR standards, paragraph 111).			
154	Total non-operational deposits; of which	The portion of unsecured wholesale funding not considered as “operational deposits” as defined above.	105–109
155	provided by non-financial corporates; of which:	Total amount of such funds provided by non-financial corporates.	107–108
156	where entire amount is fully covered by an effective deposit insurance scheme	Amount of such funds provided by non-financial corporates where the entire amount of the deposit **is** fully covered by an effective deposit insurance scheme.	108
157	where entire amount is not fully covered by an effective deposit insurance scheme	Amount of such funds provided by non-financial corporates where the entire amount of the deposit **is not** fully covered by an effective deposit insurance scheme.	107
158	provided by sovereigns, central banks, PSEs and MDBs; of which:	Such funds provided by sovereigns, central banks (other than funds to be reported in line item 165), PSEs, and multilateral development banks.	107-108
159	where entire amount is fully covered by an effective deposit insurance scheme	Amount of such funds provided by sovereigns, central banks, PSEs and MDBs where the entire amount of the deposit **is** fully covered by an effective deposit insurance scheme.	108
160	where entire amount is not fully covered by an effective deposit insurance scheme	Amount of such funds provided by sovereigns, central banks, PSEs and MDBs where the entire amount of the deposit **is not** fully covered by an effective deposit insurance scheme.	107
161	provided by members of institutional networks of cooperative (otherwise named) banks	An institutional network of cooperative (or otherwise named) banks is a group of legally autonomous banks with a statutory framework of cooperation with common strategic focus and brand	105

Row	Heading	Description	Basel III LCR standards reference
		where specific functions are performed by central institutions or specialized service providers. Central institutions or specialized central service providers of such networks should report in this line the amount of deposits placed by network member institutions (that are not reported in line items 148 or 149 and that are) (a) due to statutory minimum deposit requirements which are registered at regulators or (b) in the context of common task sharing and legal, statutory or contractual arrangements so long as both the bank that has received the monies and the bank that has deposited participate in the same institutional network's mutual protection scheme against illiquidity and insolvency of its members. Deposits from network member institutions that are neither included in line items 148 or 149, nor placed for purposes as referred to in letters (a) and (b) above, are to be reported in line items 162 or 163. Banks that are not the central institutions or specialized central service provider of such network should report zero in this line.	
162	provided by other banks	Such funds provided by other banks, not reported in line 161.	109
163	provided by other financial institutions and other legal entities	Such funds provided by financial institutions other than banks and by other legal entities not included in the categories above. Funding from fiduciaries, beneficiaries, conduits and special purpose vehicles and affiliated entities should also be reported here.	109
Notes, bonds and other debt securities issued by the bank are included in line 164 regardless of the holder, unless the bond is sold exclusively in the retail market and held in retail accounts (including small business customers treated as retail), in which case the instruments can be reported in the appropriate retail or small business customer deposit category in lines 87 to 107 or lines 116 to 136, respectively. Outflows on covered bonds should be reported in line 227.			
164	Unsecured debt issuance	Outflows on notes, bonds and other debt securities, excluding on bonds sold exclusively to the retail or small business customer markets and excluding outflows on covered bonds.	110
165	Additional balances required to be installed in central bank reserves	Amounts to be installed in the central bank reserves within 30 days. Funds reported in this line should not be included in line 159 or 160. **Please refer to the instructions from your supervisor for the specification of this item.**	Extension of 50(b)
168	Of the non-operational deposits reported above, amounts that could be considered operational in nature but per the standards have been excluded from receiving the operational deposit treatment due to:		
169	correspondent banking activity	Amounts in accounts with a clearing, custody or cash management relationship but which have been excluded from the operational deposit category because the account is a correspondent banking account. Correspondent banking refers to arrangements under which one bank (correspondent) holds deposits owned by other banks (respondents) and provides payment and other services in order	99, footnote 42

Row	Heading	Description	Basel III LCR standards reference
		to settle foreign currency transactions (e.g. so-called nostro and vostro accounts used to settle transactions in a currency other than the domestic currency of the respondent bank for the provision of clearing and settlement of payments).	
171	prime brokerage services	Amounts in accounts with a clearing, custody or cash management relationship but which have been excluded from the operational deposit category because the account holder is a prime brokerage client of the reporting institution. Prime brokerage is a package of services offered to large active investors, particularly hedge funds.	99, footnote 42
173	excess balances in operational accounts that could be withdrawn and would leave enough funds to fulfil the learing, custody and cash management activities	Amounts in accounts with a clearing, custody or cash management relationship but which have been excluded from the operational deposit category because these funds are excess balances and could be withdrawn and would leave enough funds to fulfil the clearing, custody and cash management activities.	96

c) Secured funding run-off

Secured funding is defined as those liabilities and general obligations that are collateralized by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution. In this section any transaction in which the bank has received a collateralized loan in cash, such as repo transactions, expiring within 30 days should be reported. Collateral swaps where the bank receives a collateralized loan in the form of other assets than cash, should not be reported here, but in panel C below.

Additionally, collateral lent to the bank's customers to affect short positions should be treated as a form of secured funding. A customer short position in this context describes a transaction where a bank's customer sells a security it does not own, and the bank subsequently obtains the same security from internal or external sources to make delivery into the sale. Internal sources include the bank's own inventory of collateral as well as rehypothecatable Level 1 or Level 2 collateral held in other customer margin accounts. The contingent risk associated with non-contractual obligations where customer short positions are covered by other customers' collateral that does not qualify as Level 1 or Level 2 should be reported in line 263. External sources include collateral obtained through a securities borrowing, reverse repo, or like transaction.

If the bank has deposited both liquid and non-liquid assets in a collateral pool and no assets are specifically assigned as collateral for the secured transaction, the bank may assume for this monitoring exercise that the assets with the lowest liquidity get assigned first: assets that are not eligible for the stock of liquid assets are assumed to be assigned first. Only once all those assets are fully assigned should Level 2B assets be assumed to be assigned, followed by Level 2A assets. Only once all Level 2 assets are assigned should Level 1 assets be assumed to be assigned.
A bank should report all outstanding secured funding transactions with remaining maturities within the 30 calendar day stress horizon, including customer short positions that do not have a specified contractual maturity. The amount of funds raised through the transaction should be reported in column D ("amount received"). The value of the underlying collateral extended in the transaction should be reported in column E ("market value of extended collateral"). Both
values are needed to calculate the caps on Level 2 and Level 2B assets and both should be calculated at the date of reporting, not the trade or settlement date of the transaction.
Please refer to the instructions from your supervisor for the specification of items related to Level 2B assets in this subsection.

177	Transactions conducted with the bank's domestic central bank; of which:	In column D: Amount raised in secured funding or repo transactions with the bank's domestic central bank that mature within 30 days. In column E: The market value of the collateral extended on these transactions.	114–115
178	Backed by Level 1 assets; of which:	In column D: Amount raised in secured funding or repo transactions with the bank's domestic central bank that mature	114–115

Row	Heading	Description	Basel III LCR standards reference
		within 30 days and are backed by Level 1 assets. In column E: The market value of the Level 1 asset collateral extended on these transactions.	
179	Transactions involving eligible liquid assets	In column D: Of the amount reported in line 174, that which is raised in secured funding or repo transactions that mature within 30 days and are backed by Level 1 assets where these assets would otherwise qualify to be reported in panel Aa of the "LCR" worksheet (if they were not already securing the particular transaction in question), because: (i) they would be held unencumbered; and (ii) they would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column E: The market value of the Level 1 asset collateral extended on these transactions.	114–115
181	Backed by Level 2A assets; of which:	In column D: Amount raised in secured funding or repo transactions with the bank's domestic central bank that mature within 30 days and are backed by Level 2A assets. In column E: The market value of the Level 2A asset collateral extended on these transactions.	114–115
182	Transactions involving eligible liquid assets	In column D: Of the amount reported in line 181, that which is raised in secured funding or repo transactions that mature within 30 days and are backed by Level 2A assets where these assets would otherwise qualify to be reported in panel Ab of the "LCR" worksheet (if they were not already securing the particular transaction in question) because: (i) they would be held unencumbered; and (ii) they would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column E: The market value of the Level 2A asset collateral extended on these transactions.	114–115
184	Backed by Level 2B RMBS assets; of which:	In column D: Amount raised in secured funding or repo transactions with the bank's domestic central bank that mature within 30 days and are backed by Level 2B RMBS assets. In column E: The market value of the Level 2B RMBS asset collateral extended on these transactions.	114–115
185	Transactions involving eligible liquid assets	In column D: Of the amount reported in line 184, that which is raised in secured funding or repo transactions that mature within 30 days and are backed by Level 2B RMBS assets where these assets would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (if they were not already securing the particular transaction in question) because: (i) they would be held unencumbered; and (ii) they would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column E: The market value of the Level 2B RMBS asset collateral extended on these transactions.	114–115
187	Backed by Level 2B non-RMBS assets; of which:	In column D: Amount raised in secured funding or repo transactions with the bank's domestic central bank that mature within 30 days and is backed by Level 2B non-RMBS assets. In column E: The market value of the Level 2B non-RMBS asset collateral extended on these transactions.	114–115

Row	Heading	Description	Basel III LCR standards reference
188	Transactions involving eligible liquid assets	In column D: Of the amount reported in line 187, that which is raised in secured funding or repo transactions that mature within 30 days and are backed by Level 2B non-RMBS assets where these assets would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (if they were not already securing the particular transaction in question) because: (i) they would be held unencumbered; and (ii) they would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column E: The market value of the Level 2B non-RMBS asset collateral extended on these transactions.	114–115
190	Backed by other assets	In column D: Amount raised on secured funding or repo transactions with the bank's domestic central bank that mature within 30 days and are backed by all other assets (i.e. other than Level 1 or Level 2 assets). In column E: The market value of the other asset collateral extended on these transactions.	114–115
191	Transactions not conducted with the bank's domestic central bank and backed by Level 1 assets; of which:	In column D: Amount raised in secured funding or repo transactions that are not conducted with the bank's domestic central bank and that mature within 30 days and are backed by Level 1 assets.	114–115
192	Transactions involving eligible liquid assets	In column D: Of the amount reported in line 191, that which is raised in secured funding or repo transactions that mature within 30 days and are backed by Level 1 assets where these assets would otherwise qualify to be reported in panel Aa of the "LCR" worksheet (if they were not already securing the particular transaction in question), because: (i) they would be held unencumbered; and (ii) they would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column E: The market value of the Level 1 asset collateral extended on these transactions.	114–115
194	Transactions not conducted with the bank's domestic central bank and backed by Level 2A assets; of which:	In column D: Amount raised in secured funding or repo transactions that are not conducted with the bank's domestic central bank and that mature within 30 days and are backed by Level 2A assets. In column E: The market value of the Level 2A asset collateral extended on these transactions.	114–115
195	Transactions involving eligible liquid assets	In column D: Of the amount reported in line 194, that which is raised in secured funding or repo transactions that mature within 30 days and are backed by Level 2A assets where these assets would otherwise qualify to be reported in panel Ab of the "LCR" worksheet (if they were not already securing the particular transaction in question) because: (i) they would be held unencumbered; and (ii) they would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column E: The market value of the Level 2A asset collateral extended on these transactions.	114–115
197	Transactions not conducted with the bank's domestic	In column D: Amount raised in secured funding or repo transactions that are not conducted with the bank's domestic central bank and that mature within 30 days and are backed by Level 2B RMBS assets.	114–115

Row	Heading	Description	Basel III LCR standards reference
	central bank and backed by Level 2B RMBS assets; of which:	In column E: The market value of the Level 2B RMBS asset collateral extended on these transactions.	
198	Transactions involving eligible liquid assets	In column D: Of the amount reported in line 197, that which is raised in secured funding or repo transactions that mature within 30 days and are backed by Level 2B RMBS assets where these assets would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (if they were not already securing the particular transaction in question) because: (i) they would be held unencumbered; and (ii) they would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column E: The market value of the Level 2B RMBS asset collateral extended on these transactions.	114–115
200	Transactions not conducted with the bank's domestic central bank and backed by Level 2B non-RMBS assets; of which:	In column D: Amount raised in secured funding or repo transactions that are not conducted with the bank's domestic central bank and that mature within 30 days and are backed by Level 2B non-RMBS assets. In column E: The market value of the Level 2B non-RMBS asset collateral extended on these transactions.	114–115
201	Counterparties are domestic sovereigns, MDBs or domestic PSEs with a 20% risk weight; of which:	In column D: Secured funding transactions with domestic sovereign, multilateral development banks or domestic PSEs that are backed by Level 2B non-RMBS assets. PSEs that receive this treatment should be limited to those that are 20% or lower risk weighted. In column E: The market value of collateral extended on these transactions.	114–115
202	Transactions involving eligible liquid assets	In column D: Of the amount reported in line 201, that which is raised in secured funding or repo transactions that mature within 30 days and are backed by Level 2B non-RMBS assets where these assets would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (if they were not already securing the particular transaction in question) because: (i) they would be held unencumbered; and (ii) they would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column E: The market value of the Level 2B non-RMBS asset collateral extended on these transactions.	114–115
204	Counterparties are not domestic sovereigns, MDBs or domestic PSEs with a 20% risk weight; of which:	In column D: Secured funding transactions with counterparties other than domestic sovereign, multilateral development banks or domestic PSEs with a 20% risk weight that are backed by Level 2B non-RMBS assets. In column E: The market value of collateral extended on these transactions.	114–115
205	Transactions involving eligible liquid assets	In column D: Of the amount reported in line 204, that which is raised in secured funding or repo transactions that mature within 30 days and are backed by Level 2B non-RMBS assets where these assets would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (if they were not already securing the particular transaction in question) because: (i) they would be held unencumbered; and (ii) they would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column E: The market value of the Level 2B non-RMBS asset	114–115

Row	Heading	Description	Basel III LCR standards reference
		collateral extended on these transactions.	
207	Transactions not conducted with the bank's domestic central bank and backed by other assets (non-HQLA); of which:	In column D: Amount raised in secured funding or repo transactions that are not conducted with the bank's domestic central bank and that mature within 30 days and are backed by other assets (non-HQLA). In column E: The market value of the other (non-HQLA) asset collateral extended on these transactions.	114–115
208	Counterparties are domestic sovereigns, MDBs or domestic PSEs with a 20% risk weight; of which:	In column D: Secured funding transactions with domestic sovereign, multilateral development banks or domestic PSEs that are backed by other assets (non-HQLA). PSEs that receive this treatment should be limited to those that are 20% or lower risk weighted. In column E: The market value of collateral extended on these transactions.	114–115
209	Counterparties are not domestic sovereigns, MDBs or domestic PSEs with a 20% risk weight; of which:	In column D: Secured funding transactions with counterparties other than domestic sovereign, multilateral development banks or PSEs that are backed by other assets (non-HQLA). In column E: The market value of collateral extended on these transactions.	114–115
d)	**Additional requirements**	***Please note that the below information is identical to paragraphs 117-123 in general guidance.***	
213	Derivatives cash outflow	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. The sum of all net cash outflows should be reported here. The sum of all net cash inflows should be reported in line 315. Banks should exclude from such calculations those liquidity requirements that would result from increased collateral needs due to market value movements (to be reported in line 221) or falls in value of collateral posted (reported in line 216 and line 217). Options should be assumed to be exercised when they are 'in the money' to the option buyer. Where derivative payments are collateralized 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. **Note that cash flows do not equal the marked-to-market value, since the marked-to-market value also includes estimates for contingent inflows and outflows and may include cash flows that occur beyond the 30-day horizon.** It is generally expected that a positive amount would be provided for both this line item and line 315 for institutions engaged in derivatives transactions.	116, 117
214	Increased liquidity needs related to downgrade triggers in derivatives and other financing transactions	(100% of the amount of collateral that would be posted for, or contractual cash outflows associated with, any downgrade up to and including a 3-notch downgrade). 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 recognized credit rating organization. The scenario therefore requires that for each contract in which "downgrade triggers" exist, the bank assumes that 100% of this additional	118

Row	Heading	Description	Basel III LCR standards reference
		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. Triggers linked to a bank's short-term rating should be assumed to be triggered at the corresponding long-term rating in accordance with published ratings criteria. The impact of the downgrade should consider impacts on all types of margin collateral and contractual triggers which change rehypothecation rights for non-segregated collateral. (Refer to Paragraph 118 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	
215	Increased liquidity needs related to the potential for valuation changes on posted collateral securing derivative and other transactions:	Increased liquidity needs related to the potential for valuation changes on posted collateral securing derivative and other transactions: (20% of the value of non-Level 1 posted collateral). Observation of market practices indicates that 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 cash or sovereign, central bank, multilateral development banks, or PSE debt securities with a 0% risk weight under the Basel II 65standardized approach. When these Level 1 liquid asset securities are posted as collateral, the framework will not require that an additional stock of HQLA be maintained for potential valuation changes. If however, counterparties are securing mark-to-market exposures with other forms of collateral, to cover the potential loss of market value on those securities, 20% of the value of all such posted collateral, net of collateral received on a counterparty basis (provided that the collateral received is not subject to restrictions on reuse or rehypothecation) will be added to the stock of required HQLA by the bank posting such collateral. This 20% will be calculated based on the notional amount required to be posted as collateral after any other haircuts have been applied that may be applicable to the collateral category. Any collateral that is in a segregated margin account can only be used to offset outflows that are associated with payments that are eligible to be offset from that same account. (Refer to Paragraph 119 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	119
216	Cash and Level 1 assets	Current market value of relevant collateral posted as margin for derivatives and other transactions that, if they had been unencumbered, would have been eligible for inclusion in line items 6 to 18.	
217	For other collateral (i.e. all non-Level 1 collateral)	Current market value of relevant collateral posted as margin for derivatives and other transactions other than those included in line item 216 (all non-Level 1 collateral). This amount should be calculated net of collateral received on a counterparty basis (provided that the collateral received is not subject to restrictions on reuse or rehypothecation). Any collateral that is in a segregated margin account can only be used to offset outflows that are associated with payments that are eligible to be offset from that same account.	
218	Increased liquidity needs related to excess nonsegregated	The amount of non-segregated collateral that the reporting institution currently has received from counterparties but could under legal documentation be recalled because the collateral is in excess of that counterparty's current collateral requirements.	120

Row	Heading	Description	Basel III LCR standards reference
	collateral held by the bank that could contractually be called at any time by the counterparty		
219	Increased liquidity needs related to contractually required collateral on transactions for which the counterparty has not yet demanded the collateral be posted	The amount of collateral that is contractually due from the reporting institution, but for which the counterparty has not yet demanded the posting of such collateral.	121
220	Increased liquidity needs related to contracts that allow collateral substitution to non-HQLA assets	The amount of HQLA collateral that can be substituted for non-HQLA without the bank's consent that has been received to secure transactions and that has not been segregated (e.g. otherwise included in HQLAs, as secured funding collateral or in other bank operations).	122
221	Increased liquidity needs related to market valuation changes on derivative or other transactions	Any potential liquidity needs deriving from collateralization of mark-to-market exposures on derivative and other transactions. Unless its national supervisor has provided other instructions (i.e. according flexibility as per circumstances), banks should calculate any outflow generated by increased needs related to market valuation changes by identifying the largest absolute net 30-day collateral flow realized during the preceding 24 months, where the absolute net collateral flow is based on both realized outflows and inflows. Inflows and outflows of transactions executed under the same master netting agreement can be treated on a net basis.	123
222	Loss of funding on ABS and other structured financing instruments issued by the bank, excluding covered bonds	Loss of funding on asset-backed securities (To the extent that sponsored conduits/SPVs are required to be consolidated under liquidity requirements, their assets and liabilities will be taken into account. Supervisors need to be aware of other possible sources of liquidity risk beyond that arising from debt maturing within 30 days.) covered bonds and other structured financing instruments: The scenario assumes the outflow of 100% of the funding transaction maturing within the 30-day period, when these instruments are issued by the bank itself (as this assumes that the re-financing market will not exist). (Refer to Paragraph 124 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	124
223	Loss of funding on ABCP, conduits, SIVs and other such financing activities; of which:	All funding on asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities maturing or returnable within 30 days. Banks having structured financing facilities that include the issuance of short-term debt instruments, such as asset backed commercial paper, should report the potential liquidity outflows from these structures. These include, but are not limited to, (i) the inability to refinance maturing debt, and (ii) the existence of derivatives or derivative-like components 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.	125

Row	Heading	Description	Basel III LCR standards reference
		Where the structured financing activities are conducted through a special purpose entity (such as a special purpose vehicle, conduit or 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. Note; A special purpose entity (SPE) is defined in the Basel II Framework (paragraph 552) as a corporation, trust, or other entity organized for a specific purpose, the activities of which are limited to those appropriate to accomplish the purpose of the SPE, and the structure of which is intended to isolate the SPE from the credit risk of an originator or seller of exposures. SPEs are commonly used as financing vehicles in which exposures are sold to a trust or similar entity in exchange for cash or other assets funded by debt issued by the trust. (Refer to footnote 50 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	
224	debt maturing ≤ 30 days	Portion of the funding specified in line 223 maturing within 30 days.	125
225	with embedded options in financing arrangements	Portion of the funding specified in line 223 **not** maturing within 30 days but with embedded options that could reduce the effective maturity of the debt to 30 days or less.	125
226	other potential loss of such funding	Portion of the funding specified in line 223 that is not included in line 224 or 225.	125
227	Loss of funding on covered bonds issued by the bank	Balances of covered bonds, issued by the bank that mature in 30 days or less.	124

Credit and liquidity facilities are defined as explicit contractual agreements or obligations to extend funds at a future date to retail or wholesale counterparties. For the purpose of the standard, these facilities only include contractually irrevocable (“committed”) or conditionally revocable agreements to extend funds in the future (Basel III LCR standards, paragraph 126). These off-balance sheet facilities or funding commitments can have long or short-term maturities, with short-term facilities frequently renewing or automatically rolling-over. In a stressed environment, it will likely be difficult for customers drawing on facilities of any maturity, even short-term maturities, to be able to quickly pay back the borrowings. Therefore, for purposes of this standard, all facilities that are assumed to be drawn (as outlined in the paragraphs below) will remain outstanding at the amounts assigned throughout the duration of the test, regardless of maturity.

(Refer to Paragraph 126 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Unconditionally revocable facilities that are unconditionally cancellable by the bank (in particular, those without a precondition of a material change in the credit condition of the borrower) are excluded from this section and should be reported in lines 249 to 261, as appropriate (Basel III LCR standards, paragraph 126).

The currently undrawn portion of these facilities should be reported. The reported amount may be net of any HQLAs eligible for the stock of HQLAs, if the HQLAs have already been posted as collateral by the counterparty to secure the facilities or that are contractually obliged to be posted when the counterparty will draw down the facility (e.g. a liquidity facility structured as a repo facility), if the bank is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the facility is drawn, and there is no undue correlation between the probability of drawing the facility and the market value of the collateral. The collateral can be netted against the

<table>
<tr><th>Row</th><th>Heading</th><th>Description</th><th>Basel III LCR standards reference</th></tr>
<tr><td colspan="4">outstanding amount of the facility to the extent that this collateral is not already counted in the stock of HQLAs (Basel III LCR standards, paragraph 127).

A liquidity facility is defined as any committed, undrawn back-up facility that would be utilized to refinance the debt obligations of a customer in situations where such a customer is unable to rollover that debt in financial markets (e.g. pursuant to a commercial paper programme, secured financing transactions, obligations to redeem units, etc.).
The amount of a commitment to be treated as a liquidity facility is the amount of the currently outstanding debt issued by the customer (or proportionate share, if a syndicated facility) maturing within a 30 day period that is backstopped by the facility. The portion of a liquidity facility that is backing debt that does not mature within the 30-day window is excluded from the scope of the definition of a facility. Any additional capacity of the facility (i.e. the remaining commitment) would be treated as a committed credit facility and should be reported as such.

General working capital facilities for corporate entities (e.g. revolving credit facilities in place for general corporate and/or working capital purposes) will not be classified as liquidity facilities, but as credit facilities.
Notwithstanding the above, any facilities provided to hedge funds, money market funds and special purpose funding vehicles, for example SPEs (as defined in the Basel III LCR standards, paragraph 125) or conduits, or other vehicles used to finance the banks own assets, should be captured in their entirety as a liquidity facility and reported in line 238.

For that portion of financing programs that are captured in the Basel III LCR standards, paragraphs 124 and 125 (i.e. are maturing or have liquidity puts that may be exercised in the 30-day horizon); banks that are providers of associated liquidity facilities do not need to double count the maturing financing instrument and the liquidity facility for consolidated programs.</td></tr>
<tr><td>228</td><td>Undrawn committed credit and liquidity facilities to retail and small business customers</td><td>Any contractual loan drawdowns from committed facilities (Committed facilities refer to those which are irrevocable) and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows:

Balances of undrawn committed credit and liquidity facilities extended by the bank to natural persons and small business customers, as defined above. Banks should assume a 5% drawdown of the undrawn portion of these facilities.

(Refer to Paragraph 131(a) of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)</td><td>131(a)</td></tr>
<tr><td>229</td><td>non-financial corporates</td><td>Any contractual loan drawdowns from committed facilities (Committed facilities refer to those which are irrevocable) and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows:

Balances of undrawn committed credit facilities extended by the bank to non-financial institution corporations (excluding small business customers). The amount reported in this line should also include any ‘additional capacity’ of liquidity facilities (as defined above) provided to non-financial corporates. Banks should assume a 10% drawdown of the undrawn portion of these credit facilities.

(Refer to Paragraph 131(b) of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)</td><td>131(b)</td></tr>
<tr><td>231</td><td>sovereigns, central banks, PSEs and MDBs</td><td>Any contractual loan drawdowns from committed facilities (Committed facilities refer to those which are irrevocable) and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows:</td><td>131(b)</td></tr>
</table>

Row	Heading	Description	Basel III LCR standards reference
		Balances of undrawn committed credit facilities extended by the bank to sovereigns, central banks, PSEs, multilateral development banks and any other entity not included in other drawdown categories. The amount reported in this line should also include any 'additional capacity' of liquidity facilities (as defined above) provided to sovereigns, central banks, PSEs, multilateral development banks. Banks should assume a 10% drawdown of the undrawn portion of these credit facilities. (Refer to Paragraph 131(c) of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	
232	Undrawn committed liquidity facilities to		
233	non-financial corporates	Any contractual loan drawdowns from committed facilities (Committed facilities refer to those which are irrevocable) and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows: The amount of undrawn committed liquidity facilities should be the amount of currently outstanding debt (or proportionate share if a syndicated facility) issued by non-financial institution corporations (excluding small business customers) maturing within a 30 day period that is backstopped by the facility. Any 'additional capacity' of liquidity facilities (as defined above) provided to non-financial corporates should not be reported here, rather should be reported in line 230. Banks should assume a 30% drawdown of the undrawn portion of these liquidity facilities.	131(c)
234	sovereigns, central banks, PSEs and MDBs	Any contractual loan drawdowns from committed facilities (Committed facilities refer to those which are irrevocable) and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows: The amount of undrawn committed liquidity facilities should be the amount of currently outstanding debt (or proportionate share if a syndicated facility) issued by sovereigns, central banks, PSEs, or multilateral development banks maturing within a 30 day period that is backstopped by the facility. Any 'additional capacity' of liquidity facilities (as defined above) provided to sovereigns, central banks, PSEs, or multilateral development banks should not be reported here, rather should be reported in line 231. Banks should assume a 30% drawdown of the undrawn portion of these liquidity facilities. (Refer to Paragraph 131(c) of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	131(c)
235	Undrawn committed credit and liquidity facilities provided to banks subject to prudential supervision	Any contractual loan drawdowns from committed facilities (Committed facilities refer to those which are irrevocable) and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows:	131(d)

Row	Heading	Description	Basel III LCR standards reference
		Balances of undrawn committed credit and liquidity facilities extended to banks that are subject to prudential supervision. Banks should assume a 40% drawdown of the undrawn portion of these facilities. (Refer to Paragraph 131(e) of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	
236	Undrawn committed credit facilities provided to other FIs	Any contractual loan drawdowns from committed facilities (Committed facilities refer to those which are irrevocable) and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows: Balances of undrawn committed credit facilities extended by the bank to other financial institutions (including securities firms, insurance companies, fiduciaries and beneficiaries). The amount reported in this line should also include any 'additional capacity' of liquidity facilities (as defined above) provided to other financial institutions (including securities firms, insurance companies, fiduciaries and beneficiaries). Banks should assume a ***40%*** drawdown of the undrawn portion of these liquidity facilities. Note Fiduciary is defined in this context as a legal entity that is authorised to manage assets on behalf of a third party. Fiduciaries include asset management entities such as pension funds and other collective investment vehicles. Beneficiary is defined in this context as a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract. (Refer to Paragraph 131(***e***) and footnotes 43 and 44 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	131(e)
237	Undrawn committed liquidity facilities provided to other FIs	Any contractual loan drawdowns from committed facilities (Committed facilities refer to those which are irrevocable) and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows: The amount of undrawn committed liquidity facilities should be the amount of currently outstanding debt (or proportionate share if a syndicated facility) issued by to other financial institutions (including securities firms, insurance companies, fiduciaries and beneficiaries) maturing within a 30 day period that is backstopped by the facility. Any 'additional capacity' of liquidity facilities (as defined above) provided to other financial institutions (including securities firms, insurance companies, fiduciaries and beneficiaries) should not be reported here, rather should be reported in line 236. Note:	131(f)

Row	Heading	Description	Basel III LCR standards reference
		Banks should assume a 100% drawdown of the undrawn portion of these liquidity facilities. **Note:** Definition of other financial institutions include, leasing, house finance/ mortgage companies Fiduciary is defined in this context as a legal entity that is authorised to manage assets on behalf of a third party. Fiduciaries include asset management entities such as pension funds and other collective investment vehicles. Beneficiary is defined in this context as a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract. (Refer to Paragraph 131(f) footnotes 43 and 44 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	
238	Undrawn committed credit and liquidity facilities to other legal entities	Any contractual loan drawdowns from committed facilities (Committed facilities refer to those which are irrevocable) and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows: Balances of undrawn committed credit and liquidity facilities extended to other legal entities, including hedge funds, money market funds and special purpose funding vehicles,(The potential liquidity risks associated with the bank's own structured financing facilities should be treated according to paragraphs 124 and 125 of this document (100% of maturing amount and 100% of returnable assets are included as outflows). for example SPEs (as defined in the Basel III LCR standards, paragraph 125) or conduits, or other vehicles used to finance the banks own assets (not included in lines 228 to 237). Banks should assume a 100% drawdown of the undrawn portion of these facilities. (Refer to Paragraph 131(g) and footnote 54 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	131(g)
Other contractual obligations to extend funds (within a 30 day period			
240	Other contractual obligations to extend funds to:	Any contractual lending obligations not captured elsewhere in the standard should be captured here at a 100% outflow rate.	132-133
241	financial institutions	Any contractual lending obligations to financial institutions not captured elsewhere.	132
		For Rows 242-246, the following is applicable: If the total of all contractual obligations to extend funds to retail and non-financial corporate clients within the next 30 calendar days (not captured in the prior categories) exceeds 50% of the total contractual inflows due in the next 30 calendar days from these clients, the difference should be reported as a 100% outflow.	

Row	Heading	Description	Basel III LCR standards reference
		(Refer to Paragraph 133 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	
242	retail clients	The full amount of contractual obligations to extend funds to retail clients within the next 30 calendar days (not netted for the assumed roll-over on the inflows in line 301).	133
243	small business customers	The full amount of contractual obligations to extend funds to small business customers within the next 30 calendar days (not netted for the assumed roll-over on the inflows in line 302).	133
244	non-financial corporates	The full amount of contractual obligations to extend funds to non-financial corporate clients within the next 30 calendar days (not netted for the assumed roll-over on the inflows in line 303).	133
245	other clients	The full amount of contractual obligations to extend funds to other clients within the next 30 calendar days (not netted for the assumed roll-over on the inflows in line 309).	133
246	retail, small business customers, non-financials and other clients	The amounts of contractual obligations to extend funds to retail, small business customers, non-financial corporate and other clients within the next 30 calendar days (lines 242 to 245) are added up in this line. The roll-over of funds that is implicitly assumed in the inflow section (lines 301, 302, 303 and 309) are then subtracted. If the result is positive, it is included here as an outflow in column H. Otherwise, the outflow included here is zero.	133

Other contingent funding obligations (treatment determined by national supervisor) These contingent funding obligations may be either contractual or non-contractual and are not lending commitments.

Non-contractual contingent funding obligations include associations with, or sponsorship of, products sold or services provided that may require the support or extension of funds in the future under stressed conditions. Non-contractual obligations may be embedded in financial products and instruments sold, sponsored, or originated by the institution that can give rise to unplanned balance sheet growth arising from support given for reputational risk considerations (Basel III LCR standards, paragraph 135). These include products and instruments for which the customer or holder has specific expectations regarding the liquidity and marketability of the product or instrument and for which failure to satisfy customer expectations in a commercially reasonable manner would likely cause material reputational damage to the institution or otherwise impair on-going viability.

SAMA will continue to work with supervised institutions in its jurisdictions to determine the liquidity risk impact of these contingent liabilities and the resulting stock of HQLA that should accordingly be maintained. SAMA has already disclosed the run-off rates they assign to each category publicly and will continue to intimate, in case of revisions made.

Note: In order to refine the cash outflow estimates in connection with trade and non trade related Letter of Credit and Guarantees, SAMA would undertake a study shortly, on account of which information would be solicited from the banking industry

Some of these contingent funding obligations are explicitly contingent upon a credit or other event that is not always related to the liquidity events simulated in the stress scenario, but may nevertheless have the potential to cause significant liquidity drains in times of stress. For this standard, SAMA and bank should consider which of these “other contingent funding obligations” may materialize under the assumed stress events. The potential liquidity exposures to these contingent funding obligations are to be treated as a nationally determined behavioral assumption where it is up to the SAMA to determine whether and to what extent these contingent outflows are to be included in the LCR. All identified contractual and non-contractual contingent liabilities and their assumptions should be reported, along with their related triggers. Supervisors and banks should, at a minimum, use historical behavior in determining appropriate outflows.

(Refer to Paragraph 135 and 136 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Row	Heading	Description	Basel III LCR standards reference
253	Non-contractual obligations related to potential liquidity draws from joint ventures or minority investments in entities	Non contractual contingent funding obligations related to potential liquidity draws from joint ventures or minority investments in entities, which are not consolidated per paragraph 164 of the Basel III LCR standards, where there is the expectation that the bank will be the main liquidity provider when the entity is in need of liquidity. The amount included should be calculated in accordance with the methodology agreed by the bank's supervisor. **Please refer to the instructions from your supervisor for the specification of this item.**	137
254	Unconditionally revocable "uncommitted" credit and liquidity facilities	Balances of undrawn credit and liquidity facilities where the bank has the right to unconditionally revoke the undrawn portion of these facilities.	140
255	Trade-finance related obligations (including guarantees and letters of credit)	Trade finance instruments consist of trade-related obligations directly underpinned by the movement of goods or the provision of services. Amounts to be reported here include items such as: • outstanding documentary trade letters of credit, documentary and clean collection, import bills, and export bills; and • outstanding guarantees directly related to trade finance obligations, such as shipping guarantees. Lending commitments, such as direct import or export financing for non-financial corporate firms, are excluded from this treatment and reported in lines 228 to 238.	138, 139
256	Guarantees and letters of credit unrelated to trade finance obligations	The outstanding amount of letters of credit issued by the bank and guarantees unrelated to trade finance obligations described in line 255.	140
257	Non-contractual obligations:		
258	Debt-buy back requests (incl related conduits)	Potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities. In case debt amounts qualify for both line 258 and line 262, please enter them in just one of these lines.	140
259	Structured products	Structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes (VRDNs).	140
260	Managed funds	Managed funds that are marketed with the objective of maintaining a stable value such as money market mutual funds or other types of stable value collective investment funds etc.	140
261	Other non-contractual obligations	Any other non-contractual obligation not entered above.	140
262	Outstanding debt securities with remaining maturity > 30 days	For issuers with an affiliated dealer or market maker, there may be a need to include an amount of the outstanding debt securities (unsecured and secured, term as well as short term) having maturities greater than 30 calendar days, to cover the potential repurchase of such outstanding securities. In case debt amounts qualify for both line 258 and line 262, please enter them in just one of these lines.	140
263	Non contractual obligations where customer short positions are covered by	Amount of contingent obligations related to instances where banks have internally matched client assets against other clients' short positions where the collateral does not qualify as Level 1 or Level 2, and the bank may be obligated to find additional sources of funding for these positions in the event of client withdrawals.	140

Row	Heading	Description	Basel III LCR standards reference
	other customers' collateral	Instances where the collateral qualifies as Level 1 or Level 2 should be reported in the appropriate line of the secured funding section (lines 191 to 205).	
264	Bank outright short positions covered by a collateralized securities financing transaction	Amount of the bank's outright short positions that are being covered by collateralized securities financing transactions. Such short positions are assumed to be maintained throughout the 30-day period and receive a 0% outflow. The corresponding collateralized securities financing transactions that are covering such short positions should be reported in lines 290 to 295 or 405 to 429. Further guidance please refer para 147 of Basel III LCR standards reference: In the case of a bank's short positions, if the short position is being covered by an unsecured security borrowing, the bank should assume the unsecured security borrowing of collateral from financial market participants would run-off in full, leading to a 100% outflow of either cash or HQLA to secure the borrowing, or cash to close out the short position by buying back the security. This should be recorded as a 100% other contractual outflow according to paragraph 141. If, however, the bank's short position is being covered by a collateralized securities financing transaction, the bank should assume the short position will be maintained throughout the 30-day period and receive a 0% outflow (Refer to Paragraph 147 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	147
265	Other contractual cash outflows (including those related to unsecured collateral borrowings and uncovered short positions)	Any other contractual cash outflows within the next 30 calendar days should be captured in this standard, such as such as outflows to cover unsecured collateral borrowings, uncovered short positions, dividends or contractual interest payments, **with explanation given in an accompanying note to your supervisor** as to what comprises the amounts included in this line. This amount should exclude outflows related to operating costs.	141, 147
	Secured lending, including reverse repos and securities borrowing	Despite the roll-over assumptions in paragraphs 145 and 146, a bank should manage its collateral such that it is able to fulfil obligations to return collateral whenever the counterparty decides not to roll-over any reverse repo or securities lending transaction.(s is in line with Principle 9 of the Sound Principles.) This is especially the case for non-HQLA collateral, since such outflows are not captured in the LCR framework. SAMA would be monitoring individual banks collateral management as part of their onsite inspection. (Refer to Paragraph 148 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	148
Cash Inflow – Committed Facilities Committed facilities			

<table>
<tr><th>Row</th><th>Heading</th><th>Description</th><th>Basel III LCR standards reference</th></tr>
<tr><td colspan="4">No credit facilities, liquidity facilities or other contingent funding facilities that the bank holds at other institutions for its own purposes are assumed to be able to be drawn. Such facilities receive a 0% inflow rate, meaning that this scenario does not consider inflows from committed credit or liquidity facilities. This is to reduce the contagion risk of liquidity shortages at one bank causing shortages at other banks and to reflect the risk that other banks may not be in a position to honor credit facilities, or may decide to incur the legal and reputational risk involved in not honoring the commitment, in order to conserve their own liquidity or reduce their exposure to that bank.

(Refer to Paragraph 149 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)</td></tr>
<tr><td colspan="4">6.1.3 Inflows, Liquidity Coverage Ratio (LCR) (panel B2)

Total expected contractual 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 under the scenario up to an aggregate cap of 75% of total expected cash outflows (Basel III LCR standards, paragraph 69).

Items must not be double counted – 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) (Basel III LCR standards, paragraph 72).

When considering its available cash inflows, the bank should only include contractual inflows (including interest payments) from outstanding exposures that are fully performing and for which the bank has no reason to expect a default within the 30-day time horizon (Basel III LCR standards, paragraph 142). Pre-payments on loans (not due within 30 days) should not be included in the inflows.
Contingent inflows are not included in total net cash outflows (Basel III LCR standards, paragraph 142).

Banks and SAMA need to monitor the concentration of expected inflows across wholesale counterparties in the context of banks’ liquidity management in order to ensure that their liquidity position is not overly dependent on the arrival of expected inflows from one or a limited number of wholesale counterparties. SAMA in connection with the aforementioned cover the same through liquidity monitoring tools and onsite inspections.

(Refer to Paragraph 143 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)</td></tr>
<tr><td colspan="4">a) Secured lending including reverse repos and securities borrowing

Secured lending is defined as those loans that the bank has extended and are collateralized by legal rights to specifically designated assets owned by the borrowing institution, which the bank use or rehypothecate for the duration of the loan, and for which the bank can claim ownership to in the case of default by the borrower. In this section any transaction in which the bank has extended a collateralized loan in cash, such as reverse repo transactions, expiring within 30 days should be reported. Collateral swaps where the bank has extended a collateralized loan in the form of other assets than cash, should not be reported here, but in panel C below. Please note that all these provisions are also mentioned in paragraphs 145 and 146 above.

A bank should report all outstanding secured lending transactions with remaining maturities within the 30 calendar day stress horizon. The amount of funds extended through the transaction should be reported in column D (“amount extended”). The value of the underlying collateral received in the transactions should be reported in column E (“market value of received collateral”). Both values are needed to calculate the caps on Level 2 and Level 2B assets and both should be calculated at the date of reporting, not the date of the transaction. Note that if the collateral received in the form of Level 1 or Level 2 assets is not rehypothecated and is legally and contractually available for the bank’s use it should be reported in the appropriate lines of the stock of HQLA section (lines 11 to 39) and not here (see paragraph 31 of the Basel III LCR standards).
Please refer to the instructions from your supervisor for the specification of items related to Level 2B assets in this subsection.</td></tr>
<tr><td>273</td><td>Reverse repo and other</td><td>All reverse repo or securities borrowing transactions maturing within 30 days, in which the bank has extended cash and obtained collateral.</td><td>145–146</td></tr>
</table>

Row	Heading	Description	Basel III LCR standards reference
	secured lending or securities borrowing transactions maturing ≤ 30 days		
274	Of which collateral **is not** reused (i.e. is not rehypothecated) to cover the reporting institution's outright short positions	Such transactions in which the collateral obtained is not reused (i.e. is not rehypothecated) to cover the reporting institution's outright short positions. If the collateral is re-used, the transactions should be reported in lines 290 to 295.	145–146
275	Transactions backed by Level 1 assets	All such transactions in which the bank has obtained collateral in the form of Level 1 assets. These transactions are assumed to roll-over in full, not giving rise to any cash inflows. In column D: The amounts extended in these transactions. In column E: The market value of the Level 1 collateral received in these transactions.	145–146
276	Transactions involving eligible liquid assets	Of the transactions backed by Level 1 assets, those where the collateral obtained is reported in panel Aa of the "LCR" worksheet as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column D: The amounts extended in these transactions. In column E: The market value of the Level 1 collateral received in these transactions.	145–146
278	Transactions backed by Level 2A assets; of which:	All such transactions in which the bank has obtained collateral in the form of Level 2A assets. These are assumed to lead to a 15% cash inflow due to the reduction of funds extended against the collateral. In column D: The amounts extended in these transactions. In column E: The market value of the Level 2A collateral received in these transactions.	145–146
279	Transactions involving eligible liquid assets	Of the transactions backed by Level 2A assets, those where the collateral obtained is reported in panel Ab of the "LCR" worksheet as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column D: The amounts extended in these transactions. In column E: The market value of the Level 2A collateral received in these transactions.	145–146
281	Transactions backed by Level 2B RMBS assets; of which:	All such transactions in which the bank has obtained collateral in the form of Level 2B RMBS assets. These are assumed to lead to a 25% cash inflow due to the reduction of funds extended against the collateral. In column D: The amounts extended in these transactions. In column E: The market value of the Level 2B RMBS collateral received in these transactions.	145–146
282	Transactions involving eligible liquid assets	Of the transactions backed by Level 2B RMBS assets, those where the collateral obtained is reported in panel Ac of the "LCR" worksheet as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column D: The amounts extended in these transactions. In column E: The market value of the Level 2B RMBS collateral received in these transactions.	145–146
284	Transactions backed by Level 2B non-RMBS assets; of which:	All such transactions in which the bank has obtained collateral in the form of Level 2B non-RMBS assets. These are assumed	145–146

Row	Heading	Description	Basel III LCR standards reference
		to lead to a 50% cash inflow due to the reduction of funds extended against the collateral. In column D: The amounts extended in these transactions. In column E: The market value of the Level 2B non-RMBS collateral received in these transactions.	
285	Transactions involving eligible liquid assets	Of the transactions backed by Level 2B non-RMBS assets, those where the collateral obtained is reported in panel Ac of the "LCR" worksheet as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards. In column D: The amounts extended in these transactions. In column E: The market value of the Level 2B non-RMBS collateral received in these transactions.	145–146
287	Margin lending backed by non-Level 1 or non-Level 2 collateral	Collateralized loans extended to customers for the purpose of taking leveraged trading positions ("margin loans") made against non-HQLA collateral. These are assumed to lead to a 50% cash inflow. In column D: The amounts extended in these transactions. In column E: The market value of the collateral received in these transactions.	145–146
288	Transactions backed by other collateral	All such transactions (other than those reported in line 287) in which the bank has obtained collateral in another form than Level 1 or Level 2 assets. These are assumed not to roll over and therefore lead to a 100% cash inflow. In column D: The amounts extended in these transactions. In column E: The market value of the collateral received in these transactions.	145–146
289	Of which collateral is re-used (i.e. is rehypothecated) to cover the reporting institution's outright short positions	If the collateral obtained in these transactions **is** re-used (i.e. rehypothecated) to cover the reporting institution's outright short positions that could be extended beyond 30 days, it should be assumed that the transactions will be rolled-over and will not give rise to any cash inflows. This reflects the need to continue to cover the short position or to repurchase the relevant securities. Institutions should only report reverse repo amounts in these cells where it itself is short the collateral. If the collateral is not re-used, the transaction should be reported in lines 274 to 288.	145–146
290	Transactions backed by Level 1 assets	All such transactions in which the bank has obtained collateral in the form of Level 1 assets. In column D: The amounts extended in these transactions. In column E: The market value of the Level 1 collateral received in these transactions.	145–146
291	Transactions backed by Level 2A assets	All such transactions in which the bank has obtained collateral in the form of Level 2A assets. In column D: The amounts extended in these transactions. In column E: The market value of the Level 2A collateral received in these transactions.	145–146
292	Transactions backed by Level 2B RMBS assets	All such transactions in which the bank has obtained collateral in the form of Level 2B RMBS assets. In column D: The amounts extended in these transactions. In column E: The market value of the Level 2B RMBS collateral received in these transactions.	145–146
293	Transactions backed by Level 2B non-RMBS assets	All such transactions in which the bank has obtained collateral in the form of Level 2B non-RMBS assets. In column D: The amounts extended in these transactions. In column E: The market value of the Level 2B non-RMBS	145–146

Row	Heading	Description	Basel III LCR standards reference
		collateral received in these transactions.	
294	Margin lending backed by non-Level 1 or non-Level 2 collateral	Collateralized loans extended to customers for the purpose of taking leveraged trading positions ("margin loans") made against non-HQLA collateral. In column D: The amounts extended in these transactions. In column E: The market value of the collateral received in these transactions.	145–146
295	Transactions backed by other collateral	All such transactions (other than those reported in line 294) in which the bank has obtained collateral in another form than Level 1 or Level 2 assets. In column D: The amounts extended in these transactions. In column E: The market value of collateral received in these transactions.	145–146
b) Other inflows by counterparty Contractual inflows (including interest payments and installments) due in ≤ 30 days from fully performing loans, not reported in lines 275 to 295. These include maturing loans that have already been agreed to roll over. The agreed rollover should also be reported in lines 241 to 245 as appropriate. For all other types of transactions, either secured or unsecured, the inflow rate will be determined by counterparty. In order to reflect the need for a bank to conduct ongoing loan origination/roll-over with different types of counterparties, even during a time of stress, a set of limits on contractual inflows by counterparty type is applied. When considering loan payments, the bank should only include inflows from fully performing loans. Inflows should only be taken at the latest possible date, based on the contractual rights available to counterparties. For revolving credit facilities, this assumes that the existing loan is rolled over and that any remaining balances are treated in the same way as a committed facility according to Basel III LCR standards, paragraph 131. Inflows from loans that have no specific maturity (i.e. have non-defined or open maturity) should not be included; therefore, no assumptions should be applied as to when maturity of such loans would occur. An exception to this, as noted below, would be minimum payments of principal, fee or interest associated with an open maturity loan, provided that such payments are contractually due within 30 days. These minimum payment amounts should be captured as inflows at the rates prescribed in paragraphs 153 and 154. of LCR Basel III guidelines (Refer to Paragraphs 150-152 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)			
301	Retail customers	All payments (including interest payments and installments) from retail customers on fully performing loans not reported in lines 275 to 295 that are contractually due within the 30-day horizon. Only contractual payments due should be reported, e.g. required minimum payments of principal, fee or interest, and not total loan balances of undefined or open maturity. Note: At the same time, however, banks are assumed to continue to extend loans to retail and small business customers, at a rate of 50% of contractual inflows. This results in a net inflow number of 50% of the contractual amount. (Refer to Paragraph 153 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	153
302	Small business customers	All payments (including interest payments and installments) from small business customers on fully performing loans not reported in lines 275 to 295 that are contractually due within the 30-day horizon. Only contractual payments due should be reported, e.g. required minimum payments of principal, fee or interest, and not total loan balances of undefined or open	153

Row	Heading	Description	Basel III LCR standards reference
		maturity. Note: At the same time, however, banks are assumed to continue to extend loans to retail and small business customers, at a rate of 50% of contractual inflows. This results in a net inflow number of 50% of the contractual amount. (Refer to Paragraph 153 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	
303	Non-financial corporates	All payments (including interest payments and installments) from non-financial corporates on fully performing loans not reported in lines 275 to 295 that are contractually due within the 30-day horizon. Only contractual payments due should be reported, e.g. required minimum payments of principal, fee or interest, and not total loan balances of undefined or open maturity. Note: Banks are assumed to continue to extend loans to wholesale clients, at a rate of 0% of inflows for financial institutions and central banks, and 50% for all others, including non-financial corporates, sovereigns, multilateral development banks, and PSEs. This will result in an inflow percentage of 100% for financial institution and central bank counterparties; and 50% for non-financial wholesale counterparties (Refer to Paragraph 154 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	154
304	Central banks	All payments (including interest payments and installments) from central banks on fully performing loans. Central bank reserves (including required reserves) including banks' overnight deposits with the central bank, and term deposits with the central bank that: (i) are explicitly and contractually repayable on notice from the depositing bank; or (ii) that constitute a loan against which the bank can borrow on a term basis or on an overnight but automatically renewable basis (only where the bank has an existing deposit with the relevant central bank), should be reported in lines 7 or 8 and not here. If the term of other deposits (not included in lines 7 or 8) expires within 30 days, it should be included in this line. Note: Banks are assumed to continue to extend loans to wholesale clients, at a rate of 0% of inflows for financial institutions and central banks, and 50% for all others, including non-financial corporates, sovereigns, multilateral development banks, and PSEs. This will result in an inflow percentage of 100% for financial institution and central bank counterparties; and 50% for non-financial wholesale counterparties (Refer to Paragraph 154 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	154
305	Financial institutions, of	All payments (including interest payments and installments)	154

Row	Heading	Description	Basel III LCR standards reference
	which	from financial institutions on fully performing loans not reported in lines 275 to 295 that are contractually due within the 30-day horizon. Only contractual payments due should be reported, e.g. required minimum payments of principal, fee or interest, and not total loan balances of undefined or open maturity.	
306	operational deposits	All deposits held at other financial institutions for operational activities, as outlined in the Basel III LCR standards, paragraphs 93 to 104, such as for clearing, custody, and cash management activities. Note: Deposits held at other financial institutions for operational purposes are assumed to stay at those institutions, and no inflows can be counted for these funds (Refer to Paragraph 156 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	156
307	deposits at the centralized institution of an institutional network that receive 25% run-off	For banks that belong to a cooperative network as described in paragraphs 105 and 106 of the Basel III LCR standards, this item includes all (portions of) deposits (not included in line item 306) held at the centralized institution in the cooperative banking network that are placed (a) due to statutory minimum deposit requirements which are registered at regulators, or (b) in the context of common task sharing and legal, statutory or contractual arrangements. These deposits receive a 25% runoff at the centralized institution. Further, the depositing bank should not count any inflow for these funds – i.e. they will receive a 0% inflow rate. (Refer to Paragraph 157 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	157
308	all payments on other loans and deposits due in ≤ 30 days	All payments (including interest payments and installments) from financial institutions on fully performing unsecured and secured loans, that are contractually due within the 30-day horizon, and the amount of deposits held at financial institutions that is or becomes available within 30 days, and that are not included in lines 306 or 307. Banks may also recognize in this category inflows from the release of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets, provided that these segregated balances are maintained in Level 1 or Level 2 assets. This inflow should be calculated in line with the treatment of other related outflows and inflows covered in this standard.	154
309	Other entities	All payments (including interest payments and installments) from other entities (including sovereigns, multilateral development banks, and PSEs) on fully performing loans that are contractually due within 30 days, not included in lines 301 to 308.	154
c)	**Other cash inflows**		
315	Derivatives cash inflow	Banks should calculate, in accordance with their existing	158, 159

Row	Heading	Description	Basel III LCR standards reference
		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. The sum of all net cash inflows should be reported here. The sum of all net cash outflows should be reported in line 213. Banks should exclude from such calculations those liquidity requirements that would result from increased collateral needs due to market value movements (to be reported in line 221) or falls in value of collateral posted (reported in line 216 and line 217). Options should be assumed to be exercised when they are 'in the money' to the option buyer. Where derivatives are collateralized by HQLA, cash inflows should be calculated net of any corresponding cash or contractual collateral outflows that would result, all other things being equal, from contractual obligations for cash or collateral to be posted by the bank, given these contractual obligations would reduce the stock of HQLA. This is in line with the principle that banks should not double count liquidity inflows and outflows. **Note that cash flows do not equal the marked-to-market value, since the marked-to-market value also includes estimates for contingent inflows and outflows and may include cash flows that occur beyond the 30-day horizon.** It is generally expected that a positive amount would be provided for both this line item and line 213 for institutions engaged in derivatives transactions.	
316	Contractual inflows from securities maturing ≤ 30 days and not included anywhere above	Contractual inflows from securities, including certificates of deposit, maturing ≤ 30 days that are not already included in any other item of the LCR framework, provided that they are fully performing (i.e. no default expected). Level 1 and Level 2 securities maturing within 30 days should be included in the stock of liquid assets in panel A, provided that they meet all operational and definitional requirements outlined in the Basel III LCR standards. Note: Inflows from securities maturing within 30 days not included in the stock of HQLA are treated in the same category as inflows from financial institutions (i.e. 100% inflow). Banks may also recognize in this category inflows from the release of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets, provided that these segregated balances are maintained in HQLA. This inflow should be calculated in line with the treatment of other related outflows and inflows covered in this standard. (Refer to Paragraph 155 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	155
317	Other contractual cash inflows	Any other contractual cash inflows to be received ≤ 30 days that are not already included in any other item of the LCR framework. Inflow percentages should be determined as appropriate for each type of inflow by supervisors in each jurisdiction. Cash inflows related to non-financial revenues are **not** to be included, since they are not taken into account in the	160

Row	Heading	Description	Basel III LCR standards reference
		calculation of LCR. Any non-contractual contingent inflows should not be reported, as they are not included in the LCR. **Please provide your supervisor with an explanatory note on any amounts included in this line.**	
Cap on cash inflows In order to prevent banks from relying solely on anticipated inflows to meet their liquidity requirement, and also to ensure a minimum level of HQLA holdings, the amount of inflows that can offset outflows is capped at 75% of total expected cash outflows as calculated in the standard. This requires that a bank must maintain a minimum amount of stock of HQLA equal to 25% of the total net cash outflows (Basel III LCR standards, paragraph 144).			
323	Cap on cash inflows	The cap on cash inflows is equal to 75% of total cash outflows.	69, 144
324	Total cash inflows after applying the cap	The amount of total cash inflows after applying the cap is the lower of the total cash inflows before applying the cap and the level of the cap. This requires that a bank must maintain a minimum amount of stock of HQLA equal to 25% of the total cash outflows. (Refer to Paragraph 144 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)	69, 144
6.1.4 Collateral swaps (panel C) Any transaction maturing within 30 days in which non-cash assets are swapped for other noncash assets should be reported in this panel. "Level 1 assets" in this section refers to Level 1 assets other than cash. **Please refer to the instructions from your supervisor for the specification of items related to Level 2B assets in this subsection.**			
329	Collateral swaps maturing ≤ 30 days	Any transaction maturing within 30 days in which non-cash assets are swapped for other non-cash assets.	48, 113, 146, Annex 1
330	Of which the borrowed assets are not re-used (i.e. are not rehypothecated) to cover short positions	Such transactions in which the collateral obtained is not reused (i.e. is not rehypothecated) in transactions to cover short positions. If the collateral is re-used, the transaction should be reported in lines 405 to 429.	48, 113, 146, Annex 1
331	Level 1 assets are lent and Level 1 assets are borrowed; of which:	Such transactions in which the bank has swapped Level 1 assets (lent) for other Level 1 assets (borrowed).	48, 113, 146, Annex 1
332	Involving eligible liquid assets	Of the transactions where Level 1 assets are lent and Level 1 assets are borrowed, those where: (i) the Level 1 collateral borrowed is reported in panel Aa of the "LCR" worksheet (which should also be reported in E332), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 1 collateral lent would otherwise qualify to be reported in panel Aa of the "LCR" worksheet (which is the value that should be reported in D332), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
334	Level 1 assets are lent and Level 2A assets are borrowed; of which:	Such transactions in which the bank has swapped Level 1 assets (lent) for Level 2A assets (borrowed).	48, 113, 146, Annex 1
335	Involving eligible liquid assets	Of the transactions where Level 1 assets are lent and Level 2A assets are borrowed, those where: (i) the Level 2A collateral borrowed is reported in panel Ab	48, 113, 146, Annex 1

Row	Heading	Description	Basel III LCR standards reference
		of the "LCR" worksheet (which should also be reported in E335), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 1 collateral lent would otherwise qualify to be reported in panel Aa of the "LCR" worksheet (which is the value that should be reported in D335), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	
337	Level 1 assets are lent and Level 2B RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped Level 1 assets (lent) for Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
338	Involving eligible liquid assets	Of the transactions where Level 1 assets are lent and Level 2B RMBS assets are borrowed, those where: (i) the Level 2B RMBS collateral borrowed is reported in panel Ac of the "LCR" worksheet (which should also be reported in E338), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 1 collateral lent would otherwise qualify to be reported in panel Aa of the "LCR" worksheet (which is the value that should be reported in D338), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
340	Level 1 assets are lent and Level 2B non-RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped Level 1 assets (lent) for Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1
341	Involving eligible liquid assets	Of the transactions where Level 1 assets are lent and Level 2B non-RMBS assets are borrowed, those where: (i) the Level 2B non-RMBS collateral borrowed is reported in panel Ac of the "LCR" worksheet (which should also be reported in E341), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 1 collateral lent would otherwise qualify to be reported in panel Aa of the "LCR" worksheet (which is the value that should be reported in D341), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
343	Level 1 assets are lent and other assets are borrowed; of which:	Such transactions in which the bank has swapped Level 1 assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1
344	Involving eligible liquid assets	Of the transactions where Level 1 assets are lent and other assets are borrowed, those where: (i) the Level 1 collateral lent would otherwise qualify to be reported in panel Aa of the "LCR" worksheet (value to be reported in D344), if they were not already securing the particular transaction in question (i.e. would be	48, 113, 146, Annex 1

Row	Heading	Description	Basel III LCR standards reference
		unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards); **and** (ii) the collateral borrowed is non-Level 1 and non-Level 2 assets (which is the value that should be reported in E344).	
346	Level 2A assets are lent and Level 1 assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2A assets (lent) for Level 1 assets (borrowed).	48, 113, 146, Annex 1
347	Involving eligible liquid assets	Of the transactions where Level 2A assets are lent and Level 1 assets are borrowed, those where: (i) the Level 1 collateral borrowed is reported in panel Aa of the “LCR” worksheet (which should also be reported in E347), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2A collateral lent would otherwise qualify to be reported in panel Ab of the “LCR” worksheet (which is the value that should be reported in D347), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
349	Level 2A assets are lent and Level 2A assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2A assets (lent) for other Level 2A assets (borrowed).	48, 113, 146, Annex 1
350	Involving eligible liquid assets	Of the transactions where Level 2A assets are lent and Level 2A assets are borrowed, those where: (i) the Level 2A collateral borrowed is reported in panel Ab of the “LCR” worksheet (which should also be reported in E350), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2A collateral lent would otherwise qualify to be reported in panel Ab of the “LCR” worksheet (which is the value that should be reported in D350), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
352	Level 2A assets are lent and Level 2B RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2A assets (lent) for Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
353	Involving eligible liquid assets	Of the transactions where Level 2A assets are lent and Level 2B RMBS assets are borrowed, those where: (i) the Level 2B RMBS collateral borrowed is reported in panel Ac of the “LCR” worksheet (which should also be reported in E353), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2A collateral lent would otherwise qualify to be reported in panel Ab of the “LCR” worksheet (which is the value that should be reported in D353), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational	48, 113, 146, Annex 1

Row	Heading	Description	Basel III LCR standards reference
		requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	
355	Level 2A assets are lent and Level 2B non-RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2A assets (lent) for other Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1
356	Involving eligible liquid assets	Of the transactions where Level 2A assets are lent and Level 2B non-RMBS assets are borrowed, those where: (i) the Level 2B non-RMBS collateral borrowed is reported in panel Ac of the "LCR" worksheet (which should also be reported in E356), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2A collateral lent would otherwise qualify to be reported in panel Ab of the "LCR" worksheet (which is the value that should be reported in D356), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
358	Level 2A assets are lent and other assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2A assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1
359	Involving eligible liquid assets	Of the transactions where Level 2A assets are lent and other assets are borrowed, those where: (i) the Level 2A collateral lent would otherwise qualify to be reported in panel Ab of the "LCR" worksheet (which is the value that should be reported in D359), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards); **and** (ii) the collateral borrowed is non-Level 1 and non-Level 2 assets (which is the value that should be reported in E359).	48, 113, 146, Annex 1
361	Level 2B RMBS assets are lent and Level 1 assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for Level 1 assets (borrowed).	48, 113, 146, Annex 1
362	Involving eligible liquid assets	Of the transactions where Level 2B RMBS assets are lent and Level 1 assets are borrowed, those where: (i) the Level 1 collateral borrowed is reported in panel Aa of the "LCR" worksheet (which should also be reported in E362), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2B RMBS collateral lent would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (which is the value that should be reported in D362), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
364	Level 2B RMBS assets are lent and Level 2A	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for Level 2A assets (borrowed).	48, 113, 146, Annex 1

Row	Heading	Description	Basel III LCR standards reference
	assets are borrowed; of which:		
365	Involving eligible liquid assets	Of the transactions where Level 2B RMBS assets are lent and Level 2A assets are borrowed, those where: (i) the Level 2A collateral borrowed is reported in panel Ab of the "LCR" worksheet (which should also be reported in E365), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2B RMBS collateral lent would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (which is the value that should be reported in D365), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
367	Level 2B RMBS assets are lent and Level 2B RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
368	Involving eligible liquid assets	Of the transactions where Level 2B RMBS assets are lent and Level 2B RMBS assets are borrowed, those where: (i) the Level 2B RMBS collateral borrowed is reported in panel Ac of the "LCR" worksheet (which should also be reported in E368), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2B RMBS collateral lent would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (which is the value that should be reported in D368), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
370	Level 2B RMBS assets are lent and Level 2B non-RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for other Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1
371	Involving eligible liquid assets	Of the transactions where Level 2B RMBS assets are lent and Level 2B non-RMBS assets are borrowed, those where: (i) the Level 2B non-RMBS collateral borrowed is reported in panel Ac of the "LCR" worksheet (which should also be reported in E371), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2B RMBS collateral lent would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (which is the value that should be reported in D371), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
373	Level 2B RMBS assets are lent and other assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1
374	Involving eligible liquid	Of the transactions where Level 2B RMBS assets are lent and	48, 113,

Row	Heading	Description	Basel III LCR standards reference
	assets	other assets are borrowed, those where: (i) the Level 2B RMBS collateral lent would otherwise qualify to be reported in panel Ac of the “LCR” worksheet (which is the value that should be reported in D374), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards); **and** (ii) the collateral borrowed is non-Level 1 and non-Level 2 assets (which is the value that should be reported in E374).	146, Annex 1
376	Level 2B non-RMBS assets are lent and Level 1 assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for Level 1 assets (borrowed).	48, 113, 146, Annex 1
377	Involving eligible liquid assets	Of the transactions where Level 2B non-RMBS assets are lent and Level 1 assets are borrowed, those where: (i) the Level 1 collateral borrowed is reported in panel Aa of the “LCR” worksheet (which should also be reported in E377), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2B non-RMBS collateral lent would otherwise qualify to be reported in panel Ac of the “LCR” worksheet (which is the value that should be reported in D377), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
379	Level 2B non-RMBS assets are lent and Level 2A assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for Level 2A assets (borrowed).	48, 113, 146, Annex 1
380	Involving eligible liquid assets	Of the transactions where Level 2B non-RMBS assets are lent and Level 2A assets are borrowed, those where: (i) the Level 2A collateral borrowed is reported in panel Ab of the “LCR” worksheet (which should also be reported in E380), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2B non-RMBS collateral lent would otherwise qualify to be reported in panel Ac of the “LCR” worksheet (which is the value that should be reported in D380), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
382	Level 2B non-RMBS assets are lent and Level 2B RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
383	Involving eligible liquid assets	Of the transactions where Level 2B non-RMBS assets are lent and RMBS assets are borrowed, those where: (i) the RMBS collateral borrowed is reported in panel Ac of the “LCR” worksheet (which should also be reported in	48, 113, 146, Annex 1

Row	Heading	Description	Basel III LCR standards reference
		E383), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2B non-RMBS collateral lent would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (which is the value that should be reported in D383), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	
385	Level 2B non-RMBS assets are lent and Level 2B non- RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for other Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1
386	Involving eligible liquid assets	Of the transactions where Level 2B non-RMBS assets are lent and Level 2B non-RMBS assets are borrowed, those where: (i) the Level 2B non-RMBS collateral borrowed is reported in panel Ac of the "LCR" worksheet (which should also be reported in E386), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the Level 2B non-RMBS collateral lent would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (which is the value that should be reported in D386), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards).	48, 113, 146, Annex 1
388	Level 2B non-RMBS assets are lent and other assets are borrowed; of which:	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1
389	Involving eligible liquid assets	Of the transactions where Level 2B non-RMBS assets are lent and other assets are borrowed, those where: (i) the Level 2B non-RMBS collateral lent would otherwise qualify to be reported in panel Ac of the "LCR" worksheet (which is the value that should be reported in D389), if they were not already securing the particular transaction in question (i.e. would be unencumbered and would meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards); **and** (ii) the collateral borrowed is non-Level 1 and non-Level 2 assets (which is the value that should be reported in E389).	48, 113, 146, Annex 1
391	Other assets are lent and Level 1 assets are borrowed; of which:	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for Level 1 assets (borrowed).	48, 113, 146, Annex 1
392	Involving eligible liquid assets	Of the transactions where other assets are lent and Level 1 assets are borrowed, those where: (i) the Level 1 collateral borrowed is reported in panel Aa of the "LCR" worksheet (which should also be reported in E392), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the collateral lent is non-Level 1 and non-Level 2 assets	48, 113, 146, Annex 1

Row	Heading	Description	Basel III LCR standards reference
		(which is the value that should be reported in D392).	
394	Other assets are lent and Level 2A assets are borrowed; of which:	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for Level 2A assets (borrowed).	48, 113, 146, Annex 1
395	Involving eligible liquid assets	Of the transactions where other assets are lent and Level 2A assets are borrowed, those where: (i) the Level 2A collateral borrowed is reported in panel Ab of the "LCR" worksheet (which should also be reported in E395), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the collateral lent is non-Level 1 and non-Level 2 assets (which is the value that should be reported in D395).	48, 113, 146, Annex 1
397	Other assets are lent and Level 2B RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
398	Involving eligible liquid assets	Of the transactions where other assets are lent and Level 2B RMBS assets are borrowed, those where: (i) the Level 2B RMBS collateral borrowed is reported in panel Ac of the "LCR" worksheet (which should also be reported in E398), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the collateral lent is non-Level 1 and non-Level 2 assets (which is the value that should be reported in D398).	48, 113, 146, Annex 1
400	Other assets are lent and Level 2B non-RMBS assets are borrowed; of which:	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1
401	Involving eligible liquid assets	Of the transactions where other assets are lent and Level 2B non-RMBS assets are borrowed, those where: (i) the Level 2B non-RMBS collateral borrowed is reported in panel Ac of the "LCR" worksheet (which should also be reported in E401), as the assets meet the operational requirements for HQLA as specified in paragraphs 28 to 40 of the Basel III LCR standards; **and** (ii) the collateral lent is non-Level 1 and non-Level 2 assets (which is the value that should be reported in D401).	48, 113, 146, Annex 1
403	Other assets are lent and other assets are borrowed	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1
404	Of which the borrowed assets are re-used (i.e. are rehypothecated) in transactions to cover short positions	If the collateral obtained in these transactions is re-used (i.e. rehypothecated) to cover short positions that could be extended beyond 30 days, it should be assumed that the transactions will be rolled-over and will not give rise to any cash inflows. This reflects the need to continue to cover the short position or to repurchase the relevant securities. If the collateral is not re-used, the transaction should be reported in lines 331 to 403.	48, 113, 146, Annex 1
405	level 1 assets are lent and Level 1 assets are borrowed	Such transactions in which the bank has swapped Level 1 assets (lent) for other Level 1 assets (borrowed).	48, 113, 146, Annex 1
406	Level 1 assets are lent and Level 2A assets are borrowed	Such transactions in which the bank has swapped Level 1 assets (lent) for Level 2A assets (borrowed).	48, 113, 146, Annex 1

Row	Heading	Description	Basel III LCR standards reference
407	Level 1 assets are lent and Level 2B RMBS assets are borrowed	Such transactions in which the bank has swapped Level 1 assets (lent) for Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
408	Level 1 assets are lent and Level 2B non-RMBS assets are borrowed	Such transactions in which the bank has swapped Level 1 assets (lent) for Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1
409	Level 1 assets are lent and other assets are borrowed	Such transactions in which the bank has swapped Level 1 assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1
410	Level 2A assets are lent and Level 1 assets are borrowed	Such transactions in which the bank has swapped Level 2A assets (lent) for Level 1 assets (borrowed).	48, 113, 146, Annex 1
411	Level 2A assets are lent and Level 2A assets are borrowed	Such transactions in which the bank has swapped Level 2A assets (lent) for other Level 2A assets (borrowed).	48, 113, 146, Annex 1
412	Level 2A assets are lent and Level 2B RMBS assets are borrowed	Such transactions in which the bank has swapped Level 2A assets (lent) for Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
413	Level 2A assets are lent and Level 2B non-RMBS assets are borrowed	Such transactions in which the bank has swapped Level 2A assets (lent) for Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1
414	Level 2A assets are lent and other assets are borrowed	Such transactions in which the bank has swapped Level 2A assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1
415	Level 2B RMBS assets are lent and Level 1 assets are borrowed	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for Level 1 assets (borrowed).	48, 113, 146, Annex 1
416	Level 2B RMBS assets are lent and Level 2A assets are borrowed	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for Level 2A assets (borrowed).	48, 113, 146, Annex 1
417	Level 2B RMBS assets are lent and Level 2B RMBS assets are borrowed	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for other Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
418	Level 2B RMBS assets are lent and Level 2B non-RMBS assets are borrowed	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1
419	Level 2B RMBS assets are lent and other assets are borrowed	Such transactions in which the bank has swapped Level 2B RMBS assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1
420	Level 2B non-RMBS assets are lent and Level 1 assets are borrowed	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for Level 1 assets (borrowed).	48, 113, 146, Annex 1
421	Level 2B non-RMBS assets are lent and Level 2A assets are borrowed	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for Level 2A assets (borrowed).	48, 113, 146, Annex 1
422	Level 2B non-RMBS assets are lent and Level 2B RMBS assets are borrowed	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
423	Level 2B non-RMBS assets are lent and Level 2B non-	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for other Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1

Row	Heading	Description	Basel III LCR standards reference
	RMBS assets are borrowed		
424	Level 2B non-RMBS assets are lent and other assets are borrowed	Such transactions in which the bank has swapped Level 2B non-RMBS assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1
425	Other assets are lent and Level 1 assets are borrowed	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for Level 1 assets (borrowed).	48, 113, 146, Annex 1
426	Other assets are lent and Level 2A assets are borrowed	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for Level 2A assets (borrowed).	48, 113, 146, Annex 1
427	Other assets are lent and Level 2B RMBS assets are borrowed	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for Level 2B RMBS assets (borrowed).	48, 113, 146, Annex 1
428	Other assets are lent and Level 2B non-RMBS assets are borrowed	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for Level 2B non-RMBS assets (borrowed).	48, 113, 146, Annex 1
429	Other assets are lent and other assets are borrowed	Such transactions in which the bank has swapped other assets than Level 1 or Level 2 assets (lent) for other assets than Level 1 or Level 2 assets (borrowed).	48, 113, 146, Annex 1

III. Application issues for the LCR – SAMA's General Guidance, Attachment 2 A

161. This section outlines a number of issues related to the application of the LCR. These issues include the frequency with which banks calculate and report the LCR, the scope of application of the LCR (whether they apply at group or entity level and to foreign bank branches) and the aggregation of currencies within the LCR.

A. Frequency of calculation and reporting

162. The LCR should be used on an ongoing basis to help monitor and control liquidity risk. The LCR should be reported to supervisors at least monthly, with the operational capacity to increase the frequency to weekly or even daily in stressed situations at the discretion of the supervisor. The time lag in reporting should be as short as feasible and ideally should not surpass two weeks.

163. Banks are expected to inform supervisors of their LCR and their liquidity profile on an ongoing basis. Banks should also notify supervisors immediately if their LCR has fallen, or is expected to fall, below 100%.

B. Scope of application

164. The application of the requirements in this document follow the existing scope of application set out in Part I (Scope of Application) of the Basel II Framework.(See BCBS, International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version, June 2006 ("Basel II Framework"). The LCR standard and monitoring tools should be applied to all internationally active banks on a consolidated basis, but may be used for other banks and on any subset of entities of internationally active banks as well to ensure greater consistency and a level playing field between domestic and cross-border banks. The LCR standard and monitoring tools should be applied consistently wherever they are applied.

Note: SAMA requires the LCR standards to apply to all commercial banks/ regulated entities in KSA, with the exception of foreign bank branches

165. National supervisors should determine which investments in banking, securities and financial entities of a banking group that are not consolidated per paragraph 164 should be considered significant, taking into account the liquidity impact of such investments on the group under the LCR standard. Normally, a non-controlling investment (e.g. a joint-venture or minority-owned entity) can be regarded as significant if the banking group will be the main liquidity provider of such investment in times of stress (for example, when the other shareholders are non-banks or where the bank is operationally involved in the day-to-day management and monitoring of the entity's liquidity risk). National supervisors should agree with each relevant bank on a case-by-case basis on an appropriate methodology for how to quantify such potential liquidity draws, in particular, those arising from the need to support the investment in times of stress out of reputational concerns for the purpose of calculating the LCR standard. To the extent that such liquidity draws are not included elsewhere, they should be treated under "Other contingent funding obligations", as described in paragraph 137.

Note: SAMA would consider on a case by case basis if significant investment in an insurance entity would warrant its inclusion in the LCR Ratio.

166. Regardless of the scope of application of the LCR, in keeping with Principle 6 as outlined in the Sound Principles, a bank should actively monitor and control liquidity risk exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, and the group as a whole, taking into account legal, regulatory and operational limitations to the transferability of liquidity.

167. To ensure consistency in applying the consolidated LCR across jurisdictions, further information is provided below on two application issues.

1. Differences in home / host liquidity requirements

168. While most of the parameters in the LCR are internationally “harmonized”, national differences in liquidity treatment may occur in those items subject to national discretion (e.g. deposit run-off rates, contingent funding obligations, market valuation changes on derivative transactions, etc.) and where more stringent parameters are adopted by some supervisors.

169. When calculating the LCR on a consolidated basis, a cross-border banking group should apply the liquidity parameters adopted in the home jurisdiction to all legal entities being consolidated except for the treatment of retail / small business deposits that should follow the relevant parameters adopted in host jurisdictions in which the entities (branch or subsidiary) operate. This approach will enable the stressed liquidity needs of legal entities of the group (including branches of those entities) operating in host jurisdictions to be more suitably reflected, given that deposit run-off rates in host jurisdictions are more influenced by jurisdiction-specific factors such as the type and effectiveness of deposit insurance schemes in place and the behavior of local depositors.

170. Home requirements for retail and small business deposits should apply to the relevant legal entities (including branches of those entities) operating in host jurisdictions if: (i) there are no host requirements for retail and small business deposits in the particular jurisdictions; (ii) those entities operate in host jurisdictions that have not implemented the LCR; or (iii) the home supervisor decides that home requirements should be used that are stricter than the host requirements.

Note: With reference to paragraphs 168-170, above, SAMA may at its discretion require more stringent measures for deposit run-off rates, contingent funding obligations, market valuation changes on derivative transactions, etc. if considered necessary in future.

2. Treatment of liquidity transfer restrictions

171. As noted in paragraph 36, as a general principle, no excess liquidity should be recognized by a cross-border banking group in its consolidated LCR if there is reasonable doubt about the availability of such liquidity. Liquidity transfer restrictions (e.g. ring-fencing measures, non-convertibility of local currency, foreign exchange controls, etc.) in jurisdictions in which a banking group operates will affect the availability of liquidity by inhibiting the transfer of HQLA and fund flows within the group. The consolidated LCR should reflect such restrictions in a manner consistent with paragraph 36. For example, the eligible HQLA that are held by a legal entity being consolidated to meet its local LCR requirements (where applicable) can be included in the consolidated LCR to the extent that such HQLA are used to cover the total net cash outflows of that entity, notwithstanding that the assets are subject to liquidity transfer restrictions. If the HQLA held in excess of the total net cash outflows are not transferable, such surplus liquidity should be excluded from the standard.

172. For practical reasons, the liquidity transfer restrictions to be accounted for in the consolidated ratio are confined to existing restrictions imposed under applicable laws, regulations and supervisory requirements. (There are a number of factors that can impede cross-border liquidity flows of a banking group, many of which are beyond the control of the group and some of these restrictions may not be clearly incorporated into law or may become visible only in times of stress.) A banking group should have processes in place to capture all liquidity transfer restrictions to the extent practicable, and to monitor the rules and regulations in the jurisdictions in which the group operates and assess their liquidity implications for the group as a whole.

C. Currencies

173. As outlined in paragraph 42, while the LCR is expected to be met on a consolidated basis and reported in a common currency, supervisors and banks should also be aware of the liquidity needs in each significant currency. As indicated in the LCR, the currencies of the stock of HQLA should be similar in composition to the operational needs of the bank. Banks and supervisors

cannot assume that currencies will remain transferable and convertible in a stress period, even for currencies that in normal times are freely transferable and highly convertible.

(Refer to Paragraph 161-173 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Part 2: Monitoring tools – SAMA's General Guidance, Attachment 2 B

174. In addition to the LCR outlined in Part 1 to be used as a standard, this section outlines metrics to be used as consistent monitoring tools. These metrics capture specific information related to a bank's cash flows, balance sheet structure, available unencumbered collateral and certain market indicators.

175. These metrics, together with the LCR standard, provide the cornerstone of information that aid supervisors in assessing the liquidity risk of a bank. In addition, supervisors may need to supplement this framework by using additional tools and metrics tailored to help capture elements of liquidity risk specific to their jurisdictions. In utilizing these metrics, supervisors should take action when potential liquidity difficulties are signaled through a negative trend in the metrics, or when a deteriorating liquidity position is identified, or when the absolute result of the metric identifies a current or potential liquidity problem. Examples of actions that supervisors can take are outlined in the Committee's *Sound Principles* (paragraphs 141-143).

176. The metrics discussed in this section include the following:

I. Contractual maturity mismatch;

II. Concentration of funding;

III. Available unencumbered assets;

IV. LCR by significant currency; and

V. Market-related monitoring tools

I. Contractual maturity mismatch

A. Objective

177. 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.

B. Definition and practical application of the metric

Contractual cash and security inflows and outflows from all on- and off-balance sheet items, mapped to defined time bands based on their respective maturities.

178. A bank should report contractual cash and security flows in the relevant time bands based on their residual contractual maturity. Supervisors in each jurisdiction will determine the specific template, including required time bands, by which data must be reported. Supervisors should define the time buckets so as to be able to understand the bank's cash flow position. Possibilities include requesting the cash flow mismatch to be constructed for the overnight, 7 day, 14 day, 1, 2, 3, 6 and 9 months, 1, 2, 3, 5 and beyond 5 years buckets. Instruments that have no specific maturity (non-defined or open maturity) should be reported separately, with details on the instruments, and with no assumptions applied as to when maturity occurs. Information on possible cash flows arising from derivatives such as interest rate swaps and options should also be included to the extent that their contractual maturities are relevant to the understanding of the cash flows.

179. At a minimum, the data collected from the contractual maturity mismatch should provide data on the categories outlined in the LCR. Some additional accounting (non-dated) information such as capital or non-performing loans may need to be reported separately.

1. Contractual cash flow assumptions

180. No rollover of existing liabilities is assumed to take place. For assets, the bank is assumed not to enter into any new contracts.

181. Contingent liability exposures that would require a change in the state of the world (such as contracts with triggers based on a change in prices of financial instruments or a downgrade in the bank's credit rating) need to be detailed, grouped by what would trigger the liability, with the respective exposures clearly identified.

182. A bank should record all securities flows. This will allow supervisors to monitor securities movements that mirror corresponding cash flows as well as the contractual maturity of collateral swaps and any uncollateralized stock lending/borrowing where stock movements occur without any corresponding cash flows.

183. A bank should report separately the customer collateral received that the bank is permitted to rehypothecate as well as the amount of such collateral that is rehypothecated at each reporting date. This also will highlight instances when the bank is generating mismatches in the borrowing and lending of customer collateral.

C. Utilization of the metric

184. Banks will provide the raw data to the supervisors, with no assumptions included in the data. Standardized contractual data submission by banks enables supervisors to build a market-wide view and identify market outlier’s vis-à-vis liquidity.

185. Given that the metric is based solely on contractual maturities with no behavioral assumptions, the data will not reflect actual future forecasted flows under the current, or future, strategy or plans, i.e., under a going-concern view. Also, contractual maturity mismatches do not capture outflows that a bank may make in order to protect its franchise, even where contractually there is no obligation to do so. For analysis, supervisors can apply their own assumptions to reflect alternative behavioral responses in reviewing maturity gaps.

186. As outlined in the Sound Principles, banks should also conduct their own maturity mismatch analyses, based on going-concern behavioral assumptions of the inflows and outflows of funds in both normal situations and under stress. These analyses should be based on strategic and business plans and should be shared and discussed with supervisors, and the data provided in the contractual maturity mismatch should be utilized as a basis of comparison. When firms are contemplating material changes to their business models, it is crucial for supervisors to request projected mismatch reports as part of an assessment of impact of such changes to prudential supervision. Examples of such changes include potential major acquisitions or mergers or the launch of new products that have not yet been contractually entered into. In assessing such data supervisors need to be mindful of assumptions underpinning the projected mismatches and whether they are prudent.

187. A bank should be able to indicate how it plans to bridge any identified gaps in its internally generated maturity mismatches and explain why the assumptions applied differ from the contractual terms. The supervisor should challenge these explanations and assess the feasibility of the bank’s funding plans.

II. Concentration of funding

A. Objective

188. This metric is meant to identify those sources of wholesale funding that are of such significance that withdrawal of this funding could trigger liquidity problems. The metric thus encourages the diversification of funding sources recommended in the Committee's *Sound Principles*.

B. Definition and practical application of the metric

A. Funding liabilities sourced from each significant counterparty as a % of total liabilities

B. Funding liabilities sourced from each significant product/instrument as a % of total liabilities

C. List of asset and liability amounts by significant currency

1. Calculation of the metric

189. The numerator for A and B is determined by examining funding concentrations by counterparty or type of instrument/product. Banks and supervisors should monitor both the absolute percentage of the funding exposure, as well as significant increases in concentrations.

(i) Significant counterparties

190. The numerator for counterparties is calculated by aggregating the total of all types of liabilities to a single counterparty or group of connected or affiliated counterparties, as well as all other direct borrowings, both secured and unsecured, which the bank can determine arise from the same counterparty58 (such as for overnight commercial paper / certificate of deposit (CP/CD) funding).

191. 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 balance sheet, although in some cases there may be other defining characteristics based on the funding profile of the bank. A group of connected counterparties is, in this context, defined in the same way as in the "Large Exposure" regulation of the host country in the case of consolidated reporting for solvency purposes. Intra-group deposits and deposits from related parties should be identified specifically under this metric, regardless of whether the metric is being calculated at a legal entity or group level, due to the potential limitations to intra-group transactions in stressed conditions.

(ii) Significant instruments / products

192. The numerator for type of instrument/product should be calculated for each individually significant funding instrument/product, as well as by calculating groups of similar types of instruments/products.

193. A "significant instrument/product" is defined as a single instrument/product or group of similar instruments/products that in aggregate amount to more than 1% of the bank's total balance sheet.

(iii) Significant currencies

194. In order to capture the amount of structural currency mismatch in a bank's assets and liabilities, banks are required to provide a list of the amount of assets and liabilities in each significant currency.

195. A currency is considered "significant" if the aggregate liabilities denominated in that currency amount to 5% or more of the bank's total liabilities.

(iv) Time buckets

196. The above metrics should be reported separately for the time horizons of less than one month, 1-3 months, 3-6 months, 6-12 months, and for longer than 12 months.

C. Utilization of the metric

197. In utilizing this metric to determine the extent of funding concentration to a certain counterparty, both the bank and supervisors must recognize that currently it is not possible to identify the actual funding counterparty for many types of debt.59 The actual concentration of funding sources, therefore, could likely be higher than this metric indicates. The list of significant counterparties could change frequently, particularly during a crisis. Supervisors should consider the potential for herding behavior on the part of funding counterparties in the case of an institution-specific problem. In addition, under market-wide stress, multiple funding counterparties and the bank itself may experience concurrent liquidity pressures, making it difficult to sustain funding, even if sources appear well diversified.

198. In interpreting this metric, one must recognize that the existence of bilateral funding transactions may affect the strength of commercial ties and the amount of the net outflow.60

199. These metrics do not indicate how difficult it would be to replace funding from any given source.

200. To capture potential foreign exchange risks, the comparison of the amount of assets and liabilities by currency will provide supervisors with a baseline for discussions with the banks about how they manage any currency mismatches through swaps, forwards, etc. It is meant to provide a base for further discussions with the bank rather than to provide a snapshot view of the potential risk.

III. Available unencumbered assets

A. Objective

201. These metrics provide supervisors with data on the quantity and key characteristics, including currency denomination and location, of banks' available unencumbered assets. These assets have the potential to be used as collateral to raise additional HQLA or secured funding in secondary markets or are eligible at central banks and as such may potentially be additional sources of liquidity for the bank.

B. Definition and practical application of the metric

Available unencumbered assets that are marketable as collateral in secondary markets and Available unencumbered assets that are eligible for central banks' standing facilities

202. A bank is to report the amount, type and location of available unencumbered assets that could serve as collateral for secured borrowing in secondary markets at prearranged or current haircuts at reasonable costs.

203. Likewise, a bank should report the amount, type and location of available unencumbered assets that are eligible for secured financing with relevant central banks at prearranged (if available) or current haircuts at reasonable costs, for standing facilities only (i.e. excluding emergency assistance arrangements). This would include collateral that has already been

accepted at the central bank but remains unused. For assets to be counted in this metric, the bank must have already put in place the operational procedures that would be needed to monetize the collateral.

204. A bank should report separately the customer collateral received that the bank is permitted to deliver or re-pledge, as well as the part of such collateral that it is delivering or re-pledging at each reporting date.

205. In addition to providing the total amounts available, a bank should report these items categorized by significant currency. A currency is considered “significant” if the aggregate stock of available unencumbered collateral denominated in that currency amounts 5% or more of the associated total amount of available unencumbered collateral (for secondary markets or central banks).

206. In addition, a bank must report the estimated haircut that the secondary market or relevant central bank would require for each asset. In the case of the latter, a bank would be expected to reference, under business as usual, the haircut required by the central bank that it would normally access (which likely involves matching funding currency – e.g. ECB for euro-denominated funding, Bank of Japan for yen funding, etc.).

207. As a second step after reporting the relevant haircuts, a bank should report the expected monetized value of the collateral (rather than the notional amount) and where the assets are actually held, in terms of the location of the assets and what business lines have access to those assets

C. Utilization of the metric

208. These metrics are useful for examining the potential for a bank to generate an additional source of HQLA or secured funding. They will provide a standardized measure of the extent to which the LCR can be quickly replenished after a liquidity shock either via raising funds in private markets or utilizing central bank standing facilities. The metrics do not, however, capture potential changes in counterparties’ haircuts and lending policies that could occur under either a systemic or idiosyncratic event and could provide false comfort that the estimated monetized value of available unencumbered collateral is greater than it would be when it is most needed. Supervisors should keep in mind that these metrics do not compare available unencumbered assets to the amount of outstanding secured funding or any other balance sheet scaling factor. To gain a more complete picture, the information generated by these metrics should be complemented with the maturity mismatch metric and other balance sheet data

IV. LCR by significant currency

A. Objective

209. While the LCR is required to be met in one single currency, in order to better capture potential currency mismatches, banks and supervisors should also monitor the LCR in significant currencies. This will allow the bank and the supervisor to track potential currency mismatch issues that could arise.

B. Definition and practical application of the metric

Foreign Currency LCR =

Stock of HQLA in each significant currency / Total net cash outflows over a 30-day time period in each significant currency

(Note: Amount of total net foreign exchange cash outflows should be net of foreign exchange hedges)

210. The definition of the stock of high-quality foreign exchange assets and total net foreign exchange cash outflows should mirror those of the LCR for common currencies.61

211. A currency is considered “significant” if the aggregate liabilities denominated in that currency amount to 5% or more of the bank's total liabilities.

212. As the foreign currency LCR is not a standard but a monitoring tool, it does not have an internationally defined minimum required threshold. Nonetheless, supervisors in each jurisdiction could set minimum monitoring ratios for the foreign exchange LCR, below which a supervisor should be alerted. In this case, the ratio at which supervisors should be alerted would depend on the stress assumption. Supervisors should evaluate banks’ ability to raise funds in foreign currency markets and the ability to transfer a liquidity surplus from one currency to another and across jurisdictions and legal entities. Therefore, the ratio should be higher for currencies in which the supervisors evaluate a bank’s ability to raise funds in foreign currency markets or the ability to transfer a liquidity surplus from one currency to another and across jurisdictions and legal entities to be limited.

C. Utilization of the metric

213. This metric is meant to allow the bank and supervisor to track potential currency mismatch issues that could arise in a time of stress.

V Market-related monitoring tools

A. Objective

214. High frequency market data with little or no time lag can be used as early warning indicators in monitoring potential liquidity difficulties at banks.

B. Definition and practical application of the metric

215. While there are many types of data available in the market, supervisors can monitor data at the following levels to focus on potential liquidity difficulties:
1. Market-wide information
2. Information on the financial sector
3. Bank-specific information

1. Market-wide information

216. Supervisors can monitor information both on the absolute level and direction of major markets and consider their potential impact on the financial sector and the specific bank. Market-wide information is also crucial when evaluating assumptions behind a bank’s funding plan.

217. Valuable market information to monitor includes, but is not limited to, equity prices (i.e. overall stock markets and sub-indices in various jurisdictions relevant to the activities of the supervised banks), debt markets (money markets, medium-term notes, long term debt, derivatives, government bond markets, credit default spread indices, etc.); foreign exchange markets, commodities markets, and indices related to specific products, such as for certain securitized products (e.g. the ABX).

2. Information on the financial sector

218. To track whether the financial sector as a whole is mirroring broader market movements or is experiencing difficulties, information to be monitored includes equity and debt market

information for the financial sector broadly and for specific subsets of the financial sector, including indices.

3. Bank-specific information

219. To monitor whether the market is losing confidence in a particular institution or has identified risks at an institution, it is useful to collect information on equity prices, CDS spreads, money-market trading prices, the situation of roll-overs and prices for various lengths of funding, the price/yield of bank debenture or subordinated debt in the secondary market.

C. Utilization of the metric/data

220. Information such as equity prices and credit spreads are readily available. However, the accurate interpretation of such information is important. For instance, the same CDS spread in numerical terms may not necessarily imply the same risk across markets due to market-specific conditions such as low market liquidity. Also, when considering the liquidity impact of changes in certain data points, the reaction of other market participants to such information can be different, as various liquidity providers may emphasize different types of data.

(Refer to Paragraphs 174 to 220 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Annex 1 – SAMA's General Guidance 2C

Calculation of the cap on Level 2 assets with regard to short-term securities financing transactions

1. This annex seeks to clarify the appropriate method for the calculation of the cap on Level 2 (including Level 2B) assets with regard to short-term securities financing transactions.

2. As stated in paragraph 36, the calculation of the 40% cap on Level 2 assets should take into account the impact on the stock of HQLA of the amounts of Level 1 and Level 2 assets involved in secured funding, (See definition in paragraph 112 of BCBS LCR documentation, 2013) secured lending (See definition in paragraph 145 of BCBS LCR documentation, 2013) and collateral swap transactions maturing within 30 calendar days. The maximum amount of adjusted Level 2 assets in the stock of HQLA is equal to two-thirds of the adjusted amount of Level 1 assets after haircuts have been applied. The calculation of the 40% cap on Level 2 assets will take into account any reduction in eligible Level 2B assets on account of the 15% cap on Level 2B assets. (When determining the calculation of the 15% and 40% caps, supervisors may, as an additional requirement, separately consider the size of the pool of Level 2 and Level 2B assets on an unadjusted basis.)

3. Further, the calculation of the 15% cap on Level 2B assets should take into account the impact on the stock of HQLA of the amounts of HQLA assets involved in secured funding, secured lending and collateral swap transactions maturing within 30 calendar days. The maximum amount of adjusted 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 2 assets, or, in cases where the 40% cap is binding, up to a maximum of 1/4 of the adjusted amount of Level 1 assets, both after haircuts have been applied.

4. The adjusted amount of Level 1 assets is defined as the amount of Level 1 assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 1 assets (including cash) that meet, or would meet if held unencumbered, the operational requirements for HQLA set out in paragraphs 28 to 40. The adjusted amount of Level 2A assets is defined as the amount of Level 2A assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 2A assets that meet, or would meet if held unencumbered, the operational requirements for HQLA set out in paragraphs 28 to 40. The adjusted amount of Level 2B assets is defined as the amount of Level 2B assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 2B assets that meet, or would meet if held unencumbered, the operational requirements for HQLA set out in paragraphs 28 to 40. In this context, short-term transactions are transactions with a maturity date up to and including 30 calendar days. Relevant haircuts would be applied prior to calculation of the respective caps.

5. 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 (Adjusted Level 2B – 15/85*(Adjusted Level 1 + Adjusted Level 2A), Adjusted Level 2B - 15/60*Adjusted Level 1, 0)

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

6. Alternatively, the formula can be expressed as:

Stock of HQLA = Level 1 + Level 2A + Level 2B – Max ((Adjusted Level 2A+Adjusted Level 2B) – 2/3*Adjusted Level 1, Adjusted Level 2B – 15/85*(Adjusted Level 1 + Adjusted Level 2A), 0)

Note: Currently, SAMA does not allow the recognition of Level 2B Assets for the purpose of computing the Liquidity Coverage Ratio

(Refer to Annex 1 of Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools – Jan 2013)

Attachment # 3

PACKAGE OF PRUDENTIAL RETURN CONCERNING AMENDED LCR