

Basel Committee on Banking Supervision

LCR

Liquidity Coverage Ratio

LCR99

Application guidance

**Version effective as of
15 Dec 2019**

First version in format of consolidated framework.



BANK FOR INTERNATIONAL SETTLEMENTS

99.1 The table below summarises the Liquidity Coverage Ratio (LCR; percentages are factors to be multiplied by the total amount of each item).

| Item | Factor |
|---|--------|
| Stock of high-quality liquid assets (HQLA) | |
| 1. Level 1 assets | |
| - Coins and bank notes | 100% |
| - Qualifying marketable securities from sovereigns, central banks, public sector entities (PSEs) and multilateral development banks | |
| - Qualifying central bank reserves | |
| - Domestic sovereign or central bank debt for non-0% risk-weighted sovereigns | |
| 2. Level 2 assets (maximum 40% of HQLA) | |
| Level 2A assets: | 85% |
| - 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 | |
| Level 2B assets (maximum of 15% of HQLA) | |
| - Qualifying residential mortgage-backed securities (RMBS) | 75% |
| - Qualifying corporate debt securities rated between A+ and BBB- | 50% |
| - Qualifying common equity shares | |
| - Sovereign, central bank and PSE debt securities rated BBB- or higher that do not qualify as a Level 1 or Level 2A asset. | |
| Total value of stock of HQLA | |
| Cash outflows | |
| 1. Retail deposits | |
| Demand deposits and term deposits (less than 30 days maturity): | |
| - Stable deposits (deposit insurance scheme meets additional criteria) | 3% |

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| - Stable deposits | 5% |
| - Less stable retail deposits | 10% |
| Term deposits with residual maturity greater than 30 days | 0% |

2. **Unsecured wholesale funding**

Demand deposits 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 the centralised institution) | 25% |
| 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% |

3. **Secured funding**

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| - 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 | |
| - Backed by other Level 2B assets | 50% |
| - All other secured funding transactions | 100% |

4. Additional requirements

| | |
|--|--------------------------------------|
| Liquidity needs (eg 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 realised 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% |
| Asset-backed commercial paper (ABCP), structured investment vehicles (SIVs), conduits, special purpose entities (SPEs) etc: - Liabilities from maturing ABCP, SIVs, SPEs etc (applied to maturing amounts and returnable assets) - 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% |
| | National discretion |

| | |
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| Other contingent funding liabilities (such as guarantees, letters of credit, revocable credit and liquidity facilities etc) | |
| - 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 | |
| Cash inflows | |
| Maturing secured lending transactions backed by the following collateral: | |
| Level 1 assets | 0% |
| Level 2A assets | 15% |
| Level 2B assets | |
| - Eligible RMBS | 25% |
| - Other assets | 50% |
| Margin lending backed by all other collateral | 50% |
| All other assets | 100% |
| Credit or liquidity facilities provided to the reporting bank | 0% |
| Operational deposits held at other financial institutions (include deposits held at centralised institution of network of co-operative banks) | 0% |
| Other inflows by counterparty: | |
| - Amounts to be received from retail counterparties | 50% |
| - Amounts to be received from non-financial wholesale counterparties, from transactions other than those listed in above inflow categories | 50% |

| | |
|---|---------------------|
| - Amounts to be received from financial institutions and central banks, from transactions other than those listed in above inflow categories. | 100% |
| Net derivative cash inflows | 100% |
| Other contractual cash inflows | National discretion |
| Total cash inflows | |
| Total net cash outflows = Total cash outflows minus min [total cash inflows, 75% of gross outflows] | |
| LCR = Stock of HQLA / Total net cash outflows | |