Basel Committee on Banking Supervision

NSF

Net stable funding ratio

NSF10

Definitions and applications

Version effective as of 15 Dec 2019

First version in the format of the consolidated framework.

BANK FOR INTERNATIONAL SETTLEMENTS

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Definitions

10.1 The net stable funding ratio (NSFR) consists primarily of internationally agreed-upon definitions and calibrations. Some elements, however, remain subject to national discretion to reflect jurisdiction-specific conditions. In these cases, national discretion should be explicit and clearly outlined in the regulations of each jurisdiction.

10.2 Unless otherwise specified, the NSFR definitions mirror those in the liquidity coverage ratio (LCR) standard, set out in LCR, and the liquidity monitoring metrics, set out in SRP50. All references to LCR definitions in the NSFR refer to the definitions in the LCR standard published by the Basel Committee. Supervisors who have chosen to implement a more stringent definition in their domestic LCR rules than those set out in the Basel Committee LCR standard have discretion over whether to apply this stricter definition for the purposes of implementing the NSFR requirements in their jurisdiction.

10.3 In particular, and consistent with LCR40.42 and NSF10.1, banks, securities firms, insurance companies, fiduciaries (defined in this context as a legal entity that is authorised to manage assets on behalf of a third party, including asset management entities such as pension funds and other collective investment vehicles), and beneficiaries (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) are considered as financial institutions for the application of the NSFR standard.

Scope of application

10.4 The application of the NSFR requirement in this standard follows the scope of application set out in SCO10. The NSFR must 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.

10.5 Regardless of the scope of application of the NSFR, in line with Principle 6 as outlined in the Principles for Sound Liquidity Risk Management and Supervision, 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.

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Exclusions from the NSFR calculation

10.6 A limited national discretion allows derivative transactions with central banks arising from the latter's short-term monetary policy and liquidity operations to be excluded from the reporting bank's NSFR computation and to offset unrealised capital gains and losses related to these derivative transactions from available stable funding. These transactions include foreign exchange derivatives such as foreign exchange swaps, and must have a maturity of six months or less at inception. As such, the bank's NSFR would not change due to entering a short-term derivative transaction with its central bank for the purpose of short-term monetary policy and liquidity operations.

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