Basel Committee on Banking Supervision

NSF

Net stable funding ratio

NSF99

Definitions and applications

Version effective as of 15 Dec 2019

First version in the format of the consolidated framework.

BANK FOR INTERNATIONAL SETTLEMENTS

Summary of available stable funding and required stable funding factors

99.1 Table 1 below summarises the components of each of the available stable funding (ASF) categories and the associated maximum ASF factor to be applied in calculating an institution's total amount of available stable funding under the standard.

Summary of liability categories and associated ASF factors	Table 1
ASF factor	**Components of ASF category**
100%	Total regulatory capital as in NSF30.10 (excluding Tier 2 instruments with residual maturity of less than one year) Other capital instruments and liabilities with effective residual maturity of one year or more
95%	Stable non-maturity (demand) deposits and term deposits with residual maturity of less than one year provided by retail and small business customers
90%	Less stable non-maturity (demand) deposits and term deposits with residual maturity of less than one year provided by retail and small business customers
50%	Funding with residual maturity of less than one year provided by non-financial corporate customers Operational deposits Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs) and multilateral and national development banks Other funding with residual maturity between six months and less than one year not included in the above categories, including funding provided by central banks and financial institutions
0%	All other liabilities and equity not included in the above categories, including liabilities without a stated maturity (with a specific treatment for deferred tax liabilities and minority interests) Net stable funding ratio (NSFR) derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets "Trade date" payables arising from purchases of financial instruments, foreign currencies and commodities Liabilities with interdependent assets as in NSF30.35, subject to national discretion

99.2 Table 2 summarises the specific types of assets to be assigned to each asset category and their associated required stable funding (RSF) factor.

Summary of asset categories and associated RSF factors	Table 2
RSF factor	Components of RSF category
0%	Coins and banknotes All central bank reserves All claims on central banks with residual maturities of less than six months "Trade date" receivables arising from sales of financial instruments, foreign currencies and commodities Assets with interdependent liabilities as in NSF30.35, subject to national discretion
5%	Unencumbered Level 1 assets, excluding coins, banknotes and central bank reserves
10%	Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets as defined in LCR30.41, and where the bank has the ability to freely rehypothecate the received collateral for the life of the loan
15%	All other unencumbered loans to financial institutions with residual maturities of less than six months not included in the above categories Unencumbered Level 2A assets
50%	Unencumbered Level 2B assets High-quality liquid assets (HQLA) encumbered for a period of six months or more and less than one year Loans to financial institutions and central banks with residual maturities between six months and less than one year Deposits held at other financial institutions for operational purposes All other assets not included in the above categories with residual maturity of less than one year, for example, loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, national development banks and PSEs
65%	Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the Standardised Approach in CRE20 Other unencumbered loans, including loans to sovereigns, MDBs, PSEs and national development banks, not included in the above categories, excluding loans to financial institutions, with a residual maturity of one

	year or more and with a risk weight of less than or equal to 35% under the standardised approach in CRE20
85%	Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a central counterparty Other unencumbered performing loans with risk weights greater than 35% under the standardised approach in CRE20 and residual maturities of one year or more, excluding loans to financial institutions Unencumbered securities that are not in default and do not qualify as HQLA with a remaining maturity of one year or more and exchange-traded equities Physical traded commodities, including gold
100%	All assets that are encumbered for a period of one year or more NSFR derivative assets net of NSFR derivative liabilities if NSFR derivative assets are greater than NSFR derivative liabilities 5% to 20% of derivative liabilities as calculated according to NSF30.8 Assets without a stated maturity (including non-maturity reverse repos unless banks can demonstrate to supervisors that the non-maturity reverse repo would effectively mature in less than one year) All other assets not included in the above categories, including non-performing loans, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities

99.3 Table 3 identifies the specific types of off-balance sheet exposures to be assigned to each off-balance sheet category and their associated RSF factor.

Summary of off-balance sheet categories and associated RSF factors	Table 3
RSF factor	RSF category
5% of the currently undrawn portion	Irrevocable and conditionally revocable credit and liquidity facilities to any client
National supervisors can specify the RSF factors based on their national circumstances	Other contingent funding obligations, including products and instruments such as: • Unconditionally revocable credit and liquidity facilities • Trade finance-related obligations (including guarantees and letters of credit) • Guarantees and letters of credit unrelated to trade finance obligations • Non-contractual obligations such as: – potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities – structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes (VRDNs) – managed funds that are marketed with the objective of maintaining a stable value

Guidance on the treatment of specific instruments

99.4 Some loans are only partially secured and are therefore separated into secured and unsecured portions with different risk weights under the Basel capital framework. The specific characteristics of these portions of loans should be taken into account for the calculation of the NSFR: the secured and unsecured portions of a loan should each be treated according to its characteristics and assigned the corresponding RSF factor. If it is not possible to draw the distinction between the secured and unsecured part of the loan, the higher RSF factor must be applied to the whole loan.

99.5 Assets that are owned by banks, but segregated to satisfy statutory requirements for the protection of customer equity in margined trading accounts, must be reported in accordance with the underlying exposure, whether or not the segregation requirement is separately classified on a bank's balance sheet.

However, those assets must also be treated according to NSF30.20. That is, they may be subject to a higher RSF depending on (the term of) encumbrance. The (term of) encumbrance should be determined by authorities, taking into account whether the institution can freely dispose or exchange such assets and the term of the liability to the bank's customer(s) that generates the segregation requirement.

99.6 Non-operational deposits held at other financial institutions must be treated equivalently to loans to financial institutions, taking into account the term of the deposit.