Basel Committee
on Banking Supervision

Consultative Document

Net Stable Funding Ratio disclosure standards

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Introduction

1. The fundamental role of banks in financial intermediation makes them inherently vulnerable to liquidity risk, of both an institution-specific and market nature. Financial market developments have increased the complexity of liquidity risk and its management. During the early "liquidity phase" of the financial crisis that began in 2007, many banks – although meeting the capital requirements then in effect – still experienced difficulties because they did not prudently manage their liquidity or funding. These difficulties, which in some cases created significant contagion effects on the broader financial system, were due to lapses in applying the basic principles of liquidity risk measurement and management.

2. In 2008, the Basel Committee on Banking Supervision responded by publishing *Principles for Sound Liquidity Risk Management and Supervision* (the "*Sound Principles*"), which provide detailed guidance on the risk management and supervision of funding liquidity risk.[1] The Committee has further strengthened its liquidity framework by developing two *minimum* standards for funding and liquidity. These standards aim to achieve two separate but complementary objectives. The first objective is to promote the short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid assets (HQLA) to survive a significant stress scenario lasting for 30 days. To this end, the Committee published *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*.[2] The second objective is to reduce funding risk over a longer time horizon by requiring banks to conduct their activities with funding from sources that are sufficiently stable to mitigate the risk of future funding stress. To achieve this objective, the Committee published *Basel III: The Net Stable Funding Ratio.*[3] The NSFR will become a minimum standard by 1 January 2018. This ratio should be equal to at least 100% on an ongoing basis. These standards are an essential component of the set of reforms introduced by Basel III and together will increase banks' resilience to liquidity shocks, promote a more stable funding profile and enhance overall liquidity risk management.

3. This disclosure framework is focused on disclosure requirements for the Net Stable Funding Ratio (NSFR). Similar to the LCR disclosure framework,[4] this requirement will improve the transparency of regulatory funding requirements, reinforce the *Sound Principles*, enhance market discipline, and reduce uncertainty in the markets as the NSFR is implemented.

4. It is important that banks adopt a common public disclosure framework to help market participants consistently assess banks' funding risk. To promote the consistency and usability of disclosures related to the NSFR, and to enhance market discipline, the Committee has agreed that internationally active banks across member jurisdictions will be required to publish their NSFRs according to a common template. There are, however, some challenges associated with disclosure of funding positions under certain circumstances, including the potential for undesirable dynamics during

[1] See www.bis.org/publ/bcbs144.pdf.

[2] See www.bis.org/publ/bcbs238.pdf.

[3] See www.bis.org/publ/bcbs271.pdf.

[4] See www.bis.org/publ/bcbs272.pdf.

stress. The Committee has carefully considered this trade-off in formulating the disclosure framework contained in this document.

5. The disclosure requirements are organised as follows. Section 1 presents requirements on the scope of application, implementation date, and the frequency and location of reporting. The disclosure requirements for the NSFR are set out in Section 2 and include a common template that banks must use to report their NSFR results and selected details of the NSFR components.

6. The Committee recognises that the NSFR is only one measure of a bank's funding risk and that other information, both quantitative and qualitative, is essential for market participants to gain a broader picture of a bank's funding risk and management. Section 3 of the LCR disclosure framework provides additional guidance on other information that banks may choose to disclose in order to facilitate understanding and awareness of their internal funding risk measurement and management.

Section 1: Scope of application, implementation date and frequency of reporting

7. The disclosure requirements set out in this document are applicable 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 to ensure greater consistency and a level playing field between domestic and cross-border banks.

8. Supervisors will give effect to the disclosure requirements set out in this standard by no later than 1 January 2018. Banks will be required to comply with these disclosure requirements from the date of the first reporting period after 1 January 2018.[5]

9. Banks must publish this disclosure with the same frequency as, and concurrently with, the publication of their financial statements (ie typically quarterly or semi-annually), irrespective of whether the financial statements are audited.

10. Banks must either include the disclosures required by this document in their published financial reports or, at a minimum, provide a direct and prominent link to the completed disclosure on their websites or in publicly available regulatory reports.[6] Banks must also make available on their websites, or through publicly available regulatory reports, an archive (for a suitable retention period as determined by the relevant supervisors) of all templates relating to prior reporting periods. Irrespective of the location of the disclosure, the minimum disclosure requirements must be in the format required by this document (ie according to the requirements in Section 2).

[5] That is, where all reference dates used in the calculation occur on or after 1 January 2018.

[6] LCR and NSFR disclosure standards may in future be incorporated into a single Pillar 3 document, following the completion of the Basel Committee's review of the Pillar 3 framework.

Section 2: Disclosure requirements

11. The disclosure of quantitative information about the NSFR should follow the common template developed by the Committee. Annex 1 presents an explanation of the common template's design. The NSFR information must be calculated on a consolidated basis and presented in a single currency.

12. Data must be presented as quarter-end observations. For banks reporting on a semi-annual basis, the NSFR must be reported for each of the two preceding quarters. For banks reporting on an annual basis, the NSFR must be reported for the preceding four quarters.

13. Both unweighted and weighted values of the NSFR components must be disclosed. Weighted values are calculated as the values after ASF or RSF factors are applied. See Annex 2 for more details.

14. NSFR common disclosure template:

		Unweighted value				
(in currency amount)		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
ASF Item						
1	Capital:					
2	*Regulatory capital*					
3	*Other capital instruments*					
4	Retail deposits and deposits from small business customers:					
5	*Stable deposits*					
6	*Less stable deposits*					
7	Wholesale funding:					
8	*Operational deposits*					
9	*Other wholesale funding*					
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	*Net derivative liabilities*					
13	*All other liabilities and equity not included in the above categories*					
14	**Total ASF**					
RSF Item						
15	Total high-quality liquid assets (HQLA)					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:					
18	*Performing loans to financial institutions secured by Level 1 HQLA*					
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*					

20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*					
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
22	*Performing residential mortgages, of which:*					
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*					
25	Assets with matching interdependent liabilities					
26	Other assets:					
27	*Physical traded commodities, including gold*					
28	*Net derivative assets*					
29	*All other assets not included in the above categories*					
30	Off-balance sheet items					
31	**Total RSF**					
32	**Net Stable Funding Ratio (%)**					

15. In addition to the common template, banks should provide a sufficient qualitative discussion around the NSFR to facilitate an understanding of the results and the accompanying data. For example, where significant to the NSFR, banks could discuss:

(a) the drivers of their NSFR results and the reasons for intra-period changes as well as the changes over time (eg changes in strategies, funding structure, circumstances etc); and

(b) the composition of the bank's interdependent assets and liabilities (as defined in paragraph 45 of the NSFR document) and to what extent these transactions are interrelated.

Annex 1

Explanation of the NSFR common disclosure template

Explanation of each row of the common disclosure template		
Row number	Explanation	Relevant paragraph(s) of NSFR standards
1	Capital is the sum of rows 2 and 3.	
2	Regulatory capital before the application of capital deductions, as defined in paragraph 49 of the Basel III text.	21(a), 24(d) and 25(a)
3	Total amount of any capital instruments not included in row 2.	21(b), 24(d) and 25(a)
4	Retail deposits and deposits from small business customers, as defined in the LCR paragraphs 73–84 and 89–82, are the sum of row 5 and 6.	
5	Stable deposits comprise "stable" (as defined in the LCR in paragraphs 75–78) non-maturity (demand) deposits and/or term deposits provided by retail and small business customers.	21(c) and 22
6	Less stable deposits comprise "less stable" (as defined in the LCR in paragraphs 79–81) non-maturity (demand) deposits and/or term deposits provided by retail and small business customers.	21(c) and 23
7	Wholesale funding is the sum of row 8 and 9.	
8	Operational deposits: As defined in LCR paragraphs 93–104, including deposits in institutional networks of cooperative banks as defined in LCR paragraphs 105–106.	21(c), 24(b) and 25(a), including footnote 10.
9	Other wholesale funding include funding (secured and unsecured) provided by non-financial corporate customer, sovereigns, public sector entities (PSEs), multilateral and national development banks, central banks and financial institutions.	21(c), 24(a), (c), and (d) and 25(a)
10	Liabilities with matching interdependent assets.	45
11	Other liabilities are the sum of rows 12 and 13.	
12	Net derivatives liabilities, comprising NSFR derivatives liabilities as calculated according to paragraphs 19 and 20, net of NSFR derivatives assets as calculated according to paragraphs 34 and 35, if NSFR derivative liabilities are greater than NSFR derivative assets.	25(c)
13	All other liabilities and equity not included in above categories.	25(a), (b) and (d)
14	Total ASF is the sum of all weighted values in rows 1, 4, 7, 10 and 11.	
15	Total HQLA as defined in the LCR paragraphs 49–54(a) (encumbered and unencumbered): (a) Encumbered assets including assets backing securities or covered bonds and initial margin for derivatives transactions. (b) Unencumbered means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer or assign the asset.	36(a) and (b), 37, 39(a), 40(a) and (b), 42(a) and 43(a)
16	Deposits held at other financial institutions for operational purposes as defined in the LCR paragraphs 93–104.	40(d)
17	Performing loans and securities are the sum of rows 18, 19, 20, 22 and 24.	

18	Performing loans to financial institutions secured by Level 1 HQLA, as defined in the LCR paragraphs 50(c), (d) and (e).	38, 40(c) and 43(c)
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions.	39(b), 40(c) and 43(c)
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs.	36(c), 40(e), 41(b), 42(b) and 43(a)
21	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs with risk weight of less than or equal to 35% under the Standardised Approach.	36(c), 40(e), 41(b) and 43(a)
22	Performing residential mortgages.	40(e), 41(a), 42(b) and 43(a)
23	Performing residential mortgages with risk weight of less than or equal to 35% under the Standardised Approach.	40(e), 41(a) and 43(a)
24	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	40(e), 42(c) and 43(a)
25	Assets with matching interdependent liabilities.	45
26	Other assets are the sum of rows 27 to 29.	
27	Physical traded commodities, including gold.	42(d)
28	Net derivative assets comprising NSFR derivative assets, as calculated according to NSFR paragraphs 34 and 35, net of NSFR derivative liabilities as calculated according to NSFR paragraphs 19 and 20, if NSFR derivative assets are greater than NSFR derivative liabilities.	43(b)
29	All other assets not included in the above categories, including 20% of derivative liabilities (ie negative replacement cost amounts) as calculated according to NSFR paragraph 19 (before deducting variation margin posted).	36(d), 43(c) and (d)
30	Off-balance sheet items.	46, 47
31	Total RSF is the sum of all weighted value in rows 15, 16, 17, 25, 26 and 30.	
32	Net stable funding ratio (%), as stated in paragraph 12 of this document.	9

Annex 2

Instructions for completion of the NSFR common disclosure template

- Rows in the template are set and compulsory for all banks. Annex 1 provides a table that sets out an explanation of each line of the common template, with references to the relevant paragraph(s) of the Basel III NSFR rules text. Key points to note about the common template are:
  - Each dark grey row introduces a section of the NSFR template.
  - Each light grey row represents a broad subcomponent category of the NSFR in the relevant section.
  - Each unshaded row represents a subcomponent within the major categories under ASF and RSF items.[7] The relevant subcomponents to be included in the calculation of each row are specified in Annex 1.
  - No data should be entered for the cross-hatched cells.
- Figures entered in the template should be the quarter-end observations of individual line items.
- Figures entered for each RSF line item should include both unencumbered and encumbered amounts.

[7] As an exception, rows 21 and 23 are subcomponents of rows 20 and 22, respectively. As indicated in Annex 1, row 17 is the sum of rows 18, 19, 20, 22 and 24.