Basel Committee
on Banking Supervision

Regulatory Consistency Assessment Programme (RCAP)

Assessment of Basel NSFR regulations – China

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BANK FOR INTERNATIONAL SETTLEMENTS

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Contents

Glossary

ASF	Available stable funding
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
C	Compliant (grade)
CBIRC	China Banking and Insurance Regulatory Commission
CNY	Chinese renminbi (currency)
FSS	Financial Supervisory Service
G-SIB	Global systemically important bank
HQLA	High-quality liquid assets
LC	Largely compliant (grade)
LCR	Liquidity Coverage Ratio
MNC	Materially non-compliant (grade)
NC	Non-compliant (grade)
NSFR	Net Stable Funding Ratio
PBoC	People's Bank of China
RCAP	Regulatory Consistency Assessment Programme
RSF	Required stable funding
SIG	Supervision and Implementation Group
SOE	State-owned enterprise

Preface

The Basel Committee on Banking Supervision (Basel Committee) places a high priority on the implementation of regulatory standards underpinning the Basel III framework. The prudential benefits from adopting Basel standards can only fully accrue if these are implemented fully, consistently and in a timely manner by all member jurisdictions. The Committee established the Regulatory Consistency Assessment Programme (RCAP) to monitor, assess and evaluate its members' implementation of the Basel framework.

This report presents the findings of an RCAP Assessment Team on the domestic adoption of the Basel Net Stable Funding Ratio (NSFR) standard in China. The assessment focused on the completeness and consistency of the domestic regulations in force on 31 July 2019, as applied to internationally active banks, with the Basel NSFR standard. Issues related to prudential outcomes, the adequacy of liquidity, the resilience of the banking system or the supervisory effectiveness of the Chinese authorities were not in the scope of this assessment. The assessment relied on translated regulations and other information and explanations provided by the Chinese authorities and ultimately reflects the view of the Basel Committee.

The RCAP Assessment Team was led by Mr Seong Il Choi, Deputy Governor of the Korean Financial Supervisory Service (FSS). It comprised four technical experts, from Germany, Lebanon, Sweden and the Basel Committee Secretariat (see Annex 1). The main counterpart for the assessment was the China Banking and Insurance Regulatory Commission (CBIRC). The work was coordinated by the Basel Committee Secretariat with support from staff from the FSS.

The assessment began in January 2019 and comprised (i) a self-assessment by the Chinese authorities; (ii) an assessment phase (February to July 2019), including an on-site assessment involving discussions with the Chinese authorities; and (iii) a review phase (August to September 2019), including a technical review of the Assessment Team's findings by a separate RCAP Review Team, the Committee's Supervision and Implementation Group, the RCAP Peer Review Board and the Basel Committee. More information on the RCAP assessment process is available on the Committee's website.[1]

The RCAP Assessment Team acknowledges the cooperation received from the CBIRC staff throughout the assessment process.

[1] See the BCBS Implementation overview, www.bis.org/bcbs/implementation.htm.

Executive summary

Overall, as of 31 July 2019, the Net Stable Funding Ratio (NSFR) regulations in China are assessed as compliant with the Basel NSFR standards. This is the highest possible grade.

In China, the NSFR applies to all commercial banks with total assets of at least 200 billion Chinese renminbi (CNY). This group includes all six commercial banks based in China that have been identified by the China Banking and Insurance Regulatory Commission (CBIRC) as internationally active banks. The NSFR is calculated on both a consolidated and non-consolidated basis. The Chinese NSFR requirements were implemented via a regulation on minimum NSFR requirements (revised in May 2018) and two regulatory documents on reporting (revised in December 2018) and disclosure (issued in March 2019). These domestic NSFR rules came into effect in July 2018, January 2019 and March 2019, respectively.

Response from the CBIRC

As one of the largest emerging economies, China has a strong commitment to global regulatory standards for the purpose of building a sound and resilient financial system. In May 2018, the CBIRC revised the Rules on Liquidity Risk Management of Commercial Banks benchmarking Basel III to ensure a timely implementation of Basel III from 1 July 2018. In March 2019, the CBIRC issued the Disclosure Rules on Net Stable Funding Ratio of Commercial Banks benchmarking Basel standards. The Liquidity Rules and NSFR Disclosure Rules reflect the CBIRC's continuous efforts to strengthen bank regulation and supervision. The Liquidity Rules have a wider scope of application compared with Basel rules.

The CBIRC fully supports the Regulatory Consistency Assessment Programme (RCAP) put in place by the Basel Committee, which aims to foster a consistent implementation of Basel standards across jurisdictions. We welcome the detailed assessment of NSFR regulations in China and highly appreciate the expertise and efficiency of the Assessment Team shown in the assessment process, whose recommendations have therefore been well received and carefully considered by the CBIRC. The CBIRC will stay forward-looking and will continue to monitor the challenges for the banking sector and their implications.

The Basel III implementation is an evolving process that deserves ongoing commitment, hard work and coordinated efforts. So we look forward to further cooperation and collaboration with the Basel Committee.

1 Assessment context

1.1 Status of NSFR implementation

The CBIRC is responsible for implementing the NSFR in China. It implemented the NSFR standard via three regulations on minimum NSFR requirements, reporting and disclosure. The Rules on Liquidity Risk Management of Commercial Banks, which contain the minimum NSFR requirements, were revised in May 2018 and came into effect in July 2018. The Disclosure Rules on Net Stable Funding Ratio of Commercial Banks were issued in March 2019 and came into effect in March 2019. The Notice on the Off-site Supervisory Report of NSFR was revised in December 2018 and came into effect in January 2019.

In China, the NSFR applies to all commercial banks with total assets of at least CNY 200 billion.[2] This group includes all six commercial banks based in China that have been identified by the CBIRC as internationally active banks. As of end-2018, 86 banks exceeded the threshold and must comply with the NSFR rules. This group accounts for around 87% of Chinese banking system assets.

1.2 Regulatory system

The CBIRC has been responsible for banking regulation and supervision in China since 2003. It reports directly to the State Council. Its objective is to promote a safe and sound banking industry by preventing and reducing banking risks while protecting the legitimate interests of depositors and other clients. The Law on Banking Supervision and Regulation, from which the CBIRC derives its powers, also applies to asset management companies, trust companies, finance companies, financial leasing companies incorporated in China and other non-bank financial institutions approved by the CBIRC.

While the CBIRC is responsible for the regulation and supervision of liquidity, it collaborates with the People's Bank of China (PBoC) when conducting liquidity stress testing. The PBoC also closely monitors the liquidity of the banking system and financial markets as part of its roles with respect to monetary policy and financial stability.

Under its founding law, the CBIRC has the power to issue two types of legal instrument: regulations and regulatory documents. Regulations have the highest legal force and are used to implement the main elements of the prudential framework. Regulatory documents have a legal status subordinate to regulations and typically contain more detailed requirements. Both types of document constitute legally binding rules, of which non-compliance can be used as a basis for enforcement action against banks. Table 1 summarises the structure of prudential regulations in China. Annex 2 lists the main regulations implementing the NSFR in China. As for the Committee's RCAP assessments of the implementation of the risk-based capital framework and the Liquidity Coverage Ratio (LCR) in China, both regulations and regulatory documents are considered eligible for this RCAP assessment. More information is provided in Annex 2.

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2 The Chinese NSFR rules do not apply to three so-called policy banks, which have a share of about 10% of the Chinese banking system assets. These banks pursue non-commercial governmental purposes.

Structure of Chinese laws and regulatory instruments — Table 1

Purpose	Type
Laws that empower the CBIRC as supervisor	Law on Banking Supervision and Regulation
Legal instruments issued by the CBIRC under the above law	Regulations: used for the main provisions in the prudential framework. There are various names and titles for regulations, including provisions, measures and rules. Regulatory documents, including notices and circulars, issued to support regulations.

Notes: The CBIRC regulates its own rule-making process through the CBIRC Rule-making Provisions, which requires the CBIRC to review regularly the rules it makes to ensure their relevance and effectiveness.

Source: CBIRC.

1.3 Structure of the banking sector

The core business of the Chinese banking system remains relatively traditional, concentrated in domestic lending and services. As of end-2018, there were 1,637 banks operating in China. Over 1,000 of these banks are small independent rural banks, which mainly serve farmers in their local communities. However, the banking system has grown rapidly in recent years and the banks' structures have become more complex on both the liability and asset sides, while their off-balance sheet activities have grown significantly. The five large state-owned banks, with larger and more stable deposit bases, benefit from lower funding costs. They have traditionally dominated lending to large, domestic, and state-owned enterprises (SOEs), but have recently also diversified towards private enterprises and households. The 12 joint-stock banks lend more to small- and medium-sized enterprises. City commercial banks are more focused on regional customers and projects.

In order to identify banks that are internationally active, CBIRC applies different criteria like size, exposure to international markets and business activities. CBIRC does apply both thresholds and supervisory judgement to identify the Chinese internationally active banks. On this basis, CBIRC has identified six Chinese banks as internationally active, including four that are designated as global systemically important banks (G-SIBs). These six banks have a combined share of about 44.5% of Chinese banking system assets. The combined overseas assets of these six banks is CNY 13.8 trillion and 13% percent of these banks' total assets. The Chinese banking system's total overseas assets comprise around CNY 15.3 trillion and 7% of the banks' total assets.

In evaluating the materiality of its findings, the RCAP Assessment Team generally focused on a sample of 12 of the largest banks in China. Together, these 12 banks comprise about 63% of Chinese banking system assets. The average NSFR of these banks at end-2018 was 120%. Annex 3 provides further information on the banking system in China and the NSFR of the banks in the sample.

1.4 Scope of the assessment

The Assessment Team considered the NSFR requirements applicable to internationally active banks in China as of 31 July 2019. The assessment had two dimensions:

- a comparison of domestic regulations with the Basel NSFR standard to ascertain that all the required provisions have been adopted (*completeness* of the regulations); and
- whether there are any differences in substance between the domestic regulations and the Basel NSFR standard and, if so, their significance (*consistency* of the regulations).

In its assessment, the RCAP Assessment Team considered all binding documents that effectively implement the Basel NSFR standard in China. Annex 2 lists the Basel standards used as the basis for the assessment. The assessment did not evaluate the adequacy of liquidity or the resilience of the banking system in China or the supervisory effectiveness of the CBIRC.

As set out in the RCAP methodology, the Assessment Team evaluated the materiality and potential materiality of identified deviations between the Basel NSFR standard and the Chinese regulations. The quantification was limited to a sample of banks. In addition, the Assessment Team reviewed the non-quantifiable aspects of identified deviations and applied expert judgment as to whether the Chinese regulations meet the Basel standard in letter and in spirit. The materiality analysis is summarised in Annex 4, which also lists banks in the sample.

The Assessment Team noted that in one area the Chinese rules go beyond the minimum Basel standards. Although this element (listed in Annex 5) provides for a more rigorous implementation than the Basel standard, it has not been taken into account for the assessment of compliance.

The Assessment Team did not review requirements that are associated with the leverage ratio, risk-based capital or other standards referenced in the NSFR regulation.

The outcome of the assessment is summarised using a four-grade scale, both at the level of each of the four key components of the Basel NSFR standard and the overall assessment of compliance. The four grades are: compliant (C), largely compliant (LC), materially non-compliant (MNC) and non-compliant (NC).

2 Assessment findings

2.1 Assessment grades and summary of findings

Overall, the Assessment Team finds the implementation of the NSFR in China to be compliant with the Basel standards and for all components. This grade is based on the materiality assessment as summarised in Annex 4.

Assessment grades

Table 2

Component of the Basel NSFR framework	Grade
Overall grade	C
Scope, minimum requirement and application issues	C
Available stable funding (numerator)	C
Required stable funding (denominator)	C
NSFR disclosure requirements	C

Assessment scale: C (compliant), LC (largely compliant), MNC (materially non-compliant) and NC (non-compliant).

2.2 Detailed assessment findings

All components were assessed to be compliant with the Basel standard. No findings were identified.

2.3 Observations on the NSFR implementation in China

The following observations highlight certain special features of the regulatory implementation of the Basel NSFR standards in China. These are presented to provide additional context and information. Observations are considered compliant with the Basel standards and do not have a bearing on the assessment outcome.

2.3.1 Scope, minimum requirement and application issues

Basel paragraph number	8: NSFR standard implementation date
Reference in the domestic regulation	Article 39 and Article 75: Rules on Liquidity Risk Management of Commercial Banks
Observation	Basel NSFR standard paragraph 8 states that the NSFR will become a minimum standard by 1 January 2018. In China, the NSFR minimum requirement came into force on 1 July 2018, six months later.
Basel paragraph number	9: NSFR standard definition
Reference in the domestic regulation	Article 37 and Article 39: Rules on Liquidity Risk Management of Commercial Banks, Annex 3, II, paragraph 1 and paragraph 2
Observation	Basel NSFR Standard paragraph 9 defines the time horizon considered by the NSFR, "which extends to one year". The time horizon of the NSFR is not in the main CBIRC regulation (Rules on Liquidity Risk Management of Commercial Banks, Annex 3), but it is in another domestic regulation, The Notice on the Off-site Supervisory Report, which defines the time horizon of NSFR as "in the coming year". Basel NSFR Standard paragraph 9 also defines available stable funding (ASF) as: "the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR". However, the CBIRC NSFR defines ASF as "the sum of the weighted amounts of the carrying value of the bank's capital and liabilities multiplied by the corresponding ASF factor". While these are differences in the text and organisation of the text, these are in form rather than substance. These differences do not result in different outcomes because the CBIRC regulation provides for all ASF factors in line with the Basel standard.

2.3.2 Available stable funding

Basel paragraph number	18: Determination of maturity for equity or liability instruments
Reference in the domestic regulation	Rules on Liquidity Risk Management of Commercial Banks Annex 3 Calculation of Net Stable Funding Ratio, Section II.1.(5); II.2, paragraph 3.
Observation	Basel NSFR paragraph 18 uses the term "final maturity date" for certain liabilities. The CBIRC regulation uses the term "final maturity date" for both equity and liability instruments. Certain equity instruments, such as perpetual instruments, have no maturity date. As such, there is the possibility that banks may apply a different ASF factor for these instruments. However, the CBIRC stressed that only a few banks in China have issued such instruments and that no cases of misinterpretation of the CBIRC regulation have been reported to date. Also, the CBIRC highlighted that it has checked and monitored the consistent application of this regulation through its on-going supervisory process, including off-site surveillance and on-site examinations.

2.3.3 Required stable funding

Basel paragraph number	30: Determination of RSF for financial instruments, foreign currencies and commodities
Reference in the domestic regulation	Rules on Liquidity Risk Management of Commercial Banks Annex 3 Calculation of Net Stable Funding Ratio, Section III.1(1)
Observation	Basel paragraph 30 provides some instructions for what to include and exclude in the required stable funding (RSF) with respect to settlement dates for financial instruments, foreign currencies and commodities. This is in the general definition section for RSF. In the CBIRC regulation, the equivalent paragraph is not in the general section but rather in the section covering assets that receive a 0% RSF factor. As such, the CBIRC regulation suggests that the RSF treatment described in Basel paragraph 30 only applies to assets that are assigned a 0% RSF factor while the general requirements of Basel NSFR paragraph 30 could be relevant for other assets that are assigned a higher RSF factor. However, the CBIRC stressed that its regulation has only adjusted the location of the general requirements of Basel NSFR paragraph 30, without modifying their substance,

	and that no cases of misinterpretation of the CBIRC regulation have been reported to date.

2.3.4 Disclosure requirements

Basel paragraph number	Basel LIQ2 template: Scope of application
Reference in the domestic regulation	Article 5: Disclosure Rules on Net Stable Funding Ratio of Commercial Bank
Observation	The Basel NSFR standard requires the Basel LIQ2 template for all (internationally active) banks. In China, only commercial banks with approval to implement the advanced approaches of calculating capital requirements (advanced-approach banks) are required to disclose the respective domestic NSFR template. According to the CBIRC, all identified six internationally active Chinese commercial banks are advanced-approach banks. As such, these banks are required to complete the respective NSFR template disclosure. The scope of application of the NSFR minimum requirement and the scope of application of the Basel LIQ2 disclosure template differs significantly in China. The NSFR minimum requirement applies to commercial banks with assets of at least CNY 200 billion (86 banks) and which account for around 87% of the Chinese banking system assets. However, the domestic version of the Basel LIQ2 disclosure template applies only to the six advanced-approach banks, which account for around 44.5% of the Chinese banking system assets. The current coverage of all internationally active banks could be limited if a non-advanced-approach bank becomes internationally active in the future. The CBIRC noted that this case is not likely and that in such a case the CBIRC could require the disclosure of the NSFR template also from a non-advanced-approach bank. Moreover, other commercial (non-advanced-approach) banks that have to apply the NSFR are required to disclose quarter-end amounts of NSFR, ASF and RSF at the same frequency.
Basel paragraph number	Pillar 3 disclosure requirements, Section 1.4: First disclosure date
Reference in the domestic regulation	Article 14: Disclosure Rules on Net Stable Funding Ratio of Commercial Banks
Observation	The Basel NSFR Template LIQ2 should be published semiannually with the first disclosure to be made in a bank's first semiannual Pillar 3 report after 1 January 2018. The Chinese Disclosure Rules on NSFR came into effect on 4 March 2019. So the first full disclosure of NSFR in line with the Pillar 3 disclosure requirements will take place in the financial reports per end of June 2019.
Basel paragraph number	Basel LIQ2 template: Frequency
Reference in the domestic regulation	Article 10: Disclosure Rules on Net Stable Funding Ratio of Commercial Banks
Observation	The Basel LIQ2 template requires semiannual disclosure of the NSFR disclosure template LIQ2. Pursuant to Article 10 of the domestic disclosure rules, banks can apply for permission of delay in disclosure if they are unable to disclose information on NSFR at the required time due to special reasons. The Basel template does not specify this exception. According to the CBIRC, this exception is a common provision for all disclosure rules of Chinese banks and is applied only in very rare cases.

Annexes

Annex 1: RCAP Assessment Team and Review Team

Assessment Team Leader

Mr Seong Il Choi	Korean Financial Supervisory Service (FSS)

Assessment Team members

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Ms Wilma dos Santos Lima de Aquino	Central Bank of Brazil (BCB)

Annex 2: List of Basel standards and implementing regulations issued by Chinese authorities

The following Basel standards were used as the basis of this RCAP assessment:

- *Basel III: the Net Stable Funding Ratio*, October 2014
- *Pillar 3 disclosure requirements – consolidated and enhanced framework*, March 2017
- *Implementation of Net Stable Funding Ratio and treatment of derivative liabilities*, October 2017
- *Basel III-The Net Stable Funding Ratio: frequently asked questions,* February 2018
- *Treatment of extraordinary monetary policy operations in the Net Stable Funding Ratio,* June 2018

Table A.1 lists the regulations issued by the CBIRC to implement the NSFR in China. Previous RCAP assessments of the Chinese implementation of the Basel standards considered the binding nature of regulatory documents in China.[3] This RCAP Assessment Team did not repeat that assessment, but instead relied on the previous assessments' findings. Those assessments concluded that the types of instrument described in Table A.1 could be considered as binding on banks and supervisors for the purposes of an RCAP assessment.

Overview of relevant Chinese liquidity regulations — Table A.1

Domestic regulations	Type, version and date
Rules on Liquidity Risk Management of Commercial Banks	Regulation issued in February 2014 and last revised in May 2018
Disclosure Rules on Net Stable Funding Ratio	Regulatory document issued in March 2019
Notice on the Off-site Supervisory Report of NSFR	Regulatory document issued in December 2013 and revised in December 2018

Source: CBIRC.

[3] Basel Committee, RCAP Assessment of Basel III regulations – China, September 2013; Annex 2 of the BCBS RCAP Assessment of Basel III LCR regulations-China, July 2017

Annex 3: Key liquidity indicators of China's banking system

Overview of China's banking sector liquidity as of end-2018 — Table A.2

Size of banking sector (CNY, millions)		
Total exposures of all banks operating in China (including off-balance sheet exposures)	249,165,022	
Total assets of all locally incorporated internationally active banks	110,830,977	
Total assets of locally incorporated banks to which liquidity standards under the Basel framework are applied	197,748,033	
Number of banks		
Number of banks operating in China (excluding local representative offices)	1637	
Number of global systemically important banks (G-SIBs)	4	
Number of D-SIBs	NA[4]	
Number of banks that are internationally active	6	
Number of banks required to implement Basel III liquidity standards	86	
Number of banks required to implement domestic liquidity standards	1,637	
Breakdown of NSFR for 12 RCAP sample banks (CNY, millions)	**Unweighted**	**Weighted**
Capital	13,178,384	13,178,384
Funding from retail and small business customers	45,601,684	41,597,528
Wholesale funding	81,761,837	36,241,479
NSFR derivative liabilities	453,132	0
All other liabilities and equity not included in above categories	5,107,760	1,949,915
Total available stable funding	146,102,797	92,967,306
Cash and central bank reserves	14,503,811	0
Deposits held at other financial institutions for operational purposes	640,660	320,854
Performing residential mortgages	20,902,493	17,399,653
Performing loans (excluding residential mortgages)	67,559,305	41,591,957
Assets that qualify as HQLA	26,961,115	4,537,858
Securities that are not in default and do not qualify as HQLA	7,639,201	5,078,427
NSFR derivative assets	513,241	89,465
All other assets not included in above categories	7,479,711	7,308,028
Off-balance sheet items	38,455,296	1,170,151
Total required stable funding	184,654,833	77,496,393
System NSFR	120%	

Source: CBIRC.

[4] China is currently developing a D-SIBs-related standard which has not been implemented yet.

Annex 4: Materiality assessment

The outcome of the RCAP assessment is based on the materiality of the findings described in Section 2.2 and summarised in Table A.3. Assessment Teams evaluate the materiality of findings quantitatively where possible, or using expert judgment when the impact cannot be quantified.

The materiality assessment for quantifiable gaps is based on the cumulative impact of the identified deviations on the reported NSFRs of banks in the RCAP sample. These banks are listed in Table A.4.

Number of deviations by component

Table A.3

Component	Not material	Potentially material	Material
Scope, minimum requirement and application issues	0	0	0
Available stable funding (numerator)	0	0	0
Required stable funding (denominator)	0	0	0
NSFR disclosure requirements	0	0	0

RCAP sample banks

Table A.4

Banking group	Share of banks' assets in the total assets of the Chinese banking system (per cent)
Agricultural Bank of China	9.8
Bank of China	9.3
Bank of Communications	4.2
China Construction Bank	10.2
Industrial and Commercial Bank of China	12.1
China CITIC (China International Trust Investment Corporation) Bank	2.7
China Everbright Bank	1.9
China Merchants Bank	3.0
China Minsheng Banking Corporation	2.6
Industrial Bank	2.9
Ping An Bank	1.5
Shanghai Pudong Development Bank	2.7
Total	62.9

Notes: Banking assets are based on the measure of total exposures used in the leverage ratio, which includes both on- and off-balance sheet exposures.

Source: CBIRC.

Annex 5: Areas where the Chinese rules are stricter than the Basel standards

In one area, the Chinese authorities have adopted a stricter approach than the minimum standards prescribed by the Basel Committee. This is listed below for information and has not been taken into account as a mitigant for the overall or component-level assessment of compliance.

- Basel NSFR paragraph 50 requires that the NSFR is applied to all internationally active banks on a consolidated basis. In China, the NSFR minimum requirement is applied to all commercial banks with assets of at least CNY 200 billion. The NSFR minimum requirement is calculated on both a non-consolidated and consolidated basis. According to the CBIRC, six commercial banks in China are internationally active. All of them have assets of more than CNY 200 billion and are within the scope of the NSFR minimum requirement. Overall, 86 commercial banks reach or exceed the threshold of CNY 200 billion. Their assets account for around 87% of the Chinese banking system assets.

Annex 6: Elements of the NSFR subject to national discretion

Implementation of national discretions by the CBIRC — Table A.5

Basel paragraph	Description	National implementation
25(a)	Treatment of deposits between banks within the same cooperative network	No discretion exercised.
31	Treatment of excess collateral in a covered bond collateral pool allowing for multiple issuance	No discretion exercised.
29, 31, 36	Treatment of central bank operations	The Basel Committee issued in June 2018 a technical amendment to the NSFR standard on the treatment of extraordinary liquidity-absorbing monetary policy operations to allow reduced RSF factors for central bank claims with a maturity of more than six months. Domestic NSFR regulation does not provide such a reduced RSF factor for such operations. The CBIRC has confirmed that this option is currently not applied in China.
43	RSF factor for derivative liabilities	Basel NSFR paragraph 43 (d) includes an amount equivalent to "20% of derivative liabilities (ie negative replacement cost amounts) as calculated according to paragraph 19 (before deducting variation margin posted)" in the category of Assets assigned a 100% RSF factor. The Basel Committee agreed in October 2017 that jurisdictions may lower the value of the 20% factor, with a floor of 5%. The CBIRC decided to apply the unreduced 20% factor on derivative liabilities. The 20% factor is not provided in the main NSFR regulation, but it is provided in the domestic NSFR disclosure template and in the Notice on the Off-site Supervisory Report of NSFR, which are binding regulatory documents.
45	Treatment of interdependent assets and liabilities	No discretion exercised.
47	RSF factors for other contingent funding obligations	Basel NSFR paragraph 47 Table 3 provides off-balance sheet (OBS) categories and associated RSF factors. Regarding other contingency funding obligations, the Basel NSFR standard invites national discretion for the RSF factors. The Notice on the off-site supervisory report of the NSFR provides RSF factors from 0% to 5% for such contingent funding obligations. Especially non-principal-guaranteed wealth management products issued by the banks are included in the 5% RSF factor bucket, whereas principal-guaranteed wealth management products are treated like deposits.
50	Scope of application of the NSFR and scope of consolidation of entities within a banking group	The NSFR is applied to all commercial banks with assets of no less than CNY 200 billion, which includes all commercial banks that are currently identified as internationally active banks.[5] The NSFR minimum requirement is calculated on both a consolidated and non-consolidated basis.

Source: CBIRC.

5 See also Annex 5.