

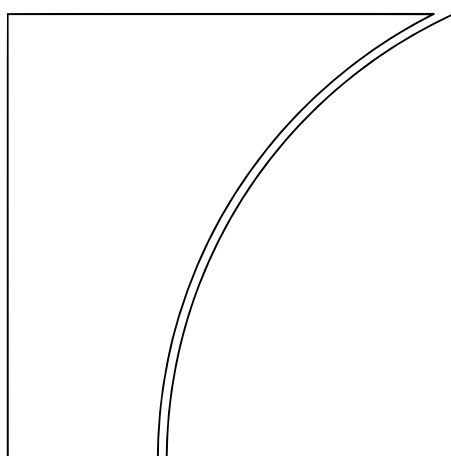
Basel Committee on Banking Supervision

LEV

Leverage ratio

LEV30

Exposure measurement



This chapter defines the exposure measure used for calculating the leverage ratio. This generally follows the accounting values, complemented by specific treatments for exposures related to derivative transactions, securities financing transactions and off-balance sheet items.

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First version in the format of the consolidated framework.



BANK FOR INTERNATIONAL SETTLEMENTS

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Introduction to the exposure measure

30.1

The exposure measure for the leverage ratio should generally follow the accounting value, subject to the following:

1. on-balance sheet, non-derivative exposures are included in the exposure measure net of specific provisions or accounting valuation adjustments (eg accounting credit valuation adjustments); and
2. netting of loans and deposits is not allowed.

30.2

Unless specified differently below, banks must not take account of physical or financial collateral, guarantees or other credit risk mitigation techniques to reduce the exposure measure.

30.3

With regard to traditional securitisations, an originating bank may exclude securitised exposures from its leverage ratio exposure measure if the securitisation meets the operational requirements for the recognition of risk transference according to [CRE40.24](#). Banks meeting these conditions must include any retained securitisation exposures in their leverage ratio exposure measure. In all other cases, eg traditional securitisations that do not meet the operational requirements for the recognition of risk transference or synthetic securitisations, the securitised exposures must be included in the leverage ratio exposure measure.

30.4

At national discretion, and to facilitate the implementation of monetary policies, a jurisdiction may temporarily exempt central bank reserves from the leverage ratio exposure measure in exceptional macroeconomic circumstances. To maintain the same level of resilience provided by the leverage ratio, a jurisdiction applying this discretion must also increase the calibration of the minimum leverage ratio requirement commensurately to offset the impact of exempting central bank reserves. In addition, in order to maintain the comparability and transparency of the Basel III leverage ratio framework, banks will be required to disclose the impact of any temporary exemption alongside ongoing public disclosure of the leverage ratio without application of such exemption.

On-balance sheet exposures

30.5

Banks must include all balance sheet assets in their exposure measure, including on-balance sheet derivatives collateral and collateral for securities financing transactions (SFTs), with the exception of on-balance sheet derivative and SFT assets that are covered in [LEV30.8](#) to [LEV30.45](#).

30.6

However, to ensure consistency, balance sheet assets deducted from Tier 1 capital (as set out in [CAP30](#)) may be deducted from the exposure measure. Two examples follow.

1. Where a banking, financial or insurance entity is not included in the regulatory scope of consolidation as set out in [LEV10](#), the amount of any investment in the capital of that entity that is totally or partially deducted from Common Equity Tier 1 (CET1) capital or from Additional Tier 1 capital of the bank following the corresponding deduction approach in [CAP30.29](#) to [CAP30.34](#) may also be deducted from the exposure measure.
2. For banks using the internal ratings-based approach to determining capital requirements for credit risk, [CAP30.13](#) requires any shortfall in the stock of eligible provisions relative to expected losses to be deducted from CET1 capital. The same amount may be deducted from the exposure measure.

30.7

Liability items must not be deducted from the measure of exposure. For example, gains/losses on fair valued liabilities or accounting value adjustments on derivative liabilities due to changes in the bank's own credit risk as described in [CAP30.15](#) must not be deducted from the exposure measure.

Derivative exposures

30.8

Derivatives create two types of exposure:

1. an exposure arising from the underlying of the derivative contract; and
2. a counterparty credit risk (CCR) exposure. The leverage ratio framework uses the method set out below to capture both of these exposure types.

30.9

Banks must calculate their derivative exposures, including where a bank sells protection using a credit derivative, as the replacement cost (RC) for the current exposure plus an add-on for potential future exposure (PFE), as described in [LEV30.10](#) to [LEV30.11](#). If the derivative exposure is covered by an eligible bilateral netting contract as specified in [LEV30.20](#) to [LEV30.21](#), an alternative treatment may be applied, as set out in [LEV30.23](#) to [LEV30.32](#). Written credit derivatives are subject to an additional treatment, as set out in [LEV30.33](#) to [LEV30.35](#).

30.10

For a single derivative exposure not covered by an eligible bilateral netting contract as specified in [LEV30.20](#) to [LEV30.21](#), the amount to be included in the exposure measure is determined as follows:

$$\text{exposure measure} = \text{replacement cost (RC)} + \text{add on}$$

30.11

In the formula in [LEV30.10](#):

1. "RC" is defined as the replacement cost of the contract (obtained by marking to market), where the contract has a positive value; and
2. "add on" is an amount for PFE over the remaining life of the contract calculated by applying an add-on factor to the notional principal amount of the derivative. The add-on

factors are included in [LEV30.12](#) and [LEV30.14](#).

30.12

The following add-on factors apply to financial derivatives, based on residual maturity:

	Interest rates	Foreign exchange and gold	Equities	Precious metals except gold	Other commodities
One year or less	0.0%	1.0%	6.0%	7.0%	10.0%
Over one year to five years	0.5%	5.0%	8.0%	7.0%	12.0%
Over five years	1.5%	7.5%	10.0%	8.0%	15.0%

Notes:

1.For contracts with multiple exchanges of principal, the factors are to be multiplied by the number of remaining payments in the contract.

2.For contracts that are structured to settle outstanding exposures following specified payment dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the residual maturity would be set equal to the time until the next reset date. In the case of interest rate contracts with remaining maturities of more than one year that meet the above criteria, the add-on is subject to a floor of 0.5%.

3.Forwards, swaps, purchased options and similar derivative contracts not covered by any of the columns in this matrix are to be treated as "other commodities".

4.No potential future credit exposure would be calculated for single currency floating / floating interest rate swaps; the credit exposure on these contracts would be evaluated solely on the basis of their mark-to-market value.

30.13

Supervisors will take care to ensure that add-ons are based on effective rather than apparent notional amounts. In the event that the stated notional amount is leveraged or enhanced by the structure of the transaction, banks must use the effective notional amount when determining PFE.

30.14

The following add-on factors apply to single-name credit derivatives:

	Protection buyer	Protection seller
Total return swaps		
"Qualifying" reference obligation	5%	5%
"Non-qualifying" reference obligation	10%	10%
Credit default swaps		

"Qualifying" reference obligation	5%	5%**
"Non-qualifying" reference obligation	10%	10%**

There will be no difference depending on residual maturity.

** The protection seller of a credit default swap shall only be subject to the add-on factor where it is subject to closeout upon the insolvency of the protection buyer while the underlying is still solvent. The add-on should then be capped to the amount of unpaid premiums.

30.15

Where the credit derivative is a first-to-default transaction, the add-on will be determined by the lowest credit quality underlying the basket, ie if there are any non-qualifying items in the basket, the non-qualifying reference obligation add-on should be used. For second and subsequent nth-to-default transactions, underlying assets should continue to be allocated according to the credit quality, ie the second or, respectively, nth lowest credit quality will determine the add-on for a second-to-default or an nth-to-default transaction, respectively.

30.16

The “qualifying” category includes securities issued by public sector entities and multilateral development banks, plus other securities that are:

1. rated investment grade by at least two credit rating agencies specified by the national authority; or
2. rated investment grade by one rating agency and not less than investment grade by any other rating agency specified by the national authority (subject to supervisory oversight); or
3. subject to supervisory approval, unrated, but deemed to be or comparable to investment grade credit quality by the reporting bank, and the issuer has securities listed on a recognised exchange.

30.17

Each supervisory authority will be responsible for monitoring the application of these qualifying criteria, particularly in relation to the last criterion where the initial classification is essentially left to the reporting banks. National authorities will also have discretion to include within the qualifying category debt securities issued by banks in countries which have implemented the current framework, subject to the express understanding that supervisory authorities in such countries undertake prompt remedial action if a bank fails to meet the leverage ratio standards set forth in this framework. Similarly, national authorities will have discretion to include within the qualifying category debt securities issued by securities firms that are subject to equivalent rules.

30.18

Furthermore, the “qualifying” category shall include securities issued by institutions that are deemed to be equivalent to investment grade quality and subject to supervisory and regulatory arrangements comparable to those under this framework.

30.19

When an eligible bilateral netting contract is in place as specified in [LEV30.20](#) to [LEV30.21](#), the RC for the set of derivative exposures covered by the contract will be the net replacement cost and the add-on will be A_{Net} as calculated in [LEV30.22](#) to [LEV30.23](#).

30.20

For the purposes of the leverage ratio, the following will apply:

1. Banks may net transactions subject to novation under which any obligation between a bank and its counterparty to deliver a given currency on a given value date is automatically amalgamated with all other obligations for the same currency and value date, legally substituting one single amount for the previous gross obligations.
2. Banks may also net transactions subject to any legally valid form of bilateral netting not covered in [LEV30.20](#)(1), including other forms of novation.
3. In both cases [LEV30.20](#)(1) and [LEV30.20](#)(2), a bank will need to satisfy its national supervisors that it has:
 1. a netting contract or agreement with the counterparty that creates a single legal obligation, covering all included transactions, such that the bank would have either a claim to receive or obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions in the event a counterparty fails to perform due to any of the following: default, bankruptcy, liquidation or similar circumstances;
 2. written and reasoned legal opinions that, in the event of a legal challenge, the relevant courts and administrative authorities would find the bank's exposure to be such a net amount under:
 - (i)

the law of the jurisdiction in which the counterparty is chartered and, if the foreign branch of a counterparty is involved, then also under the law of jurisdiction in which the branch is located;
 - (ii)

the law that governs the individual transactions; and
 - (iii)

the law that governs any contract or agreement necessary to effect the netting.
The national supervisor, after consultation when necessary with other relevant supervisors, must be satisfied that the netting is enforceable under the laws of each of the relevant jurisdictions; and
 3. procedures in place to ensure that the legal characteristics of netting arrangements are kept under review in the light of possible changes in relevant law.

30.21

Contracts containing walkaway clauses will not be eligible for netting for the purpose of calculating the leverage ratio requirements pursuant to this framework. A walkaway clause is a provision that permits a non-defaulting counterparty to make only limited payments, or no payment at all, to the estate of a defaulter, even if the defaulter is a net creditor.

30.22

Credit exposure on bilaterally netted forward transactions will be calculated as the sum of the net mark-to-market replacement cost, if positive, plus an add-on based on the notional underlying principal. The add-on for netted transactions (A_{Net}) will equal the weighted average of the gross add-on (A_{Gross}) and the gross add-on adjusted by the ratio of net current replacement cost to gross current replacement cost (NGR). This is expressed through the following formula:

$$A_{Net} = 0.4 \times A_{Gross} + 0.6 \times NGR \times A_{Gross}$$

30.23

In the formula in [LEV30.22](#):

1. "NGR" is the level of net replacement cost/level of gross replacement cost for transactions subject to legally enforceable netting agreements.
2. " A_{Gross} " is the sum of individual add-on amounts (calculated by multiplying the notional principal amount by the appropriate add-on factors set out in [LEV30.12](#) to [LEV30.18](#)) of all transactions subject to legally enforceable netting agreements with one counterparty.

30.24

For the purposes of calculating potential future credit exposure to a netting counterparty for forward foreign exchange contracts and other similar contracts in which the notional principal amount is equivalent to cash flows, the notional principal is defined as the net receipts falling due on each value date in each currency. The reason for this is that offsetting contracts in the same currency maturing on the same date will have lower potential future exposure as well as lower current exposure.

30.25

Collateral received in connection with derivative contracts has two countervailing effects on leverage:

1. it reduces counterparty exposure; but
2. it can also increase the economic resources at the disposal of the bank, as the bank can use the collateral to leverage itself.

30.26

Collateral received in connection with derivative contracts does not necessarily reduce the leverage inherent in a bank's derivatives position, which is generally the case if the settlement exposure arising from the underlying derivative contract is not reduced. As a general rule, collateral received may not be netted against derivative exposures whether or not netting is permitted under the bank's operative accounting or risk-based framework. Hence, when calculating the exposure amount by applying [LEV30.9](#) to [LEV30.23](#), a bank must not reduce the exposure amount by any collateral received from the counterparty.

30.27

Similarly, with regard to collateral provided, banks must gross up their exposure measure by the amount of any derivatives collateral provided where the provision of that collateral has reduced the value of their balance sheet assets under their operative accounting framework.

30.28

In the treatment of derivative exposures for the purpose of the leverage ratio, the cash portion of variation margin exchanged between counterparties may be viewed as a form of pre-settlement payment, if the following conditions are met:

1. For trades not cleared through a qualifying central counterparty (QCCP) the cash received by the recipient counterparty is not segregated.
2. Variation margin is calculated and exchanged on a daily basis based on mark-to-market valuation of derivatives positions.
3. The cash variation margin is received in the same currency as the currency of settlement of the derivative contract.
4. Variation margin exchanged is the full amount that would be necessary to fully extinguish the mark-to-market exposure of the derivative subject to the threshold and minimum transfer amounts applicable to the counterparty.
5. Derivatives transactions and variation margins are covered by a single master netting agreement (MNA) , between the legal entities that are the counterparties in the derivatives transaction. The MNA must explicitly stipulate that the counterparties agree to settle net any payment obligations covered by such a netting agreement, taking into account any variation margin received or provided if a credit event occurs involving either counterparty. The MNA must be legally enforceable and effective in all relevant jurisdictions, including in the event of default and bankruptcy or insolvency.

30.29

If the conditions in [LEV30.28](#) are met, the cash portion of variation margin received may be used to reduce the replacement cost portion of the leverage ratio exposure measure, and the receivables assets from cash variation margin provided may be deducted from the leverage ratio exposure measure as follows:

1. In the case of cash variation margin received, the receiving bank may reduce the replacement cost (but not the add-on portion) of the exposure amount of the derivative asset by the amount of cash received if the positive mark-to-market value of the derivative contract(s) has not already been reduced by the same amount of cash variation margin received under the bank's operative accounting standard.
2. In the case of cash variation margin provided to a counterparty, the posting bank may deduct the resulting receivable from its leverage ratio exposure measure, where the cash variation margin has been recognised as an asset under the bank's operative accounting framework.

30.30

Cash variation margin may not be used to reduce the PFE amount (including the calculation of the net-to-gross ratio, or NGR, as defined in [LEV30.23](#)).

30.31

Where a bank acting as clearing member (CM) offers clearing services to clients, the clearing member's trade exposures to the central counterparty (CCP) that arise when the CM is obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the CCP defaults, must be captured by applying the same treatment that applies to any other type of derivatives transactions. However, if the CM, based on the contractual arrangements with the client, is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that a QCCP defaults, the CM need not recognise the resulting trade exposures to the QCCP in the leverage

ratio exposure measure.

30.32

Where a client enters directly into a derivatives transaction with the CCP and the CM guarantees the performance of its clients' derivative trade exposures to the CCP, the bank acting as the clearing member for the client to the CCP must calculate its related leverage ratio exposure resulting from the guarantee as a derivative exposure as set out in [LEV30.9](#) to [LEV30.30](#), as if it had entered directly into the transaction with the client, including with regard to the receipt or provision of cash variation margin.

30.33

In addition to the CCR exposure arising from the fair value of the contracts, written credit derivatives create a notional credit exposure arising from the creditworthiness of the reference entity. The Committee therefore believes that it is appropriate to treat written credit derivatives consistently with cash instruments (eg loans, bonds) for the purposes of the exposure measure.

30.34

In order to capture the credit exposure to the underlying reference entity, in addition to the above CCR treatment for derivatives and related collateral, the effective notional amount referenced by a written credit derivative is to be included in the exposure measure. The effective notional amount of a written credit derivative may be reduced by any negative change in fair value amount that has been incorporated into the calculation of Tier 1 capital with respect to the written credit derivative. The resulting amount may be further reduced by the effective notional amount of a purchased credit derivative on the same reference name, , provided:

1. the credit protection purchased is on a reference obligation which ranks pari passu with or is junior to the underlying reference obligation of the written credit derivative in the case of single name credit derivatives; and
2. the remaining maturity of the credit protection purchased is equal to or greater than the remaining maturity of the written credit derivative.

30.35

Since written credit derivatives are included in the exposure measure at their effective notional amounts, and are also subject to add-on amounts for PFE, the exposure measure for written credit derivatives may be overstated. Banks may therefore choose to deduct the individual PFE add-on amount relating to a written credit derivative (which is not offset according to [LEV30.34](#) and whose effective notional amount is included in the exposure measure) from their gross add-on in [LEV30.9](#) to [LEV30.23](#).

Securities financing transaction exposures

30.36

SFTs are included in the exposure measure according to the treatment described below. The treatment recognises that secured lending and borrowing in the form of SFTs is an important source of leverage, and ensures consistent international implementation by providing a common measure for dealing with the main differences in the operative accounting frameworks.

30.37

For a bank acting as principal, the sum of the amounts below is to be included in the leverage ratio exposure measure.

1. Gross SFT assets recognised for accounting purposes (ie with no recognition of accounting netting), adjusted as follows:
 1. excluding from the exposure measure the value of any securities received under an SFT, where the bank has recognised the securities as an asset on its balance sheet; and
 2. cash payables and cash receivables in SFTs with the same counterparty may be measured net if all the following criteria are met:
 - (i)

transactions have the same explicit final settlement date;

(ii)

the right to set off the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable both currently in the normal course of business and in the event of default, insolvency and bankruptcy; and

(iii)

the counterparties intend to settle net, settle simultaneously, or the transactions are subject to a settlement mechanism that results in the functional equivalent of net settlement, that is, the cash flows of the transactions are equivalent, in effect, to a single net amount on the settlement date. To achieve such equivalence, both transactions are settled through the same settlement system and the settlement arrangements are supported by cash and/or intraday credit facilities intended to ensure that settlement of both transactions will occur by the end of the business day and the linkages to collateral flows do not result in the unwinding of net cash settlement.

2. A measure of CCR calculated as the current exposure without an add-on for PFE, calculated as follows:
 1. Where a qualifying MNA is in place, the current exposure (E^*) is the greater of zero and the total fair value of securities and cash lent to a counterparty for all transactions included in the qualifying MNA ($\sum E_i$), less the total fair value of cash and securities received from the counterparty for those transactions ($\sum C_i$). This is illustrated in the following formula:
$$E^* = \max\left(0, \left(\sum E_i - \sum C_i\right)\right)$$
 2. Where no qualifying MNA is in place, the current exposure for transactions with a counterparty must be calculated on a transaction by transaction basis: that is, each transaction i is treated as its own netting set, as shown in the following formula:

$$E^* = \max\left(0, \left(E_i - C_i\right)\right)$$

30.38

The effects of bilateral netting agreements for covering SFTs will be recognised on a counterparty by counterparty basis if the agreements are legally enforceable in each relevant jurisdiction upon the occurrence of an event of default and regardless of whether the

counterparty is insolvent or bankrupt. In addition, netting agreements must:

1. provide the non-defaulting party with the right to terminate and close out in a timely manner all transactions under the agreement upon an event of default, including in the event of insolvency or bankruptcy of the counterparty;
2. provide for the netting of gains and losses on transactions (including the value of any collateral) terminated and closed out under it so that a single net amount is owed by one party to the other;
3. allow for the prompt liquidation or setoff of collateral upon the event of default; and
4. be, together with the rights arising from provisions required in [LEV30.38](#)(1) and [LEV30.38](#)(3) above, legally enforceable in each relevant jurisdiction upon the occurrence of an event of default regardless of the counterparty's insolvency or bankruptcy.

30.39

Netting across SFT positions held in the banking book and trading book will only be recognised when the netted transactions fulfil the following conditions:

1. all transactions are marked to market daily; and
2. the collateral instruments used in the transactions are recognised as eligible financial collateral in the banking book.

30.40

Leverage may remain with the lender of the security in an SFT whether or not sale accounting is achieved under the operative accounting framework. As such, where sale accounting is achieved for an SFT under the bank's operative accounting framework, the bank must reverse all sales-related accounting entries, and then calculate its exposure as if the SFT had been treated as a financing transaction under the operative accounting framework (ie the bank must include the sum of amounts in [LEV30.37](#)(1) and [LEV30.37](#)(2) for such an SFT) for the purposes of determining its exposure measure.

30.41

A bank acting as agent in an SFT generally provides an indemnity or guarantee to only one of the two parties involved, and only for the difference between the value of the security or cash its customer has lent and the value of collateral the borrower has provided. In this situation, the bank is exposed to the counterparty of its customer for the difference in values rather than to the full exposure to the underlying security or cash of the transaction (as is the case where the bank is one of the principals in the transaction). Where the bank does not own/control the underlying cash or security resource, that resource cannot be leveraged by the bank.

30.42

Where a bank acting as agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of collateral the borrower has provided, then the bank will be required to calculate its exposure measure by applying only [LEV30.37](#)(2).

30.43

A bank acting as agent in an SFT and providing an indemnity or guarantee to a customer or counterparty will be considered eligible for the exceptional treatment set out in [LEV30.42](#) only if the bank's exposure to the transaction is limited to the guaranteed difference between the

value of the security or cash its customer has lent and the value of the collateral the borrower has provided. In situations where the bank is further economically exposed (ie beyond the guarantee for the difference) to the underlying security or cash in the transaction, a further exposure equal to the full amount of the security or cash must be included in the exposure measure.

Off-balance sheet items

30.44

This section explains the incorporation of off-balance sheet items as defined in the Basel II framework into the leverage ratio exposure measure. Off-balance sheet items include commitments (including liquidity facilities), whether or not unconditionally cancellable, direct credit substitutes, acceptances, standby letters of credit and trade letters of credit.

30.45

For the purpose of determining the exposure amount of off-balance sheet items for the leverage ratio, credit conversion factors (CCFs) set out in [LEV30.46](#) to [LEV30.53](#) must be applied to the notional amount.

30.46

Commitments other than securitisation liquidity facilities with an original maturity up to one year and commitments with an original maturity over one year will receive a CCF of 20% and 50%, respectively. However, any commitments that are unconditionally cancellable at any time by the bank without prior notice, or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness, will receive a 10% CCF.

30.47

Direct credit substitutes, eg general guarantees of indebtedness (including standby letters of credit serving as financial guarantees for loans and securities) and acceptances (including endorsements with the character of acceptances) will receive a CCF of 100%.

30.48

Forward asset purchases, forward deposits and partly paid shares and securities, which represent commitments with certain drawdown, will receive a CCF of 100%.

30.49

Certain transaction-related contingent items (eg performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions) will receive a CCF of 50%.

30.50

Note issuance facilities and revolving underwriting facilities will receive a CCF of 50%.

30.51

For short-term self-liquidating trade letters of credit arising from the movement of goods (eg documentary credits collateralised by the underlying shipment), a 20% CCF will be applied to both issuing and confirming banks.

30.52

Where there is an undertaking to provide a commitment on an off-balance sheet item, banks are to apply the lower of the two applicable CCFs.

30.53

All off-balance sheet securitisation exposures, except an eligible liquidity facility or an eligible servicer cash advance facility as set out below, will receive a CCF of 100%. All eligible liquidity facilities will receive a CCF of 50%. At national discretion, undrawn servicer cash advances or facilities that are unconditionally cancellable without prior notice may be eligible for a 10% CCF.

1. Banks are permitted to treat off-balance sheet securitisation exposures as eligible liquidity facilities if the following minimum requirements are satisfied:
 1. The facility documentation must clearly identify and limit the circumstances under which it may be drawn. Draws under the facility must be limited to the amount that is likely to be repaid fully from the liquidation of the underlying exposures and any seller-provided credit enhancements. In addition, the facility must not cover any losses incurred in the underlying pool of exposures prior to a draw, or be structured such that draw-down is certain (as indicated by regular or continuous draws);
 2. The facility must be subject to an asset quality test that precludes it from being drawn to cover credit risk exposures that are in default as defined in [CRE36.69](#) to [CRE36.76](#). In addition, if the exposures that a liquidity facility is required to fund are externally rated securities, the facility can only be used to fund securities that are externally rated investment grade at the time of funding;
 3. The facility cannot be drawn after all applicable (eg transaction-specific and programme-wide) credit enhancements from which the liquidity would benefit have been exhausted; and
 4. Repayment of draws on the facility (ie assets acquired under a purchase agreement or loans made under a lending agreement) must not be subordinated to any interests of any note holder in the programme (eg asset-backed commercial paper programme) or subject to deferral or waiver.
2. Eligible servicer cash advance facilities: subject to national discretion, if contractually provided for, servicers may advance cash to ensure an uninterrupted flow of payments to investors so long as the servicer is entitled to full reimbursement and this right is senior to other claims on cash flows from the underlying pool of exposures.