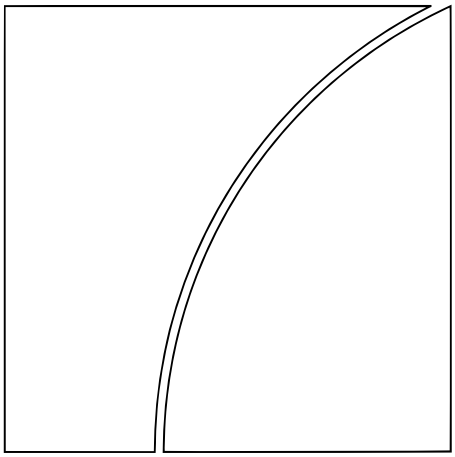
Basel Committee on Banking Supervision

LCR

Liquidity Coverage Ratio

LCR99

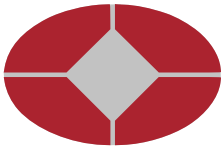
Application guidance



This chapter summarises the components of high-quality liquid assets and the run-off factors applied to cash outflows and additional requirements under the Liquidity Coverage Ratio.

Version effective as of 15 December 2019

First version in format of consolidated framework.



BANK FOR INTERNATIONAL SETTLEMENTS

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The table below summarises the Liquidity Coverage Ratio (LCR; percentages are factors to be multiplied by the total amount of each item).

Item	Factor
Stock of high-quality liquid assets (HQLA)	
A. **Level 1 assets**	
- Coins and bank notes - Qualifying marketable securities from sovereigns, central banks, public sector entities (PSEs) and multilateral development banks - Qualifying central bank reserves - Domestic sovereign or central bank debt for non-0% risk-weighted sovereigns	100%
B. **Level 2 assets (maximum 40% of HQLA)**	
Level 2A assets: - Sovereign, central bank, multilateral development banks and PSE assets qualifying for 20% risk weighting - Qualifying corporate debt securities rated AA- or higher - Qualifying covered bonds rated AA- or higher	85%
Level 2B assets (maximum of 15% of HQLA)	
- Qualifying residential mortgage-backed securities (RMBS)	75%
- Qualifying corporate debt securities rated between A+ and BBB- - Qualifying common equity shares - Sovereign, central bank and PSE debt securities rated BBB- or higher that do not qualify as a Level 1 or Level 2A asset.	50%
Total value of stock of HQLA	
Cash outflows	
A. **Retail deposits**	
Demand deposits and term deposits (less than 30 days maturity):	
- Stable deposits (deposit insurance scheme meets additional criteria)	3%

- Stable deposits	5%
- Less stable retail deposits	10%
Term deposits with residual maturity greater than 30 days	0%
B. **Unsecured wholesale funding**	
Demand deposits and term deposits (less than 30 days maturity) provided by small business customers:	
- Stable deposits	5%
- Less stable deposits	10%
Operational deposits generated by clearing, custody and cash management activities	25%
- Portion covered by deposit insurance	5%
Cooperative banks in an institutional network (qualifying deposits with the centralised institution)	25%
Non-financial corporates, sovereigns, central banks, multilateral development banks and PSEs	40%
- If the entire amount fully covered by deposit insurance scheme	20%
Other legal entity customers	100%
C. **Secured funding**	
- Secured funding transactions with a central bank counterparty or backed by Level 1 assets with any counterparty	0%
- Secured funding transactions backed by Level 2A assets, with any counterparty	15%
- Secured funding transactions backed by non-Level 1 or non-Level 2A assets, with domestic sovereigns, multilateral development banks, or domestic PSEs as a counterparty - Backed by RMBS eligible for inclusion in Level 2B	25%
- Backed by other Level 2B assets	50%
- All other secured funding transactions	100%

D. **Additional requirements**	
Liquidity needs (eg collateral calls) related to financing transactions, derivatives and other contracts	3 notch downgrade
Market valuation changes on derivatives transactions (largest absolute net 30-day collateral flows realised during the preceding 24 months)	Look-back approach
Valuation changes on non-Level 1 posted collateral securing derivatives	20%
Excess collateral held by a bank related to derivative transactions that could contractually be called at any time by its counterparty	100%
Liquidity needs related to collateral contractually due from the reporting bank on derivatives transactions	100%
Increased liquidity needs related to derivative transactions that allow collateral substitution to non-HQLA assets	100%
Asset-backed commercial paper (ABCP), structured investment vehicles (SIVs), conduits, special purpose entities (SPEs) etc: - Liabilities from maturing ABCP, SIVs, SPEs etc (applied to maturing amounts and returnable assets) - Asset-backed securities (including covered bonds) applied to maturing amounts	100%
Currently undrawn committed credit and liquidity facilities provided to:	
- Retail and small business clients	5%
- Non-financial corporates, sovereigns and central banks, multilateral development banks and PSEs	10% for credit 30% for liquidity
- Banks subject to prudential supervision	40%
- Other financial institutions (include securities firms, insurance companies)	40% for credit 100% for liquidity
- Other legal entity customers, credit and liquidity facilities	100%
Other contingent funding liabilities (such as guarantees, letters of credit, revocable credit and liquidity facilities etc)	National discretion
- Trade finance	0-5%

- Customer short positions covered by other customers’ collateral	50%
Any additional contractual outflows	100%
Net derivative cash outflows	100%
Any other contractual cash outflows	100%
Total cash outflows	
Cash inflows	
Maturing secured lending transactions backed by the following collateral:	
Level 1 assets	0%
Level 2A assets	15%
Level 2B assets	
- Eligible RMBS	25%
- Other assets	50%
Margin lending backed by all other collateral	50%
All other assets	100%
Credit or liquidity facilities provided to the reporting bank	0%
Operational deposits held at other financial institutions (include deposits held at centralised institution of network of co-operative banks)	0%
Other inflows by counterparty:	
- Amounts to be received from retail counterparties	50%
- Amounts to be received from non-financial wholesale counterparties, from transactions other than those listed in above inflow categories	50%
- Amounts to be received from financial institutions and central banks, from transactions other than those listed in above inflow categories.	100%
Net derivative cash inflows	100%

Other contractual cash inflows	National discretion
Total cash inflows	
Total net cash outflows = Total cash outflows minus min [total cash inflows, 75% of gross outflows]	
LCR = Stock of HQLA / Total net cash outflows	