

Basel Committee on Banking Supervision

DIS

Disclosure requirements

DIS31

Asset encumbrance

This chapter covers disclosures on the amount of encumbered and unencumbered assets.

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First version in the format of the consolidated framework.



BANK FOR INTERNATIONAL SETTLEMENTS

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Introduction

31.1

The disclosure requirement under this section is: Template ENC – Asset encumbrance.

31.2

Template ENC provides information on the encumbered and unencumbered assets of a bank. Jurisdictions may include at their discretion a column that requires banks to report separately all assets currently used in central bank facilities, irrespective of whether those assets are considered to be encumbered or unencumbered as defined in the disclosure requirement.

31.3

The definition of “encumbered assets” in Template ENC is different to that under [LCR30](#) for on-balance sheet assets. Specifically, the definition of “encumbered assets” in Template ENC excludes the aspect of asset monetisation. Under Template ENC, “encumbered assets” are assets that the bank is restricted or prevented from liquidating, selling, transferring or assigning, due to regulatory, contractual or other limitations.

Template ENC: Asset encumbrance

TABLE.1

Purpose: To provide the amount of encumbered and unencumbered assets.
Scope of application: The template is mandatory for all banks.
Content: Carrying amount for encumbered and unencumbered assets on the balance sheet using period-end values. Banks must use the specific definition of "encumbered assets" set out in the instructions below in making the disclosure. The scope of consolidation for the purposes of this disclosure requirement should be a bank's regulatory scope of consolidation, but including its securitisation exposures.
Frequency: Semiannual
Format: Fixed. Banks should always complete columns (a), (c) and (d). Supervisors may separately, require the breakdown of column (a) by types of transaction, and/or require the breakdown of column (c) into categories of unencumbered assets. Supervisors may also provide guidance on the treatment of some assets as encumbered or unencumbered (eg central bank facilities, assets that secure transactions or facilities in excess of minimum requirements). Irrespective of whether breakdowns of banks' encumbered and unencumbered assets by transaction type and category are required, supervisors may require banks to disclose, separately, assets supporting central bank facilities. This is illustrated by the "optional" column in the template below. In jurisdictions where supervisors do not require banks to disclose assets supporting central bank facilities using the optional column, banks should group any assets used in central bank facilities with other encumbered and unencumbered assets, as appropriate.
Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain (i) any significant change in the amount of encumbered and unencumbered assets from the previous disclosure; (ii) as applicable, any definition of the amounts of encumbered and/or unencumbered assets broken down by types of transaction/category; and (iii) any other relevant information necessary to understand the context of the disclosed figures. When a separate column for central bank facilities is used, banks should describe the types of assets and facilities included in this column.

	a	b	c	d
	Encumbered assets	[Optional] Central bank facilities	Unencumbered assets	Total
The assets on the balance sheet would be disaggregated; there can be as much disaggregation as desired				

Definitions

The definitions are specific to this template and are not applicable for other parts of the Basel framework.

Encumbered assets: Encumbered assets are assets that the bank is restricted or prevented from liquidating, selling, transferring or assigning due to legal, regulatory, contractual or other limitations. When the optional column on central bank facilities is used, encumbered assets exclude central bank facilities. The definition of "encumbered assets" in Template ENC is different than that under the Liquidity Coverage Ratio for on-balance sheet assets. Specifically, the definition of "encumbered assets" in Template ENC excludes the aspect of asset monetisation. For an unencumbered asset to qualify as high-quality liquid assets, the LCR requires a bank to have the ability to monetise that asset during the stress period such that the bank can meet net cash outflows.

Unencumbered assets: Unencumbered assets are assets which do not meet the definition of encumbered. When the optional column on central bank facilities is used, unencumbered assets exclude central bank facilities.

Central bank facilities: Assets in use to secure transactions, or remaining available to secure transactions, in any central bank facility, including facilities used for monetary policy, liquidity assistance or any other and ad hoc funding facilities.

Instructions

Total (in column (d)): Sum of encumbered and unencumbered assets, and central bank facilities where relevant. The scope of consolidation for the purposes of this disclosure requirement should be based on a bank's regulatory scope of consolidation, but including its securitisation exposures.