

The net stable funding ratio part

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1 Application and definitions

- 1.1 This Part applies to a JIB where either or both of the following apply, in accordance with the Risk-Based Capital Requirements Part:
 - › the JIB is systemic (including highly systemic)
 - › the JIB has material overseas banking operations in the form of branches or subsidiaries
- 1.2 A JIB must comply with this Part on the basis of its consolidated position, unless the JFSC has agreed a variance different in accordance with the Risk-Based Capital Requirements Parts.
- 1.3 The following definitions shall apply:

The End Of The Business Day

means 22.00 hours (London time) on the business day immediately following the last day of the reporting period for the item in question;

Central Bank Of A Third Country

means a third country national central bank, the European Central Bank or other supranational central bank;

Liquidity Parts

means the Liquidity (CRR) and Liquidity Coverage Ratio (CRR) Parts of the PRA Rulebook.

Article 411 Definitions

For the purposes of this Part, the following definitions apply:

Financial Customer

means a customer, including a Financial Customer belonging to a non-financial corporate group, which performs one or more of the Annex 1 activities as its main business, or which is one of the following:

- (a) a credit institution;
- (b) an investment firm;
- (c) a securitisation special purpose entity (SSPE);
- (d) a collective investment undertaking (CIU);
- (e) a non-open-ended investment scheme;
- (f) an insurance undertaking;
- (g) a reinsurance undertaking;
- (h) a financial holding company or mixed-financial holding company;
- (i) a pension scheme arrangement as defined in point (10) of Article 2 of Regulation (EU) No 648/2012;

Retail Deposit

means a liability to a natural person or to an SME, where the natural person or the SME would qualify for the retail exposure class under the Standardised or IRB approaches for credit risk, or a liability to a company which is eligible for the treatment set out in Article 153(4), and where the aggregate deposits by that SME or company on a group basis do not exceed GBP 880,000;

Deposit Broker

means a natural person or an Undertaking that places deposits from third parties, including Retail Deposits and corporate deposits but excluding deposits from Financial Customers, with credit JIBs in exchange of a fee;

Unencumbered Assets (and Unencumbered)

means assets which are not subject to any legal, contractual, regulatory or other restriction preventing the JIB from liquidating, selling, transferring, assigning or, generally, disposing of those assets via an outright sale or a repurchase agreement;

Non-Mandatory Overcollateralisation

means any amount of assets which the JIB is not obliged to attach to a covered bond issuance by virtue of legal or regulatory requirements, contractual commitments or for reasons of market discipline, including in particular where the assets are provided in excess of the minimum legal, statutory or regulatory Overcollateralisation requirement applicable to the covered bonds under the national law of the United Kingdom or a third country;

Derivative Contracts

means the derivative contracts listed in Annex II of the CRR and credit derivatives;

Level 1 Assets

means assets of extremely high liquidity and credit quality as referred to in Article 10 of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;

Level 2 Assets

means assets of high liquidity and credit quality and further subdivided into level 2A and 2B assets in accordance with Articles 11 and 12 of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;

Liquidity Buffer

means the amount of Level 1 Assets and Level 2 Assets that an JIB holds in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;

Reporting Currency

means pounds sterling unless the JIB's annual accounts are prepared in a different currency, in which case the JIB may use that different currency as their Reporting Currency;

Factoring

means a contractual agreement between a business (the 'assignor') and a financial entity (the 'factor') in which the assignor assigns or sells its receivables to the factor in exchange for the factor providing the assignor with one or more of the following services with regard to the receivables assigned:

- (a) an advance of a percentage of the amount of the assigned receivables, generally short term, uncommitted and without automatic roll-over;
- (b) receivables management, collection and credit protection, whereby, in general, the factor administers the assignor's sales ledger and collects the receivables in the

factor's own name.

For the purposes of this document Factoring shall be treated as trade finance;

2 Level of application

- 2.1 This Part applies to a JIB where either or both of the following apply, in accordance with the Risk-Based Capital Requirements Part:
- › the JIB is systemic (including highly systemic)
 - › the JIB has material overseas banking operations in the form of branches or subsidiaries
- 2.2 A JIB must comply with this Part on the basis of its consolidated position, unless the JFSC has agreed a variance different in accordance with the Risk-Based Capital Requirements Parts.

3 Organisational structure and control mechanisms

- 3.1 A JIB shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation for the purposes of the Liquidity Parts are duly processed and forwarded.
- 3.2 A JIB shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of the Liquidity Parts.

Article 414 Compliance with liquidity requirements

1. A JIB that does not meet or does not expect to meet the requirements set out in Article 428b(2), including during times of Stress, shall:
 - (a) notify the JFSC thereof without delay; and
 - (b) submit to the JFSC without undue delay a plan for the restoration of compliance, within a time period that is consistent with the anticipated duration of the Stress, with the requirements set out in Article 413(1) or Article 428b(2) asH appropriate.

Chapter 1 The net stable funding ratio

Article 428b The net stable funding ratio

1. The net stable funding requirement shall be equal to the ratio of the JIB's available stable funding as referred to in Chapter 3 this document to the JIB's required stable funding as referred to in Chapter 4 of this document and shall be expressed as a percentage. JIBs shall calculate their net stable funding ratio in accordance with the following formula:

$$\frac{\text{Available stable funding}}{\text{Required stable funding}} = \text{Net stable funding ratio \%}$$

2. JIBs shall maintain a net stable funding ratio of at least 100%, calculated in the Reporting Currency for all their transactions, irrespective of their actual currency denomination.
3. Where, at any time, the net stable funding ratio of a JIB has fallen below 100%, or can be reasonably expected to fall below 100%, the requirement laid down in Article 414 shall apply. The JIB shall aim to restore its net stable funding ratio to the level referred to in paragraph 2

of this Article.

4. JIBs shall ensure that the distribution of their funding profile by currency denomination is generally consistent with the distribution of their assets by currency.

Chapter 2 General rules for the calculation of the net stable funding ratio

Article 428c Calculation of the net stable funding ratio

1. Unless otherwise specified in this this document JIBs shall take into account assets, liabilities and off-balance sheet items on a gross basis.
2. For the purpose of calculating their net stable funding ratio, JIBs shall apply the appropriate stable funding factors set out in Chapters 3 and 4 of this document to the accounting value of their assets, liabilities and off-balance sheet items, unless otherwise specified in this document.
3. JIBs shall not double count required stable funding and available stable funding. Unless otherwise specified in this this document where an item can be allocated to more than one required stable funding category, it shall be allocated to the required stable funding category that produces the greatest contractual required stable funding for that item.

Article 428d Derivative contracts

1. JIBs shall apply this Article to calculate the amount of required stable funding for Derivative Contracts as referred to in Chapters 3, 4, 6 and 7 of this document.
2. Without prejudice to Articles 428ah(2) and 428az(2), JIBs shall take into account the fair value of derivative positions on a net basis where those positions are included in the same netting set that fulfils the requirements referred to in Article 428d(2A). Where that is not the case, JIBs shall take into account the fair value of derivative positions on a gross basis and shall treat those derivative positions as belonging to their own netting set for the purposes of Chapter 4 of this document
- 2A. For the purposes of Article 428d(2), JIBs may take into account the effects of contracts for novation and other netting agreements in accordance with Article 295 of the CRR. JIBs shall not take into account cross-product netting, but may net within the product category as referred to in point (25)(c) of Article 272 of the CRR and credit derivatives where they are subject to a contractual cross-product netting agreement as referred to in point (c) of Article 295 of the CRR.
3. For the purposes of this document the 'fair value of a netting set' means the sum of the fair values of all the transactions included in a netting set.
4. Without prejudice to Articles 428ah(2) and 428az(2), all Derivative Contracts listed in points 2(a) to (e) of Annex II of the CRR that involve a full exchange of principal amounts on the same date shall be calculated on a net basis across currencies, including for the purpose of reporting in a currency that is subject to separate reporting in accordance with Article 415(2), even where those transactions are not included in the same netting set that fulfils the requirements

set out in Article 428d(2A).

5. Cash received as collateral to mitigate the exposure of a derivative position shall be treated as such and shall not be treated as deposits to which Chapters 3 and 6 of this document applies.

Article 428da Derivative client clearing

1. This Article applies to initial margin, variation margin and derivatives assets and liabilities that are directly linked to derivative client clearing activities with a QCCP where the JIB acts as Clearing Member, provided that:
 - (a) initial margin shall include:
 - (i) all amounts posted to the QCCP; and
 - (ii) amounts in excess of the amount posted to a QCCP only to the extent that such amounts are segregated from the assets of the JIB and, as a result of that segregation, are not available to the JIB freely to dispose of or exchange; and
 - (b) the JIB does not provide to its clients guarantees of the performance of the QCCP and, as a result, does not incur any funding risk.
2. Notwithstanding any other provision of this Part, where this Article applies JIBs may exclude all amounts included in paragraph 1 from the calculation of the amount of required stable funding and available stable funding in accordance with Chapters 3 to 8, inclusive, of This document If all amounts are not excluded the JIB shall calculate the amount of required stable funding and available stable funding in accordance with this document
3. Where providing derivative client clearing services in its capacity as a Clearing Member of a QCCP the JIB receives initial margin collateral from clients that is not included in paragraph 1(a):
 - (a) collateral assets accounted for on the balance sheet of the JIB shall be subject to a required stable funding factor in accordance with Chapter 4 of this document; and
 - (b) associated liabilities shall be subject to an available stable funding factor in accordance with Chapter 3 of this document

Article 428e Netting of secured lending transactions and capital market-driven transactions

1. Assets and liabilities resulting from securities financing transactions and long settlement transactions with a single counterparty shall be calculated on a net basis, provided that those assets and liabilities meet the following netting conditions:
 - (a) the transactions have the same explicit final settlement date;
 - (b) the right to set off the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable in the normal course of business and in the event of default, insolvency and bankruptcy;

- (c) the counterparties intend to settle on a net basis or to settle simultaneously, or the transactions are subject to a settlement mechanism that results in the functional equivalent of net settlement.
2. For purposes of point (c) of paragraph 1 JIBs may consider that a settlement mechanism results in the functional equivalent of net settlement only where, on the settlement date, the net result of the cash flows of the transactions under that mechanism is equal to the single net amount under net settlement and all the following conditions are met:
- (a) the transactions are settled through the same settlement system or settlement systems using a common settlement infrastructure;
 - (b) the settlement arrangements are supported by cash or intraday credit facilities intended to ensure that the settlement of the transactions will occur by The End Of The Business Day;
 - (c) any issues arising from the securities legs of the securities financing transactions do not interfere with the completion of the net settlement of the cash receivables and payables.
3. The condition set out in point (c) of paragraph 1 is met only where the failure of any securities financing transaction in the settlement mechanism may delay settlement of only the matching cash leg or may create an obligation to the settlement mechanism, supported by an associated credit facility. Where there is a failure of the securities leg of a securities financing transaction in the settlement mechanism at the end of the window for settlement in the settlement mechanism, JIBs shall split out this transaction and its matching cash leg from the netting set and treat them on a gross basis.

Article 428f Interdependent assets and liabilities

1. A JIB may apply to the JFSC for variance to treat an asset and a liability as interdependent. For the purpose of this Article, an asset and a liability are interdependent where either conditions (a) to (f) below are met or where paragraph 2 applies:
- (a) the JIB acts solely as a pass-through unit to channel the funding from the liability into the corresponding interdependent asset;
 - (b) the individual interdependent assets and liabilities are clearly identifiable and have the same principal amount;
 - (c) the asset and interdependent liability have matched maturities;
 - (d) the interdependent liability has been requested pursuant to a legal, regulatory or contractual commitment and is not used to fund other assets;
 - (e) the principal payment flows from the asset are not used for other purposes than repaying the interdependent liability; and
 - (f) the counterparties for each pair of interdependent assets and liabilities are not the same.

2. This paragraph applies to a JIB's Unencumbered physical stock of precious metals and customer deposit accounts in precious metals where all of the following conditions are met:
 - (a) the JIB's Unencumbered physical stock of each precious metal is used to cover customer deposit accounts in the same precious metal;
 - (b) the JIB is not exposed to liquidity or market risk resulting from either the sale of precious metals by the customer or the physical settlement of customer transactions in precious metals; and
 - (c) the precious metals assets and liabilities are on the balance sheet of the JIB.

3. For the purpose of paragraph 2:
 - (a) precious metals means gold, silver, platinum or palladium;
 - (b) the interdependent asset and liability treatment shall only be available to the extent that the JIB's Unencumbered physical stock of each precious metal is matched by customer deposits of the same precious metal. Any excess physical stock or customer deposits in a precious metal shall not be treated as an interdependent asset or liability for the purpose of paragraph 1;
 - (c) a JIB's precious metals accounts at any other JIB shall not be considered a part of the JIB's physical stock of precious metals.

Article 428h Preferential treatment within a group

1. By way of derogation from Chapters 3 and 4 of this document a JIB may apply to the JFSC for variance to apply a higher available stable funding factor or a lower required stable funding factor to assets, liabilities and Committed Credit Or Liquidity Facilities with a counterparty who:
 - (a) is one of the following:
 - (i) the parent or a subsidiary of the JIB;
 - (ii) another subsidiary of the same parent;
 - (iii) an Undertaking that is related to the JIB within the meaning of provisions implementing Article 22(7) of Directive 2013/34/EU;
 - (b) applies a required stable funding factor that is equal to or higher than the higher available stable funding factor or applies an available stable funding factor that is equal to or lower than the lower required stable funding factor; and
 - (c) is established in Jersey.

Chapter 3 Available stable funding

Section 1 General provisions

Article 428i Calculation of the amount of available stable funding

Unless otherwise specified in this Chapter 3 of this document the amount of available stable funding shall be calculated by multiplying the accounting value of various categories or types of liabilities and own funds by the available stable funding factors to be applied under Section 2. The total amount of available stable funding shall be the sum of the weighted amounts of liabilities and own funds.

Bonds and other debt securities that are issued by the JIB, sold exclusively in the retail market, and held in a retail account, may be treated as belonging to the appropriate Retail Deposit category. Limitations shall be in place, such that those instruments cannot be bought and held by parties other than retail customers.

Article 428j Residual maturity of a liability or of own funds

1. Unless otherwise specified in this Chapter 3 of this document, JIBs shall take into account the residual contractual maturity of their liabilities and own funds to determine the available stable funding factors to be applied under Section 2.
2. JIBs shall take into account existing options in determining the residual maturity of a liability or of own funds in a prudent manner. They shall do so on the assumption that the counterparty will redeem call options at the earliest possible date. For options exercisable at the discretion of the JIB, the JIB shall take into account reputational factors that may limit a JIB's ability not to exercise the option, in particular market expectations that JIBs should redeem certain liabilities before their maturity.
3. JIBs shall treat deposits with fixed notice periods in accordance with their notice period, and shall treat term deposits in accordance with their residual maturity. By way of derogation from paragraph 2 of this Article, JIBs shall not take into account options for early withdrawals where the depositor has to pay a material penalty for early withdrawals which occur in less than one year, such penalty being laid down in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, to determine the residual maturity of term Retail Deposits.
4. In order to determine the available stable funding factors to be applied under Section 2, JIBs shall treat any portion of liabilities having a residual maturity of one year or more that matures in less than six Months and any portion of such liabilities that matures between six Months and less than one year as having a residual maturity of less than six Months and between six Months and less than one year, respectively.

Section 2 Available stable funding factors

Article 428k 0% Available stable funding factor

1. Unless otherwise specified in Articles 428l to 428o, all liabilities without a stated maturity, including short positions and open maturity positions, shall be subject to a 0% available stable funding factor, with the exception of the following:
 - (a) deferred tax liabilities, which shall be treated in accordance with the nearest possible

date on which such liabilities could be realised;

- (b) minority interests, which shall be treated in accordance with the term of the instrument.
2. Deferred tax liabilities and minority interests as referred to in paragraph 1 shall be subject to one of the following factors:
- (a) 0%, where the effective residual maturity of the deferred tax liability or minority interest is less than six months;
 - (b) 50%, where the effective residual maturity of the deferred tax liability or minority interest is a minimum of six months but less than one year;
 - (c) 100%, where the effective residual maturity of the deferred tax liability or minority interest is one year or more.
3. The following liabilities and capital items or instruments shall be subject to a 0% available stable funding factor:
- (a) trade date payables arising from purchases of financial instruments, of foreign currencies and of commodities, that are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transactions, or that have failed to settle but are nonetheless expected to settle;
 - (b) liabilities that are categorised as being interdependent with assets in accordance with Article 428f;
 - (c) liabilities with a residual maturity of less than six months provided by:
 - (i) the Bank Of England;
 - (ii) the central bank of a third country;
 - (iii) Financial Customers;
 - (d) any other liabilities and capital items or instruments not referred to in Articles 428l to 428o.
4. JIBs shall apply a 0% available stable funding factor to the absolute value of the difference, if negative, between the sum of fair values across all netting sets with positive fair value and the sum of fair values across all netting sets with negative fair value calculated in accordance with Article 428d.

The following rules shall apply to the calculation referred to in the first subparagraph:

- (a) variation margin received by JIBs from their counterparties shall be deducted from the fair value of a netting set with positive fair value, only up to the extent that it results in the netting set having zero fair value, where the collateral received as variation margin qualifies as a Level 1 Asset pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, excluding extremely high quality covered bonds specified in

that Chapter, and where JIBs are legally entitled and operationally able to reuse that collateral;

- (b) all variation margin posted by JIBs with their counterparties shall be deducted from the fair value of a netting set with negative fair value only up to the extent that it results in the netting set having zero fair value.

Article 428l 50% Available stable funding factor

The following liabilities and capital items or instruments shall be subject to a 50% available stable funding factor:

- (a) deposits received that fulfil the criteria for operational deposits set out in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;
- (b) liabilities with a residual maturity of less than one year provided by:
 - (i) the central government of the Jersey or of a third country;
 - (ii) regional governments or local authorities of the Jersey or a third country;
 - (iii) public sector entities in the Jersey or in a third country;
 - (iv) multilateral development banks referred to in Article 117(2) and international organisations referred to in Article 118;
 - (v) non-financial corporate customers;
 - (vi) Credit Unions authorised by the JFSC, Personal Investment Companies and clients that are Deposit Brokers to the extent that those liabilities do not fall under point (a) of this paragraph;
- (c) liabilities with a residual contractual maturity of a minimum of six months but less than one year that are provided by:
 - (i) the Bank Of England;
 - (ii) the central bank of a third country;
 - (iii) Financial Customers;
- (d) any other liabilities and capital items or instruments with a residual maturity of a minimum of six Months but less than one year not referred to in Articles 428m, 428n and 428o.

Article 428m 90% Available stable funding factor

Sight Retail Deposits, Retail Deposits with a fixed notice period of less than one year and term Retail Deposits having a residual maturity of less than one year that fulfil the relevant criteria for other Retail Deposits set out in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook shall be subject to a 90% available stable funding factor.

Article 428n 95% Available stable funding factor

Sight Retail Deposits, Retail Deposits with a fixed notice period of less than one year and term Retail Deposits having a residual maturity of less than one year that fulfil the relevant criteria for stable Retail Deposits set out in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook shall be subject to a 95% available stable funding factor.

Article 428o 100% Available stable funding factor

The following liabilities and capital items and instruments shall be subject to a 100% available stable funding factor:

- (a) the Common Equity Tier 1 items of the JIB before adjustments and deductions set out in the Own Funds part.
- (b) the Additional Tier 1 items of the JIB before the deduction set out in the Own Funds part, excluding any instruments with explicit or embedded options that, if exercised, would reduce the effective residual maturity to less than one year;
- (c) the Tier 2 items of the JIB before the deductions and restrictions set out in the Own Funds part, having a residual maturity of one year or more, excluding any instruments with explicit or embedded options that, if exercised, would reduce the effective residual maturity to less than one year;
- (d) any other capital instruments of the JIB with a residual maturity of one year or more, excluding any instruments with explicit or embedded options that, if exercised, would reduce the effective residual maturity to less than one year;
- (e) any other secured and unsecured borrowings and liabilities with a residual maturity of one year or more, including term deposits, unless otherwise specified in Articles 428k to 428n.

Chapter 4 Required Stable Funding

Section 1 General Provisions

Article 428p Calculation of the Amount of Required Stable Funding

1. Unless otherwise specified in this Chapter 4 of this document the amount of required stable funding shall be calculated by multiplying the accounting value of various categories or types of assets and off-balance sheet items by the required stable funding factors to be applied in accordance with Section 2 of this Chapter. The total amount of required stable funding shall be the sum of the weighted amounts of assets and off-balance sheet items.
2. Assets which JIBs have borrowed or otherwise acquired in securities financing transactions, shall be subject to the required stable funding factors to be applied under Section 2 of this Chapter where those assets are accounted for on the balance sheet of the JIB or where the JIB is exposed to all or substantially all of the economic risk and reward in respect of those assets. Otherwise, such assets shall be excluded from the calculation of the amount of

required stable funding.

3. Assets that JIBs have lent or otherwise disposed of in securities financing transactions which the JIB keeps on balance sheet or in respect of which the JIB retains exposure to all or substantially all of the economic risk and reward, shall be considered as encumbered assets for the purposes of this Chapter 4 of this document and shall be subject to the required stable funding factors to be applied under Section 2, even where the assets do not remain on the balance sheet of the JIB. Otherwise, such assets shall be excluded from the calculation of the amount of required stable funding.
4. Assets that are encumbered for a residual maturity of six Months or longer shall be assigned either the required stable funding factor that would be applied under Section 2 to those assets if they were held Unencumbered or the required stable funding factor that is otherwise applicable to those encumbered assets, whichever factor is higher. The same shall apply where the residual maturity of the encumbered assets is shorter than the residual maturity of the transaction that is the source of encumbrance. Assets that have less than six Months remaining in the encumbrance period shall be subject to the required stable funding factors to be applied under Section 2 to the same assets if they were held Unencumbered.
5. Where a JIB reuses or repledges an asset that was borrowed, including in securities financing transactions, and that asset is accounted for off-balance sheet, the transaction in relation to which that asset has been borrowed shall be treated as encumbered, provided that the transaction cannot mature without the JIB returning the asset borrowed.
6. The following assets shall be considered to be Unencumbered:
 - (a) assets included in a pool which are available for immediate use as collateral to obtain additional funding under committed or, where the pool is operated by a central bank, uncommitted but not yet funded, credit lines that are available to the JIB; those assets shall include assets placed by a credit JIB with a central JIB in a cooperative network or JIBal protection scheme; JIBs shall assume that assets in the pool are encumbered in order of increasing liquidity on the basis of the liquidity classification pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, starting with assets ineligible for the Liquidity Buffer;
 - (b) assets that the JIB has received as collateral for credit risk mitigation purposes in secured lending, secured funding or collateral exchange transactions and that the JIB may dispose of;
 - (c) assets attached as Non-Mandatory Overcollateralisation to a covered bond issuance.
8. In order to avoid any double counting, JIBs shall exclude assets that are associated with collateral that is recognised as variation margin posted in accordance with point (b) of Article 428k(4) and 428ah(2), recognised as initial margin posted, or recognised as a contribution to the default fund of a CCP in accordance with points (a) and (b) of Article 428ag from other parts of calculation of the amount of required stable funding in accordance with this Chapter

- 4 of this document This paragraph 8 does not apply to collateral assets associated with excess variation margin posted and not already recognised in point (b) of Article 428k(4) or Article 428ah(2), which JIBs shall take into account in other parts of the calculation of the amount of required stable funding in accordance with this Chapter 4 of this document
9. JIBs shall include foreign currencies and commodities for which a purchase order has been executed in the calculation of the amount of required stable funding financial instruments. They shall exclude financial instruments, foreign currencies and commodities for which a sale order has been executed from the calculation of the amount of required stable funding, provided that those transactions are not reflected as derivatives or secured funding transactions on the JIBs' balance sheet and that those transactions are to be reflected on the JIBs' balance sheet when settled.
 10. JIBs shall apply appropriate stable funding factors to off-balance sheet exposures that are not referred to in this document to ensure that they hold an appropriate amount of available stable funding for the portion of those exposures that are expected to require funding over the one-year horizon of the net stable funding ratio. When considering those factors, JIBs shall, in particular, take into account the material reputational damage to the JIB that could result from not providing that funding.

Article 428q Residual maturity of an asset

1. Unless otherwise specified in this Chapter 4 of this document JIBs shall take into account the residual contractual maturity of their assets and off- balance sheet transactions when determining the required stable funding factors to be applied to their assets and off-balance sheet items under Section 2.
2. JIBs shall treat assets that have been segregated in accordance with Article 11(3) of Regulation (EU) No 648/2012 in accordance with the underlying exposure of those assets. JIBs shall, however, subject those assets to higher required stable funding factors, based on the term of encumbrance of those assets. For these purposes, segregated assets are encumbered when the JIB is not able freely to dispose of or exchange such assets. JIBs shall consider the term of encumbrance to be the same as the term of the liabilities which generated the segregation requirement.
3. When calculating the residual maturity of an asset, JIBs shall take options into account in a prudent manner. JIBs shall assume that the issuer or counterparty will exercise any option to extend the maturity of an asset. For options that are exercisable at the discretion of the JIB, the JIB shall take into account reputational factors that may limit the JIB's ability not to exercise the option, in particular markets' and clients' expectations that the JIB should extend the maturity of certain assets at their maturity date.
4. In order to determine the required stable funding factors to be applied in accordance with Section 2, for amortising loans with a residual contractual maturity of one year or more, any portion that matures in less than six Months and any portion that matures between six Months

and less than one year shall be treated as having a residual maturity of less than six Months and between six Months and less than one year, respectively.

Section 2 Required stable funding factors

Article 428r 0% Required stable funding factor

1. The following assets shall be subject to a 0% required stable funding factor:
 - (a) Unencumbered Assets that are eligible as level 1 high quality liquid assets pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, excluding extremely high quality covered bonds specified in that Chapter;
 - (b) Unencumbered shares or units in CIUs that are eligible for a 0% haircut for the calculation of the liquidity coverage ratio pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;
 - (c) all reserves held by the JIB with the Bank Of England or the Central Bank Of A Third Country, including required reserves and excess reserves;
 - (d) all claims on the Bank Of England or the Central Bank Of A Third Country that have a residual maturity of less than six Months;
 - (e) trade date receivables arising from sales of financial instruments, foreign currencies or commodities that are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction, or that have failed to settle but are nonetheless expected to settle;
 - (f) assets that are categorised as being interdependent with liabilities in accordance with Article 428f;
 - (g) monies due from securities financing transactions with Financial Customers, where those transactions have a residual maturity of less than six Months, where those monies due are collateralised by assets that qualify as Level 1 Assets pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, excluding extremely high quality covered bonds specified therein, and where the JIB would be legally entitled and operationally able to reuse those assets for the duration of the transaction.

JIBs shall take the monies due referred to in point (g) of the first subparagraph of this paragraph into account on a net basis where Article 428e applies.

2. By way of derogation from point (c) of paragraph 1, JIBs shall apply a higher required stable funding factor to required reserves which shall be:
 - (a) the required stable funding factor for required reserves that is prescribed by the national law of the third country in which the relevant central bank is located; or
 - (b) if there is no national law prescribing the required stable funding for required reserves, an appropriate required stable funding factor, taking into account, in particular, the extent to which reserve requirements exist over a one-year horizon and therefore

require associated stable funding.

Article 428ra 2.5% Required stable funding factor

Trade finance off-balance sheet related products as referred to in Annex I of the CRR with a residual maturity of less than one year shall be subject to a 2.5% required stable funding factor.

Article 428s 5% Required stable funding factor

1. The following assets and off-balance sheet items shall be subject to a 5% required stable funding factor:
 - (a) Unencumbered shares or units in CIUs that are eligible for a 5% haircut for the calculation of the liquidity coverage ratio in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;
 - (b) monies due from securities financing transactions with Financial Customers, where those transactions have a residual maturity of less than six Months, other than those referred to in point (g) of Article 428r(1);
 - (c) the undrawn portion of Committed Credit And Liquidity Facilities pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;
 - (d) trade finance off-balance sheet related products as referred to in Annex I of the CRR with a residual maturity of one year or more.

JIBs shall take the monies due referred to in point (b) of the first subparagraph of this paragraph into account on a net basis where Article 428e applies.

2. Subject to Article 428da, for all netting sets of Derivative Contracts, JIBs shall apply a 5% required stable funding factor to the absolute fair value of those netting sets of Derivative Contracts, gross of any collateral posted, where those netting sets have a negative fair value. For the purposes of this paragraph, JIBs shall determine the fair value as gross of any collateral posted or settlement payments and receipts related to market valuation changes of such contracts.

Article 428t 7% Required stable funding factor

Unencumbered Assets that are eligible as level 1 extremely high quality covered bonds pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook shall be subject to a 7% required stable funding factor.

Article 428v 10% Required stable funding factor

Monies due from transactions with Financial Customers that have a residual maturity of less than six months other than those referred to in point (g) of Article 428r(1) and in point (b) of Article

428s(1) shall be subject to a 10% required stable funding factor.

Article 428w 12% Required stable funding factor

Unencumbered shares or units in CIUs that are eligible for a 12% haircut for the calculation of the liquidity coverage ratio in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook shall be subject to a 12% required stable funding factor.

Article 428x 15% Required stable funding factor

Unencumbered Assets that are eligible as level 2A assets pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook shall be subject to a 15% required stable funding factor.

Article 428y 20% Required stable funding factor

Unencumbered shares or units in CIUs that are eligible for a 20% haircut for the calculation of the liquidity coverage ratio in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook shall be subject to a 20% required stable funding factor.

Article 428z 25% Required stable funding factor

Unencumbered level 2B securitisations pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook and falling within Article 13(14)(a) of that Chapter shall be subject to a 25% required stable funding factor.

Article 428aa 30% Required stable funding factor

The following assets shall be subject to a 30% required stable funding factor:

- (a) Unencumbered high quality covered bonds pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;
- (b) Unencumbered shares or units in CIUs that are eligible for a 30% haircut for the calculation of the liquidity coverage ratio in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;
- (c) trade finance on-balance sheet related products with non-Financial Customers with a residual maturity of less than six Months.

Article 428ab 35% Required stable funding factor

The following assets shall be subject to a 35% required stable funding factor:

- (a) Unencumbered level 2B securitisations pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook and falling within Article 13(14)(b) of that Chapter;
- (b) Unencumbered shares or units in CIUs that are eligible for a 35% haircut for the calculation of the liquidity coverage ratio pursuant to Chapter 2 of the Liquidity Coverage

Ratio (CRR) Part of the PRA Rulebook.

Article 428ac 40% Required stable funding factor

Unencumbered shares or units in CIUs that are eligible for a 40% haircut for the calculation of the liquidity coverage ratio pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook shall be subject to a 40% required stable funding factor.

Article 428ad 50% Required stable funding factor

The following assets shall be subject to a 50% required stable funding factor:

- (a) Unencumbered Assets that are eligible as level 2B assets pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, excluding level 2B securitisations and high quality covered bonds pursuant to that Chapter. For these purposes Article 12(1)(c)(i) to (iii) of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part shall be replaced with the following eligibility criteria:
 - (i) the shares form part of the Financial Times Stock Exchange 100 (FTSE 100) in the United Kingdom or a major stock index of a third country composed of leading companies in the relevant jurisdiction;
 - (ii) the shares are denominated in the domestic currency of the JIB's home jurisdiction or in the currency of the jurisdiction where the JIB's liquidity risk is taken; and
 - (iii) the shares have a proven record as a reliable source of liquidity in the markets (through repo or outright sale) even during stressed market conditions, i.e.:
 - a maximum decline of price over a 30-day period not exceeding 40%; or
 - an increase in haircut over a 30-day period not exceeding 40 percentage points, during a relevant period of significant liquidity stress;
- (b) deposits held by the JIB in another financial JIB that fulfil the criteria for operational deposits as set out in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;
- (c) monies due from transactions with a residual maturity of less than one year with:
 - (i) the central government of the United Kingdom or of a third country;
 - (ii) regional governments or local authorities in a third country;
 - (iii) public sector entities of the United Kingdom or of a third country;
 - (iv) multilateral development banks referred to in Article 117(2) and international organisations referred to in Article 118;
 - (v) non-financial corporates, retail customers and SMEs, unless otherwise specified in Article 428aa(c);
 - (vi) Credit Unions authorised by the JFSC, Personal Investment Companies and clients that are Deposit Brokers to the extent that those assets do not fall under point (b) of this

- paragraph;
- (d) monies due from transactions with a residual maturity of at least six Months but less than one year with:
 - (i) the Bank Of England or the Central Bank Of A Third Country;
 - (iii) Financial Customers;
 - (e) trade finance on-balance sheet related products with a residual maturity of at least six Months but less than one year;
 - (f) assets encumbered for a residual maturity of at least six Months but less than one year, except where those assets would be assigned a higher required stable funding factor in accordance with Articles 428ae to 428ah if they were held Unencumbered, in which case the higher required stable funding factor that would apply to those assets if they were held Unencumbered shall apply;
 - (g) any other assets with a residual maturity of less than one year, unless otherwise specified in Articles 428r to 428ac.

Article 428ae 55% Required stable funding factor

Unencumbered shares or units in CIUs that are eligible for a 55% haircut for the calculation of the liquidity coverage ratio in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook shall be subject to a 55% required stable funding factor.

Article 428af 65% Required stable funding factor

1. The following assets shall be subject to a 65% required stable funding factor:
 - (a) Unencumbered loans secured by mortgages on residential property with a residual maturity of one year or more, provided that those loans are assigned a risk weight of 35% or less in accordance with Chapter 2 of Title II of Part Three of the CRR;
 - (b) Unencumbered loans with a residual maturity of one year or more, excluding loans to Financial Customers and loans referred to in Articles 428r to 428ad, provided that those loans are assigned a risk weight of 35% or less in accordance with Chapter 2 of Title II of Part Three of the CRR.
2. JIBs shall apply a 65% required stable funding factor to the most senior tranche or, if the JIB has retained all tranches, all tranches of Unencumbered securitisations:
 - (a) with a residual maturity of one year or more;
 - (b) where the underlying exposures were originated by:
 - (i) the JIB;
 - (ii) a subsidiary of the JIB; or
 - (iii) a third party provided the exposures were purchased by any of the entities in paragraph (2)(b)(i) to (ii) of this Article prior to the securitisation; and

- (c) whose underlying exposures would be subject to paragraph 1(a) of this Article had the underlying exposures not been securitised.

Article 428ag 85% Required stable funding factor

The following assets and off-balance sheet items shall be subject to a 85% required stable funding factor:

- (a) any assets and off-balance sheet items, including cash, posted as initial margin for Derivative Contracts, unless those assets would be assigned a higher required stable funding factor in accordance with Article 428ah if held Unencumbered, in which case the higher required stable funding factor that would apply to those assets if they were held Unencumbered shall apply;
- (b) any assets and off-balance sheet items, including cash, posted as contribution to the default fund of a CCP, unless those would be assigned a higher required stable funding factor in accordance with Article 428ah if held Unencumbered, in which case the higher required stable funding factor to be applied to the Unencumbered Asset shall apply;
- (c) Unencumbered loans with a residual maturity of one year or more, excluding loans to Financial Customers and loans referred to in Articles 428r to 428af, which are not past due for more than 90 days and which are assigned a risk weight of more than 35% in accordance with Chapter 2 of Title II of Part Three of the CRR;
- (d) trade finance on-balance sheet related products with non-Financial Customers with a residual maturity of one year or more;
- (e) Unencumbered securities with a residual maturity of one year or more that are not in default in accordance with Article 178 and that are not eligible as liquid assets pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, unless otherwise specified in Article 428af(2);
- (f) Unencumbered exchange-traded equities that are not eligible as level 2B assets pursuant to Article 428ad(a);
- (g) physically traded commodities, including gold but excluding commodity derivatives unless otherwise specified in Article 428f;
- (h) assets encumbered for a residual maturity of one year or more in a cover pool funded by covered bonds as referred to in provisions implementing Article 52(4) of Directive 2009/65/EC or covered bonds which meet the eligibility requirements for the treatment as set out in Article 129(4) or (5) of the CRR.

Article 428ah 100% Required stable funding factor

1. The following assets shall be subject to a 100% required stable funding factor:

- (a) unless otherwise specified in this Chapter 4 of this document any assets encumbered for a residual maturity of one year or more;
 - (b) any assets other than those referred to in Articles 428r to 428ag, including loans to Financial Customers having a residual contractual maturity of one year or more, non-performing exposures, items deducted from own funds, fixed assets, non-exchange-traded equities, retained interest, insurance assets, defaulted securities.
2. JIBs shall apply a 100% required stable funding factor to the difference, if positive, between the sum of fair values across all netting sets with positive fair value and the sum of fair values across all netting sets with negative fair value calculated in accordance with Article 428d.

The following rules shall apply to the calculation referred to in the first subparagraph:

- (a) variation margin received by JIBs from their counterparties shall be deducted from the fair value of a netting set with positive fair value, only up to the extent that it results in the netting set having zero fair value, where the collateral received as variation margin qualifies as a Level 1 Asset pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook, excluding extremely high quality covered bonds specified in that Chapter, and where JIBs are legally entitled and operationally able to reuse that collateral;

all variation margin posted by JIBs with their counterparties shall be deducted from the fair value of a netting set with negative fair value, only up to the extent that it results in the netting set having zero fair value.