Jersey Financial Services Commission

Appendix G: NSFR Guide

Consultation Paper No.3 2017

Basel III: Liquidity Management

[Draft] Guide on the calculation and reporting of NSFR

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Contents

1 Overview

1.1 Consultation

1.1.1 This document outlines draft requirements relating to the calculation of the *NSFR* (as applicable) for prudential reporting purposes. It is intended to incorporate this within the *JFSC's* prudential reporting requirements from December 2018. (For more details see **Section 4.9** of the consultation paper). It is intended to serve as a draft of the final requirements, neither omitting nor including additional text that relates to the consultation process only (excepting this paragraph, which will be omitted).

1.2 Introduction

1.2.1 This document specifies the prudential reporting of the *NSFR*. *JIBs* are re required to report consistently with it for each prudential period end date.

1.2.2 The requirements regarding the calculation and reporting of the *NSFR* are based on those set out in the *NSFR Standard*.

1.3 Reporting guidelines

1.3.1 All reporting of amounts should be of the sterling equivalent amount, in round thousands.

1.3.2 For individual items, a *Value* (*balance sheet asset* / *liability* or *nominal*, as relevant) and either (as relevant) the available funding or required funding are required to be reported. In the case of off balance sheet items, such as Derivatives and commitments, the *nomina*l is specified.

1.3.3 *ASF Factors*/*RSF Factors* are specified herein for each item.

1.3.4 *Available stable funding / Required Stable Funding*: for each item this is calculated as the *Value* multiplied by the relevant factor *ASF Factors* or *RSF Factors* (as relevant).

2 Item Specifications

2.1 Overview – Available Stable Funding

2.1.1 Data should be input on the components of the *JIB's Available Stable Funding* (liabilities and equity) in accordance with the guidance provided in **Sections 2.2** to **2.8**.

2.2 Capital and long-term funding

Item	***NSFR:1***
NSFR Standard	21
Description:	The total amount of (1) regulatory capital and (2) long-term funding. Regulatory capital and long term funding are defined, for these purposes, as: › Regulatory capital is all regulatory capital except for Tier 2 instruments with residual maturity of less than one year; and › Long-term funding is all capital instruments and liabilities with residual maturity of one year or more;
ASF Factor	100%

2.3 Stable retail deposits

Item	***NSFR:2***
NSFR Standard	22
Description:	Stable retail deposits (as defined for *LCR*/*LMR* purposes) that are on demand or are term deposits with residual maturities of less than one year provided by retail and *small business* customers.
ASF Factor	95%

2.4 Less stable retail deposits

Item	***NSFR:3***
NSFR Standard	23
Description:	Less stable retail deposits (as defined for *LCR*/*LMR* purposes) that are on demand or are term deposits with residual maturities of less than one year provided by retail and *small business* customers.

ASF Factor	90%

2.5 Non-financial funding

Item	***NSFR:4***
NSFR Standard	24
Description:	Unsecured wholesale funding, non-maturity deposits and/or term deposits with a residual maturity of less than one year, provided by non-financial corporates (i.e. not banks or financial institutions, including fiduciaries), sovereigns, central banks, multilateral development banks and *PSEs*.
ASF Factor	50%

2.6 Operational deposits

Item	***NSFR:5***
NSFR Standard	24
Description:	All *operational deposits*, as defined for *LCR*/*LMR* purposes.
ASF Factor	50%

2.7 Other medium term funding

Item	***NSFR:6***
NSFR Standard	24
Description:	All other liabilities and equity categories not included categories ***NSFR:1*** to ***NSFR:5*** (principally non-operational deposits from banks), where the residual maturity is between 6 and 12 months.
ASF Factor	50%

2.8 Other

Item	***NSFR:7***
NSFR Standard	25
Description:	All other liabilities and equity categories not included in the above categories. Examples include:

- Net derivative liabilities i.e. derivatives payable less variation margin posted less derivatives receivable (but only if the result is a positive figure); and

- Trade date payables arising from the purchase of financial instruments, foreign currencies and commodities

ASF Factor 0%

2.9 ASF Total

Item ***NSFR:8***

Description: Total of items ***NSFR:1*** to ***NSFR:7***, calculated for *Available Stable Funding* only.

2.10 Overview – *Required Stable Funding* – balance sheet items

2.10.1 Data should be input on the components of the *JIB's Required Stable Funding* (liabilities and equity) in accordance with the guidance provided in **Sections 2.11** to **2.28**.

2.10.2 Please note that:

2.10.2.1 In all cases, unless a specific treatment is stated, *HQLA* that is encumbered for a period of less than six months should be treated as unencumbered for these purposes; and

2.10.2.2 All non-performing loans should be reported within ***NSFR:26*** "Other Assets".

2.11 Cash and central bank

Item ***NSFR:9***

NSFR Standard 36

Description: Coins, banknotes, central bank reserves and all claims on central banks with a residual maturity of less than six months.

RSF Factor 0%

2.12 Trade date receivables

Item ***NSFR:10***

NSFR Standard 36

Description:	Trade date receivables arising from the sale of financial instruments, foreign currencies and commodities.
RSF Factor	0%

2.13 Unencumbered *Level 1 HQLA*

Item	***NSFR:11***
NSFR Standard	37
Description:	Unencumbered Level 1 *HQLA* assets, excluding coins, banknotes and central bank reserves.
RSF Factor	5%

2.14 *Level 1 HQLA* secured short-term lending to banks.

Item	***NSFR:12***
NSFR Standard	38
Description:	Unencumbered loans to banks with residual maturity of less than six months where the loan is secured against *level 1 HQLA* and where the *JIB* has the ability to freely re-hypothecate the collateral received.
RSF Factor	10%

2.15 Other short-term lending to banks plus unencumbered *level 2A HQLA*

Item	***NSFR:13***
NSFR Standard	39
Description:	Report both: › Other unencumbered loans to banks subject to prudential supervision with residual maturities of less than six months; and › Unencumbered *Level 2A HQLA*.
RSF Factor	15%

2.16 Unencumbered *Level 2B HQLA*

Item	***NSFR:14***
NSFR Standard	40
Description:	Unencumbered *Level 2B HQLA*.
RSF Factor	50%

2.17 Encumbered *HQLA* < 1 year

Item	***NSFR:15***
NSFR Standard	40
Description:	All potentially *HQLA*-eligible assets that are encumbered for a period of six months or more but less than one year.
RSF Factor	50%

2.18 Medium term lending to banks

Item	***NSFR:16***
NSFR Standard	40
Description:	Loans to banks subject to prudential supervision with residual maturities six months or more and less than one year.
RSF Factor	50%

2.19 Operational deposits

Item	***NSFR:17***
NSFR Standard	40
Description:	Deposits held at other financial institutions for operational purposes (as defined for *LCR*/*LMR* purposes – see **Appendix C**, section 3).
RSF Factor	50%

2.20 All other loans <1 year

Item	***NSFR:18***
NSFR Standard	40
Description:	All other assets not included in the above categories with residual maturity of less than one year, including residential mortgages and loans to non-bank financial institutions, non-financial corporates, retail and small business customers, sovereigns, central banks and *PSEs*.
RSF Factor	50%

2.21 Residential Mortgages

Item	***NSFR:19***
NSFR Standard	41
Description:	Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 35%.
RSF Factor	65%

2.22 Loans >1 year, excluding financial institutions, *RW* 35% or less

Item	***NSFR:20***
NSFR Standard	41
Description:	Other unencumbered loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the Standardised Approach to credit risk, as specified by the *JFSC*.
RSF Factor	65%

2.23 Loans >1 year, excluding financial institutions, *RW* >35%

Item	***NSFR:21***
NSFR Standard	42
Description:	Other unencumbered performing loans with risk weights greater than 35% under the Standardised Approach to credit risk, as

	specified by the *JFSC*, and residual maturities of one year or more, excluding loans to financial institutions.
RSF Factor	85%

2.24 Securities and physically traded commodities

Item	***NSFR:22***
NSFR Standard	42
Description:	All: › Unencumbered securities that are not in default and do not qualify as *HQLA*, including exchange-traded equities; › Physical traded commodities; and › Gold.
RSF Factor	85%

2.25 Margin provided

Item	***NSFR:23***
NSFR Standard	42
Description:	Cash, securities or other assets provided as initial margin for derivative contracts or provided to contribute to the default fund of a central counterparty, such as a clearing house.
RSF Factor	85%

2.26 Encumbered assets > 1 year

Item	***NSFR:24***
NSFR Standard	43
Description:	All assets, including *HQLA*, that are encumbered for a period of one year or more.
RSF Factor	100%

2.27 Derivatives receivables

Item	***NSFR:25***

NSFR Standard 43

Description: The sum (for all derivatives contracts) of:

- Net amount receivable less payable less variation margin posted, only if the result is a positive figure for a contract; and
- 20% of derivative liabilities, (i.e. the replacement cost for derivative contracts where the contract has a negative value).

RSF Factor 100%

2.28 Other assets

Item ***NSFR:26***

NSFR Standard 43

Description: All other assets not included in the above categories, including non-performing loans, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, pension assets, intangibles, deferred tax assets, retained interest, insurance assets, subsidiary interests and defaulted securities.

RSF Factor 100%

2.29 *RSF* Total – Balance Sheet

Item ***NSFR:27***

Description: Total of items ***NSFR:9*** to ***NSFR:26***, calculated for *Required Stable Funding* only.

2.30 Overview - *Required Stable Funding* – Off Balance Sheet

2.30.1 Data should be input on the components of the *JIB's Required Stable Funding* relating to off-balance sheet items in accordance with the guidance provided in **Sections 2.31** to **2.34**.

2.31 Irrevocable facilities

Item ***NSFR:28***

NSFR Standard 47

Description: Irrevocable and conditionally revocable credit and liquidity facilities to any client.

RSF Factor 5%

2.32 Unconditionally revocable facilities

Item	***NSFR:29***
NSFR Standard	47
Description:	Unconditionally revocable credit and liquidity facilities.
RSF Factor	0%

2.33 Trade related obligations

Item	***NSFR:30***
NSFR Standard	47
Description:	Trade finance-related obligations (including guarantees and letters of credit).
RSF Factor	0%

2.34 Other commitments

Item ***NSFR:31***

NSFR Standard 47

Description: Other contingent funding obligations, including products and instruments, such as:

- Guarantees and letters of credit unrelated to trade finance obligations; and
- Non-contractual obligations such as:
  - Potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities;
  - Structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes); and
- Managed funds that are marketed with the objective of maintaining a stable value.

RSF Factor 0%

2.35 RSF Total – Off Balance Sheet

Item ***NSFR:32***

Description: Total of items ***NSFR:28*** to ***NSFR:31***, calculated for *Required Stable Funding* only.

2.36 RSF Total

Item ***NSFR:33***

Description: Total of items ***NSFR:27*** and ***NSFR:32***, calculated for *Required Stable Funding* only.

2.37 Net Stable Funding Ratio

Item ***NSFR:34***

Description: The *ASF* Total (item ***NSFR:8)*** divided by the *RSF* Total (item ***NSFR:33***), expressed as a percentage.