



BANK SUPERVISION DIVISION

**Prudential Standard No: 02-2022/BSD: Guidance on the
Implementation of the Liquidity Coverage Ratio**

DECEMBER 2022

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ACRONYMS

BCBS- Basel Committee on Banking Supervision

HQLA – High Quality Liquid Assets

LCR – Liquidity Coverage Ratio

PSEs - Public Sector Enterprises

RMBS - Residential Mortgage Backed Securities

1. PREAMBLE

- 1.1. The Liquidity Coverage Ratio (LCR) Prudential Standard provides guidance on the computation of the LCR and outlines the Reserve Bank of Zimbabwe's disclosure requirements for the LCR which are expected to improve the transparency of regulatory liquidity requirements, reinforce banking institutions' liquidity management practices, enhance market discipline, and reduce uncertainty in the markets.
- 1.2. The LCR Standard is also expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

2. INTRODUCTION

- 2.1. The importance of liquidity to the proper functioning of financial markets and the banking sector became evident during the 2007/2008 global financial crisis when many banking institutions experienced difficulties due to imprudent liquidity management, notwithstanding adequate capitalization.
- 2.2. In response to the global financial crisis, the Basel Committee on Banking Supervision (BCBS) introduced the Liquidity Coverage Ratio (LCR) with the underlying objective of promoting the short-term resilience of the liquidity risk profile of banking institutions by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) to survive a significant stress scenario lasting for 30 calendar days. The LCR is a quantitative requirement that will be supplemented by detailed assessments of other aspects of the bank's liquidity risk management framework.
- 2.3. The Standard mainly draws on the guidance provided by the Basel Committee on Banking Supervision documents entitled "Principles for Sound Liquidity Risk Management and Supervision, 2008" and "Basel III: Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools, 2013".
- 2.4. To facilitate effective implementation, banking institutions are required to enhance their management information systems and risk control procedures. This will enable them to recognize, manage and monitor liquidity risk exposures under various stress situations in order to protect their operations from disruption and adverse financial consequences, as well as meet the requirements of LCR computation. Banking

institutions that face challenges in building capabilities in this regard will be required to submit corrective plans that will be monitored by the Reserve Bank.

3. AUTHORITY AND SCOPE OF APPLICATION

- 3.1. The Liquidity Coverage Ratio Prudential Standard is issued in terms of the Banking Act (Chapter 24:20), read in conjunction with Banking Regulations Statutory Instrument 205 of 2000.
- 3.2. The Standard applies to all banking institutions licensed by the Reserve Bank of Zimbabwe. Where a banking institution is part of a group, the Reserve Bank will also monitor the liquidity positions of associates of the banking institution as part of the Reserve Bank's mandate to monitor and supervise banking institutions, controlling companies and associates of banking institutions and controlling companies in terms of the Banking Act.

4. DEFINITION OF LCR

- 4.1. The LCR computation has two components:
 - a. Value of the stock of High-Quality Liquid Assets (HQLA) in stressed conditions as defined in section 5 of this Standard; and
 - b. Total net cash outflows, calculated according to the scenario parameters for which a bank would need sufficient liquidity on hand to survive for up to 30 days, as outlined below.

$$\frac{\text{Stock of HQLAs}}{\text{Net Cash Outflows over the next 30 days}} \geq 100\%$$

- 4.2. The numerator is the total weighted amount of HQLA held by a banking institution, including the sum of weighted amounts of level 1 assets, level 2A assets and level 2B assets, net of any adjustments that may be caused by application of the ceilings on level 2 assets.
- 4.3. The denominator is the "total net cash outflows", i.e. "total expected cash outflows" after deduction of "total expected cash inflows", where the amount of deduction shall not exceed 75% of the total expected cash outflows.
- 4.4. The liquidity scenarios that generate the stress considered under this Standard entail a combined idiosyncratic and market-wide shock that would result in:

- a. the run-off of a proportion of retail deposits;
- b. a partial loss of unsecured wholesale funding capacity;
- c. a partial loss of secured, short-term financing with certain collateral and counterparties;
- d. additional contractual outflows that would arise from a downgrade in the bank's public credit rating by up to and including three notches, including collateral posting requirements;
- e. increases in market volatilities that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts or additional collateral, or lead to other liquidity needs;
- f. unscheduled draw-downs on committed but unused credit and liquidity facilities that the bank has provided to its clients; and
- g. the potential need for the bank to buy back debt or honor non-contractual obligations in the interest of mitigating reputational risk.

5. HIGH QUALITY LIQUID ASSETS

- 5.1. A banking institution should include assets as its HQLA to the extent that they can be easily and immediately converted into cash at little or no loss of value. The liquidity of an asset depends on the underlying stress scenario, the volume to be monetized and the timeframe considered as summarized in the diagram below.

CHARACTERISTICS OF HQLA



a. Fundamental Characteristics

- Low Risk
- Ease and certainty of valuation
- Low correlation with risky assets
- Listed on a developed and recognised exchange



b. Market Related Characteristics

- Active and sizable Market
- Low Volatility
- Flight to Quality



c. Operational Requirements

- subject to periodic monetisation
- unencumbered,
- contractually available
- controlled by liquidity risk management function (Treasurer)
- ease of convertibility to cash

a. Fundamental Characteristics of HQLA

- Low risk:** assets that are less risky tend to have higher liquidity. High credit standing of the issuer and a low degree of subordination increase an asset's liquidity. Low duration, low legal risk, low inflation risk and denomination in a convertible currency with low foreign exchange risk all enhance an asset's liquidity.
- Ease and certainty of valuation:** Assets with more standardized, homogenous, and simple structures tend to be more fungible, promoting liquidity. The pricing formula of a high-quality liquid asset must be easy to calculate and not depend on strong assumptions. The inputs into the pricing formula must also be publicly available.
- Low correlation with risky assets:** the stock of HQLA should not be subject to wrong-way (highly correlated) risk. For example, assets issued by financial institutions are more likely to be illiquid in times of liquidity stress in the banking sector.
- Listed on a developed and recognized exchange:** being listed increases an asset's transparency.

b. Market-related characteristics

- i. **Active and sizable market:** the asset should have active outright sale or repo markets at all times. This means that:
 - There should be historical evidence of market breadth and market depth, demonstrated by, *inter-alia*, low bid-ask spreads, high trading volumes, and a large and diverse number of market participants; and
 - There should be robust market infrastructure in place as the presence of multiple committed market makers increases liquidity.
- ii. **Low volatility:** Assets whose prices remain relatively stable over time will have a lower probability of triggering forced sales to meet liquidity requirements. There should be historical evidence of relative stability of market terms (e.g. prices and haircuts) and volumes during stressed periods.
- iii. **Flight to quality:** These are assets banking institutions have a tendency to acquire during systemic crises.

c. Operational Requirements

- 5.2. All assets in the stock of HQLA are subject to operational requirements highlighted hereunder, which recognise that there are some operational restrictions on the availability of HQLA that can prevent timely monetisation during a stress period.
- 5.3. The operational requirements are designed to ensure that the stock of HQLA is managed in such a way that the banking institution can, and is able to demonstrate that it can, immediately use the stock of assets as a source of contingent funds that is available for the bank to convert into cash through outright sale or repo, to fill funding gaps between cash inflows and outflows at any time during the 30-day stress period, with no restriction on the use of the liquidity generated.
- 5.4. The stock of HQLA should be free from the following operational restrictions that can prevent timely monetization during a stress period:

- i. All assets in the stock should be unencumbered¹.
 - ii. Assets received in reverse repo and securities financing transactions that are held at the banking institution, have not been rehypothecated, and are legally and contractually available for the bank's use can be considered as part of the stock of HQLA.
 - iii. Assets which qualify for the stock of HQLA that have been pre-positioned or deposited with, or pledged to, the Reserve Bank or a public sector entity (PSE) but have not been used to generate liquidity may be included in the stock.
- 5.5. Monetization of the asset must be executable, from an operational perspective, in the standard settlement period for the asset class.
- 5.6. A banking institution must maintain adequate policies and limits to control the level of concentration of its HQLA in order to avoid undue exposure to a particular class of asset, type of issue, issuer or currency.
- 5.7. Banking institutions should monitor the legal entity and physical location where collateral is held and how it may be mobilized in a timely manner. Specifically, it should have a policy in place that identifies legal entities, geographical locations, currencies and specific custodial or bank accounts where HQLA are held.
- 5.8. The stock should be under the control of the function charged with managing the liquidity of the banking institution, meaning the function has the continuous authority, and legal and operational capability, to monetize any asset in the stock. Control must be evidenced either by maintaining assets in a separate pool managed by the function with the sole intent for use as a source of contingent funds, or by demonstrating that the function can monetise the asset at any point in the 30-day stress period and that the proceeds of doing so are available to the function throughout the 30-day stress period without directly conflicting with a stated business or risk management strategy. For example, an asset should not be included in the stock if the sale of that asset,

¹ Means free of legal, regulatory, contractual, or other restrictions on the ability of the banking institution to liquidate, sell, transfer, or assign the asset. An asset in the stock should not be pledged (either explicitly or implicitly) to secure, collateralise or credit-enhance any transaction, nor be designated to cover operational costs (such as rents and salaries).

without replacement throughout the 30-day period, would remove a hedge that would create an open risk position in excess of internal limits.

5.9. Regarding the implementation of the HQLA computation, the banking institution must put in place systems and/or procedures with the capability to at least:

- a) identify and adequately price all assets that compose the HQLA buffer; and
- b) exclude in the stock of HQLA any assets, or liquidity generated from assets, they have received under right of rehypothecation², if the beneficial owner has the contractual right to withdraw those assets during the 30-day stress period.

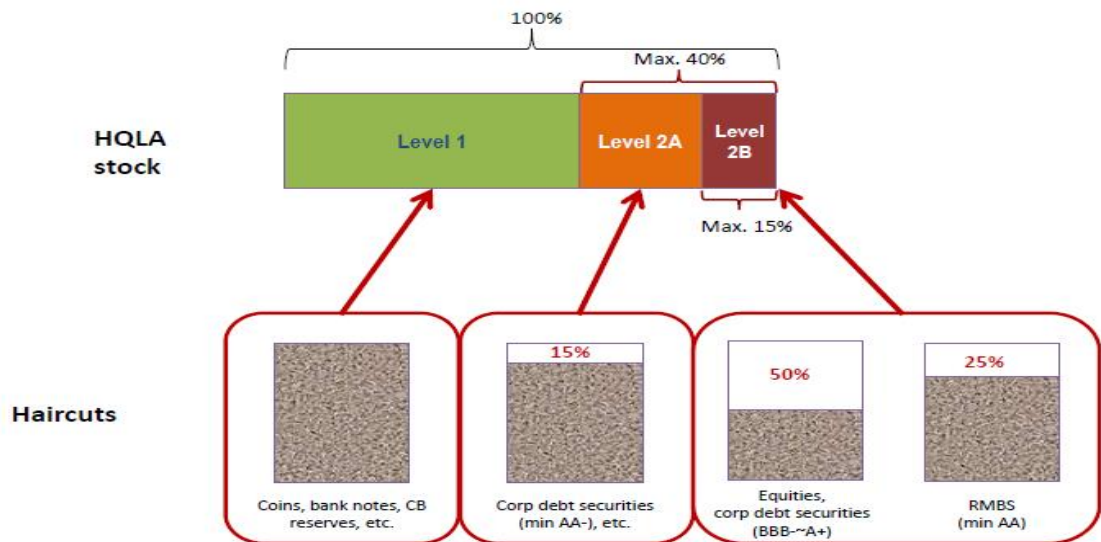
5.10. While the LCR is expected to be met and reported in a single currency, banking institutions are expected to be able to meet their liquidity needs in each currency and maintain HQLA consistent with the distribution of their liquidity needs by currency.

Eligible level 1 and level 2 high-quality liquid assets (HQLA)

5.11. There are two categories of assets which can be included in the stock of HQLAs, Level 1 and Level 2 assets as shown on diagram 1 below. Level 2 assets are sub-divided into Level 2A and Level 2B assets on the basis of their price-volatility. Assets to be included in each category are those that the bank is holding on the first day of the stress period, **irrespective of their residual maturity.**

5.12. The diagram below summarises key components of HQLA and requisite requirements.

²The right of a secured party to lend, pledge, sell, assign, invest, use, commingle or otherwise dispose of collateral, usually cash or securities, posted by a counterparty under a trading agreement.



Level 1 Assets

5.13. **Level 1** assets, to be included in the stock of HQLA without any limit and also without applying any haircut, shall be confined to the following:

- a. Notes and Coins;
- b. Central bank balances³ with maturities not exceeding 30 days unless there is an early termination clause that falls within this period;
- c. Marketable securities representing claims on or guaranteed by sovereigns, central banks, Public Sector Enterprises (PSEs), and multilateral institutions and satisfying all the following conditions:
 - i. assigned a 0% risk-weight under the Basel II Standardized Approach for credit risk;
 - ii. traded in large, deep and active repo or cash markets characterized by a low level of concentration;
 - iii. have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions;
 - iv. not an obligation of a financial institution or any of its affiliated entities; and

³ Balances exclude Statutory Reserves.

- d. debt securities issued in domestic and foreign currency by the Reserve Bank of Zimbabwe or Government of Zimbabwe⁴.

Level 2A Assets

- 5.14. Level 2 assets comprise Level 2A assets and Level 2B assets, and are included in the stock of HQLA, subject to the requirement that they comprise no more than 40% of the overall stock after appropriate haircuts have been applied.
- 5.15. A minimum 15% haircut should be applied to the current market value of each Level 2A asset held in the stock. Level 2A assets are limited to the following:
- a. Marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral organizations/institutions that are eligible for discount by the Reserve Bank of Zimbabwe, and also satisfy the following conditions:
 - i. assigned a 20% risk weight under the Basel II Standardized Approach for credit risk;
 - ii. traded in large, deep and active repo or cash markets characterised by a low level of concentration;
 - iii. have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions;
 - iv. Not an obligation of a financial institution or any of its affiliated entities.
 - b. Corporate debt securities⁵ (including commercial paper) and securitized loans that satisfy all of the following conditions:
 - in the case of debt securities, not issued by a financial institution or any of the bank's affiliated entities);
 - either (i) have a long-term credit rating from a recognized external credit assessment institution (ECAI) of at least AA- or in the absence of a long

⁴ Included under this are Open Market Operations (OMO) Bills issued by the RBZ in whatever form, held by banking institutions on their own account, with no conditions as to discountability of the bills. Bills held on behalf of clients are excluded as these require client mandates to liquidate, the absence of which will constrain banking institutions ability to raise liquidity in stress conditions.

⁵ Corporate debt securities (including commercial paper) in this respect include only plain-vanilla assets whose valuation is readily available based on standard methods and does not depend on private knowledge, i.e. these do not include complex structured products or subordinated debt.

term rating, a short-term rating equivalent in quality to the long-term rating; or (ii) do not have a credit assessment by a recognized ECAI but are internally rated as having a probability of default (PD) corresponding to a credit rating of at least AA-;

- traded in large, deep and active repo or cash markets characterised by a low level of concentration;
- are eligible for discount by the Reserve bank of Zimbabwe; and
- Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions.

Level 2B Assets

5.16. A larger haircut is applied to the current market value of each Level 2B asset held in the stock. Further, Level 2B assets should comprise no more than 15% of the total stock of HQLA. Banking institutions are required to put in place appropriate systems and measures to monitor and control the potential risks (e.g. credit and market risks) that could arise from the holding of these assets.

5.17. Level 2B assets are limited to the following:

- a. Residential mortgage-backed securities (RMBS) that satisfy all of the following conditions may be included in Level 2B, subject to a 25% haircut:
 - i. not issued by, and the underlying assets have not been originated by the banking institution itself or any of its affiliated entities;
 - ii. have a long-term credit rating from a recognized ECAI of AA or higher, or in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating;
 - iii. traded in large, deep and active repo or cash markets characterised by a low level of concentration;
 - iv. have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions;

- v. the underlying asset pool is restricted to residential mortgages and cannot contain structured products; and
 - vi. the underlying mortgages are “full recourse” loans (i.e. in the case of foreclosure the mortgage owner remains liable for any shortfall in sales proceeds from the property) and have a maximum loan-to-value ratio (LTV) of 80% on average at issuance.
- b. Corporate debt securities⁶ (including commercial paper) that satisfy all of the following conditions may be included in Level 2B, **subject to a 50% haircut**:
- i. not issued by a financial institution or any of its affiliated entities;
 - ii. either (i) have a long-term credit rating from a recognized ECAI between A+ and BBB- or in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating; or (ii) do not have a credit assessment by a recognized ECAI and are internally rated as having a PD corresponding to a credit rating of between A+ and BBB-;
 - iii. traded in large, deep, and active repo or cash markets characterised by a low level of concentration; and
 - iv. have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions.
- c. Common equity shares that satisfy all of the following conditions may be included in Level 2B, **subject to a 50% haircut**:⁷
- i. not issued by a financial institution or any of its affiliated entities;
 - ii. exchange traded and centrally cleared in Zimbabwe;
 - iii. denominated in domestic currency;

⁶ Banking institutions must have the systems and processes to segregate corporate securities by issuer, accordingly with the required granularity of the RBZ LCR template

⁷ Holding of common equity shares is subject to the provisions of the Banking Act [Chapter 24:20].

- iv. traded in large, deep and active repo or cash markets characterised by a low level of concentration; and
- v. have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions.

Note: To mitigate the cliff effects that could arise if an eligible liquid asset became ineligible (e.g. due to rating downgrade), a banking institution will be permitted to keep such assets in its stock of liquid assets for an additional 30 calendar days.

- 5.18. In cases where disclosure gaps constrain price discovery and valuation of financial instruments, banking institutions are required to utilize internal models as a stop-gap measure.

Additional Requirements

- 5.19. A banking institution must include an appropriate **buffer of HQLA** over the LCR requirement in line with its liquidity risk tolerance.
- 5.20. Banking institutions are expected to conduct their **own stress tests** to assess the level of liquidity they should hold beyond the LCR prescription and construct their own scenarios that could cause difficulties for their specific business activities. Such internal stress tests should incorporate longer time horizons than the one mandated by this standard.
- 5.21. ***During a period of financial stress, a banking institution may need to liquidate part of its stock of HQLA to cover cash outflows, as a consequence of which the LCR may fall below the minimum requirement of 100%.*** In such instances, the banking institution must notify the Reserve Bank of Zimbabwe in writing of its intent to utilize its stock of HQLA or by the end of the next business day after the utilization of the liquid assets, highlighting the following:
- a. reasons for the utilization of the HQLA;
 - b. cause of the liquidity stress situation with supporting documents, as necessary; and
 - c. detailed steps the banking institution has taken and/or is going to take to resolve the liquidity stress situation, including resolution timelines.

6. TOTAL NET CASH OUTFLOWS

- 6.1. Total net cash outflows are defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. Cash inflows and outflows should include interest that is expected to be received and paid during the 30-day time horizon.
- 6.2. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down.

$$\begin{aligned} & \text{Total net cash outflows over the next 30 calendar days} \\ = & \text{Total expected cash outflows} - \text{Min}\{\text{total expected cash inflows; 75\% of total expected cash outflows}\} \end{aligned}$$

- 6.3. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in under the scenario up to an aggregate cap of 75% of total expected cash outflows.
- 6.4. Banking institutions will not be permitted to double count items, i.e. if an asset is included as part of the “stock of HQLA” (the numerator), the associated cash inflows cannot also be counted as cash inflows in the denominator.

Cash Outflows

- 6.5. While the Standard prescribes minimum run-off rates for different categories of deposits and other funding obligations, higher run off rates may be considered in the future, taking into account particularities of the domestic operating landscape.

Retail deposits run-off

- 6.6. Retail deposits are defined as deposits placed with a banking institution by a natural person. Deposits from legal entities, sole proprietorships or partnerships are captured in wholesale deposit categories. Retail deposits subject to the LCR include demand deposits and term deposits. No rollover of existing liabilities is assumed to take place.

- 6.7. Retail deposits are divided into “stable” and “less stable” portions of funds, the minimum run-off rates for each category of which are highlighted in the reporting template. The run-off rates for retail deposits are minimum floors.
- 6.8. Cash outflows related to retail term deposits with a residual maturity or withdrawal notice period of greater than 30 days will be excluded from total expected cash outflows if the depositor has no legal right to withdraw deposits within the 30-day horizon of the LCR, or if early withdrawal results in a significant penalty that is materially greater than the loss of interest.
- 6.9. If a banking institution allows a depositor to withdraw such deposits without applying the corresponding penalty, or despite a clause that says the depositor has no legal right to withdraw, the entire category of these funds would then have to be treated as demand deposits (i.e. regardless of the remaining term).
- 6.10. The requirements highlighted below are applicable to both local currency and foreign currency deposits.

Stable Deposits

- 6.11. Stable deposits are the amount of the deposits that are fully insured by the Deposit Protection Corporation⁶ of Zimbabwe (DPC) and where:
- the depositors have other established relationships with the bank that make withdrawal highly unlikely; or
 - The deposits are in transactional accounts (accounts used on a day to day basis for *inter-alia*, wage, bill, card payments and other contingent payments which ensure accounts are almost always funded with some core deposits).
- 6.12. The expected cash outflow arising from stable retail deposits is calculated by multiplying the principal amount of such deposits by an outflow rate of 5%.

Less Stable Deposits

- 6.13. Less stable deposits refer to deposits that are not fully covered by deposit insurance, and deposits considered by the banking institution to be volatile based on internal assessment methodologies and modelling techniques.
- 6.14. A minimum run-off rate of 10% shall apply for such less stable deposits.

Unsecured wholesale funding run-off

- 6.15. Unsecured wholesale funding is defined as those liabilities and general obligations that are raised from non-natural persons (i.e. legal entities, including sole proprietorships and partnerships).
- 6.16. Such type of funding includes all funding that is callable within the horizon of 30 days or that has its earliest possible contractual maturity date situated within this horizon as well as funding with an undetermined maturity. This includes all funding with options that are exercisable at the investor's discretion within the 30-calendar day horizon. For funding with options exercisable at the bank's discretion, the bank should consider reputational factors that may limit its ability not to exercise the option.
- 6.17. Wholesale funding that is callable by the funds provider subject to a contractually defined and binding notice period surpassing the 30-day horizon is not included.

Unsecured wholesale funding provided by small business customers

- 6.18. Unsecured wholesale funding provided by Small and Medium Scale Enterprises⁸ is treated the same way as retail deposits for the purposes of this standard in relation to bucket definitions and associated run-off factors. This category consists of deposits and other funds made by non-financial small business customers. In this regard, stable deposits will be assigned a run-off rate of 5% with less stable deposits attracting a run-off rate of 10%.
- 6.19. Term deposits from small business customers should be treated in accordance with the treatment for term retail deposits as outlined in paragraphs 6.8 and 6.9.

Operational deposits generated by clearing, custody and cash management activities:

"Operational deposits" are deposits placed to facilitate clearing, custody and cash management activities by financial and non-financial customers. These funds will receive a 25% run-off factor only if the customer has a substantive dependency with the banking institution and the deposit is required for such activities.

⁸ Business entity with annual sales turn-over not exceeding USD\$3 million.

6.20. The clearing, custody or cash management activities should meet the following criteria:

- The customer is reliant on the banking institution to perform these services in order to fulfil its normal banking activities over the next 30 days;
- These services must be provided under a legally binding agreement to institutional customers; and
- The termination of such agreements shall be subject either to a notice period of at least 30 days or significant switching costs to be borne by the customer if the operational deposits are moved before 30 days.
- The deposits are by-products of the underlying services provided by the banking organisation and not sought out in the wholesale market in the sole interest of offering interest income.
- The deposits are held in specifically designated accounts and priced without giving an economic incentive to the customer (not limited to paying market interest rates) to leave any excess funds on these accounts.

6.21. A **clearing relationship**, in this context, refers to a service arrangement that enables customers to transfer funds (or securities) indirectly through direct participants in domestic settlement systems to final recipients. Such services are limited to the following activities: transmission, reconciliation and confirmation of payment orders; daylight overdraft, overnight financing and maintenance of post-settlement balances; and determination of intra-day and final settlement positions.

6.22. **Custody relationship**, in this context, refers to the provision of safekeeping, reporting, processing of assets or the facilitation of the operational and administrative elements of related activities on behalf of customers. Such services are limited to the settlement of securities transactions, the transfer of contractual payments, the processing of collateral, and the provision of custody related cash management services. Also included are the receipt of dividends and other income, client subscriptions and redemptions. Custodial services can furthermore extend to asset and corporate trust servicing, treasury, escrow, funds transfer, stock transfer and agency services, including payment and settlement services (excluding correspondent banking), and depository receipts.

- 6.23. A **cash management relationship**, in this context, refers to the provision of cash management and related services to customers. Cash management services, in this context, refers to those products and services provided to customers to manage their cash flows, assets and liabilities, and conduct financial transactions necessary to the customers' ongoing operations. Such services are limited to payment remittance, collection and aggregation of funds, payroll administration, and control over the disbursement of funds.
- 6.24. The portion of operational deposits generated by clearing, custody and cash management activities that is fully covered by deposit insurance can receive the same treatment as "stable" retail deposits i.e. 5% run-off rate.
- 6.25. Any excess balances that could be withdrawn and would still leave enough funds to fulfil these clearing, custody and cash management activities do not qualify for the 25% factor. In other words, only that part of the deposit balance with the service provider that is proven to serve a customer's operational needs can qualify as stable. Excess balances should be treated in the appropriate category for non-operational deposits. In the event that the banking institution is unable to determine the amount of the excess balance, the entire deposit will be assumed to be excess to requirements and, therefore, considered non-operational.
- 6.26. Banking institutions must determine the methodology for identifying the excess deposits referred to in 6.25 above. This assessment should be conducted at a sufficiently granular level to adequately assess the risk of withdrawal in an idiosyncratic stress. The methodology should take into account relevant factors such as the likelihood that wholesale customers have above average balances in advance of specific payment needs, as well as consider appropriate indicators to identify those customers that are not actively managing account balances efficiently.
- 6.27. Operational deposits will receive a 0% inflow assumption for the depositing banking institution given that these deposits are required for operational reasons, and are, therefore, not available to repay other outflows.

- 6.28. Notwithstanding these operational categories, if the deposit under consideration arises out of correspondent banking⁹ or from the provision of prime brokerage services¹⁰, it will be treated as if there were no operational activity for the purpose of determining run-off factors.

Unsecured wholesale funding provided by non-financial corporates, government, central bank, and multilateral institutions

- 6.29. This category comprises all deposits and other unsecured funding from non-financial corporate customers (that are not categorized as small business customers, government, the central bank and multilateral institutions) that are not specifically held for operational purposes (as defined above). The run-off factor for these funds is 40%.
- 6.30. Unsecured wholesale funding provided by non-financial corporate customers, government, central banks and multilateral institutions without operational relationships can receive a 20% run-off factor if the entire amount of the deposit is fully covered by an effective deposit insurance scheme.

Unsecured wholesale funding provided by other legal entity customers

- 6.31. This category consists of all deposits and other funding from other institutions (including banking institutions, securities firms, insurance companies, etc.), fiduciaries¹¹, beneficiaries¹², conduits and special purpose vehicles, bank affiliates¹³ and other entities that are not specifically held for operational purposes and not included in the prior three categories. The run-off factor for these funds is 100%.

⁹ Correspondent banking refers to arrangements under which one bank (correspondent) holds deposits owned by other banks (respondents) and provides payment and other services in order to settle foreign currency transactions (e.g. so-called nostro and vostro accounts used to settle transactions in a currency other than the domestic currency of the respondent bank for the provision of clearing and settlement of payments).

¹⁰ Prime brokerage is a package of services offered to large active investors, particularly institutional hedge funds. These services usually include: clearing, settlement and custody; consolidated reporting; financing (margin, repo or synthetic); securities lending; capital introduction; and risk analytics.

¹¹ Fiduciary is defined in this context as a legal entity that is authorised to manage assets on behalf of a third party. Fiduciaries include asset management entities such as pension funds and other collective investment vehicles.

¹² Beneficiary is defined in this context as a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract.

¹³ Outflows on unsecured wholesale funding from affiliated entities of the bank are included in this category unless the funding is part of an operational relationship, a deposit in an institutional network of cooperative banks or the affiliated entity of a non-financial corporate.

- 6.32. All notes, bonds and other debt securities issued by the banking institution are included in this category regardless of the holder, unless the bond is sold exclusively in the retail market and held in retail accounts (including small business customer accounts), in which case the instruments can be treated in the appropriate retail or small business customer deposit category.

Secured funding run-off

- 6.33. For the purposes of this standard, “secured funding” is defined as those liabilities and general obligations that are collateralized by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution.
- 6.34. Due to the high-quality of Level 1 assets, no reduction in funding availability against these assets is assumed to occur. In addition, no reduction in funding availability is expected for any maturing secured funding transactions with the Reserve Bank of Zimbabwe i.e. 0% run off. A reduction in funding availability will be assigned to maturing transactions backed by Level 2 assets equivalent to the required haircuts.
- 6.35. A 25% factor is applied for maturing secured funding transactions with the Government of Zimbabwe, or multilateral institutions that have a 20% or lower risk weight, when the transactions are backed by assets other than Level 1 or Level 2A assets, in recognition that these entities are unlikely to withdraw secured funding from banking institutions in a time of market-wide stress.
- 6.36. For all other maturing transactions, the run-off factor is 100%, including transactions where a banking institution has satisfied customers’ short positions¹⁴ with its own long assets.

¹⁴ A customer short position in this context describes a transaction where a bank’s customer sells a security it does not own, and the bank subsequently obtains the same security from internal or external sources to make delivery into the sale. Internal sources include the bank’s own inventory of collateral as well as rehypothecated collateral held in other customer margin accounts. External sources include collateral obtained through a securities borrowing, reverse repo, or like transaction.

6.37. The table below summarizes the applicable conditions:

Categories of Outstanding Maturing Secured Funding Transactions	Run – off Factor
Backed by Level 1 Assets or with central bank	0%
Backed by Level 2A Assets	15%
Secured by funding transactions with the Government of Zimbabwe or multilateral institutions that are not backed by Level 1 or Level 2A assets	25%
Backed by Level 2B assets	
Eligible Residential Mortgage Backed Securities	25%
Other Level 2B assets	50%
All others	100%

Additional Requirements

Derivatives cash outflows:

- 6.38. These requirements are premised on a fully developed derivatives market to which the Zimbabwean banking sector is envisioned to transition.
- 6.39. The sum of all net cash outflows should receive a 100% factor. Banking institutions should calculate, in accordance with their existing valuation methodologies, expected contractual derivative cash inflows and outflows. Cash flows may be calculated on a net basis (i.e. inflows can offset outflows) by counterparty, only where a valid master netting agreement exists. Banking institutions should exclude from such calculations those liquidity requirements that would result from increased collateral needs due to market value movements or falls in value of collateral posted. Options should be assumed to be exercised when they are ‘in the money’ to the option buyer.
- 6.40. Where derivative payments are collateralised by HQLA, cash outflows should be calculated net of any corresponding cash or collateral inflows that would result, all other things being equal, from contractual obligations for cash or collateral to be

provided to the bank, if the bank is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the collateral is received. This is in line with the principle that banking institutions should not double count liquidity inflows and outflows.

Increased liquidity needs related to downgrade triggers embedded in financing transactions, derivatives, and other contracts: (100% of the amount of collateral that would be posted for, or contractual cash outflows associated with, any downgrade up to and including a 3-notch downgrade).

- 6.41. The banking institution should recognize the full amount of the collateral that would be posted for, or contractual cash outflows associated with, any downgrade up to and including a 3-notch downgrade. This is premised on the fact that contracts governing derivatives and other transactions often have clauses that require the posting of additional collateral, drawdown of contingent facilities, or early repayment of existing liabilities upon the banking institution's downgrade by a recognized credit rating organization.
- 6.42. In light of the foregoing, banking institutions are expected to conduct regular assessments of their loan portfolios and re-classify them accordingly.

Increased liquidity needs related to the potential for valuation changes on posted collateral securing derivative and other transactions

- 6.43. In order to secure mark-to-market valuation of their derivatives positions, banking institutions will be required to post 20% of the value of non-Level 1 assets posted as collateral. The 20% will be calculated based on the notional amount required to be posted as collateral after any other haircuts have been applied that may be applicable to the collateral category. When Level 1 liquid asset securities are posted as collateral, there is no requirement to maintain an additional stock of HQLA for potential valuation changes.

Increased liquidity needs related to market valuation changes on derivative or other transactions

- 6.44. To the extent that market practice requires collateralisation of mark-to-market exposures on derivative and other transactions, banking institutions face potentially substantial liquidity risk exposures to these valuation changes. In this regard, any outflow generated by increased needs related to market valuation changes should be included in the LCR calculated by identifying the largest absolute net 30-day collateral flow realised during the preceding 24 months. Inflows and outflows of transactions executed under the same master netting agreement can be treated on a net basis. The absolute net collateral flow is based on both realised outflows and inflows.

Loss of funding on asset-backed securities, covered bonds and other structured financing instruments

- 6.45. The scenario assumes the outflow of 100% of the funding transactions maturing within the 30-day period, when these instruments are issued by the bank itself (as this assumes that the re-financing market will not exist).

Increased liquidity needs related to contractually required collateral on transactions for which the counterparty has not yet demanded the collateral be posted

- 6.46. Banking institutions will be required to post 100% of the collateral that is contractually due but where the counterparty has not yet demanded the posting of such collateral.

Drawdowns on committed credit and liquidity facilities

- 6.47. For the purposes of this Standard, the collateral can be netted against the outstanding amount of the facility to the extent that this collateral is not already counted in the stock of HQLA, in line with the principle that items cannot be double-counted.
- 6.48. For the purpose of the standard, these facilities only include contractually irrevocable (committed) or conditionally revocable agreements to extend funds in the future. The banking institution should calculate the expected cash outflows arising from such facilities within the LCR period. Unconditionally revocable facilities that are unconditionally cancellable by the banking institution are excluded from this section.

- 6.49. The undrawn portion of these facilities is calculated net of any HQLA eligible for the stock of HQLA, if the HQLA have already been posted as collateral by the counterparty to secure the facilities or that are contractually obliged to be posted when the counterparty will draw down the facility (e.g. a liquidity facility structured as a repo facility), if the bank is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the facility is drawn, and there is no undue correlation between the probability of drawing the facility and the market value of the collateral.
- 6.50. Any contractual loan drawdowns from committed facilities¹⁵ and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows.
- a. *Committed credit and liquidity facilities to retail and small business customers should be assigned a 5% drawdown rate on the undrawn portion of these facilities.*
 - b. *Committed credit facilities to non-financial corporates, central bank, and public sector enterprises (PSEs) should be assigned a 30% drawdown rate on the undrawn portion of these credit facilities.*
 - c. *Committed credit and liquidity facilities extended to banking institutions subject to prudential supervision and banking institutions should be assigned a 40% drawdown rate on the undrawn portion.*
 - d. *Committed credit facilities to other financial institutions including securities firms, insurance companies, and fiduciaries, should be assigned a 40% drawdown of the undrawn portion of these credit facilities.*
 - e. *Committed credit and liquidity facilities to other legal entities, conduits and special purpose vehicles, and other entities not included in the prior categories should be assigned a 100% drawdown rate on the undrawn portion of these facilities.*

¹⁵ Committed facilities refer to facilities which are irrevocable.

Contractual obligations to extend funds within a 30-day period.

- 6.51. Any contractual lending obligations to financial institutions not captured elsewhere in this standard should be accounted for at a 100% outflow rate.

Other contingent funding obligations

- 6.52. The contingent funding obligations, which may be either contractual or non-contractual, have a liquidity risk impact on the bank and hence, have been assigned a minimum run-off rate of 5%. Contractual contingent funding obligations include guarantees and other commitments whose crystallization may have liquidity implications on the banking institution. Non-contractual contingent funding obligations include associations with, or sponsorship of, products sold, or services provided that may require the support or extension of funds in the future under stressed conditions.
- 6.53. Non-contractual obligations may also be embedded in financial products and instruments sold, sponsored, or originated by the institution that can give rise to unplanned balance sheet growth arising from support given for reputational risk considerations. These include products and instruments for which the customer or holder has specific expectations regarding the liquidity and marketability of the product or instrument and for which failure to satisfy customer expectations in a commercially reasonable manner would likely cause material reputational damage to the institution or otherwise impair ongoing viability.
- 6.54. In the case of contingent funding obligations stemming from trade finance instruments, a run-off rate of 5% will be applied.
- 6.55. Trade finance instruments consist of trade-related obligations directly underpinned by the movement of goods or the provision of services, such as:
- a. documentary trade letters of credit, documentary and clean collection, import bills, and export bills; and
 - b. guarantees directly related to trade finance obligations, such as shipping guarantees.

- 6.56. Lending commitments, such as direct import or export financing for non-financial corporate firms, are excluded from this treatment and banking institutions will apply the draw-down rates specified in paragraph 6.50.

Other contractual cash outflows:

- 6.57. Any other contractual cash outflows within the next 30 calendar days, such as outflows to cover unsecured collateral borrowings, uncovered short positions, dividends or contractual interest payments, should be captured at 100%, with explanation given as to what comprises this bucket. Outflows related to operating costs, however, should not be part of the net cash outflow calculation.
- 6.58. Run-off rates for all cash outflow items are shown in Appendix 2

7. CASH INFLOWS

- 7.1. When considering its available cash inflows, a banking institution should only include contractual inflows (including interest payments) from outstanding exposures that are performing and for which the banking institution has no reason to expect a default within the 30-day time horizon. Contingent inflows are not included in total net cash inflows and it is also assumed that the banking institution will not enter into new asset contracts.
- 7.2. Due consideration must be given to the need to monitor the concentration of expected inflows across wholesale counterparties in order to ensure that liquidity positions are not overly dependent on expected inflows from one or a limited number of wholesale counterparties.
- 7.3. To ensure that banking institutions do not rely solely on anticipated inflows to meet their liquidity requirements, and also to ensure a minimum level of HQLA holdings, the amount of inflows that can offset outflows is capped at 75% of total expected cash outflows. This requires that a banking institution must maintain a minimum amount of stock of HQLA equal to 25% of the total cash outflows.

Secured lending, including reverse repos and securities borrowing

- 7.4. A banking institution should assume that maturing reverse repurchase or securities borrowing agreements secured by Level 1 assets will be rolled-over and will not give rise to any cash inflows (0%). Maturing reverse repurchase or securities lending

agreements secured by Level 2 HQLA will lead to cash inflows equivalent to the relevant haircut for the specific assets.

- 7.5. A banking institution is assumed **not** to roll-over maturing reverse repurchase or securities borrowing agreements secured by non-HQLA assets, and **can assume to receive back 100% of the cash related to those agreements**. Collateralized loans extended to customers for the purpose of taking leveraged trading positions (“margin loans”) should also be considered as a form of secured lending; however, for this scenario banking institutions may recognize no more than 50% of contractual inflows from maturing margin loans made against non-HQLA collateral. This treatment is in line with the assumptions outlined for secured funding in the outflows section.
- 7.6. As an exception to paragraphs 7.4 and 7.5, if the collateral obtained through reverse repo, securities borrowing, or collateral swaps, which matures within the 30-day horizon, is re-used and is used to cover short positions that could be extended beyond 30 days, a banking institution should assume that such reverse repo or securities borrowing arrangements will be rolled-over and will not give rise to any cash inflows (0%).
- 7.7. The table below shows the inflow rates associated with the existence of collateral or absence thereof.

Maturing secured lending transactions backed by the following asset category	Inflow rate (If collateral is used to cover short positions)	Inflow rate (if collateral is not used to cover short positions)
Level 1 assets	0%	0%
Level 2A assets	15%	0%
Level 2B assets		
<i>Eligible Residential Mortgage Based Securities</i>	25%	0%
<i>Other Level 2B assets</i>	50%	0%
Margin lending backed by all other collateral ¹⁶	50%	0%
Other collateral	100%	0%

¹⁶ A form of secured lending where one party lends money to another so the latter can buy or sell securities. The lender will lend up to a certain value of the securities. Usually the borrower lets the lender hold the securities as collateral for the margin loan.

- 7.8. In the case of a banking institution's short positions, if the short position is being covered by an unsecured security borrowing, the banking institution should assume the unsecured security borrowing of collateral from financial market participants would run-off in full, leading to a 100% outflow of either cash or HQLA to secure the borrowing, or cash to close out the short position by buying back the security. This should be recorded as a 100% other contractual outflow. If, however, the banking institution's short position is being covered by a collateralized securities financing transaction, the banking institution should assume the short position will be maintained throughout the 30-day period and result in a 0% outflow.

Committed Facilities

- 7.9. No credit facilities, liquidity facilities or other contingent funding facilities that the banking institution holds at other institutions for its own purposes are assumed to be able to be drawn. Such facilities receive a 0% inflow rate. This is designed to reduce the contagion risk of liquidity shortages at one bank causing shortages at other banking institutions.

Other inflows by counterparty

- 7.10. For all other types of transactions, either secured or unsecured, the inflow rate will be determined by counterparty. In order to reflect the need for a banking institution to conduct ongoing loan origination/roll-over with different types of counterparties, even during a time of stress, a set of limits on contractual inflows by counterparty type is applied.
- 7.11. When considering loan payments, the banking institution should only include inflows from performing loans. Further, inflows should only be taken at the latest possible date, based on the contractual rights available to counterparties. For revolving credit facilities, this assumes that the existing loan is rolled over and that any remaining balances are treated in the same way as a committed facility according to paragraph 6.50.
- 7.12. Inflows from loans that have no specific maturity should not be included, hence no assumptions should be applied as to when maturity of such loans would occur. An exception to this would be minimum payments of principal, fee or interest associated

with an open maturity loan, provided that such payments are contractually due within 30 days.

Retail and small business customer inflows

This scenario assumes that banking institutions will receive all payments (including interest payments and installments) from retail and small business customers that are performing and contractually due within a 30-day horizon. At the same time, however, banking institutions are assumed to continue to extend loans to retail and small business customers, at a rate of 50% of contractual inflows. This results in a net inflow number of 50% of the contractual amount.

Other wholesale inflows

- 7.13. This scenario assumes that banking institutions will receive all payments (including interest payments and instalments) from wholesale customers that are performing and contractually due within the 30-day horizon. In addition, banking institutions are assumed to continue to extend loans to wholesale clients, at a rate of 0% of inflows for financial institutions and central bank, and 50% for all others, including non-financial corporates and PSEs. This will result in an inflow percentage of:

- 100% for financial institution and central bank counterparties; and
- 50% for non-financial wholesale counterparties.

- 7.14. Inflows from securities maturing within 30 days not included in the stock of HQLA should be treated in the same category as inflows from financial institutions (i.e. 100% inflow).

Operational deposits:

- 7.15. Deposits held at other financial institutions for operational purposes, such as for clearing, custody, and cash management purposes, are assumed to stay at those institutions, and no inflows can be counted for these funds, hence will receive a 0% inflow rate.

Other cash inflows

- 7.16. **Derivatives cash inflows:** the sum of all net cash inflows should receive a 100% inflow factor. The amounts of derivatives cash inflows and outflows should be calculated in accordance with the methodology outlined under paragraph 6.39.
- 7.17. Where derivatives are collateralised by HQLA, cash inflows should be calculated net of any corresponding cash or contractual collateral outflows that would result, all other things being equal, from contractual obligations for cash or collateral to be posted by the bank, given these contractual obligations would reduce the stock of HQLA. This is in accordance with the principle that banking institutions should not double-count liquidity inflows or outflows.
- 7.18. **Other contractual cash inflows:** Other contractual cash inflows should be captured, with explanation given to what comprises this bucket. Inflow percentages will be determined as appropriate for each type of inflow.

Frequency of calculation and reporting

- 7.19. The LCR should be used on an ongoing basis to monitor and control liquidity risk. Banking institutions are required to report the LCR to the Reserve Bank on a monthly basis.
- 7.20. The frequency of reporting of the LCR to the Reserve Bank may be increased in times of stress.

Currencies

- 7.21. While the LCR is expected to be met and reported in local currency, banking institutions must also estimate their liquidity needs in each currency and maintain high quality liquid assets (HQLA) consistent with the distribution of their liquidity needs by currency.
- 7.22. In managing foreign exchange liquidity risk, the banking institution should take into account the risk that its ability to swap currencies and access the relevant foreign exchange markets may erode rapidly under stressed conditions. It should be aware that sudden, adverse exchange rate movements could sharply widen existing mismatched positions and alter the effectiveness of any foreign exchange hedges in place.

8. LCR DISCLOSURE STANDARDS

- 8.1. Banking institutions are required to disclose information on the LCR on a solo and consolidated basis at the same frequency as, and concurrently with, the publication of their financial statements, irrespective of whether the financial statements are audited.
- 8.2. The disclosure format is outlined in Appendix 1.
- 8.3. In addition to the disclosures required by the format given in Appendix 1, banking institutions should provide sufficient qualitative discussion around the LCR to facilitate understanding of the results and data provided. This includes:
 - a. the main drivers of their LCR results and the evolution of the contribution of inputs to the LCR's calculation over time;
 - b. intra-period changes as well as changes over time;
 - c. the composition of HQLA;
 - d. concentration of funding sources;
 - e. derivative exposures and potential collateral calls;
 - f. currency mismatch in the LCR;
 - g. a description of the degree of centralization of liquidity management and interaction between the group's units, where applicable; and
 - h. other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.

9. EFFECTIVE DATE

- 9.1. The effective date of the Prudential Standard shall be 1 December 2022. Questions relating to the Standard should be addressed to the Director, Bank Supervision Division, Reserve Bank of Zimbabwe.

APPENDIXES

APPENDIX 1: LCR Disclosure Template

The statement below should accompany the Template when presented in published financial statements:

The table below shows the level and components of the Liquidity Coverage Ratio. The Disclosure has been prepared in accordance with the Requirements in the Prudential Standard No: 02-2022/BSD: Guidance on the Implementation of the Liquidity Coverage Ratio.

CATEGORY	SUB-CATEGORY	TOTAL WEIGHTED VALUE (average)
HIGH-QUALITY LIQUID ASSETS		
	Level 1 Assets	
	Level 2A Assets	
	Level 2B Assets	
	TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA)	XXXXXXXXXXXXXXXXXXXXXXX
CASH OUTFLOWS		
	Retail deposits and deposits from small business customers, of which:	
	<i>Stable deposits</i>	
	<i>Less stable deposits</i>	
	Unsecured wholesale funding, of which:	
	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banking institutions</i>	
	<i>Non-operational deposits (all counterparties)</i>	
	<i>Unsecured debt</i>	
	<i>Secured wholesale funding</i>	XXXXXXXXXXXXXXXXXXXXXXX
	Additional requirements, of which:	
	<i>Outflows related to derivative exposures and other collateral requirements</i>	
	<i>Outflows related to loss of funding on debt products</i>	
	<i>Credit and liquidity facilities</i>	
	Other contractual funding obligations	
	Other contingent funding obligations	
	TOTAL CASH OUTFLOWS	XXXXXXXXXXXXXXXXXXXXXXX
CASH INFLOWS		

	Reverse repo and other secured lending transactions	
	Credit or liquidity facilities provided to the reporting bank	
	Operational deposits held at other financial institutions	
	Other inflows by counterparty	
	Other contractual cash inflows	
	TOTAL CASH INFLOWS	
	TOTAL HQLA	XXXXXXXXXXXXXXXXXXXXXXXXXX
	TOTAL NET CASH OUTFLOWS	XXXXXXXXXXXXXXXXXXXXXXXXXX
	LIQUIDITY COVERAGE RATIO (%)	XXXXXXXXXXXXXXXXXXXXXXXXXX

^a Weighted value was calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

APPENDIX 2 : Cash Outflow Run-Off Ratios

ITEM	RUN-OFF RATIO
Retail Deposits	
Stable Deposits	5%
Less Stable Deposits	10%
Unsecured Wholesale funding	
Stable Deposits	5%
Less Stable Deposits	10%
Operational Deposits of Which, covered by deposit insurance from:	
Financial Institutions	5%
Non-Financial Corporates	5%
Operational Deposits of Which, not covered by deposit insurance from:	
Financial Institutions	25%
Non-Financial Corporates	25%
Non-Operational Deposits Wholesale Funding, of which fully covered by deposit insurance, from:	
Financial Institutions	20%
Non-Financial Corporates	20%
Non-Operational Deposits Wholesale Funding, of which not fully covered by Deposit Insurance from:	
Financial Institutions	100%

Non-Financial Corporates	40%
Secured Funding backed by Level 1 Assets with:	
Financial Institutions	0%
Non-Financial Corporates	15%
Secured Funding backed by Level 2A Assets with:	
Financial Institutions	0%
Non-Financial Corporates	15%
Secured Funding backed by Non-Level 1 or Non-Level 2A Assets with:	
Domestic Sovereign	25%
Multilateral Institutions	25%
<i>Public Sector Enterprises (PSEs)</i>	25%
Secured Funding backed by RMBS eligible for inclusion in Level 2B, with	
Financial Institutions	25%
Non-Financial Corporates	25%
Secured Funding backed other Level 2B Assets, with	
Financial Institutions	50%
Non-Financial Corporates	50%
All other secured transactions, with	
Financial Institutions	100%
Non-Financial Corporates	100%
Liquidity needs (eg collateral calls) related to financing transactions, derivatives and other contracts due to a 3 notch downgrade from current rating	
Currently undrawn committed credit facilities provided to:	100%
Retail and Small business clients	5%
Non-financial corporates	10%
Sovereigns	10%
PSEs	10%
Banks subject to prudential supervision	30%
Other financial institutions (include securities firms, insurance companies)	40%
Other legal entity customers, credit and liquidity facilities	100%
Currently undrawn committed liquidity facilities provided to:	
Retail and Small business clients	5%
Non-financial corporates	10%
Sovereigns	10%
PSEs	10%
Banks subject to prudential supervision	30%
Other financial institutions (include securities firms, insurance companies)	40%
Other legal entity customers	100%

Other contingent funding liabilities (such as guarantees, letters of credit, revocable credit and liquidity facilities, etc)	5%
(Banks to provide details and explain methodologies on each item)	
Trade finance	5%
Customer short positions covered by other customers' collateral	50%
Any additional contractual outflows	100%