



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2014-15/328

DBR.BP.BC.No.52/21.04.098/2014-15

November 28, 2014

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir,

Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards

Please refer to the '[Fourth Bi-monthly Monetary Policy Statement, 2014-15](#)' announced on September 30, 2014, wherein it was proposed that pursuant to the guidelines issued on the liquidity coverage ratio (LCR) in June 2014 which permitted banks to reckon government securities to the extent allowed by the Reserve Bank under its marginal standing facility as Level 1 High Quality Liquid Assets (HQLA) under the LCR, banks will be allowed to:

- include government securities held by them up to another 5 per cent of their NDTL within the mandatory SLR requirement as level 1 HQLA in order to facilitate their meeting the LCR requirement while retaining the prudential aspect of the statutory liquidity ratio (SLR). This additional liquidity up to 5 per cent of NDTL will be available, in addition to the MSF, through a special facility and at a rate higher than the MSF rate as decided by the Reserve Bank from time to time taking into account the market conditions; and
- such government securities reckoned for the LCR should be valued at an amount no greater than their current market value as HQLAs are required to be taken at their market value for the purpose of computing the LCR.

Accordingly, detailed guidelines in the matter are given below:

बैंकिंग विनियमन विभाग, केंद्रीय कार्यालय, 12वीं मंज़िल, , केंद्रीय कार्यालय भवन, शहीद भगत सिंह मार्ग, मुंबई - 400001

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बैंक हिन्दी में भी पत्राचार का स्वागत करता है। हिन्दी आसान है, इसका प्रयोग बढ़ाइए।

2. In terms of paragraph 5.4 of our [circular DBOD.BP.BC.No.120/21.04.098/2013-14 dated June 9, 2014](#) on ‘Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards’, the following assets have been allowed as the Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing the Liquidity Coverage Ratio (LCR) of banks:

- i. Cash including cash reserves in excess of required CRR.
- ii. Government securities in excess of the minimum SLR requirement.
- iii. Within the mandatory SLR requirement, Government securities to the extent allowed by RBI , under Marginal Standing Facility (MSF).
- iv. Marketable securities issued or guaranteed by foreign sovereigns satisfying all the following conditions:
 - (a) assigned a 0% risk weight under the Basel II standardized approach for credit risk;
 - (b) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; and proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions.
 - (c) not issued by a bank/financial institution/NBFC or any of its affiliated entities.

3. Henceforth, in addition to the above-mentioned assets, banks will be permitted to reckon government securities held by them up to another 5 per cent of their NDTL within the mandatory SLR requirement as level 1 HQLA for the purpose of computing their Liquidity Coverage Ratio (LCR). For the purpose of computing the LCR, such reckoned government securities within the mandatory SLR requirement should be valued at an amount no greater than their current market value (irrespective of the category of holding the security, i.e.HTM, AFS or HFT).

4. Banks will be permitted to avail liquidity facility against such securities under a special facility to be called ‘Facility to Avail Liquidity for Liquidity Coverage Ratio’ (FALLCR), essential features of which are given below:

- i. **Eligibility:** Availing of liquidity against such securities would be permitted to banks only under the conditions of stress as described under paragraph 4.3 of the above-mentioned circular dated June 9, 2014, and after utilisation of all other HQLAs (including securities permitted under MSF).Banks will be required to furnish a declaration to this effect that they have exhausted their all other HQLAs before availing of the FALLCR.

- ii. **Tenor:** This facility can be availed/rolled over up to a maximum period of 90 days.
- iii. **Haircut:** Liquidity against securities under FALLCR will be available after applying haircuts as stipulated for MSF.
- iv. **Facility rate:** Rate of interest on the funds availed under this facility will be 200 bps above the prevailing LAF repo rate, up to a period of 90 days, or as decided by the RBI from time to time.
- v. **Effective date:** The above facility will be effective from January 1, 2015.

Yours faithfully,

(Sudarshan Sen)

Chief General Manager