MAS 651

NOTICE TO BANKS

BANKING ACT, CAP 19

LIQUIDITY COVERAGE RATIO ("LCR") DISCLOSURE

Introduction

1 This Notice is issued pursuant to section 55 of the Banking Act (Cap. 19) (the "Act") and applies to every bank incorporated in Singapore which has been notified by the Authority that it is a domestic systemically important bank ("D-SIB").

2 This Notice sets out requirements for a D-SIB to disclose quantitative and qualitative information about its Liquidity Coverage Ratio ("LCR") –

(a) in the case of a D-SIB incorporated in Singapore that is headquartered in Singapore, at the banking group level;

(b) in the case of a D-SIB incorporated in Singapore that is not headquartered in Singapore and which has not obtained the approval of the Authority pursuant to paragraph 4 of MAS Notice 649 to comply with the requirements set out in that Notice on a country-level group basis, at the bank standalone ("solo") level; and

(c) in the case of a D-SIB incorporated in Singapore that is not headquartered in Singapore and which has obtained the approval of the Authority pursuant to paragraph 4 of the MAS Notice 649 to comply with the requirements set out in that Notice on a country-level group basis, at country-level group level.

It also sets out additional requirements on quantitative and qualitative information that a D-SIB is required to disclose. Together, these disclosures are intended to facilitate market participants' understanding of the D-SIB's liquidity risk profile and management, and thereby promote market discipline.

[MAS Notice 651 (Amendment) 2017]

Definitions

3 In this Notice –

"LCR Disclosure Template" refers to the template set out in Appendix 1; and "regulatory report" means any publicly available report (including returns) which the D-SIB is required to submit to any public authority or publish pursuant to any written law or law of a foreign country.

4 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meaning as in the Act and paragraph 17 of MAS Notice 649.

Public Disclosure of Quantitative Information and Qualitative Information

5 A D-SIB shall publish on a quarterly basis –

(a) information relating to its LCR in the format of the LCR Disclosure Template[1] ("quantitative information") in accordance with the instructions provided in Appendix 3; and

(b) qualitative information[2] relating to its LCR for the purpose of enabling market participants to better understand and analyse the quantitative information.

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5A A D-SIB which issues quarterly financial statements shall publish the quantitative and qualitative information referred to in paragraph 5 concurrently with the publication of its quarterly financial statements, and no later than 45 days after the end of each quarter. A D-SIB which does not issue quarterly financial statements shall publish the information no later than 45 days after the end of each quarter.

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6 A D-SIB shall –

(a) publish the quantitative information and qualitative information in its published financial statements; or

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[1] Explanations for the respective items in the LCR Disclosure Template are set out in Appendix 2.

[2] Examples of the qualitative information are:

(a) the main drivers of its 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 sources of funding;
(e) derivative exposures and potential collateral calls;
(f) currency mismatch in the LCR;
(g) description of the degree of centralisation of liquidity management and interaction between the group's units; and
(h) other inflows and outflows in the LCR calculation that are not captured in the LCR Disclosure Template but which the institution considers to be relevant for its liquidity profile.

(b) provide a direct and prominent link in its published financial statements to the quantitative information and qualitative information –

(i) on its website; or

(ii) in any of its regulatory reports.

7 A D-SIB shall make available on its website, or in its regulatory reports, an archive of all quantitative information it has published for a period of not less than 5 years.

8 A D-SIB bank shall present the quantitative information in the LCR Disclosure template –

(a) with respect to all currency LCR, in the same currency as its published financial statements; and

(b) with respect to Singapore Dollar LCR, in Singapore Dollars.

9 A D-SIB shall –

(a) present the data as simple averages of daily observations over the previous quarter; and

(b) publish the number of data points used in calculating the average figures.

[MAS Notice 651 (Amendment) 2017]

Additional Public Disclosure of Mandatory Quantitative Information and Mandatory Qualitative Information

[MAS Notice 651 (Amendment) 2017]

10 A D-SIB shall disclose at least annually –

(a) information relating to its internal liquidity risk measurement and management framework to enable market participants to better understand and analyse the data provided in the LCR Disclosure Template ("additional mandatory quantitative information")[3]; and

[3] Additional mandatory quantitative information could include, but is not limited to:
(a) key monitoring tools as defined under the Basel III liquidity risk framework;
(b) customised measurement tools or metrics that assess the structure of the bank's balance sheet;
(c) metrics that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank;
(d) concentration limits on collateral pools and sources of funding (both products and counterparties);

(b) information to enable market participants to better understand its internal liquidity risk management and positions ("additional mandatory qualitative information") [4].

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10A A D-SIB which issues an annual report shall publish the additional mandatory quantitative and qualitative information referred to in paragraph 11 concurrently with the publication of its annual report, and no later than 4 months after the end of each financial year. A D-SIB which does not issue an annual report shall publish the information no later than 4 months after the end of each financial year.

Effective Date

11 This Notice shall take effect on 1 January 2016. A D-SIB shall comply with this Notice from the date of the first reporting period after 1 January 2016.

(e) liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity; and

(f) balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

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[4] Additional mandatory qualitative information could include, but is not limited to:

(a) governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors;

(b) funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised;

(c) liquidity risk mitigation techniques;

(d) an explanation of how stress testing is used; and

(e) an outline of contingency funding plans.

[MAS Notice 651 (Amendment) 2017]

Appendix 1

LCR Disclosure Template

		TOTAL UNWEIGHTED[5] VALUE (average)	TOTAL WEIGHTED[6] VALUE (average)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits		
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)		
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities		
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	**TOTAL CASH OUTFLOWS**		
CASH INFLOWS			
17	Secured lending (eg reverse repos)		
18	Inflows from fully performing exposures		
19	Other cash inflows		
20	**TOTAL CASH INFLOWS**		
			TOTAL ADJUSTED[7] VALUE
21	**TOTAL HQLA**		
22	**TOTAL NET CASH OUTFLOWS**		
23	**LIQUIDITY COVERAGE RATIO (%)**		

[5] Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

[6] Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

[7] Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

Appendix 2

Explanation of the LCR Disclosure Template

Row number	Explanation	Relevant paragraph(s) of LCR standards
1	Sum of all eligible high-quality liquid assets(HQLA), as defined in the standard, before the application of any limits, excluding assets that do not meet the operational requirements, and including, where applicable, assets qualifying under alternative liquidity approaches	21-30
2	Retail deposits and deposits from small business customers are the sum of stable deposits, less stable deposits and any other funding sourced from (i) natural persons and/or (ii) small business customers (as defined by paragraph 231 of the Basel II framework)	33-41, 45, 58
3	Stable deposits include deposits placed with a bank by a natural person and unsecured wholesale funding provided by small business customers, defined as “stable” in the standard	33-38, 40-41, 45, 58
4	Less stable deposits include deposits placed with a bank by a natural person and unsecured wholesale funding provided by small business customers, not defined as “stable” in the standard	33-36, 39-41, 45, 58
5	Unsecured wholesale funding is defined as those liabilities and general obligations from customers other than natural persons and small business customers that are not collateralised	42-57
6	Operational deposits include deposits from bank clients with a substantive dependency on the bank where deposits are required for certain activities (ie clearing, custody or cash management activities). Deposits in institutional networks of cooperative banks include deposits of member institutions with the central institution or specialised central service providers	46-55
7	Non-operational deposits are all other unsecured wholesale deposits, both insured and uninsured	55-57
8	Unsecured debt includes all notes, bonds and other debt securities issued by the bank, regardless of the holder, unless the bond is sold exclusively in the retail market and held in retail accounts	58
9	Secured wholesale funding is defined as all collateralised liabilities and general obligations	60-63
10	Additional requirements include other off-balance sheet liabilities or obligations	64-79
11	Outflows related to derivative exposures and other collateral requirements include expected contractual derivatives cash flows on a net basis. These outflows also include increased liquidity needs related to:	64-70

	downgrade triggers embedded in financing transactions, derivative and other contracts; the potential for valuation changes on posted collateral securing derivatives and other transactions; excess non-segregated collateral held at the bank that could contractually be called at any time; contractually required collateral on transactions for which the counterparty has not yet demanded that the collateral be posted; contracts that allow collateral substitution to non-HQLA assets; and market valuation changes on derivatives or other transactions	
12	Outflows related to loss of funding on secured debt products include loss of funding on: asset-backed securities, covered bonds and other structured financing instruments; and asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	71-72
13	Credit and liquidity facilities include drawdowns on committed (contractually irrevocable) or conditionally revocable credit and liquidity facilities. The currently undrawn portion of these facilities is calculated net of any eligible HQLA if the HQLA have already been posted as collateral to secure the facilities or that are contractually obliged to be posted when the counterparty draws down the facility	73-79
14	Other contractual funding obligations include contractual obligations to extend funds within a 30-day period and other contractual cash outflows not previously captured under the standard	80-81, 89
15	Other contingent funding obligations, as defined in the standard	82-88
16	Total cash outflows: sum of lines 2–15	
17	Secured lending includes all maturing reverse repurchase and securities borrowing agreements	92-98
18	Inflows from fully performing exposures include both secured and unsecured loans or other payments that are fully performing and contractually due within 30 calendar days from retail and small business customers, other wholesale customers, operational deposits and deposits held at the centralised institution in a cooperative banking network	102-103, 105-106
19	Other cash inflows include derivatives cash inflows and other contractual cash inflows	104, 107-109
20	Total cash inflows: sum of lines 17–19	
21	Total HQLA (after the application of any cap on Level 2B and Level 2 assets)	21-30
22	Total net cash outflows (after the application of any cap on cash inflows)	31
23	Liquidity Coverage Ratio (after the application of any cap on Level 2B and Level 2 assets and caps on cash inflows)	17

Appendix 3

Instructions for Completing the LCR Disclosure Template

Rows in the template are set and compulsory for all banks. The table in Appendix 2 provides an explanation of each line of the common template, with references to the relevant paragraph(s) of the Basel III LCR standard in this Notice. Key points to note about the common template:

- Each dark grey row introduces a section of the template (HQLA, cash outflows and cash inflows) and does not require any value to be reported.
- The light grey rows represent the broad categories of the subcomponents of the LCR in the relevant section.
- The unshaded rows represent subcomponents within the major categories of cash outflows. The relevant subcomponents to be included in the calculation of each row are specified in Annex 1.
- No data should be entered in the cross-hatched cells.

Figures entered in the template must be averages of the observations of individual line items over the financial reporting period (i.e. the average of components and the average LCR over the most recent three months of daily positions, irrespective of the financial reporting schedule). The averages are calculated after the application of any haircuts, inflow and outflow rates and caps, where applicable. For example:

$$\text{Total } \textbf{unweighted} \text{ stable depositsQi} = \frac{1}{T} X \sum_{t=1}^{T} (\text{Total } \textbf{unweighted stable deposits})\text{t}$$

$$\text{Total } \textbf{weighted} \text{ stable depositsQi} = \frac{1}{T} X \sum_{t=1}^{T} (\text{Total } \textbf{weighted stable deposits})\text{t}$$

where *T* equals the number of observations in period *Qi*.

Weighted figures of HQLA (line 1, third column) must be calculated after the application of the respective haircuts but before the application of any caps on Level 2B and Level 2 assets. Unweighted inflows and outflows (lines 2–8, 11–15 and 17–20, second column) must be calculated as outstanding balances. *Weighted* inflows and outflows (lines 2–20, third column) must be calculated after the application of the inflow and outflow rates.

Adjusted figures of HQLA (line 21, third column) must be calculated after the application of both (i) haircuts and (ii) any applicable caps (ie cap on Level 2B and Level 2 assets). *Adjusted* figures of net cash outflows (line 22, third column) must be calculated after the application of both (i) inflow and outflow rates *and* (ii) any applicable cap (ie cap on inflows).

The LCR (line 23) must be calculated as the average of observations of the LCR:

$$\text{LCRQi} = \frac{1}{T} X \sum_{t=1}^{T} \text{LCRt}$$

Not all reported figures will sum exactly, particularly in the denominator of the LCR. For example, “total net cash outflows” (line 22) may not be exactly equal to “total cash outflows” minus “total cash inflows” (line 16 minus line 20) if the cap on inflows is binding. Similarly, the disclosed LCR may not be equal to an LCR computed on the basis on the average values of the set of line items disclosed in the template.