

Appendix 8

In this Appendix underlining indicates new text and striking through indicates deleted text.



The DFSA Rulebook

Prudential – Investment, Insurance
Intermediation and
Banking Module

(PIB)

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APP9 LIQUIDITY

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A9.4 The Net Stable Funding Ratio (NSFR)

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Required Stable Funding (RSF)

- A9.4.2** (1) An Authorised Firm must calculate its RSF by adding together:
- (a) the adjusted carrying values of its assets, calculated in accordance with (2); and
 - (b) the adjusted carrying values of its off-balance sheet (OBS) Exposures (or potential liquidity Exposures), calculated in accordance with (3).
- (2) An Authorised Firm must calculate the adjusted carrying values of its respective assets by:
- (a) assigning the carrying value of each asset to the applicable RSF Category set out in Table 1 to this Rule;
 - (b) adjusting the carrying value of each asset by multiplying it by the applicable RSF Factor set out in Table 1; and
 - (c) adding together each adjusted carrying value.
- (3) An Authorised Firm must calculate the adjusted carrying values of its respective OBS Exposures (or potential liquidity Exposures) by:
- (a) assigning the carrying value of each Exposure to one of the OBS-RSF Categories set out in Table 2 to this Rule;
 - (b) adjusting the carrying value of each asset by multiplying it by the applicable OBS-RSF Factor for that OBS-RSF Category, as set out in Table 2; and
 - (c) adding together each adjusted carrying value.

Table 1 - RSF Factors and Categories	
RSF Factor	Components of RSF Category
0%	(a) coins and banknotes immediately available to meet obligations; (b) all Central Banks reserves (including required reserves and excess reserves);

	<p>(c) all claims on Central Banks with residual maturities of less than six months; and</p> <p>(d) trade date receivables arising from sales of financial instruments, foreign currencies and commodities that:</p> <p style="padding-left: 40px;">(i) are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction; or</p> <p style="padding-left: 40px;">(ii) have failed to, but are still expected to, settle.</p>
5%	Unencumbered assets included in Rule A9.2.6(2) (Level 1 HQLA), excluding assets receiving a 0% RSF Factor as specified above.
10%	Unencumbered loans to financial institutions with residual maturities of less than six months, if the loan is secured against Level 1 HQLA included in Rule A9.2.6, and where the bank has the ability freely to hypothecate the received collateral for the life of the loan.
15%	<p><u>All loans to financial institutions with a residual maturity of less than six months, other than those receiving a 10% RSF Factor as specified above.</u></p> <p>Unencumbered assets as defined in Rule A9.2.7(2) (Level 2 HQLA).</p>
50%	<p>(a) unencumbered assets included in Rule A9.2.8(2) (Level 2B HQLA), excluding any haircuts required under that Rule;</p> <p>(b) any HQLA as defined in Rules A9.2.6 to A9.2.8 that are encumbered for a period of between six months and less than one year;</p> <p>(c) all loans to financial institutions and Central Banks with residual maturity of between six months and less than one year;</p> <p>(d) operational deposits, that is, deposits held at other financial institutions for operational purposes, that are subject to the 50% ASF Factor set out in the table in Rule A9.4.1; and</p> <p>(e) all other non-HQLA not included in the above categories that have a residual maturity of less than one year, including loans to non-financial corporate clients, loans to retail customers (i.e. natural persons) and small business customers, and loans to sovereigns and PSEs.</p>
65%	<p>(a) unencumbered residential mortgages with a residual maturity of one year or more that would qualify for a 50% or lower risk weight under Rule 4.12.17; and</p> <p>(b) other unencumbered loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more that would qualify for a 50% or lower risk weight under section 4.12 (Risk Weights).</p>

85%	<ul style="list-style-type: none"> (a) cash, securities or other assets posted as initial margin for derivative contracts or Shari'a compliant hedging contracts and cash or other assets provided to contribute to the default fund of a Central Counterparty (CCP). Where securities or other assets posted as initial margin for derivative contracts would otherwise receive a higher RSF Factor, they should retain that higher factor; (b) other unencumbered performing loans that do not qualify for the 50% or lower risk weight under section 4.12 and have residual maturities of one year or more, excluding loans to financial institutions; (c) unencumbered securities with a remaining maturity of one year or more and exchange-traded equities, that are not in default and do not qualify as HQLA; and (d) physical traded commodities, including gold.
100%	<ul style="list-style-type: none"> (a) all assets that are encumbered for a period of one year or more; (b) NSFR derivative assets (net of NSFR derivative liabilities) if NSFR derivative assets are greater than NSFR derivative liabilities; (c) NSFR Shari'a compliant hedging assets net of NSFR Shari'a compliant hedging liabilities if NSFR Shari'a compliant hedging assets are greater than NSFR Shari'a compliant hedging liabilities; (d) 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, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities; (e) 20% of derivative liabilities (i.e. negative replacement cost amounts), before deducting variation margin posted; and (f) 20% of Shari'a compliant hedging liabilities.

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