Appendix 3

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

A number of Rules included in the text are not being amended, but are included for reference.

Dubai Financial Services Authority

The DFSA Rulebook

Prudential – Investment, Insurance Intermediation and Banking Module

(PIB)

1 APPLICATION, INTERPRETATION AND CATEGORISATION

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Branches

1.1.2 Unless otherwise directed by the DFSA, an Authorised Firm that is a Branch is required to comply with the Rules in chapters 2 to 11 as specifically provided in "Application Table A" which forms part of this Rule.

Guidance

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Domestic Firms

4. To assist Authorised Firms that are Domestic Firms there is a table "Application Table B" which sets out in general the application of the provisions in this module to different Categories of Authorised Firms. This table is for Guidance purposes only. The Rules in this module apply to Authorised Firms in accordance with this Chapter and as specified in Rules elsewhere in this module.

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[*The above text in Rule 1.1.2 and the Guidance is not being amended but is included for reference as it refers to Application Tables A and B that are set out in these Rules. Table B is not being amended but is included for reference. Only minor amendments are proposed to Table A*]

APPLICATION TABLE A FOR AUTHORISED FIRMS THAT OPERATE AS A BRANCH IN THE DIFC

PIB Chapters	Category 1	Category 2	Category 3A	Category 3B	Category 3C	Category 4	Category 5
Chapter 1: Application, Interpretation and Categorisation	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter
Chapter 2: General Requirements	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter
Chapter 3: Capital	Only Rule 3.2.4	Only Rule 3.2.4	Only Rule 3.2.4	Only Rule 3.2.4	Only Rule 3.2.4	Only Rule 3.2.4	Only Rule 3.2.4
Chapter 4: Credit Risk	Only sections 4.1 to 4.4 and Rules 4.5.1 to 4.5.7 and 4.5.9	Only sections 4.1 to 4.4 and Rules 4.5.1 to 4.5.7 and 4.5.9	Only sections 4.1 to 4.4 and Rules 4.5.1 to 4.5.7 and 4.5.9				Only sections 4.1 to 4.4 and Rules 4.5.1 to 4.5.7 and 4.5.9
Chapter 5: Market Risk	Only sections 5.1 and 5.2	Only sections 5.1 and 5.2	Only sections 5.1 and 5.2				Only sections 5.1 and 5.2
Chapter 6: Operational Risk	Whole Chapter, except sections 6.11 and 6.12	Whole Chapter, except sections 6.11 and 6.12	Whole Chapter, except sections 6.11 and 6.12	Whole Chapter, except sections 6.10 and 6.11	Whole Chapter, except sections 6.10 and 6.11	Whole Chapter, except sections 6.10 and 6.11	Whole Chapter, except sections 6.11 and 6.12
Chapter 7: Interest Rate Risk In the Non-Trading Book	Whole Chapter	Whole Chapter					
Chapter 8: Group Risk	Only sections 8.1, 8.2 and 8.5	Only sections 8.1, 8.2 and 8.5	Only sections 8.1 and 8.5	Only sections 8.1 and 8.5	Only sections 8.1 and 8.5	Only sections 8.1 and 8.5	Only sections 8.1, 8.2 and 8.5
Chapter 9: Liquidity Risk	Whole Chapter, except Rules 9.2.2(3), 9.3.12 and 9.3.13	Only Rule 9.2.2 (3)					Whole Chapter, except Rules 9.2.2(3), 9.3.12 and 9.3.13
Chapter 10:Supervisory Review and Evaluation Processes							
Chapter 11:Disclosure Requirements							

APPLICATION TABLE B FOR AUTHORISED FIRMS THAT OPERATE AS A DOMESTIC FIRM

PIB Chapters	Category 1	Category 2	Category 3A	Category 3B	Category 3C	Category 4	Category 5
Chapter 1: Application, Interpretation and Categorisation	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter
Chapter 2: General Requirements	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter
Chapter 3:Capital	Whole Chapter, except Rules 3.2.4 and 3.2.6, and sections 3.4, 3.5 and 3.7	Whole Chapter, except Rules 3.2.4 and 3.2.6, and sections 3.3 and 3.5	Whole Chapter, except Rules 3.2.4 and 3.2.6, except sections 3.3, 3.5 and 3.18	Whole Chapter, except Rules 3.2.4 and 3.2.7, and sections 3.3, 3.4, 3.8, 3.9 and 3.18.	Whole Chapter, except Rules 3.2.4 and 3.2.7, and sections 3.3, 3.4, 3.8, 3.9 and 3.18.	Whole Chapter, except Rules 3.2.4 and 3.2.7, and sections 3.3, 3.4, 3.8, 3.9 and 3.18.	Whole Chapter, except Rules 3.2.4 and 3.2.6, and sections 3.4, 3.5 and 3.7
Chapter 4:Credit Risk	Whole Chapter	Whole Chapter	Whole Chapter				Whole Chapter
Chapter 5:Market Risk	Whole Chapter	Whole Chapter	Only sections 5.1, 5.2 and 5.6				Whole Chapter, except section 5.4
Chapter 6:Operational Risk	Whole Chapter, except section 6.12	Whole Chapter, except section 6.12	Whole Chapter, except section 6.12	Whole Chapter, except sections 6.10 and 6.11	Whole Chapter, except sections 6.10 and 6.11	Whole Chapter, except sections 6.10 and 6.11	Whole Chapter, except section 6.12
Chapter 7:Interest Rate Risk In the Non-Trading Book	Whole Chapter	Whole Chapter					
Chapter 8:Group Risk	Whole Chapter	Whole Chapter	Only sections 8.1 and 8.5	Only sections 8.1 and 8.5	Only sections 8.1 and 8.5	Only sections 8.1 and 8.5	Whole Chapter
Chapter 9:Liquidity Risk	Whole Chapter, except Rule 9.2.2(3)	Only Rule 9.2.2 (3).					Whole Chapter, except Rule 9.2.2(3)
Chapter 10:Supervisory Review and Evaluation Processes	Whole Chapter	Whole Chapter	Whole Chapter	Whole Chapter, except sections 10.4 and 10.6	Whole Chapter, except sections 10.4 and 10.6		Whole Chapter

PIB Chapters	Category 1	Category 2	Category 3A	Category 3B	Category 3C	Category 4	Category 5
Chapter 11:Disclosure Requirements	Whole Chapter	Whole Chapter					Whole Chapter

1.2 Glossary for PIB

Guidance

Set out under Rule 1.2.1 are a number of mainly technical definitions used solely in PIB. Such definitions do not also appear in GLO unless they are used elsewhere in the Rulebook. GLO also contains definitions of abbreviations, terms and phrases used in PIB and those are also included in 1.2.1 for convenience purposes where such definitions are embedded in PIB specific definitions. Commonly used definitions such as "Authorised Firms", "Domestic Firms", and "Financial Services" appear only in GLO.

1.2.1 The following terms and abbreviations bear the following meanings for the purpose of this module:

…..	…..
Available Stable Funding (ASF)	The amount, calculated in accordance with Rule A9.4.1, representing the relative stability of an Authorised Firm's available funding sources.
ASF Category	The applicable category, listed in the table to Rule A9.4.1, to which the carrying value of a liability or capital instrument of an Authorised Firm is assigned.
ASF Factor	The applicable factor, listed in the table to Rule A9.4.1, used to multiply the carrying value of a liability or capital instrument of an Authorised Firm.
…..	…..
Individual Liquidity Requirement	An individual liquidity requirement imposed by the DFSA under Rule 9.3.6.
…..	…..
Net Stable Funding Ratio (NSFR)	The amount, expressed as a percentage, calculated in accordance with Rule 9.3.12, or, if applicable, Rule 9.3.6.
…..	…..
NSFR Requirement	The requirement for an Authorised Firm to maintain a minimum NSFR under Rule 9.3.12(1) or, if applicable, Rule 9.3.6.
…..	…..
OBS	Off-balance sheet.

OBS Exposure	An Exposure of an Authorised Firm that is off-balance sheet.
OBS-RSF Category	A category, listed in Table 2 to Rule A9.4.2, to which carrying value of an OBS Exposure (or potential liquidity Exposure) is assigned.
OBS-RSF Factor	The factor, listed in Table 2 to Rule A9.4.2, used to multiply the carrying value of an OBS Exposure (or a potential liquidity Exposure).
…..	…..
Required Stable Funding (RSF)	The amount, calculated in accordance with Rule A9.4.2, representing the stable funding required by an Authorised Firm.
RSF Category	A category, listed in Table 1 to Rule A9.4.2, to which the carrying value of an Authorised Firm's asset is assigned.
RSF Factor	The applicable factor, listed in Table 1 to Rule A9.4.2, used to multiply the carrying value of an asset of an Authorised Firm.
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9 LIQUIDITY RISK

Introduction

Guidance

1. This chapter deals with management of Liquidity Risk by an Authorised Firm. Liquidity Risk refers to the risk of potential losses incurred by an Authorised Firm's failure to have liquid assets to ensure payment of all its liabilities as they fall due and be in a position to meet all payments required to sustain its business on a planned growth path.

2. This chapter requires an Authorised Firm to:

   a. maintain and implement a Liquidity Risk ~~management policy~~~~systems and controls~~;

   b. identify, measure and monitor Liquidity Risk;

   c. maintain a minimum level of High Quality Liquid Assets (HQLA);~~ and~~

   d. determine quantitative limits on cumulative negative maturity mismatch in accordance with a specified methodology~~.~~; and

   e. maintain a minimum Net Stable Funding Ratio.

9.1 Application

9.1.1 (1) This chapter applies to an Authorised Firm in Category 1, 2 or 5.

(2) Only Rule 9.2.2(3) applies to an Authorised Firm in Category 2.

Guidance

~~1.~~ In accordance with Rules 3.2.2 or 3.2.4, an Authorised Firm is required to ensure that there is no significant risk that liabilities cannot be met as they fall due. With specific reference to liquidity, an Authorised Firm may meet its obligations in a number of ways, including:

   a. by holding sufficient immediately available cash or unencumbered readily marketable assets; and

   b. by securing an appropriate matching future profile of cashflows.~~; and~~

   ~~c. by further borrowing.~~

~~2. In 1b. "future profile of cashflows" refers to the pattern of cashflows including, for example, in the terms of source, maturity date, amounts and nature of cashflows.~~

9.2 Liquidity Risk policy, systems and controls

9.2.1 (1) An Authorised Firm must establish and maintain a Liquidity Risk policy.

(1A) An Authorised Firm must ensure the policy is in writing and is approved at least annually by its Governing Body.

(1B) The policy must set out the level of Liquidity Risk the Authorised Firm is willing to tolerate, which must be in line with its business objectives, strategy and overall risk tolerance.

(2) The policy must include systems and controls~~the strategy~~ for intra-day, ~~the~~ daily, short-term, medium-term and long-term management of Liquidity Risk appropriate to the nature, scale and complexity of the activities conducted by the firm.~~and the strategy must include the matters referred to in (3), (4) and (5)~~.

(3) The ~~strategy~~systems and controls referred to in (2) must include:

(a) a system for identifying and assessing Liquidity Risk in accordance with Rule 9.2.4;~~.~~

~~(4)~~ (b) ~~The strategy must include a process~~ a system for the measurement and monitoring of Liquidity Risk using a robust and consistent method which enables the Authorised Firm to implement the requirements set out in Rule 9.2.5;~~.~~

~~(5)~~ (c) ~~The strategy must include~~ a system for controlling Liquidity Risk which enables the Authorised Firm to implement the requirements set out in Rule 9.2.6;~~.~~

(d) a system for collateral management and asset encumbrance which is able to adequately identify, monitor and manage the risks associated with these activities in accordance with Rule 9.2.8;

(e) a system for adequate allocation of liquidity costs, benefits and risks that meets the requirements set out in Rule 9.2.9; and

(f) a system to manage intra-day liquidity positions effectively and meet the requirements in Rule 9.2.10.

(4~~6~~) An Authorised Firm must ensure that it has risk management systems to implement the policy.

Guidance

1. The DFSA expects that an Authorised Firm's Liquidity Risk ~~strategy~~policy will set out the approach that the Authorised Firm will take to Liquidity Risk management, including various quantitative and qualitative targets. It should be communicated to all relevant functions and staff within the organisation~~ and be set out in the Authorised Firm's Liquidity Risk policy~~.

2. The level of Liquidity Risk tolerance should ensure that the Authorised Firm manages its liquidity and funding risk prudently in normal times in a way that allows it to withstand periods of stress. The level of Liquidity Risk tolerance should be expressed in qualitative and quantitative terms that are clear enough for all levels of management to be able to understand the trade-off between risks and profits.

~~2~~3. The DFSA expects that an Authorised Firm~~'s~~ will integrate its Liquidity Risk policy ~~and strategy for managing Liquidity Risk~~ within its overall risk management framework and that its policy will take into account the need to:

a. develop ~~a~~ liquidity management ~~strategy, policies and~~ processes and procedures to implement~~in accordance with~~ the Authorised Firm's stated Liquidity Risk tolerance;

b. ensure that the Authorised Firm maintains sufficient liquidity resources at all times to meet its ongoing liquidity obligations and withstand a period of individual or market-wide stress;

c. determine the structure, responsibilities and controls for managing Liquidity Risk and for overseeing the liquidity positions of all branches and subsidiaries in the jurisdictions in which the Authorised Firm is active, and outline these elements clearly in the Authorised Firm's liquidity policies;

d. have in place adequate internal controls to ensure the integrity of its Liquidity Risk management processes;

e. ensure that stress tests, contingency funding plans and holdings of liquid assets~~HQLA~~ are effective and appropriate for the Authorised Firm's business model, funding strategy, complexity of its on- and off-balance sheet activities and funding mismatches. The Authorised Firm should also make appropriate assumptions in relation to the marketability of liquid assets under various stress scenarios;

f. establish a set of reporting criteria, specifying the scope, manner and frequency of reporting to various recipients (such as the Governing Body, senior management and the asset/liability committee) and who is responsible for preparing the reports~~;~~. The reporting should include a comprehensive system for projecting cash flows arising from assets, liabilities and off-balance sheet items, both consolidated and at the entity level, over an appropriate set of time horizons;

g. establish the specific procedures and approvals necessary for exceptions to policies and limits, including the escalation procedures and follow-up actions to be taken for breaches of limits;

h. monitor closely current trends and potential market developments that may present significant, unprecedented and complex challenges for managing Liquidity Risk so that appropriate and prompt changes to the liquidity management strategy can be made as needed;~~ and~~

i. continuously review information on the Authorised Firm's liquidity developments and report regularly to the Governing Body~~.~~; and

j maintain an independent and competent internal control function and conduct regular internal audit reviews to ensure the integrity and effectiveness of the Liquidity Risk policy.

9.2.2 (1) An Authorised Firm must ensure that its Governing Body is ultimately responsible for the Liquidity Risk assumed by the firm as well as~~responsible for monitoring the nature and level of Liquidity Risk assumed by the Authorised Firm and~~ the adequacy of systems, controls and processes used to manage that risk.

(2) Without limiting the operation of (1), the responsibilities of an Authorised Firm's Governing Body in respect of Liquidity Risk include:

(a) approving ~~the statement of~~ the Authorised Firm's Liquidity Risk ~~tolerance and strategy~~policy;

(b) establishing and maintaining a senior management structure with clearly defined responsibilities and roles for the management of Liquidity Risk and for ensuring compliance with the Authorised Firm's Liquidity Risk ~~strategy~~ policy;

(c) ensuring the senior management in (b) and other relevant personnel have the necessary experience to manage Liquidity Risk;

(d) monitoring the Authorised Firm's overall Liquidity Risk profile on a regular basis by receiving adequate reporting and being aware of any material changes in the Authorised Firm's current or prospective Liquidity Risk profile;

(e) ensuring that Liquidity Risk is adequately identified, assessed, mitigated, controlled and monitored in accordance with the Authorised Firm's Liquidity Risk ~~tolerance and strategy~~policy;

(f) ensuring that the Liquidity Risk ~~tolerance and strategy~~policy are~~is~~ documented; and

(g) ensuring that the Liquidity Risk ~~tolerance and strategy~~policy are~~is~~ reviewed at least annually.

Guidance

1. Senior management and the Governing Body of an Authorised Firm are expected to demonstrate a thorough understanding of the links between funding liquidity risk and market liquidity risk, as well as how other risks, including credit, market, operational and reputation risks, affect the Authorised Firm's overall Liquidity Risk policy~~strategy~~.

2. Senior management should ensure that all business units with activities that have an impact on Liquidity Risk are aware of the Liquidity Risk policy and limits.

3. Senior management should ensure that the Liquidity Risk policy outlines clearly the structure, responsibilities and controls for managing Liquidity Risk in and across different jurisdictions, legal entities and branches. They should also ensure that the structure, responsibilities and controls take into account legal, operational, regulatory, reputational and other constraints on liquidity transfer.

Requirements imposed on a Category 2 firm

(3) An Authorised Firm in Category 2 must:

(a) establish and maintain a senior management structure to manage Liquidity Risk;

(b) identify, assess, mitigate, control and monitor Liquidity Risk; and

(c) monitor the Authorised Firm's overall Liquidity Risk profile on a regular basis.

Guidance

In respect of Rule 9.2.2(2)(b), senior management are expected to:

a. oversee the development, establishment and maintenance of procedures and practices that translate the goals, objectives and risk tolerances approved by the Governing Body into operating standards that are consistent with the Governing Body's intent and which are understood by the relevant members of an Authorised Firm's staff;

b. adhere to the lines of authority and responsibility that the Governing Body has established for managing Liquidity Risk;

c. oversee the establishment and maintenance of management information and other systems that identify, assess, control and monitor the Authorised Firm's Liquidity Risk; and

d. oversee the establishment of effective internal controls over the Liquidity Risk management process.

9.2.3 (1) An Authorised Firm may delegate the day-to-day management of its Liquidity Risk to another entity in the same Group for management on a Group basis only if:

(a) the Governing Body of the Authorised Firm:

(i) has formally approved the delegation;

(ii) keeps the delegation under review; and

(b) the Authorised Firm notifies the DFSA in writing of the delegation immediately upon its being made.

(2) If an Authorised Firm delegates the management of its Liquidity Risk in accordance with (1), the requirements in this chapter continue to apply to the Authorised Firm.

(3) An Authorised Firm must revoke a delegation referred to in (1) and bring day-to-day Liquidity Risk management back within the Authorised Firm if the DFSA requests it in writing to do so.

Guidance

If Liquidity Risk management is delegated as set out in Rule 9.2.3, responsibility for its effectiveness remains with the Authorised Firm's Governing Body.

Identifying Liquidity Risk

9.2.4 (1) An Authorised Firm must comply with the requirements in this Rule in implementing its systems and controls referred to in Rule 9.2.1(2) and (3).

(2) An Authorised Firm must assess the cash flows for~~repayment profiles of~~ its assets, liabilities and off-balance sheet items under both normal market conditions and stressed conditions resulting from either general market turbulence or firm-specific difficulties.

(3) An Authorised Firm must assess the extent to which committed facilities can be relied upon under stressed conditions identified in accordance with Rule 9.2A.3.

(4) An Authorised Firm must consider potential liability concentrations when determining the appropriate mix of liabilities.

(5) An Authorised Firm must identify the Liquidity Risk across all legal entities, branches and subsidiaries and in all jurisdictions in which it operates ~~consider how its off-balance sheet activities affect its cash flows and Liquidity Risk profile under both normal and stressed conditions~~.

(6) If an Authorised Firm has significant, unhedged liquidity mismatches in particular currencies, it must assess:

(a) the volatilities of the exchange rates of the mismatched currencies;

(b) likely access to the foreign exchange markets in normal and stressed conditions; and

(c) the stability of deposits in those currencies with the Authorised Firm in stressed conditions.

Guidance

1. As part of the assessment for the purposes of Rule 9.2.4(2), an Authorised Firm should:

   a. identify significant concentrations within its asset portfolio~~.~~; and

   b. value the assets conservatively, taking into account the likely deterioration in the value of assets under market-wide stress conditions.

2. For the purposes of Rule 9.2.4(4), an Authorised Firm should consider factors including:

   a. the term structure of its liabilities;

   b. the credit-sensitivity of its liabilities;

   c. the mix of secured and unsecured funding;

   d. concentrations among its liability providers or related Groups of liability providers;

   e. reliance on particular instruments or products;

   f. the geographical location of liability providers; and

   g. reliance on intra-Group funding.

3. As appropriate, an Authorised Firm would be expected to consider the amount of funding required by:

   a. commitments given;

   b. standby facilities given;

   c. wholesale overdraft facilities given;

d. proprietary derivatives positions; and

e. liquidity facilities given for securitisation transactions.

Measuring and monitoring Liquidity Risk

9.2.5 (1) An Authorised Firm must ensure that the method referred to in Rule 9.2.1(~~4~~3)(b) for measuring Liquidity Risk is capable of:

(a) measuring the extent of the Liquidity Risk it is incurring;

(b) ~~and includes~~tracking early warning indicators to aid the ~~its daily~~ Liquidity Risk management processes;

(c~~b~~) dealing with the dynamic aspects of the Authorised Firm's liquidity profile;

(d~~c~~) where appropriate, measuring the Authorised Firm's Exposure to Foreign Currency Liquidity Risk; and

~~(d) where appropriate, measuring the Authorised Firm's intra-day liquidity positions; and~~

(e) where appropriate, measuring the Authorised Firm's Exposure to PSIA and Islamic Contract Liquidity Risk.

(2) An Authorised Firm must establish and maintain a system of management reporting which provides relevant, accurate, comprehensive, timely, forward looking and reliable Liquidity Risk reports to relevant functions within the Authorised Firm.

(3) The method for measuring Liquidity Risk under (1)(a) must enable the Authorised Firm to forecast prospective cash flows for assets, liabilities, off-balance sheet commitments and contingent liabilities over a variety of time horizons, under both normal conditions and a range of stress scenarios, including scenarios of severe stress.

Guidance

1. An Authorised Firm, in measuring its Liquidity Risk under Rule 9.2.5(1)(a), should ensure that:

(a) the variety of time horizons cover changes in liquidity needs and funding capacity on an intra-day, daily, short-term, medium-term and long–term basis;

(b) it considers the vulnerabilities of cash flows to events, activities and business strategies;

(c) its dynamic cash flow forecasts are carried out at a sufficiently detailed level and include assumptions on the actions of key counterparties in response to changes in operating conditions;

(d) cash flows in all significant foreign currencies are measured on an aggregate basis, as well as at the individual currency level, taking into account stressed conditions affecting foreign exchange markets;

(e) it captures the impact of providing correspondent, custody and settlement activities on cash flows; and

(f) assumptions used to determine future liquidity and funding needs are realistic and reflect the complexities of the underlying businesses, products and markets.

~~1~~2. Early warning indicators should be designed to assist the Authorised Firm to identify any negative trends in its liquidity position and to assist its management to assess and respond to mitigate its exposure to those trends.

~~2. An Authorised Firm should actively manage its intraday liquidity positions and risks in order to meet payment and settlement obligations on time under both normal and stressed conditions, thus contributing to the orderly functioning of payment and settlement systems.~~

3. Management information should include the following:

a. a cash-flow or funding gap report on an aggregate basis and by currency, legal entity and country;

b. a funding maturity schedule;

c. a list of large providers of funding;

d. reports on Collateral and encumbered assets to enable compliance with Rule 9.2.8;

e. a liquidity costs, benefits and risks allocation report to assist compliance with Rule 9.2.9;

f. intra-day liquidity reports to assist compliance with Rule 9.2.10;

g~~d~~. where appropriate, a schedule of Islamic funding sources;

h~~e~~. a limit monitoring and exception report;

i~~f~~. asset quality and trends;

j~~g~~. earnings projections; and

k~~h~~. the Authorised Firm's reputation in the market and the condition of the market itself.

4. An Authorised Firm should be able to generate critical liquidity reports on a daily basis, including in times of stress.

~~4~~5. Where an Authorised Firm is a member of a Group, it should be able to assess the potential impact on it of Liquidity Risk arising in other parts of the Group.

6. Where an Authorised Firm has subsidiaries or branches, it should be able to monitor and control Liquidity Risk at the individual branch or subsidiary level and on a consolidated level taking into account legal, operational, regulatory, reputational and other relevant constraints.

Controlling Liquidity Risk

9.2.6 An Authorised Firm must ensure that the system referred to in Rule 9.2.1(~~5~~3)(c):

(a) enables the Authorised Firm's Governing Body and senior management to review compliance with limits set in accordance with Rule 9.2.7 and operating procedures; and

(b) has appropriate approval processes, limits and other mechanisms designed to provide reasonable assurance that the Authorised Firm's Liquidity Risk management processes are adhered to.

9.2.7 (1) An Authorised Firm must hold sufficient liquidity resources and ensure that its Governing Body sets appropriate liquidity limits ~~covering~~ to manage its Liquidity Risk effectively ~~management in~~under both day-to-day and stressed conditions.

(2) An Authorised Firm must periodically review and, where appropriate, adjust the limits referred to in (1) when its Liquidity Risk policy changes.

(3) An Authorised Firm ~~firm~~ must promptly escalate and resolve any policy or limit exceptions according to the processes described in its Liquidity Risk policy.

Guidance

~~1.~~ An Authorised Firm should set limits to control its liquidity risk exposure and vulnerabilities. Limits and corresponding escalation procedures should be reviewed regularly. Limits should be relevant to the business in terms of its location, complexity of activity, nature of products, currencies and markets served. If an Authorised Firm breaches a liquidity risk limit, it should implement a plan to review its exposure and reduce it to a level that is within the limit.

~~2. An Authorised Firm should actively manage its collateral positions, differentiating between encumbered and unencumbered assets. An Authorised Firm should monitor the legal entity and physical location where collateral is held and how quickly the collateral may be used.~~

Management of collateralised and encumbered assets

9.2.8 (1) An Authorised Firm must prudently manage its collateral positions using a collateral management system.

(2) The Authorised Firm's collateral management system must be able to:

(a) distinguish between pledged and unencumbered assets, including during periods of liquidity stress;

(b) take into account the legal entity in which liquid assets reside; and

(c) identify, in a timely manner, the countries where assets are legally recorded and any restrictions imposed on their transfer or liquidation.

(3) An Authorised Firm must manage its encumbered balance sheet assets within prudent limits to minimise the impact on its liquidity position and funding cost.

(4) For the purposes of (3), the Authorised Firm's system supporting the management of encumbered assets must be able to provide information on:

(a) the current and expected level and types of asset encumbrance and related transactions;

(b) the nature of unencumbered assets including amount, location and credit quality;

(c) the capacity for further asset encumbrance, including available unencumbered assets and the potential liquidity that can be generated; and

(d) the expected amount, level and type of additional encumbrance that may result from stress scenarios.

Allocation of liquidity costs, benefits and risks

9.2.9 An Authorised Firm must ensure that the system referred to in Rule 9.2.1(3)(e):

(a) incorporates liquidity costs, benefits and risks in internal pricing, performance measurement, and new product approval processes for all significant business activities both on- and off-balance sheet;

(b) assigns appropriate liquidity charges to positions, portfolios and transactions. The liquidity charge must incorporate factors relating to the holding period of assets and liabilities, market liquidity characteristics, stability of the funding source and any other relevant factor;

(c) provides quantification and attribution of Liquidity Risk that is explicit, transparent and takes into account liquidity under stressed conditions; and

(d) is reviewed periodically to reflect changing business and market conditions.

Intra-day liquidity

9.2.10 (1) An Authorised Firm must manage its intra-day liquidity positions prudently to ensure that it is able to meet its settlement and payment obligations in a timely manner under business as usual and stressed conditions, in all material currencies and active markets.

(2) For the purposes of (1), an Authorised Firm must be reasonably able to:

(a) identify and prioritise the most time critical payment and settlement obligations;

(b) measure daily gross liquidity inflows and outflows and any potential funding gaps;

(c) identify cash flow timings and shortfalls at different points in time during the day;

(d) manage the timing of cash outflows to give priority to time critical payments; and

(e) obtain sufficient intra-day funding, including intra-day liquidity facilities from correspondent banks or Central Banks.

9.2A Funding strategy, stress testing and contingency funding plan

Funding strategy

9.2A.1 (1) An Authorised Firm must develop a funding strategy that provides effective diversification in the sources and nature of its funding.

(2) An Authorised Firm must ensure that the funding strategy is in writing and is approved by its Governing Body.

(3) The funding strategy must be in line with the Authorised Firm's stated Liquidity Risk tolerance and supported by robust assumptions that are consistent with the Authorised Firm's ~~liquidity management strategy and~~ budgeting and business ~~objectives~~planning process.

(4) The funding strategy must be supported by systems that allow the Authorised Firm to identify, measure, manage and monitor funding positions.

(5~~4~~) An Authorised Firm must ensure that its funding strategy is reviewed regularly, and at least annually, and is updated as necessary in light of changed funding conditions and any change in the Authorised Firm's strategy.

(6~~5~~) An Authorised Firm must notify the DFSA in writing immediately of any material changes to the Authorised Firm's funding strategy.

Guidance

1. The diversification under Rule 9.2A.1(1) should include, for example, different counterparties, instruments, currencies, geographies and markets.

2. The assumptions in Rule 9.2A.1(3) should be forward looking and take into account the macroeconomic and market conditions in which the Authorised Firm operates and any other factors that are likely to impact its funding position.

3. The DFSA expects that funding positions referred to in Rule 9.2A.1(4) would cover both present and projected positions across multiple time horizons generated from both on- and off-balance sheet items.

4. In order to formulate the funding strategy properly, an Authorised Firm should pay attention to other risks, including, for example, credit, market, operational and reputational risk and their impact on funding requirements.

5. An Authorised Firm should maintain an ongoing presence in its chosen funding markets and strong relationships with funds providers.

9.2A.2 (1) An Authorised Firm must assess market access under a variety of normal and stressed conditions.

(2) An Authorised Firm must assess regularly its capacity to raise funds quickly including on a secured and unsecured basis.

(3) An Authorised Firm must:

(a) identify the main factors that affect its ability to raise funds; and

(b) monitor those factors closely to ensure that estimates of fund raising capacity remain valid.

Stress testing

9.2A.3 (1) An Authorised Firm must conduct stress tests regularly to identify sources of potential liquidity strain and to ensure that its exposures remain within its Liquidity Risk tolerance.

(2) When using stress testing in accordance with (1), an Authorised Firm must:

(a) use scenarios based on varying degrees of short-term and protracted institution-specific and market-wide stress (individually and in combination); and

(b) include a cash-flow projection for each scenario tested, based on reasonable estimates of the impact (both on and off-balance sheet) of that scenario on the Authorised Firm's funding needs and sources.

(3) An Authorised Firm~~'s~~ must fully document its stress test scenarios and related assumptions~~ must be fully documented~~, and ~~frequently ~~review~~ed~~ the scenarios and assumptions, at least annually, to ensure they remain appropriate.

Guidance

1. An Authorised Firm should consider carefully the design of stress scenarios and the variety of shocks used. Regardless of how strong its current liquidity situation appears to be, it should take a conservative approach when setting stress testing assumptions. It should consider the potential impact of severe stress scenarios and how they would affect ~~including, but not limited to~~the following Liquidity Risk drivers as applicable to the firm's operations:

a. retail funding risk;

b. wholesale secured and unsecured funding risk;

c. risks arising from funding markets;

d. lack of diversification between funding types;

e. off-balance sheet funding risk;

f. risks arising from the firm's funding tenors;

g. risks associated with a deterioration of the firm's credit rating;

h. cross-currency funding risk;

i. risk that liquidity resources cannot be transferred across entities, sectors and countries;

j. funding risks resulting from estimates of future balance sheet growth;

k. reputational risk;

l. marketable and non-marketable assets risk; and

m. intra-day payment and settlement risk.

2. Market-wide stress scenarios under 9.2A.3(2)(a) should include:

a. a simultaneous drying up of market liquidity in several previously highly liquid markets;

b. severe constraints in accessing secured and unsecured funding;

c. restrictions on currency convertibility; and

d. severe operational or settlement disruptions affecting one or more payment or settlement systems.

3~~2~~. The identification of the possible balance sheet and off-balance sheet impact referred to in Rule 9.2A.3(2)(b) should take into account:

a. possible changes in the market's perception of the Authorised Firm and the effects that this might have on the Authorised Firm's access to the markets, including:

i. where the Authorised Firm funds its holdings of assets in one currency with liabilities in another, access to foreign exchange markets, particularly in less frequently traded currencies;

ii. access to secured funding, including by way of repurchase agreement transactions; and

iii. the extent to which the Authorised Firm may rely on committed facilities made available to it;

b. whenever applicable the possible effect of each scenario tested on currencies whose exchange rates are currently pegged or fixed; and

c. that:

i. general market turbulence may trigger a substantial increase in the extent to which persons exercise rights against the Authorised Firm under off-balance sheet instruments to which the Authorised Firm is party;

ii. access to OTC derivative and foreign exchange markets is sensitive to credit-ratings;

iii. Early Amortisation in asset securitisation transactions with which the Authorised Firm has a connection may be triggered;

iv. its ability to securitise assets may be reduced; and

v. there may be a potential need to buy back debt or honour non-contractual obligations to mitigate reputational risk.

4~~3~~. An Authorised Firm is required to conduct stress tests regularly. The frequency with which an Authorised Firm should conduct stress tests will depend on the risks to the particular Authorised Firm. For some Authorised Firms, it may be adequate to conduct tests annually, but, for others, it may be necessary to conduct tests more frequently e.g. quarterly.

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9.3 Liquidity requirements

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Individual Liquidity Requirement

9.3.6 (1) The DFSA may by written notice to an Authorised Firm:

(a) adjust the LCR Requirement or NSFR Requirement;

(b) adjust requirements under section A9.2 of App9 for calculating ~~its~~the Authorised Firm's stock of HQLA or the Total Net Cash Outflows, or under section A9.4 of App9 for calculating its ASF or RSF;

(c) alter the calculation methodologies or parameters for the purposes of the LCR Requirement or NSFR Requirement;

(d) disapply the LCR Requirement or NSFR Requirement; or

(e) impose additional requirements based on ~~its~~the DFSA's assessment of the Liquidity Risk exposure of that Authorised Firm.

(2) If the DFSA amends a requirement under (1)(a), (b), (c) or (e), the Authorised Firm must comply with the requirement as amended. If the DFSA disapplies a requirement under (1)(d), the Authorised Firm need not comply with that requirement.

(3) The procedures in Schedule 3 to the Regulatory Law apply to a decision of the DFSA under (1)(a),(b),(c) or (e).

(4) If the DFSA decides to exercise its power under (1)(a),(b),(c) or (e), the Authorised Firm may refer the matter to the FMT for review.

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The Maturity Mismatch approach

Guidance

The Maturity Mismatch approach measures an Authorised Firm's liquidity by assessing the mismatch between its inflows (assets) and outflows (liabilities) within different timebands on a Maturity Ladder.

9.3.10 (1) An Authorised Firm in Category 1 or 5 must use the Maturity Mismatch approach, as set out in this section, to measure liquidity.

(2) When using the Maturity Mismatch approach, an Authorised Firm must determine the net cumulative Maturity Mismatch position for each time band by:

(a) determining, in accordance with the Rules in sections A9.3 of App9, the inflows (assets) and outflows (liabilities) which are, subject to their falling within one of the time bands, to be included in the Maturity Ladder and at what maturities;

(b) inserting each inflow (asset) and outflow (liability) into the relevant~~one or more of the following~~ time band~~s~~ on the Maturity Ladder~~:~~

~~(i) sight – 8 days; or~~

~~(ii) sight – 1 month~~; and

(c) subtracting outflows (liabilities) from inflows (assets) in each time band.

Measuring liquidity for Category 1 and Category 5

9.3.11 (1) An Authorised Firm in Category 1 or 5 must determine a net cumulative Maturity Mismatch position for each time band in respect of each of the following means of funding used by the Authorised Firm:

(a) PSIAus; and

(b) deposits.

(2) An Authorised Firm in Category 1 or 5 must calculate its liquidity by using the net cumulative Maturity Mismatch position separately for each means of funding used by the Authorised Firm as a percentage of the means of funding in each time band as follows:

(a) PSIAus net cumulative Maturity Mismatch % =

$$\frac{\text{Net cumulative Maturity Mismatch x 100}}{\text{Total PSIAus}}$$

(b) Total deposit liabilities net cumulative Maturity Mismatch % =

$$\frac{\text{Net cumulative Maturity Mismatch x 100}}{\text{Total deposits}}$$

(3) An Authorised Firm must ensure that its net cumulative Maturity Mismatch position for each means of funding used by the Authorised Firm in ~~each~~the sight – 8 days time band does not exceed ~~the following:~~

~~(a) sight – 8 days,~~ negative 15%~~; and~~

~~(b) sight – 1 month, negative 25%~~.

(4) An Authorised Firm must notify the DFSA in writing immediately if it exceeds or is likely to exceed ~~one or both of~~ the net cumulative Maturity Mismatch limit~~s~~ referred to in (3).

Net Stable Funding Ratio (NSFR) Requirement

9.3.12 (1) An Authorised Firm must maintain a Net Stable Funding Ratio (NSFR) of at least 100%.

(2) The NSFR under (1) must be calculated using the formula:

$$NSFR = \frac{ASF}{RSF} \times 100$$

where:

(a) ASF (Available Stable Funding) is the amount, calculated in accordance with Rule A9.4.1, representing the relative stability of an Authorised Firm's available funding sources; and

(b) RSF (Required Stable Funding) is the amount, calculated in accordance with Rule A9.4.2, representing the Liquidity Risk profile of an Authorised Firm's assets and OBS Exposures (or potential liquidity Exposures).

Guidance

1. The objective of the NSFR Requirement is to require an Authorised Firm to maintain a stable funding profile relative to the composition of its assets and off-balance sheet activities. A stable funding profile reduces the likelihood that disruptions to an Authorised Firm's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR Requirement limits over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items and promotes funding stability.

2. Section A9.4 of App9 sets out how an Authorised Firm's Available Stable Funding (ASF) and Required Stable Funding (RSF) are to be calculated.

3. If the DFSA considers that the Financial Services Regulator of the home state of an Authorised Firm that is a Branch has not fully implemented the Basel III NSFR requirements, it may use its power under Article 75A of the Regulatory Law to require the Authorised Firm to comply with appropriate NSFR requirements.

Notification if the NSFR Requirement not met

9.3.13 An Authorised Firm must notify the DFSA in writing immediately if it does not meet, or becomes aware of circumstances that may result in it not meeting, its NSFR Requirement.

Guidance

1. An Authorised Firm should explain clearly in its notification:

   a. the reasons for it not meeting its NSFR Requirement;

   b. measures that have been taken and will be taken to ensure it meets its NSFR Requirement; and

c. its expectations regarding the potential duration of the situation.

2. An Authorised Firm that makes a notification should discuss with the DFSA what, if any, further steps it should take to deal with the situation.

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11 DISCLOSURE REQUIREMENTS

Introduction

Guidance

1. This chapter specifies the disclosures required to be made by an Authorised Firm to enable market participants and potential counterparties to exercise market discipline in relation to the firm. Chapter 11 applies to banks, principal dealers and Islamic banks and specifies the disclosure requirements for such firms.

2. Appendix 11 provides a detailed list of disclosure requirements for Authorised Firms to which this chapter applies.

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11.3 Disclosure frequency, locations and process

Frequency

11.3.1 (1) The disclosures set out in this chapter must be made by the Authorised Firm at least once a year, other than disclosures of CET1 Capital, T1 Capital and T2 Capital, deductions from Capital Resources, Liquidity Coverage Ratio, Net Stable Funding Ratio and Leverage Ratios which must be made on a quarterly basis.

(2) Reporting deadlines must be in accordance with quarterly and annual reporting obligations under the DFSA Rulebook.

Locations

11.3.2 (1) An Authorised Firm must, subject to (2), make these disclosures either in its annual report or periodic financial statements.

(2) An Authorised Firm may disclose the items marked as quantitative in App11 in a medium or location other than its annual report or periodic financial statements, provided that:

(a) it has prior approval of the DFSA to do so;

(b) the annual report or periodic financial statements contain clear references to the location of such disclosures; and

(c) such disclosures are readily accessible by the market.

Guidance

An Authorised Firm has discretion to determine the form of the disclosures required, and may choose to use graphical and other representations where appropriate.

Omissions

11.3.3 (1) An Authorised Firm may omit certain disclosures if the omitted item is:

(a) not material, in accordance with the concept of materiality under the International Financial Reporting Standards,

(b) proprietary in nature, and the disclosure of the relevant information to the public would undermine the Firm's competitive position or render the Firm's investments in products and systems less valuable, or

(c) confidential in nature, and the disclosure of the relevant information would violate or jeopardise confidentiality agreements with Clients or Counterparties.

(2) Where in reliance upon (1)(b) or (c) an Authorised Firm omits an item that is marked as a quantitative disclosure in App11, it must disclose general qualitative information about the subject matter of that particular requirement, together with the reasons for the omission.

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APP2 GENERAL REQUIREMENTS

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A2.4 Reporting to the DFSA

A2.4.1 In the following Table 1:

(a) the column headed 'Domestic Firm or Branch' indicates whether the relevant form must be prepared and submitted by a Domestic Firm or Branch;

(b) the column headed 'Authorised Firm Category' indicates which Category of Authorised Firm must prepare and submit the relevant form;

(c) the column headed 'Frequency' indicates whether the relevant form must be prepared and submitted on a quarterly or annual basis; and

(d) the column headed 'Semiannual consolidated reporting for Financial Groups' indicates which Category of Authorised Firm of a Financial Group must prepare and submit the relevant form on a semiannual basis.

Guidance

Table 1 is referred to in section 2.3, and forms part of the Rules.

Table 1 Authorised Firm Reporting Matrix

Form Number	Form Name	Domestic Firm or Branch	Authorised Firm Category	Frequency	Semi-annual consolidated reporting for Financial Groups
…..	…..	…..	…..	…..	…..
B90	Liquidity Coverage Ratio	Domestic Firm and Branch	Category 1 and 5	Quarterly and annually	Not applicable
B95	Net Stable Funding Ratio (NSFR)	Domestic Firm	Category 1 and 5	Quarterly and annually	Not applicable
…..	…..	…..	…..	…..	…..

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APP9 LIQUIDITY

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Cash Outflows

A9.2.15 The following table specifies, for each of the various categories or types of liabilities and off-balance sheet commitments, the rates at which they are expected to run off or be drawn down for the purpose of calculating the LCR.

Cash Outflows	
Item	**Factor**
A. Retail Deposits:	
Demand deposit and term deposits (less than 30 days maturity): • Stable deposits • Less stable retail deposits	 5% 10%
Term deposits with residual maturity greater than 30 days	0%
B. Unsecured Wholesale Funding:	
Demand and term deposits (less than 30 days maturity) provided by small business customers: • Stable deposits • Less stable deposits	 5% 10%
Small business customers - Term deposits with residual maturity greater than 30 days with no legal right to withdraw or a withdrawal with a significant penalty	0%
Operational deposits or operational accounts generated by clearing, custody and cash management activities: • Portion covered by deposit insurance	25% 5%
Cooperative banks or institutions offering Islamic financial services in an institutional network (qualifying deposits with the centralised institution)	25%

Cash Outflows	
Item	**Factor**
Non-financial corporates, sovereigns, central banks, multilateral development banks and PSEs:	40%
• If the entire amount is fully covered by a deposit protection scheme	20%
Other legal entity customers	100%
C. Secured Funding:	
• Secured funding transactions with a central bank counterparty or backed by Level 1 HQLA with any counterparty	0%
• Secured funding transactions backed by Level 2A HQLA, with any counterparty	15%
• Secured funding transactions backed by non-Level 1 HQLA or non-Level 2A HQLA, with domestic sovereigns, multilateral development banks, or domestic PSEs as a counterparty	25%
• Backed by RMBS eligible for inclusion in Level 2B HQLA	25%
• Backed by other Level 2B HQLA	50%
• All other secured funding transactions	100%
D. Additional Requirements:	
Derivatives cash outflows or Shari'a compliant hedging	100%
Liquidity needs (e.g. collateral calls) related to financing transactions, derivatives and other contracts	100%
Market valuation changes on non-Level 1 HQLA posted collateral securing derivatives	20%
Excess collateral held by a bank related to derivative transactions that could contractually be called at any time by its counterparty	100%

Cash Outflows	
Item	**Factor**
Liquidity needs related to collateral contractually due from the reporting bank on derivatives transactions	100%
Increased liquidity needs related to derivative transactions that allow collateral substitution to non-HQLA assets	100%
Market valuation changes on derivatives transactions (largest absolute net 30-day collateral flows realised during the preceding 24 months)	100%
ABCP, SIVs, Conduits, etc: • Loss of funding on Asset Backed Securities, covered bonds and other structured financing instruments	100%
• Loss of funding on ABCP, SIVs, SPVs, etc	100%
Undrawn committed credit and liquidity facilities:	
• Credit and Liquidity Facilities: Retail and small and medium-sized enterprise clients	5%
• Credit Facilities: Non-financial corporates, sovereigns and central banks, PSEs, MDBs	10%
• Liquidity Facilities: Non-financial corporates, sovereigns and central banks, PSEs, MDBs	30%
• Credit and Liquidity Facilities: Banks subject to prudential supervision	40%
• Credit Facilities: Other financial institutions (include securities firms, insurance companies, fiduciaries and beneficiaries)	40%
• Liquidity Facilities: Other financial institutions (include securities firms, insurance companies, fiduciaries and beneficiaries)	100%

Cash Outflows	
Item	**Factor**
• Credit and Liquidity Facilities: Other legal entity customers	100%
• Other contractual obligations to financial institutions	100%
• Other contractual obligations to retail and non-financial corporate clients	100%
Other contingent funding obligations: • Non-contractual obligations related to potential liquidity draws from joint ventures or minority investments in entities	100%
• Trade finance-related obligations (including letters of credit and guarantees)	3%
• Unconditionally revocable "uncommitted" credit and liquidity facilities	5%
• Guarantees and letters of credit unrelated to trade finance obligations	10%
Non-contractual obligations: • Debt-buy back requests (incl. related conduits)	100%
• Structured products	10%
• Managed funds	10%
• Other non-contractual obligations	100%
Outstanding debt securities with remaining maturity > 30 days	100%
Non contractual obligations where customer short positions are covered by other customers' collateral	50%
Other contractual cash outflows	100%

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A9.2.18 The following table specifies, for each of the various categories and types of contractual receivables, the rates at which they are expected to flow in for the purpose of the calculation of the LCR:

Cash Inflows	
Item	**Factor**
Maturing secured lending (incl. reverse repos and securities borrowing), backed by the following as collateral:	
• Level 1 HQLA	0%
• Level 2A HQLA	15%
• Level 2B HQLA - eligible RMBS	25%
• Level 2B HQLA - Other assets	50%
• Margin lending backed by all other collateral	50%
• All other assets	100%
• Credit or liquidity facilities provided to the reporting Bank	0%
• Operational deposits or operational accounts held at other financial institutions (including deposits held at centralised institution of network of co-operative banks or operational accounts held at institutions offering Islamic financial services)	0%
Other inflows by counterparty	-
• Amounts receivable from retail counterparties	50%
• Amounts receivable from non-financial wholesale counterparties, from transactions other than those listed in the above inflow categories	50%
• Amounts receivable from financial institutions and central banks, from transactions other than those listed in the above inflow categories	100%
• Net derivative receivables	100%
• Net Shari'a compliant hedging cash inflows	100%
• Other contractual cash inflows	100%

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A9.4 The Net Stable Funding Ratio (NSFR)

Guidance

1. An Authorised Firm's NSFR is the amount of Available Stable Funding (ASF) relative to the amount of Required Stable Funding (RSF). The NSFR should be at least 100% at all times (see Rule 9.3.12). The NSFR is calculated under Rule 9.3.12 using the following formula:

$$NSFR = \frac{ASF \times 100}{RSF}$$

2. For the purposes of the NSFR Requirement, an Authorised Firm's ASF and RSF are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

3. This Appendix sets out how the ASF and RSF are to be calculated.

Available Stable Funding (ASF)

A9.4.1 (1) An Authorised Firm must calculate its ASF by:

(a) assigning the carrying value of each liability and capital instrument to the applicable ASF Category set out in the table;

(b) adjusting the carrying value of each liability and capital instrument by multiplying it by the applicable ASF Factor as set out in the table; and

(c) adding together each adjusted carrying value.

ASF Categories and associated ASF Factors	
ASF Factor	**Components of ASF Category**
100%	(a) the total amount of regulatory capital, before the application of capital deductions, excluding the proportion of Tier 2 instruments with residual maturity of less than one year; (b) the total amount of any capital instrument not included in (a) that has an effective residual maturity of one year or more, but excluding any instruments with explicit or embedded options that, if exercised, would reduce the expected maturity to less than one year; and (c) the total amount of secured and unsecured borrowings and liabilities (including term deposits) with effective residual maturities of one year or more. Cash flows falling below the one-year horizon but arising from liabilities with a final maturity greater than one year do not qualify for the 100% ASF Factor.
95%	• "stable" non-maturity (demand) deposits, term deposits and/or PSIAus with residual maturities of less than one year provided by retail and small business customers.

90%	• “less stable” non-maturity (demand) deposits, term deposits and/or PSIAus with residual maturities of less than one year provided by retail and small business customers.
50%	(a) funding (secured and unsecured) with a residual maturity of less than one year provided by non-financial corporate customers; (b) operational deposits or operational accounts; (c) funding with residual maturity of less than one year from sovereigns, public sector enterprises (PSEs), and multilateral and national development banks; (d) other funding (secured and unsecured) not included in the categories above with residual maturity between six months to less than one year, including funding from Central Banks and financial institutions; and (e) funding with residual maturity of less than one year provided by non-financial corporate customers.
0%	(a) all other liabilities and equity categories not included in the above categories, including other funding with residual maturity of less than six months from Central Banks and financial institutions; (b) other liabilities without a stated maturity. This category may include short positions and open maturity positions. Two exceptions can be recognised for liabilities without a stated maturity: (i) deferred tax liabilities, which should be treated according to the nearest possible date on which such liabilities could be realised; and (ii) minority interest, which should be treated according to the term of the instrument, usually in perpetuity. These liabilities would then be assigned either a 100% ASF Factor, if the effective maturity is one year or greater, or 50%, if the effective maturity is between six months and less than one year; (c) NSFR derivative liabilities (net of NSFR derivative assets) if NSFR derivative liabilities are greater than NSFR derivative assets; (d) Net NSFR Shari’a compliant hedging liabilities (if NSFR Shari’a compliant hedging liabilities are greater than NSFR Shari’a compliant hedging assets); and (e) “trade date” payables arising from purchases of financial instruments, foreign currencies and commodities that: (i) are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction; or

	(ii) have failed to, but are still expected to, settle.

Guidance

1. An Authorised Firm's ASF represents the relative stability of its funding sources, including the contractual maturity of its liabilities and the differences in the propensity of different types of funding providers to withdraw their funding.

2. The calibration of the ASF reflects the stability of liabilities, taking into account a number of factors:

   a. funding tenor – longer-term liabilities are assumed to be more stable than short-term liabilities; and

   b. funding type and counterparty – it is assumed that short-term deposits or PSIAus (i.e. maturing in less than one year) provided by retail customers and funding provided by small business customers are behaviourally more stable than wholesale funding of the same maturity from other counterparties.

3. For ASF purposes, when determining the maturity of an equity or liability instrument, investors are assumed to redeem a call option at the earliest possible date. For funding with options exercisable at the firm's discretion, the DFSA will take into account reputational factors that may limit the firm's ability not to exercise the option. In particular, where the market expects certain liabilities to be redeemed before their legal final maturity date, the firm should assume such behaviour for the purpose of the NSFR Requirement and include these liabilities in the corresponding ASF Category. For long-dated liabilities, only the portion of cash flows falling at or beyond the six-month and one-year time horizons should be treated as having an effective residual maturity of six months or more and one year or more, respectively.

4. Derivative liabilities are to be calculated first based on the replacement cost for derivative contracts (obtained by marking to market) where the contract has a negative value. When an eligible bilateral netting contract is in place that meets the conditions specified in the instructional guidelines for Form B300 set out in PRU Section 1.48, the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost.

5. In calculating NSFR derivative liabilities, collateral posted in the form of variation margin in connection with derivative contracts, regardless of the asset type, must be deducted from the negative replacement cost amount.

6. Carrying value is the amount at which a liability or equity instrument is recorded before the application of any regulatory deductions, filters or other adjustments.

7. Regulatory capital consists of the sum of:

   a. T1 Capital (going-concern capital):

      i CET1; and

      ii AT1; and

   b. T2 Capital (gone-concern capital).

8. The Guidance in paragraphs 4 to 6 and 12 to 15 after Rule A9.2.15 should be used to determine whether a deposit or PSIAu is to be treated as "stable", "less stable" or "operational".

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); (c) all claims on Central Banks with residual maturities of less than six months; and (d) trade date receivables arising from sales of financial instruments, foreign currencies and commodities that: (i) are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction; or (ii) have failed to, but are still expected to, settle.
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%	Unencumbered assets as defined in Rule A9.2.7(2) (Level 2 HQLA).
50%	(a) unencumbered assets included in Rule A9.2.8(2) (Level 2B HQLA), excluding any haircuts required under that Rule; (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; (c) all loans to financial institutions and Central Banks with residual maturity of between six months and less than one year; (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 (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.
65%	(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

	(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).
85%	(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%	(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.

Table 2 - OBS-RSF Factors and Categories	
OBS-RSF Factor	**Components of OBS-RSF Category**
3%	Trade finance related obligations (including guarantees and letters of credit).

5%	(a) irrevocable and conditionally revocable credit and liquidity facilities to any client; and (b) unconditionally revocable credit and liquidity facilities.
10%	(a) the following non-contractual obligations: (i) structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate notes; and (ii) managed funds that are marketed with the objective of maintaining a stable value; and (b) guarantees and letters of credit unrelated to trade finance obligations.
100%	The following non-contractual obligations: (a) potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities; and (b) other non-contractual obligations not mentioned above.

Guidance

1. An Authorised Firm's RSF represents the liquidity risk profile of its assets and OBS Exposures (or potential liquidity Exposures).

2. When determining its RSF, an Authorised Firm should:

   a. include financial instruments, foreign currencies and commodities for which a purchase order has been executed; and

   b. exclude financial instruments, foreign currencies and commodities for which a sales order has been executed, even if such transactions have not been reflected in the balance sheet under a settlement-date accounting model, provided that:

      i. the transactions are not reflected as derivatives or secured financing transactions in the firm's balance sheet; and

      ii. the effects of such transactions will be reflected in the firm's balance sheet when settled.

3. For secured funding arrangements, use of balance sheet and accounting treatments should generally result in a firm excluding, from their assets, securities which they have borrowed in securities financing transactions (such as reverse repos and collateral swaps) where they do not have beneficial ownership. In contrast, a firm should include securities they have lent in securities financing transactions where they retain beneficial ownership. A firm should also not include any securities they have received through collateral swaps if those securities do not appear on their balance sheet. Where a firm has encumbered securities in repos or other securities financing transactions, but has retained beneficial ownership and those assets remain on its balance sheet, the firm should allocate such securities to the appropriate RSF Category.

4. SFT with a single counterparty should be measured net when calculating the NSFR, provided that the netting conditions set out in Rules 4.9.13 to 4.9.20 are met.

5. Derivative assets are calculated first based on the replacement cost for derivative contracts (obtained by marking to market) where the contract has a positive value. When an eligible bilateral netting contract is in place that meets the conditions as specified in the instructional guidelines for Form B300 set out in PRU Section 1.48, the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost.

6. Shari'a compliant hedging liabilities (e.g. Islamic swaps) are calculated first based on the replacement cost for the Shari'a compliant hedging contracts (obtained by marking to market), such as ISDA/IIFM Tahawwut Master Agreement (TMA), where the contract has a negative value. When an eligible bilateral netting contract is in place, the replacement cost for the set of Shari'a compliant hedging exposures covered by the contract will be the net replacement cost.

7. In calculating NSFR derivative assets, collateral received in connection with derivative contracts should not offset the positive replacement cost amount, regardless of whether or not netting is permitted under the firm's operative accounting or risk-based framework, unless it is received in the form of cash variation margin and meets the conditions as specified in the instructional guidelines for Form B300 set out in PRU section 1.48. Any remaining balance sheet liability associated with: (a) variation margin received that does not meet the criteria above; or (b) initial margin received; may not offset derivative assets and should be assigned a 0% ASF Factor.

8. In calculating NSFR Shari'a compliant hedging liabilities, collateral posted in the form of variation margin that follows Shari'a principles in connection with Shari'a compliant hedging contracts as in the TMA contract, regardless of the asset type, must be deducted from the negative replacement cost amount.

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APP11 PUBLIC DISCLOSURE REQUIREMENTS

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Table 12 – Liquidity Coverage Ratio Information

<table>
<tr><td rowspan="8">Qualitative Disclosures</td><td>(a)</td><td colspan="4">Governance and organisation of Liquidity Risk management.</td></tr>
<tr><td>(b)</td><td colspan="4">Risk tolerance and strategy in relation to Liquidity Risk management.</td></tr>
<tr><td>(c)</td><td colspan="4">Scope and nature of Liquidity Risk reporting and measurement systems.</td></tr>
<tr><td>(d)</td><td colspan="4">The techniques used for mitigating Liquidity Risk and the process of monitoring the effectiveness of the mitigants in place.</td></tr>
<tr><td>(e)</td><td colspan="4">Overview of how stress testing is used.</td></tr>
<tr><td>(f)</td><td colspan="4">Outline of the Contingency Funding Plan.</td></tr>
<tr><td>(g)</td><td colspan="4">A declaration approved by the governing body on the adequacy of Liquidity Risk management arrangements in place with regard to the firm's profile and strategy.</td></tr>
<tr><td>(h)</td><td colspan="4">A Liquidity Risk statement approved by the governing body describing the firm's overall Liquidity Risk profile associated with the business strategy, including how the Liquidity Risk profile of the firm interacts with the risk tolerance set by the management body and:
(i) the main drivers of the LCR results and the evolution of the contribution of inputs to the LCR's calculation over time;
(ii) intra-period changes as well as changes over time;
(iii) the composition of HQLA;
(iv) concentration of funding sources;
(v) derivatives exposures and potential collateral calls;
(vi) currency mismatch in the LCR;
(vii) a description of the degree of centralisation of liquidity management and interaction between the group's units; and
(viii) other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the firm considers to be relevant for its liquidity profile.</td></tr>
<tr><td rowspan="4">Quantitative Disclosures</td><td rowspan="4">(i)</td><td></td><td></td><td>TOTAL UNWEIGHTED VALUE (average)</td><td>TOTAL WEIGHTED VALUE (average)</td></tr>
<tr><td colspan="4">HIGH-QUALITY LIQUID ASSETS</td></tr>
<tr><td>1</td><td>Total high-quality liquid assets (HQLA)</td><td></td><td></td></tr>
<tr><td colspan="4">CASH OUTFLOWS</td></tr>
</table>

		2	Retail deposits/PSIAs and deposits/PSIAs from small business customers, of which:		
		3	Stable deposits/PSIAs		
		4	Less stable deposits/PSIAs		
		5	Unsecured wholesale funding, of which:		
		6	Operational deposits or accounts (all counterparties) and deposits/PSIAs in networks of cooperative banks		
		7	Non-operational deposits/PSIAs (all counterparties)		
		8	Unsecured debt		
		9	Secured wholesale funding		
		10	Additional requirements, of which:		
		11	Outflows related to derivative exposures, Shari'a compliant hedging instrument 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 (e.g. reverse repos) or Shari'a compliant secured financing		

		18	Inflows from fully performing exposures		
		19	Other cash inflows		
		20	TOTAL CASH INFLOWS		
		TOTAL ADJUSTED VALUE			
		21	TOTAL HQLA		
		22	TOTAL NET CASH OUTFLOWS		
		23	LIQUIDITY COVERAGE RATIO (%)		

Guidance

The following Guidance is intended to assist firms to complete the above table.

The figures to be presented are averages of the daily 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.

Unweighted figures of HQLA are calculated at market value. Weighted figures of HQLA are 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 are calculated as outstanding balances. Weighted inflows and outflows are calculated after the application of the inflow and outflow rates.

In completing the LCR disclosure table, Authorised Firms should follow the instructions below. The numbers in the instructions correspond to the relevant row number in the quantitative disclosure section of the table.

1. Sum of all eligible high-quality liquid assets (HQLA), as defined in section A9.2 in App 9, 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.

2. Retail deposits/PSIAs and deposits/PSIAs from small business customers are the sum of stable deposits/PSIAs, less stable deposits/PSIAs 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).

3. Stable deposits/PSIAs include deposits/PSIAs placed with a bank by a natural person and unsecured wholesale funding provided by small business customers, defined as "stable" in Rule A9.2.15 in App 9.

4. Less stable deposits/PSIAs include deposits/PSIAs placed with a bank by a natural person and unsecured wholesale funding provided by small business customers, not defined as "stable" in Rule A9.2.15 in App 9.

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.

6. Operational deposits or accounts include deposits/PSIAs from bank clients with a substantive dependency on the bank where deposits/PSIAs are required for certain activities (i.e. 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.

7. Non-operational deposits/PSIAs are all other unsecured wholesale deposits or PSIAs, both insured and uninsured.

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.

9. Secured wholesale funding is defined as all collateralised liabilities and general obligations.

10. Additional requirements include other off-balance sheet liabilities or obligations.

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: 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.

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: (a) have already been posted as collateral to secure the facilities; or (b) are contractually obliged to be posted when the counterparty draws down the facility.

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 Rule A9.2.15 in App 9.

15. Other contingent funding obligations, as defined in Rule A9.2.15 in App 9.

16. Total cash outflows: sum of rows 2–15.

17. Secured lending includes all maturing reverse repurchase and securities borrowing agreements.

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.

19. Other cash inflows include derivatives cash inflows and other contractual cash inflows.

20. Total cash inflows: sum of rows 17–19.

21. Total HQLA (after the application of any cap on Level 2B and Level 2 assets).

22. Total net cash outflows (after the application of any cap on cash inflows).

23. Liquidity Coverage Ratio (after the application of any cap on Level 2B and Level 2 assets and caps on cash inflows).

Table 13 – Net Stable Funding Ratio Information

Quantitative Disclosures	(a)	In currency amount		Unweighted value by residual maturity				Weighted value
				No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		ASF Item						
		1	Capital					
		2	Regulatory Capital					
		3	Other capital					
		4	Retail deposits/PSIAs and deposits/PSIAs from small business customers:					
		5	Stable Deposits/PSIAs					
		6	Less stable deposits/PSIAs					
		7	Wholesale funding:					
		8	Operational deposits / operational accounts					
		9	Other wholesale funding					
		10	Liabilities with matching interdependent assets					
		11	Other liabilities:					
		12	NSFR derivative liabilities and net liabilities for Shari'a					

			compliant hedging contracts					
		13	All other liabilities and equity not included in the above categories					
		14	Total ASF					
		RSF Item						
		15	Total NSFR high-quality liquid assets (HQLA)					
		16	Deposits/PSIAs held at other financial institutions for operational purposes					
		17	Performing loans and securities (including Shari'a compliant securities):					
		18	Performing loans to financial institutions secured by Level 1 HQLA					
		19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions					
		20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, Central Banks and PSEs, of which:					
		21	With a risk weight of less than or equal to 50% under section 4.12.					

		22	Performing residential mortgages, of which:					
		23	With a risk weight of less than or equal to 50% under section 4.12.					
		24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
		25	Assets with matching interdependent liabilities					
		26	Other Assets					
		27	Physical traded commodities, including gold					
		28	Assets posted as initial margin for derivative contracts/Shari'a compliant hedging contracts and contributions to default funds of CCPs					
		29	NSFR derivative assets					
		30	NSFR derivative liabilities before deduction of variation margin posted					
		31	All other assets not included in the above categories					
		32	Off-balance sheet items					
		33	Total RSF					
		34	Net Stable Funding Ratio (%)					

Guidance

The following Guidance is intended to assist firms to complete the above table.

Data must be presented as quarter-end observations.

Both unweighted and weighted values of the NSFR components must be disclosed unless otherwise indicated. Weighted values are calculated as the values after ASF or RSF Factors are applied.

In completing the NSFR disclosure table, Authorised Firms should follow the instructions below. The numbers in the instructions correspond to the relevant row numbers in the quantitative disclosures section of the table.

1. Capital is the sum of rows 2 and 3.

2. Regulatory capital before the application of capital deductions.

3. Total amount of any capital instruments not included in row 2.

4. Retail deposits/PSIAs and deposits from small business customers, as defined in Rule A9.2.15 in App 9.

5. Stable deposits/PSIAs comprise “stable” (as defined in Rule A9.2.15 in App 9) non-maturity (demand) deposits/PSIAs and/or term deposits/PSIAs provided by retail and small business customers.

6. Less stable deposits/PSIAs comprise “less stable” (as defined in Rule A9.2.15 in App 9) non-maturity (demand) deposits/PSIAs and/or term deposits/PSIAs provided by retail and small business customers.

7. Wholesale funding is the sum of rows 8 and 9.

8. Operational deposits/PSIAs: As defined in section A9.2 in App 9, including deposits/PSIAs in institutional networks of cooperative banks.

9. Other wholesale funding including funding (secured and unsecured) provided by non-financial corporate customer, sovereigns, public sector enterprises (PSEs), multilateral and national development banks, central banks and financial institutions.

10. Liabilities with matching interdependent assets.

11. Other liabilities are the sum of rows 12 and 13.

12. In the unweighted cells, report NSFR derivatives liabilities as calculated according to section 9.4 of App 9. There is no need to differentiate by maturities. The weighted value under NSFR derivative liabilities is cross-hatched given that it will be zero after the 0% ASF Factor is applied.

13. All other liabilities and equity not included in above categories.

14. Total ASF is the sum of all weighted values in rows 1, 4, 7, 10 and 11.

15. Total HQLA as defined in section A9.2 in App 9 (encumbered and unencumbered), without regard to LCR operational requirements and LCR caps on Level 2 and Level 2B assets that might otherwise limit the ability of some HQLA to be included as eligible in calculation of the LCR, where:

    a. encumbered assets include assets backing securities or covered bonds; and

b. unencumbered means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer or assign the asset.

16. Deposits/PSIAs held at other financial institutions for operational purposes as defined in section A9.2 in App 9.

17. Performing loans and securities are the sum of rows 18, 19, 20, 22 and 24.

18. Performing loans to financial institutions secured by Level 1 HQLA, as defined in section A9.2 in App 9.

19. Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions.

20. Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs.

21. Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs with risk weight of less than or equal to 50% under section 4.12.

22. Performing residential mortgages.

23. Performing residential mortgages with risk weight of less than or equal to 50% under section 4.12.

24. Securities that are not in default and do not qualify as HQLA including exchange-traded equities.

25. Assets with matching interdependent liabilities.

26. Other assets are the sum of rows 27 to 31.

27. Physical traded commodities, including gold.

28. Cash, securities or other assets posted as initial margin for derivative contracts and contributions to default funds of CCPs.

29. In the unweighted cell, report NSFR derivative assets, as calculated according to section A9.4 in App 9. There is no need to differentiate by maturities. In the weighted cell, if NSFR derivative assets are greater than NSFR derivative liabilities (as calculated according to section A9.4 in App 9), report the positive difference between NSFR derivative assets and NSFR derivative liabilities.

30. In the unweighted cell, report derivative liabilities as calculated according to report 20% of derivatives liabilities unweighted value (subject to 100% NSFR).

31. All other assets not included in the above categories.

32. Off-balance sheet items.

33. Total RSF is the sum of all weighted value in rows 15, 16, 17, 25, 26 and 32.

34. Net stable funding ratio (%).

Table 14~~2~~ – Leverage Ratios

Qualitative Disclosures	(a)	The source of material differences between the bank's total balance sheet assets in their financial statements and on-balance sheet exposures in the common disclosure template in Form B300.
Quantitative Disclosures	(b)	A comparison of the Authorised Firm's total accounting asset amounts and Leverage Ratio exposures using the summary comparison template in Form B300.
	(c)	A breakdown of the main Leverage Ratio regulatory elements using the common disclosure template in Form B300.