CENTRAL BANK OF NIGERIA

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GUIDELINES ON LIQUIDITY COVERAGE RATIO FOR NON-INTEREST FINANCIAL INSTITUTIONS IN NIGERIA

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1.0 Introduction

1. Effective management of liquidity risk is fundamental to the effective functioning of banking institutions, including institutions offering Islamic banking services. During the financial crisis of 2007–8, inadequate liquidity risk management in financial institutions resulted in substantial liquidity outflows and strain on profitability, which led to problems of viability and insolvency of certain institutions in extreme cases.

2. To manage liquidity risk effectively, a financial institution needs to have, among other things, adequate liquid assets of a high quality, stable funding sources, proper asset–liability maturity balance and well-managed off-balance sheet exposures.

3. These Guidelines takes into consideration the Basel Committee for Banking Supervision (BCBS) Principles for Sound Liquidity Risk Management and Supervision which was published in 2008 and reviewed in January 2019, and the Islamic Financial Services Board's (IFSB) Guidance Note on Quantitative Measures for Liquidity Risk Management in Institutions Offering Islamic Financial Services which was published in April 2015

4. The BCBS Principles require banks to establish a robust liquidity risk management framework that ensures they maintain sufficient liquidity, including a cushion of unencumbered high-quality liquid assets (HQLA) to withstand a range of stress events.

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5. The BCBS Principles also require supervisors to assess the adequacy of banks' liquidity risk management frameworks and their liquidity position and to take prompt action where deficiencies are identified.

6. The IFSB Guidance Notes details out specific provisions in addressing the specificities of the Non-Interest Banking Practice and how NIBs should be able to meet the requirements of the Liquidity Coverage Ratio (LCR).

7. The objective of these Guidelines is to define the minimum requirements for LCR for non-interest banks operating in the Nigerian Banking Industry. The LCR aims to promote short-term resilience of the liquidity risk profile of reporting entities by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately into cash in private markets to survive a significant stress scenario lasting 30 calendar days.

2.0 Application Issues for the LCR

2.1 Objectives of the Liquidity Coverage Ratio (LCR)

8. The LCR is aimed at promoting the short-term resilience of the liquidity risk profile of reporting entities. This is achieved by ensuring that the NIBs have an adequate stock of

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unencumbered HQLAs that can easily and immediately be converted into cash at little or no loss of value in private markets to meet their liquidity needs for a 30-calendar-day liquidity stress scenario.

9. A reporting entity shall hold and maintain, at all times a stock of HQLA that is at least equal to total net cash outflows, i.e., maintain an LCR of at least 100 % on an on-going basis.

2.2 Scope of Application

10. This Guidelines shall apply to all Non-interest Banks operating in the Nigerian Financial System at both entity (stand-alone) and consolidated basis (for those with permissible subsidiaries).

11. Notwithstanding the scope of application of the LCR, reporting entities should actively monitor and control their liquidity risk exposures and funding needs at the level of individual legal entities, subsidiaries, and the group as a whole, taking into consideration legal, regulatory and operational limitations to the transferability of liquidity.

12. To ensure consistency in applying the LCR, further information is provided below on two application issues.

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2.3 Currencies

13. While the LCR is expected to be met and reported on a consolidated basis in a single currency, reporting entities should be able to meet their liquidity needs in each currency and maintain a stock of HQLA consistent with the distribution of their liquidity needs by currency. The reporting entities should be able to use the stock of HQLA to generate liquidity in the currency and jurisdiction in which the net cash outflows arise. As such, the LCR by currency is expected to be observed and reported to allow the entity and the CBN to track any potential currency mismatch issues that could arise.

14. A reporting entity with assets and liabilities denominated in foreign currencies shall therefore:

a) Report its LCR positions for US dollars, Pound Sterling, Euro, Yuan, and other currencies in Naira equivalent separately, regardless of whether these are significant currencies for the reporting entity; and

b) Monitor the liquidity needs in significant currencies on an ongoing basis.

15. In managing foreign exchange liquidity risk, a reporting entity should consider the risk that its ability to swap currencies and access the relevant foreign exchange markets may erode rapidly under stressed conditions. It should be aware that sudden, adverse exchange rate movements could sharply widen existing mismatched positions and alter the effectiveness of any foreign exchange

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hedges in place. These considerations should be incorporated in the entity's Internal Liquidity Adequacy Assessment Process (ILAAP) report to the CBN.

2.4 Frequency of calculation and reporting

16. Reporting entities are required to comply with the minimum LCR on an on-going (daily) basis to help monitor and control their liquidity risk. However, for the purposes of supervisory oversight, reporting entities shall submit their respective LCR returns to the CBN in the manner prescribed below:

Reporting Details	Solo Basis	Consolidated Basis
Reporting Frequency	Monthly	Quarterly
Reporting Date	Month-end	Quarter-end
Reporting Coverage	30 Calendar days from reporting date	30 Calendar days from reporting date
Submission	5 days after the last day of each month	5 days after the last day of each month

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Deadlines		

17. Reporting entities should have the operational capability to increase the frequency of submission of returns to the CBN to weekly or even daily in stressed situations.

18. **Reporting entities must notify the CBN immediately if their LCR has fallen, or is expected to fall, below 100%.**

3.0 Definition of LCR

19. The LCR is a quantitative requirement which seeks to ensure that reporting entity holds sufficient high-quality liquid assets (HQLA) to withstand an acute liquidity stress scenario over a 30-day horizon at both the entity and consolidated level.

20. The LCR is a ratio, expressed as a percentage of a reporting entity's stock of Shari'ah compliant HQLA to its total net cash outflows over 30 calendar days. The objective of the LCR is to promote short-term resilience of the reporting entity's liquidity risk profile. The formula for calculating LCR, therefore, is as follows:

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$$LCR = \frac{\text{Stock of Sharī`ah-compliant HQLA}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

21. The LCR has two components:

    a. value of the stock of Shari'ah Compliant HQLA in stressed conditions; and
    b. Total Net Cash Outflows, calculated according to the scenario parameters outlined in paragraph 25.

Total net cash outflow over the next 30 calendar days = Total gross expected cash outflows – minimum of (total expected cash inflows; 75% of expected cash outflows)

22. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in under the specified scenario up to an aggregate cap of 75% of total expected cash outflows. The cap applied on total cash inflows is to prevent reporting entities from relying solely on anticipated inflows to meet their liquidity requirements, and also to ensure a minimum level of HQLA holdings. Accordingly, the amount of inflows that can offset outflows is capped at 75% of total expected cash outflows. Therefore, by applying this cap, the

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reporting entities are required to hold a minimum amount of stock of HQLA equal to 25% of the total net cash outflows.

23. All reporting entities should ensure on an ongoing basis that its stock of HQLA is at least equal to its total net cash outflows over the next 30 calendar days (i.e., LCR is at least 100 %). During periods of stress, however, it would be entirely appropriate for reporting entities to draw on their stock of HQLA, resulting in the LCR falling below the minimum. In such circumstance, the reporting entity shall immediately notify the CBN in writing of its intent to utilise its stock of HQLA and provide an explanation on:

    c. The factors that contributed to its LCR falling below 100%, including any supporting documentation;
    d. The measures that have been and/or will be taken to restore the LCR position; and
    e. The expectation on the length of time that the LCR position would remain below the minimum prescribed level.

24. Reporting entities are required to provide enhanced supervisory reporting of the reporting entity's LCR position.

25. The scenario parameters for the LCR are a combination of idiosyncratic (bank specific issues) and market-wide shocks that would result in:

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a. The run-off of a proportion of retail funding, including current accounts, unrestricted and restricted PSIA[1], and other accounts;;

b. A partial loss of unsecured wholesale funding capacity;

c. A partial loss of secured, short-term financing with certain collateral and counterparties;

d. Additional contractual outflows that would arise from a downgrade in the reporting entity's public credit rating by up to and including three notches, as well as collateral posting requirements;

e. Increases in market volatilities that impact the quality of collateral or potential future exposure of Sharī`ah-compliant hedging positions and thus require larger collateral haircuts or additional collateral, or lead to other liquidity needs;

f. Unscheduled draws on committed but unused credit and liquidity facilities that the reporting entity has provided to its clients; and

g. The potential need for the reporting entity to honour non- contractual obligations in the

[1] Profit sharing investment account

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interest of mitigating reputational risk.

h. The potential need for the reporting entities to buy back or honour contractual and non-contractual obligations for the purpose of mitigating reputational risk

26. Reporting entities should view the above stress parameters as a minimum supervisory requirement. They are therefore expected to conduct their own stress test to assess the level of liquidity that they should hold beyond the minimum and formulate scenarios that could adversely impact on their specific business activities.

27. From time to time, the CBN reserves the right to impose stricter parameters where it deems necessary. Reporting entities should comply with any requirement to hold additional liquidity buffers that may be specified by the CBN. The additional liquidity buffers will take into consideration the entity's liquidity risk profile and the quality of its risk mitigation measures in place.

3.1 Stock of HQLA

28. Reporting entities must hold a stock of unencumbered HQLA to cover their total net cash outflows over a 30-day period under the prescribed stress scenarios. The CBN will assess eligibility of any assets for inclusion in the stock of HQLA on the basis of the fundamental

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and market-related characteristics set out below in Paragraphs 30-37, as well as the capacity of such assets to fulfil certain operational requirements described in Paragraphs 38-45.

3.1.1 Characteristics of HQLA

29. Assets are considered to be HQLA if they can be easily and immediately converted into cash at little or no loss of value. The liquidity of an asset depends on the underlying stress scenario, the volume to be monetised and the timeframe considered. The following outlines the factors that influence whether or not the market for an asset can be relied upon to raise liquidity when considered in the context of the possible stresses

3.1.1.1 Fundamental Characteristics

30. **Shariáh Compliance**: The structure and contracts underlying the liquid assets must be in compliance with Islamic commercial jurisprudence before the assets can be considered as HQLA.

31. **Low risk**: Assets that are less risky tend to have higher liquidity. High credit standing of the issuer and a low degree of subordination increase an asset's liquidity. Low sensitivity to

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changes in interest rate, low legal risk, low inflation risk and denomination in a convertible currency with low foreign exchange risk all enhance an asset's liquidity.

32. **Ease and certainty of valuation**: An asset's liquidity increases if market participants are more likely to agree on its valuation. Assets with more standardised, homogenous, and simple structures tend to be more fungible, promoting liquidity. The pricing formula of a HQLA must be easy to calculate and not dependent on strong assumptions. The inputs into the pricing formula must also be publicly available2 ;

33. **Low correlation with risky assets**: The stock of HQLA should not be subject to wrong-way (highly correlated) risk[2]; and

34. **Listed on a developed and recognised exchange:** Being listed increases an asset's transparency and that ensures sufficient information on pricing and trading is available to the public.

3.1.1.2 Market-Related Characteristics

35. **Active and sizeable market**: The asset should have active outright sale or Shariah-compliant repo markets at all times. This means that there should be historical evidence of

[2] For example, assets issued by financial institutions are more likely to be illiquid in times of liquidity stress in the banking sector

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market breadth and depth, and a robust market infrastructure in place.

36. **Low volatility:** Assets whose prices remain relatively stable and are less prone to sharp price declines over time will have a lower probability of triggering a forced sale to meet liquidity requirements. There should also be historical evidence of relative stability of the market in terms of prices, haircuts, and volumes during stressed periods.

37. **Flight to quality:** Historically, market had shown tendencies to move into these types of assets in a systemic crisis. The correlation between proxies of market liquidity and banking system stress is one simple measure that could be used.

3.1.2 Operational Requirements

38. Operational requirements are designed to ensure that the stock of HQLA is managed in such a way that the reporting entity can, and is able to demonstrate that it can, immediately use the stock of assets as a source of contingent funds and that the stock of assets is available for the reporting entity to convert into cash through outright sale or Shariah-compliant repo. The aim is to fill funding gaps between cash inflows and outflows at any time during the 30-day stress period with no restriction on the use of the liquidity generated.

39. A reporting entity shall treat an asset as HQLA only if the following operational requirements

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are met:

a) A reporting entity must periodically monetise a representative proportion of the assets in the stock through outright sale or Shariah-compliant repo, in order to test its access to the market, the effectiveness of its processes for monetisation, the availability of the assets, and to minimise the risk of negative signalling during a period of actual stress;

b) All assets in the stock should be unencumbered, i.e., free of legal, regulatory, contractual, or other restrictions on the ability of the reporting entity to liquidate, sell, transfer, or assign the asset. Pledged assets do not fulfil this requirement. An asset in the stock should not be pledged (either explicitly or implicitly) to secure, collateralise or credit-enhance any transaction, nor be designated to cover operational costs (such as rents and salaries). Assets received in Shariah-compliant reverse repo and securities financing transactions that are held by the reporting entity, have not been rehypothecated, and are legally and contractually available for the reporting entity's use can be considered as part of the stock of HQLA.

c) A reporting entity should exclude from the stock those assets that, although meeting the definition of 'unencumbered" specified in (b) above, the entity does not have the operational capability to monetise to meet outflow during stress period. Operational capability to monetise assets requires having procedures and appropriate systems in

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place;

d) Monetisation of the asset must be executable from an operational perspective in the standard settlement period for the asset class in the relevant jurisdiction;

e) A reporting entity has a policy in place that identifies the legal entities, geographical locations, currencies and specific custodial or bank accounts where HQLA are held;

f) The stock must be under the control of the function charged with the responsibility of managing the liquidity of the reporting entity (e.g. the treasurer) and the function should have continuous authority, and legal and operational capability, to monetise any asset in the stock.

40. A reporting entity may use Shariah-complaint hedging transaction against the market risk associated with ownership of the stock of HQLA and still include the assets in the stock. If it chooses to hedge the market risk, the reporting entity should take into account (in the market value applied to each asset) the cash outflow that would arise if the hedge were to be closed out early (in the event of the asset being sold);

41. The function charged with the responsibility of managing liquidity must have access to all necessary information to execute monetisation of any asset at any time. It must also evidence

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control either by:

a) maintaining assets in a separate pool managed by the function with the sole intent for use as a source of contingent funds, or

b) demonstrating that the function can monetise the asset at any point in the 30- day stress period and that the proceeds of doing so are available to the function throughout the 30-day stress period without directly conflicting with a stated business or risk-management strategy.

42. Assets held in legal entities without market access should only be included to the extent that they can be freely transferred to other entities that could monetise the assets.

43. The reporting entity must exclude from the stock of HQLA those assets where there are impediments to sale, such as large fire-sale discounts which would cause it to breach minimum solvency requirements, or requirements to hold such assets.

44. Reporting entities must not include in the stock of HQLA any assets, or liquidity generated from assets, they have received under right of rehypothecation if the beneficial owner has the contractual right to withdraw those assets during the 30- day stress period.

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45. The reporting entity must be able to show proof of existence of policies, procedures and systems that monitor the current market value, as well as:

a) diversification of the stock of HQLA within the asset classes themselves (except for cash, FGN Sukuk and other Shariah-compliant instruments issued by the Nigerian Government, and accounts with the CBN); and

b) concentration with respect to asset type, issue and issuer type, and currency (consistent with the distribution of net cash outflows by currency) within asset classes

3.2 Definition of HQLA

46. The HQLA are defined as assets unencumbered by liens and other restrictions on transfer which can be converted into cash easily and immediately, with little or no loss of value, including under the stress scenario. The assets are required to meet fundamental and market-related characteristics, particularly in terms of low risk, ease and certainty of valuation, and low volatility. HQLA should also be eligible for intraday and overnight liquidity facilities offered by the central bank or other authority.

47. The stock of HQLA are divided into two main categories or levels: Level 1 and Level 2. Level 1 assets can be included without limit (that is, 100%), while Level 2 assets can only comprise

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up to 40% of the stock. Level 2 assets are further sub-divided into Level 2A and Level 2B assets on the basis of their price-volatility. Level 2B assets can comprise no more than 15% of the total stock of HQLA and must be included within the overall 40% cap on Level 2 assets.

3.2.1 Level 1 Assets

48. Level 1 assets can constitute an unlimited share of the pool and are not normally subject to a haircut under the LCR. Level 1 assets are limited to:

a) coins and banknotes;

b) central bank reserves (including required reserves), to the extent that the central bank policies allow them to be drawn down in times of stress;

c) Sukūk and other Sharī`ah-compliant marketable securities issued or guaranteed by sovereigns, central banks, public-sector entities (PSEs), multilateral development banks (MDBs) or relevant international organisations such as the International Islamic Liquidity Management Corporation (IILM) that satisfy all of the following conditions:

i. assigned a 0% risk-weight under the Standardised Approach (SA) to credit risk as per CBN Guidance Notes on the Calculation of Capital Requirement for Credit

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Risk for NIFIs;

ii. traded in large, deep, and active Shariáh compliant repo or cash markets characterized by a low level of concentration;

iii. have a proven record as a reliable source of liquidity in the markets (through Shariáh compliant repo or outright sale) even during stressed market conditions; and

iv. not an obligation of a financial institution or any of its associated entities.

d) Sukūk and other Sharī`ah-compliant marketable securities issued by sovereign or central banks that have a non-0% risk weight, but are issued in domestic currencies by the sovereign or central bank in the country in which the liquidity risk is being taken or in the reporting entity's home jurisdiction; and

e) Sukūk and other Sharī`ah-compliant marketable securities issued by sovereign or central bank that have a non-0% risk weight, but are issued by a domestic sovereign or central bank as securities in foreign currencies up to the amount of the reporting entity's stressed net cash outflows in that specific foreign currency stemming from its operations in the jurisdiction where the liquidity risk is being taken.

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3.2.2 Level 2 Assets

49. Level 2 assets (comprising Level 2A assets and Level 2B assets permitted by the CBN) are limited to 40% of the overall stock of HQLA after haircuts have been applied. The method for calculating the cap on Level 2 assets and the cap on Level 2B assets is set out in Appendix I

3.2.2.1 Level 2A Assets

50. A 15% haircut is applied to the current market value of each Level 2A asset held in the stock of HQLA. Level 2A assets are limited to the following:

a) Sharī`ah-compliant marketable securities/Sukūk issued or guaranteed by sovereigns, central banks, PSEs, MDBs or relevant international organisations, which are assigned a 20% risk weight under the SA to credit risk as per CBN Guidance Notes on the Calculation of Capital Requirement for Credit Risk for NIFIs;

b) Sharī`ah-compliant securities (including Sharī`ah-compliant commercial paper) and Sukūk that satisfy all of the following conditions:

i. not issued by the reporting entity or any of its affiliated entities;

ii. either: (a) have a long-term credit rating from a recognised external credit assessment

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

These assets should be:

- traded in a market characterised by a low level of concentration; and
- able to be regarded as a reliable source of liquidity at all times (i.e. maximum decline of price not exceeding 10% or increase in haircut not exceeding 10 percentage points over a 30-day period during a relevant period of significant liquidity stress).

3.2.2.2 Level 2B Assets

51. The reporting entity should be able to fully demonstrate to the CBN that it has appropriate systems and measures to monitor and control the potential risks (e.g., credit and market risks) that the entity could be exposed to in holding these assets.

52. The Level 2B assets are limited to the following:

a) Sukūk and other Sharī`ah-compliant securities backed by commodity(ies) and other real asset(s) that satisfy all of the following conditions, subject to a 25% haircut:

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i. not issued by, and the underlying assets have not been originated by, the NIB itself or any of its affiliated entities;

ii. have a long-term credit rating from a recognised ECAI of AA or higher, or in the absence of a long-term rating, a short-term rating equivalent in quality to the long term rating;

iii. being traded in a market characterised by a low level of concentration and being regarded as a reliable source of liquidity at all times – that is, a maximum decline in price not exceeding 20% or an increase in a haircut over a 30-day period not exceeding 20 percentage points during a relevant period of significant liquidity stress; and

iv. the underlying asset pool is restricted to Sharī`ah-compliant (residential) mortgages and cannot contain structured products.

b) *Sukūk* and other *Sharī`ah*-compliant securities that satisfy all of the following conditions may be included in Level 2B, subject to a 50% haircut:

i. not issued by the reporting entity or any of its affiliated entities;

ii. either: (a) have a long-term credit rating from a recognised ECAI of between A+ and BBB- or, in the absence of a long-term rating, a short-term rating equivalent

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in quality to the long-term rating; or (b) do not have a credit assessment by a recognised ECAI and are internally rated as having a probability of default corresponding to a credit rating of between A+ and BBB-; and

iii. being traded in a market characterised by a low level of concentration and being regarded as a reliable source of liquidity at all times – that is, a maximum decline in price not exceeding 20% or an increase in a haircut over a 30-day period not exceeding 20 percentage points during a relevant period of significant liquidity stress.

c) b) *Sharī`ah*-compliant equity shares that satisfy all of the following conditions may be included in Level 2B, subject to a 50% haircut:

i. not issued by the reporting entity or any of its affiliated entities;

ii. exchange traded and centrally cleared;

iii. a constituent of the major stock index in the home jurisdiction or where the liquidity risk is taken, as decided by the supervisor in the jurisdiction where the index is located;

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iv. denominated in the domestic currency of the reporting entity's home jurisdiction or in the currency of the jurisdiction where its liquidity risk is taken;

v. being traded in a market characterised by a low level of concentration and being regarded as a reliable source of liquidity at all times – that is, a maximum decline in price not exceeding 40% or an increase in a haircut over a 30-day period not exceeding 40 percentage points during a relevant period of significant liquidity stress.

d) Other Sharī`ah-compliant instruments or Sukūk that are widely recognised in the home jurisdiction may be included in Level 2B, subject to a minimum 50% haircut if they meet the following conditions:

i. not issued by a financial institution or any of its affiliated entities; and

ii. being traded in a market characterised by a low level of concentration and being regarded as a reliable source of liquidity at all times.

e) Sukūk and other Sharī`ah-compliant marketable securities issued by sovereign or central banks rated BBB+ to BBB- that are not included in Level 1 assets may be included in Level 2B assets with a 50% haircut.

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f) Sharī`ah-compliant committed liquidity facility[3] (CLF) provided by a central bank where this has not already been included in HQLA. in accordance with Option 1 in the alternative liquidity approaches (ALA) in paragraph 55.

3.3 Approval of other types of HQLA

53. The CBN may approve other types of assets – in addition to those specified in paragraphs 48 to 52 – as being eligible to be included in the stock of HQLA for the purposes of the calculation of the LCR.

54. In the exercise of its discretion as stated in paragraph 53 and approves any Shariah Compliant Product as HQLA, the CBN shall define the conditions that the assets must satisfy to be treated as HQLA. It must specify whether the assets are to be treated as Level 1 HQLA or Level 2A or 2B HQLA, and the haircut, if any, to be applied to them.

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[3] Such facility must be structured using a Sharī`ah-compliant contract in which fee or return is payable after using the facility, as a commitment fee payable in advance is not Sharī`ah-compliant. The restricted-use committed liquidity facility (RCLF) must be supported by unencumbered collateral of a type specified by the central bank or other authority providing the facility. The collateral must be held in a form which supports immediate transfer to the central bank or other authority should the facility need to be drawn and be sufficient (post-haircut) to cover the total size of the facility. Collateral used to support an RCLF cannot simultaneously be used as part of HQLA.

3.4 Alternative liquidity approach

55. Where a reporting entity has demonstrated that it has challenge in meeting the required HQLA, the entity may be allowed to use the alternative liquidity approach (ALA) in order to meet the requirement of LCR. The options available under the ALA are as follows:

a) Option 1: Contractual Committed Liquidity Facilities from the CBN:

Under this option, a reporting entity can access liquidity facilities from the CBN for a fee or return in order to compensate for the shortfall in Shariah-compliant HQLA. The facility can be based on any Shariah-compliant product for NIBs liquidity risk management issued by the CBN such as Central Bank Non-Interest Asset Backed Security (CNIABS) and other products that may be approved by the CBN in the future. The facilities shall have a maturity date which, at a minimum, falls outside the 30-day LCR window and must be irrevocable prior to maturity.

b) Option 2: Foreign Currency HQLA to Cover Domestic Currency Liquidity Needs:

The second option would allow the reporting entity to hold HQLA in a currency that does not match the currency of the associated liquidity risk if there is a shortfall of HQLA in the domestic currency. For this option, the reporting entity can hold Sukūk and other Sharī`ah-compliant

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securities issued in foreign currencies that fall under categories of Level 1 and Level 2 assets. Sukūk issued by MDBs, as well as other international Islamic infrastructure institutions such as the Islamic Development Bank (IDB) and the IILM fall under this category, which fulfils the conditions mentioned in section 3.2.1 and 3.2.2.

To use this option, the reporting entity must ensure that it has met CBN extant regulation on both foreign exchange trading position as well as net open position. To account for foreign exchange risk associated with foreign currency HQLA used to cover liquidity needs in the domestic currency, such liquid assets should be subject to a minimum haircut of 8% for major currencies that are active in global foreign exchange markets.

c) Option 3: Additional use of Level 2 Assets with a Higher Haircut:

Option 3 is available for a reporting entity with insufficient Level 1 assets as determined by the CBN through a supervisory liquidity review process (SLRP), but where there are sufficient Level 2A assets. The reporting entity shall be allowed to hold additional Level 2A assets. This option will enable the reporting entity to have Level 2 assets up to 50% of the total HQLA. The additional level 2A assets would be subject to a minimum haircut of 20%.

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4.0 Total Net Cash Outflows

56. Reporting entity must calculate its Total Net Cash Outflow over the following 30 calendar days in accordance with the following formula:

Total Net Cash Outflows over the next 30 calendar days
=
total expected cash outflows
–
whichever is the lesser amount of total expected cash inflows or 75% of total expected cash outflows

4.1 Expected Cash Outflows

57. Reporting entities shall calculate the total expected cash outflows by multiplying the outstanding balances of various categories of liabilities and off-balance sheet commitments by the outflow rates as specified in paragraphs 64 to 103

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4.1.1 Treatment of Profit Sharing Investment Account (PSIAs)

58. PSIA are income-earning deposits of the NIB, and they are (whether retail or wholesale) categorized into restricted profit-sharing investment account (RPSIA)[4] and unrestricted profit-sharing investment (UPSIA)[5].

59. The applicable run-off factor for PSIA depends on the withdrawal rights of the investment account holders (IAH) and whether they are retail or wholesale accounts, as indicated in paragraphs 64 to 96. Whether the PSIA are reported on-or off-balance sheet is not relevant. For the PSIAs, IAHs may or may not have the right to withdraw funds before the contractual maturity date.

60. Where reporting entity manages PSIA without withdrawal rights prior to maturity, the entity is

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[4] RPSIA, in respect of which the usage of the funds by the NIB is subject to investment criteria specified by the NIB in the Muḍārabah or Wakālah contract, or agreed upon between the investment account holders (IAH) and the NIB at the time of contracting. The IAH share in the returns and bear the risks of a specific class of assets or a specified type of asset portfolio, as agreed with the restricted IAH, and there is typically no commingling of NIB funds and IAH funds. RPSIA are normally reported off-balance sheet in financial statements.
investment account holders (IAH) and the NIB at the time of contracting. The IAH share in the returns and bear the risks of a specific class of

[5] UPSIA, in respect of which the NIB has full discretion in making investment decisions, and the IAH funds may be used "commingled" in an asset pool in which shareholders' and current account holders' funds (which are guaranteed by the NIB) are also invested. UPSIA are expected to share in the overall risks of the jointly funded investments made by the NIB, as reflected in the volatility of overall returns from investments made with a proportion of UPSIA funds and proportions of shareholders' and current account holders' funds that have been commingled. UPSIA are normally reported on-balance sheet in financial statements

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not exposed to run-off rate for LCR purposes, unless the contract maturity date falls within the next 30 days. Where IAH have withdrawal rights subject to giving at least 30 days' notice, the reporting entity is also not exposed to outflow rate from them for LCR purposes – except for those accounts for which notice of withdrawal has been given and the withdrawal date falls within the next 30 days, or those which mature within the next 30 days.

61. Reporting entity is exposed to run-off rate for LCR purposes where the PSIA agreement gives the IAH right to withdraw funds at less than 30 days' notice without any "significant reduction of profit"[6]. Where a reporting entity offers such PSIA, it would be expected to retain a proportion of HQLA in the relevant PSIA fund in order to meet withdrawals, in which case the HQLA would be netted off the amount of the run-off in calculating the total net cash outflows.

62. However, it should be noted that if a reporting entity has voluntarily waived such restrictions and permitted withdrawals to be made at short notice (i.e. less than 30 days) without any significant reduction of profit, such restrictions will have to be ignored subsequently in determining the applicable run-off factor. The run-off factor applied to the PSIA is based on the aforementioned minimum ratios in paragraphs 65 to 75.

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[6] In the Basel document, the term "significant penalty" is used to refer to any amount charged to the customer that is materially greater than the loss of interest in case of early withdrawal. In the case of RPSIA, premature withdrawal of funds by an RPSIA holder is likely to require the NIB to realise assets at less than their carrying value. Any losses and other costs of so doing, properly determined, would be borne by the RPSIA holder in addition to loss of accrued income.

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63. Where the funds of PSIA are invested in assets with a liquid secondary market, such that under normal conditions the assets may be monetised rapidly in time to meet a demand for withdrawal, there is a risk that under stressed conditions it may not be possible to monetise the assets so readily. Hence, there is a potential exposure to a (net) run-off for LCR purposes. The amount of the run-off for LCR purposes shall reduce only in respect of cash and HQLA held in the PSIA fund.

4.1.2 Retail Deposit and PSIA

64. Retail deposits and PSIA shall consist of deposits placed with a reporting entity by a natural person. Retail deposits subject to the LCR shall include all retail demand deposits and PSIA (contracted through any of the equity-based or agency-based contracts). Reporting entity shall divide retail deposits that are subjected to the LCR into 'stable' and 'less stable' portions of funds and such retail deposits shall be assigned a minimum run-off rate in accordance with paragraphs 65 to 75.

4.1.2.1 Stable Deposit

65. Stable deposits shall refer to retail deposits which are fully insured by an effective deposit insurance scheme (e.g., Nigeria Deposit Insurance Corporation (NDIC)) up to the maximum coverage limit or by a public guarantee that provides equivalent protection, and fulfil either one of the following criteria:

a) depositors have one or more established relationships with the banking institution in accordance

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with paragraph 67; or

b) deposits are in transactional accounts, which refer to accounts which are regularly credited or debited (e.g. accounts where salaries are automatically deposited).

66. A reporting entity shall assign a run-off rate of 5% to stable deposits.

67. An established relationship shall refer to any banking relationship excluding deposit and credit card relationships, whereby:

a) the relationship has existed for at least 12 months; or

b) the depositor is contractually bound to the relationship with the reporting entity for at least the next 12 months.

68. Deposit balances up to the deposit insurance limit may be treated as “fully insured” even if a depositor has a balance in excess of the deposit insurance limit. However, any amount in excess of the deposit insurance limit must be treated as “less stable”.

69. With respect to paragraph 65, an effective deposit insurance scheme refers to a scheme which fulfils the following criteria: i. the scheme guarantees that it has the ability to make prompt payouts; ii. the coverage of the scheme is clearly defined; and iii. public awareness of the scheme is high.

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70. **For the avoidance of doubt, all deposits insured by NDIC shall be deemed as deposits insured by an effective deposit insurance scheme**.

4.1.2.2 Less Stable Deposit

71. A reporting entity shall categorise retail deposits and PSIA which do not meet the criteria set out in paragraph 65 as less stable deposits and shall assign a run-off rate of 10% to such deposits. These retail deposits and PSIA shall include any amounts in excess of the maximum coverage limit by the NDIC.

72. If a reporting entity is not able to readily identify which retail deposit and PSIA that would qualify as 'stable' deposit as set in paragraph 65, it should place the full amount in the 'less stable' bucket.

4.1.3 Unsecured Wholesale Funding

73. For the purpose of LCR, unsecured wholesale funding is defined as those liabilities and general obligations that are raised from non-natural persons (i.e., legal entities, including sole proprietorships and partnerships) and are not collateralised by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution.

74. The wholesale funding included in the LCR is defined as all funding that is callable within the LCR's horizon of 30 days or that has its earliest possible contractual maturity date situated within this horizon

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(such as maturing term deposits and unsecured debt securities) as well as funding with an undetermined maturity. This should include all funding with options that are exercisable at the fund provider's discretion within the 30-calendar-day horizon.

75. Wholesale funding that is callable by the fund provider subject to a contractually defined and binding notice period surpassing the 30-day horizon is not included.

76. Unsecured wholesale funding includes:

a) **Unsecured wholesale funding provided by small business customers: 5%, 10% and higher**

77. Unsecured wholesale funding provided by small business customers is treated the same way as retail deposits under these guidelines, effectively distinguishing between a "stable" portion of funding provided by small business customers and different buckets of less stable funding defined in these Guidelines. The same bucket definitions and associated run-off factors apply as for retail deposits. See **Appendix A** for specific haircuts.

a) **Operational deposits generated by clearing, custody, and cash management activities: 25%**

81. Operational deposits are those where financial and non-financial customers place, or leave, deposits

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with a bank to facilitate their access and ability to use payment and settlement systems and otherwise make payments. These funds may receive a 25% run-off factor only if the customer has a substantive dependency with the bank and the deposit is required for such activities. A run-off rate of 5% shall be applied on the portion of operational deposits which is fully covered by the Nigeria Deposit Insurance Corporation (NDIC).

82. Qualifying activities in these Guidelines refer to clearing, custody or cash management activities that meet the following criteria:

  b) the customer must be reliant on the reporting entity to perform these services as an independent third-party intermediary in order to fulfil its normal banking activities over the next 30 days[7];

  c) these services must be provided under a legally binding agreement to institutional customers;

  d) the termination of such agreements must be subject either to a notice period of at least 30 days or significant switching costs (such as those related to transaction, information technology, early termination or legal costs) to be borne by the customer if the operational deposits are moved before 30 days.

83. The operational deposits generated by such an activity are where:

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7 This condition would not be met if the entity is aware that the customer has adequate backup arrangements.

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b) the deposits are by-products of the underlying services provided by the reporting entity and not sought out in the wholesale market in the sole interest of offering interest income; and

c) the deposits are held in specifically designated accounts and priced without giving an economic incentive to the customer to leave excess funds on these accounts.

84. Any excess balances that could be withdrawn and would still leave enough funds to fulfil these clearing, custody or cash management activities do not qualify for the 25% factor. Excess balances must be treated in the appropriate category for non-operational deposits. If reporting entities are unable to determine the amount of the excess balance, then the entire deposit must be assumed to be excess requirements and, therefore, considered non-operational.

85. A reporting entity must determine the methodology for identifying excess deposits that are excluded from this treatment. The assessment should be conducted at a sufficiently granular level to adequately assess the risk of withdrawal in an idiosyncratic stress scenario.

86. Operational deposits must receive a 0% inflow assumption for the depositing bank given that these deposits are required for operational reasons and are therefore not available to the depositing bank to repay other outflows.

87. Notwithstanding the operational categories, if the deposit under consideration arises out of correspondent banking or from the provision of prime brokerage services, it must be treated as if there

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were no operational activity for the purpose of determining the run-off factors.

88. A reporting entity should evaluate whether activities described in Paragraph 89 to 91 do indeed generate an operational deposit as not all such activities qualify due to differences in customer dependency, activity and practices.

89. **A clearing relationship** refers to a service arrangement that enables customers to transfer funds (or securities) indirectly through direct participants in domestic settlement systems to final recipients. Such services are limited to the following activities:

b) transmission, reconciliation, and confirmation of payment orders;

c) intra-day overdraft, overnight financing, and maintenance of post-settlement balances; and

d) determination of intra-day and final settlement positions.

90. **A custody relationship** refers to the provision of safekeeping, reporting, processing of assets or the facilitation of the operational and administrative elements of related activities on behalf of customers in the process of their transacting and retaining financial assets. Such services are limited to the settlement of securities transactions, the transfer of contractual payments, the processing of collateral, and the provision of custody related cash management services. Also included are the receipt of dividends and

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other income, client subscriptions and redemptions[8] . A custodial service is as defined by the CBN Scope, Conditions & Minimum Standards for Commercial Banks Regulations No. 01, 2010.

91. **A cash management relationship** refers to the provision of cash management and related services to customers. Cash management services refers to those products and services provided to a customer to manage its cash flows, assets, and liabilities, and conduct financial transactions necessary to the customer's ongoing operations. Such services are limited to payment remittance, collection and aggregation of funds, payroll administration, and control over the disbursement of funds.

92. 87.The portion of the operational deposits generated by clearing, custody and cash management activities that are fully covered by the deposit insurance (NDIC) may receive the same treatment as "stable" retail deposits.

c) Unsecured wholesale funding provided by non-financial corporates and sovereigns, central banks, multilateral development banks, and PSEs: 20% or 40%

93. This category includes all deposits and other extensions of unsecured funding from non-financial corporate customers (that are not categorised as small business customers) and (both domestic and foreign) sovereign, central bank, multilateral development bank, and PSE customers that are not

[8] Custodial services can extend to asset and corporate trust servicing, treasury, escrow, funds transfer, stock transfer and agency services, including payment and settlement services, and depository receipts.

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specifically held for operational purposes (as defined above). The run-off factor for these funds is 40%.

94. Unsecured wholesale funding provided by non-financial corporate customers, sovereigns, central banks, multilateral development banks, and PSEs without operational relationships should receive a 20% run-off factor only if the entire amount of the deposit is fully covered by an effective deposit insurance (NDIC) or by a public guarantee that provides equivalent protection.

d) Unsecured wholesale funding provided by other legal entity customers: 100%

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

96. All Shariah compliant securities issued by a reporting entity must be included in this category regardless of the holder, unless the instrument is sold exclusively in the retail market and held in retail accounts (including small business customer accounts treated as per paragraph 77 in which case the instruments may be treated in the appropriate retail or small business customer deposit category.

4.1.4 Secured Funds

97. Secured funding is defined as liabilities and general obligations with maturities of less than 30 days that

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are collateralised by legal rights to specifically designated assets owned by the counterparty in the case of bankruptcy, insolvency, liquidation or resolution. Various run-off factors are assigned to these funds, depending on the type of collateral. The secured funding transactions with a central bank counterparty or backed by Level 1 assets with any counterparty are assigned a 0% run-off factor. A 15% run-off factor is assigned to secured funding transactions backed by Level 2A assets with any counterparty.

98. Higher run-off factors are assigned to secured funding not backed by Level 1 or Level 2A assets. Secured funding transactions backed by assets that are neither Level 1 nor Level 2A, with domestic sovereign, MDBs or domestic PSEs as a counterparty, as well as secured funding backed by commodity or real assets eligible for inclusion in Level 2B, may receive 25% run-off factors. On the other hand, secured funding backed by other Level 2B assets and all other secured funding transactions that do not fall within the above categorisations shall be assigned 50% and 100% run-off factors, respectively.

99. For all other maturing transactions, the run-off factor is 100%, including transactions where an NIB has met customers' short positions with its own long inventory. Table 2.1 summarises the applicable standards.

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Table 1: Amount to Add to Cash Outflows

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Categories for outstanding maturing secured funding transactions	Amount to add to cash outflows
❖ Backed by Level 1 assets or with central banks	0%
❖ Backed by Level 2A assets	15%
❖ Secured funding transactions with domestic sovereign, PSEs or MDBs that are not backed by Level 1 or 2A assets. PSEs that receive this treatment are limited to those that have a risk weight of 20% or lower. ❖ Backed by Sharī`ah-compliant residential mortgage-backed securities (RMBS)28 eligible for inclusion in Level 2B	25%
❖ Backed by other Level 2B assets	50%

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❖ All others	100%

4.1.5 Additional Requirements

100. Instruments under this category could include Sharī`ah-compliant hedging (Tahawwut) instruments, which are assigned a 100% run-off factor; undrawn credit and liquidity facilities to retail and small business customers, which are assigned a 5% run-off factor; undrawn financing facilities to non-financial corporates as well as sovereigns, central banks, PSEs and MDBs, which are assigned a 10% run-off factor for credit and a 30% run-off factor for liquidity; as well as other contractual obligations extended to financial institutions, which are assigned a 100% run-off factor.

101. Trade finance-related obligations – including Sharī`ah-compliant guarantees and letters of credit, that fall under other contingent funding obligations are to be treated as follows:

a) A 0% run-off factor will apply if its revocable;

b) A 5% or lower run-off factor is applicable if its irrevocable.

4.1.6 CMT-based Deposits

102. Where a reporting entity raises deposit liabilities through a Reverse CMT and the remaining term of the

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Reverse CMT does not exceed 30 days, then the following run-off factors should be applied to the balance of the Reverse Murābahah payable:

a) Retail and small business deposits: 20%

b) Non-financial corporates (other than small businesses) and sovereigns, central banks, MDBs and PSEs when the deposits are not held for operational purposes: 40% unless entirely covered by NDIC or guarantee, in which case the run-off factor is 20%

c) Financial institutions, fiduciaries, beneficiaries, SPVs and affiliated entities, when the deposits are not held for operational purposes: 100%

4.1.7 Sharī`ah-compliant Interbank Contracts

103. As transaction in the interbank are usually structured as unsecured wholesale funding as decribed under section 0, and where a reporting entity received funding through Shariah-compliant interbank, the run-off rate applied to these transactions, maturing in the next 30 calendar days, is 100%. Sharī`ah-compliant funding of NIB banking windows of conventional banks from its parent bank do not exhibit a high risk of withdrawal even under stressed conditions. The run-off factor on such funding shall be 50%. In case any such transaction is secured by Sharī`ah-compliant assets, such as a collateralised CMT, the run-off rate will be based on the type of underlying asset as specified in section 0.

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4.2 Cash Inflows

104. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in. To ensure a minimum level of HQLA holdings at all times, total cash inflows are subject to an aggregate cap of 75% of total expected cash outflows (see Appendix A for details on the inflow rates).

105. When considering cash inflows, a reporting entity should include only contractual inflows from outstanding exposures that are fully performing and for which the reporting entity has no reason to expect a default within the 30-day time horizon. Contingent inflows (such as returns on profit-sharing instruments) are not included in total net cash inflows.

106. The first category of cash inflows is secured financing, including Sharī`ah-compliant alternatives to reverse repos and securities borrowing.

107. Reporting entity should assume that the maturity of financing secured by Level 1 assets will be rolled over and will not give rise to any cash inflows. Therefore, an inflow factor of 0% will be applied to this kind of transaction. Maturing financing secured by Level 2 assets will lead to cash inflows equivalent to the relevant haircut for the specific assets. For instance, a 15% inflow factor is assigned if the transaction is secured by Level 2A assets; and an inflow factor of 25–50% is assigned if it is secured by Level 2B assets. A reporting entity should apply an inflow factor of 100% on secured financing

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covered by non-HQLA assets.[9]

108. The second category of reporting entity's cash inflows is committed facilities. No financing facilities, liquidity facilities or other contingent funding facilities that the reporting entity holds at other institutions for its own purposes will be assumed to be drawn. Such facilities receive a 0% inflow rate, meaning that this scenario does not consider inflows from committed financing or liquidity facilities.[10]

109. The third category of cash inflows is inflows from various counterparties, for which the inflow rate is determined by the type of counterparty. This category of inflows takes into account cash inflows from either secured or unsecured transactions from various counterparties, which are categorised as:

a) retail customers and small business customers and

b) wholesale inflows, including non-financial corporates, central banks, as well as financial institutions/IIFS and other entities.

110. The inflow rate will be determined based on the type of counterparty. Non-financial wholesale

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[9] Reporting entity is assumed not to roll over maturing secured financing covered by non-HQLA assets, and can assume that it will receive back 100% of the cash related to those agreements (i.e. an inflow factor of 100%).

[10] This is intended to reduce contagion risk, where liquidity shortages at one NIB cause shortages at other NIBs, and to reflect the risk that other NIBs may not be in a position to honour financing facilities, or may decide to incur the legal and reputational risk involved in not honouring the commitment in order to conserve their own liquidity or reduce their exposure to that NIB.

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counterparties, as well as retail customers, may be assigned a 50% inflow factor, while financial institutions and central bank counterparties may be assigned a 100% inflow factor.

111. Inflows from financing that have no specific maturity (i.e. have undefined or open maturity) should not be included. Therefore, no assumptions should be applied as to when maturity of such financing would occur. An exception to this would be minimum payments of principal, fee or profit associated with an open maturity financing, provided that such payments are contractually due within 30 days. These minimum payment amounts should be captured with an inflow factor of 100%.

112. Inflows from securities maturing within 30 days that are not included in the stock of HQLA should be placed in the same category as inflows from financial institutions with inflow factor of 100%.

113. Deposits held at other financial institutions for operational purposes which fall under the category of operational accounts are assumed to stay at the counterparties. Thus, no inflows can be counted for these funds (0% inflow rate). The same treatment applies for deposits held at the centralised institution in a cooperative banking network, as such funds are assumed to stay at the centralised institution.

114. **Other cash inflows** – that is, inflows that are not categorised under the above categories. This category includes Sharī`ah-compliant hedging to which an inflow rate of 100% is assigned.

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APPENDICES

APPENDIX A

Illustrative Summary of the Liquidity Coverage Ratio (LCR) for Non-Interest Banks in Nigeria

(Percentages are factors to be multiplied by the total amount of each item)

Item	Factor
Stock of High Quality Liquid Assets (HQLA)	
. Level 1 assets:	
❖ Coins and banknotes ❖ Qualifying central bank reserves (including required reserves). ❖ Qualifying Sukūk and other Sharī`ah-compliant marketable securities issued or guaranteed by sovereigns, central banks, public-sector entities (PSEs),	

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multilateral development banks or relevant international organisations assigned a 0% risk weight for credit risk under IFSB-15 ❖ Qualifying domestic currency Sukūk and other Sharī`ah-compliant marketable securities issued by sovereign or central banks that have a non-0% risk weight ❖ Qualifying foreign currencies' Sukūk and other Sharī`ah-compliant marketable securities issued by sovereign or central banks that have a non-0% risk weight	100%
Level 2 assets (maximum of 40% of HQLA):	
Level 2A assets	
❖ Sharī`ah-compliant marketable securities issued or guaranteed by sovereigns, central banks, PSEs, multilateral development banks or relevant international organisations, qualifying for a 20% risk weighting for credit risk under IFSB-15. ❖ Qualifying Sharī`ah-compliant securities (including commercial paper) and	

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Sukūk that satisfy all of the conditions	
Level 2B assets (maximum of 15% of HQLA)	
❖ Qualifying Sukūk and other Sharī`ah-compliant securities	75%
❖ Qualifying Sharī`ah-compliant equity shares	50%
❖ Qualifying other Sharī`ah-compliant liquidity instruments that are widely recognised in the jurisdictions of the home country	50%
Total value of stock of HQLA	
Cash Outflows	
A. Retail deposits:	
Demand deposits and term deposits (less than 30 days' maturity)	

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❖ Stable deposits ❖ Less stable retail deposits	5% 10%
Term deposits with residual maturity greater than 30 days	0%
B. Unsecured wholesale funding:	
❖ Stable deposits ❖ Less stable retail deposits	5% 10%
Demand and PSIA (less than 30 days' maturity) provided by small business customers:	
❖ Stable deposits	5%

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❖ Less stable deposits	10%
Operational accounts generated by clearing, custody and cash management activities ❖ Portion covered by deposit insurance	25% 5%
Cooperative NIBs in an institutional network (qualifying deposits with the centralised institution)	25%
Non-financial corporates, sovereigns, central banks, multilateral development banks and PSEs	40%
If the entire amount fully covered by deposit insurance scheme	20%
Other legal entity customers	100%

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C. Secured funding:	
❖ Secured funding transactions with a central bank counterparty or backed by 0% Level 1 assets with any counterparty.	0%
❖ Secured funding transactions backed by Level 2A assets, with any counterparty	15%
❖ Secured funding transactions backed by non-Level 1 or non-Level 2A assets, with domestic sovereigns, multilateral development banks or domestic PSEs as a counterparty	25%
❖ Backed by residential mortgage-backed securities (RMBS) eligible for inclusion in Level 2B	25%
❖ Backed by other Level 2B assets	50%

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❖ All other secured funding transactions	100%
D. Additional requirements:	
Sharī`ah-compliant hedging (Tahawwut)	100%
Undrawn credit and liquidity facilities to retail and small business customers	50%
Undrawn credit facilities to non-financial corporate, as well as sovereign, central banks, PSEs and multilateral development banks	10%
Other contractual obligations extend to financial institution	100%
Trade finance	0%
Any additional contractual outflows	100%

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Any other contractual cash outflows	100%
Total cash outflows	
Cash Inflows	
❖ Maturing secured financing transactions backed by the following collateral:	
❖ Level 1 assets	0%
❖ Level 2A assets	15%
❖ Level 2B assets	25–50%
❖ All other assets	100%

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Credit or liquidity facilities provided to the reporting entity	0%
Operational accounts held at other financial institutions (include deposits held at centralised institution of a network of cooperative NIBs)	0%
Other inflows by counterparty:	
❖ Amounts to be received from retail counterparties ❖ Amounts to be received from non-financial wholesale counterparties, from transactions other than those listed in the above inflow categories ❖ Amounts to be received from financial institutions and central banks, from transactions other than those listed in the above inflow categories.	50% 50% 100%
Net Sharī`ah-compliant hedging cash inflows	100%

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Total cash inflows	
Total net cash outflows = Total cash outflows minus the lesser of [total cash inflows; 75% of gross outflows]	
LCR = Stock of HQLA/Total net cash outflows	

APPENDIX B

Liquidity Coverage Ratio (LCR) Disclosure Template and Calculation Details

	(In domestic currency)	Total unweighted[11]	Total weighted[12] value (average)

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

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

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		value (average)	
HIGH-QUALITY LIQUID ASSETS (HQLA)			
1.	Total HQLA*		
CASH OUTFLOWS			
2.	Retail deposits/ profit-sharing investment account (PSIA) and deposits/PSIA from small business customers, of which:		
3.	Stable deposits/PSIA		
4.	Less stable deposits/PSIA		

inflows and outflows)

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5	Unsecured wholesale funding, of which:		
6	Operational accounts (all counterparties) and deposits in networks of cooperative institutions offering Islamic financial services.		
7	Non-operational accounts (all counterparties)		
8	Unsecured wholesale funding		
9	Secured wholesale funding*		
10	Additional requirements, of which:		

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11	Outflows related to Sharī`ah-compliant hedging instrument exposures and other collateral requirements		
12	Outflows related to loss of funding on financing products		
13	Credit and liquidity facilities		
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	**TOTAL CASH OUTFLOWS***		
CASH INFLOWS			

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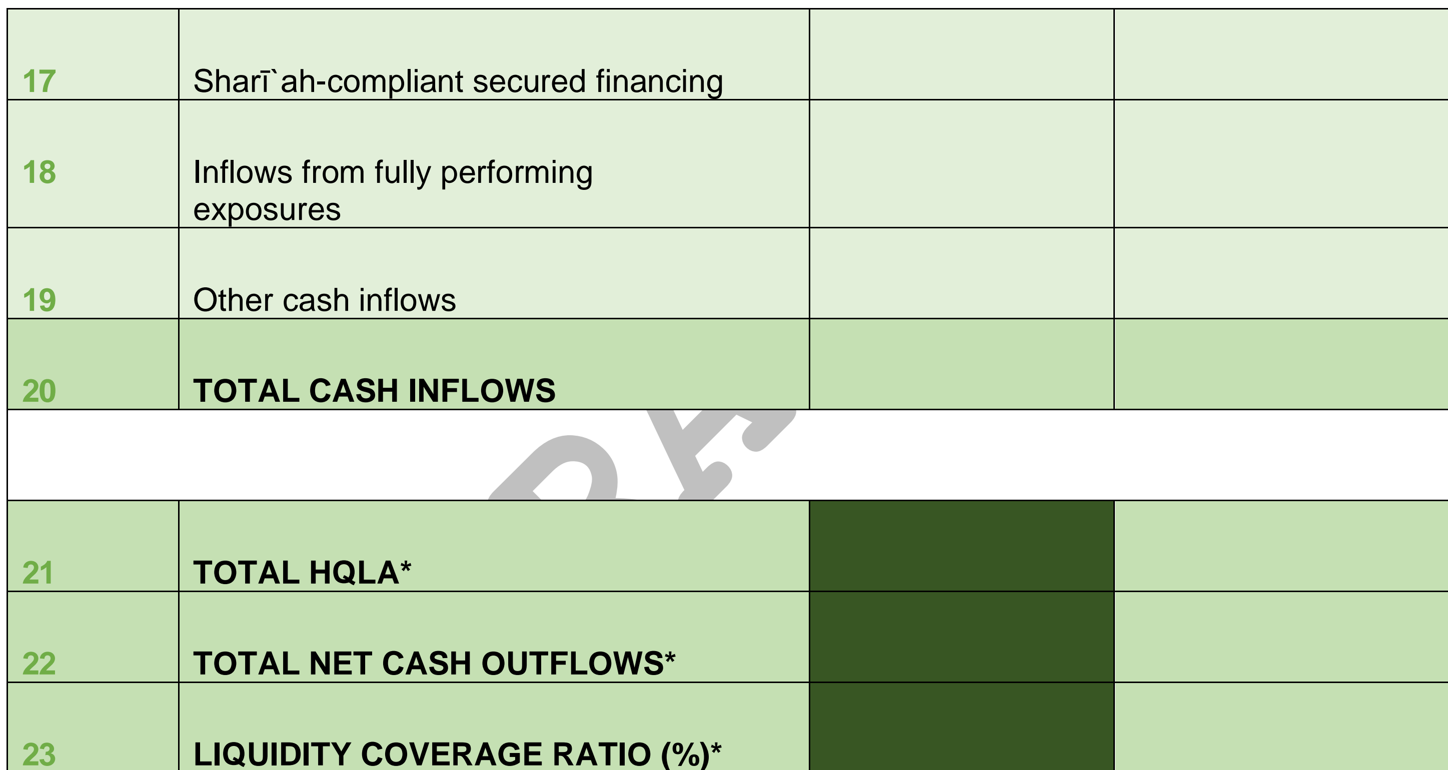

17	Sharī`ah-compliant secured financing		
18	Inflows from fully performing exposures		
19	Other cash inflows		
20	**TOTAL CASH INFLOWS**		
21	**TOTAL HQLA***		
22	**TOTAL NET CASH OUTFLOWS***		
23	**LIQUIDITY COVERAGE RATIO (%)***		

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