

LIQUIDITY RISK

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LIQUIDITY RISK

(Confidential and not available for inspection by the public)

Name of bank.....

Month ended..... (yyyy-mm-dd)

BA 300

Monthly

(All amounts to be rounded off to the nearest R'000)

Contractual balance sheet mismatch	Line no.	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years to 10 years	More than 10 years	Non contractual
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Contractual maturity of assets (items 2 to 4)	1															
Advances	2															
Trading, hedging and other investment instruments	3															
Other assets	4															
Contractual maturity of liabilities (items 6 to 9)	5															
Stable deposits	6															
Volatile deposits	7															
Trading and hedging instruments	8															
Other liabilities	9															
On-balance sheet contractual mismatch (item 1 less item 5)	10															
Cumulative on-balance sheet contractual mismatch	11															
Off-balance sheet exposure to liquidity risk	12															
<i>of which:</i>																
Liquidity facilities provided to off-balance sheet vehicles	13															
Undrawn commitments (items 15 to 17)	14															
Unutilised portion of irrevocable lending facilities	15															
Unutilised portion of irrevocable letters of credit	16															
Indemnities and guarantees	17															

(All amounts to be rounded off to the nearest R'000)

Business as usual (BaU) balance sheet mismatch ¹	Line no.	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years to 10 years	More than 10 years	Indetermina te maturity
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
BaU maturity of assets (items 19 to 21)	18															
Advances	19															
Trading, hedging and other investment instruments	20															
Other assets	21															
BaU maturity of liabilities (items 23 to 26)	22															
Stable deposits	23															
Volatile deposits	24															
Trading and hedging instruments	25															
Other liabilities	26															
On-balance sheet BaU mismatch (item 18 less item 22)	27															
Cumulative on-balance sheet BaU mismatch	28															
Off-balance-sheet exposure to liquidity risk	29															
<i>of which:</i>																
Liquidity facilities provided to off-balance sheet vehicles	30															
Undrawn commitments (items 32 to 34)	31															
Unutilised portion of irrevocable lending facilities	32															
Unutilised portion of irrevocable letters of credit	33															
Indemnities and guarantees	34															

1. Please separately submit assumptions made and any other relevant information.

(All amounts to be rounded off to the nearest R'000)

Bank-specific stress mismatch ¹	Line no.	Total ²	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months
		1	2	3	4	5	6
Stressed maturity of assets (items 36 to 38)	35						
Advances	36						
Trading, hedging and other investment instruments	37						
Other assets	38						
Stressed maturity of liabilities (items 40 to 43)	39						
Stable deposits	40						
Volatile deposits	41						
Trading and hedging instruments	42						
Other liabilities	43						
On-balance sheet stress mismatch (item 35 less item 39)	44						
Cumulative on-balance sheet stress mismatch	45						
Stressed outflows arising from off-balance-sheet exposure³	46						
<i>of which:</i>							
Liquidity facilities provided to off-balance sheet vehicles	47						
Undrawn commitments (items 49 to 51)	48						
Unutilised portion of irrevocable lending facilities	49						
Unutilised portion of irrevocable letters of credit	50						
Indemnities and guarantees	51						
Cumulative stressed outflows	52						

1. Please separately submit assumptions made and any other relevant information.
2. Means the total for the specified item, and not the mathematical total of the specified columns.
3. Report as absolute amounts.

(All amounts to be rounded off to the nearest R'000)

Available sources of stress funding	Line no.	Total ¹	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months	More than 2 month to 3 months
		1	2	3	4	5	6
Realisable by forced sale (total of items 54 to 56)	53						
Investment securities classified as available for sale	54						
Unencumbered trading securities	55						
Assets available for securitisation vehicles	56						
FX market liquidity	57						
Available repo facilities (item 59 plus item 60 minus item 61)	58						
Ringfenced portfolio of prudential liquid securities	59						
25% of liquid assets held	60						
Current utilisation under Reserve Bank allotment	61						
Estimated unutilised interbank funding capacity	62						
Unsecured funding lines	63						
Secured funding lines	64						
Drawdown capacity in respect of call loans	65						
Other funding	66						
Total available liquidity (total of items 53, 57, 58 and 62 to 66)	67						

1. Means the total for the specified item, and not the mathematical total of the specified columns.

(All amounts to be rounded off to the nearest R'000)

Concentration of deposit funding	Line no.	Total ¹	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 12 months	Longer than 12 months
		1	2	3	4	5	6	7	8	9
Funding supplied by associates of the reporting bank	68									
Please specify										
Ten largest depositors	69									
Please specify										
Ten largest financial institutions funding balances	70									
Please specify										
Ten largest government and parastatals funding balances	71									
Please specify										
Negotiable paper funding instruments	72									
of which: issued for a period not exceeding twelve months	73									
of which: issued for a period exceeding five years	74									

1. Means the total for the specified item, as well as the mathematical total of the specified columns.

(All amounts to be rounded off to the nearest R'000)

Foreign exchange contractual maturity ladder (converted to ZAR)	Line no.	Total	Next day	2 to 7 days	8 days to 1 month	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year	Non contractual
		1	2	3	4	5	6	7	8	9	10
FX assets (total of items 76 to 80)	75										
USD	76										
EUR	77										
GBP	78										
Other	79										
ZAR leg of FX derivatives	80										
FX liabilities (total of items 82 to 86)	81										
USD	82										
EUR	83										
GBP	84										
Other	85										
ZAR leg of FX derivatives	86										
ZAR funding position of FX exposures (item 75 less item 81)	87										

Anticipated change in business ¹	Line no.	Total	During next 6 months	More than 6 months to 1 year
		1	2	3
Expected incremental change due to change in assets (total of items 89 to 91)	88			
Advances	89			
Trading, hedging and other investment instruments	90			
Other assets	91			
Expected incremental change due to change in liabilities (total of items 93 to 96)	92			
Stable deposits	93			
Volatile deposits	94			
Trading and hedging instruments	95			
Other liabilities	96			
Expected funding inflows / (outflows) to fund change in business (item 88 less item 92)	97			

1. During the next 12 months

(All amounts to be rounded off to the nearest R'000)

Liquidity coverage ratio (LCR): High-quality liquid assets	Line no.	Total	Specified factor ⁷	Weighted total (col.1 * 2)
		1	2	3
Total qualifying high-quality liquid assets (total of items 99 and 114 to 117)	98			
Total level one high-quality liquid assets¹ (total of items 100 to 104)	99			
Coins and bank notes	100		100%	
Specified marketable securities from sovereigns, central banks, public sector entities, and multilateral development banks	101		100%	
Qualifying central bank reserves ²	102		100%	
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	103		100%	
Specified debt securities issued in foreign currency by the central government of the RSA or the Reserve Bank	104		100%	
Total level two high-quality liquid assets³ (total of items 106 and 110)	105			
Total level 2A high-quality liquid assets (total of items 107 to 109)	106			
Specified marketable securities from sovereign, central bank, multilateral development banks and public sector entities	107		85%	
Specified corporate bonds	108		85%	
Other qualifying items ⁴ (please specify)	109		85%	
Total level 2B high-quality liquid assets⁵ (total of items 111 to 113)	110			
Specified residential mortgage backed securities	111		75%	
Specified corporate debt securities	112		50%	
Specified common equity shares	113		50%	
Total qualifying level two high-quality liquid assets⁶	114			
Committed Central Bank facility	115		As specified	
Foreign currency liquid assets	116		by the	
Additional level two high-quality liquid assets	117		Registrar	

- Refer to regulation 26(12)(b).
- Means such percentage or amount of central bank reserves as may be determined by the Governor of the Reserve Bank from time to time.
- Refer to regulation 26(12)(b).
- Relates to consolidated reporting only. Include in this line item 109 the aggregate amount of instruments qualifying as level 2A high-quality liquid assets for entities established in jurisdictions other than the RSA.
- May not exceed fifteen per cent of item 98.
- Total qualifying level two high-quality liquid assets shall not exceed two-thirds of the bank's total qualifying level one high-quality liquid assets. This item 114 shall be equal to item 105 only when item 105 is less than or equal to two-thirds of item 99.
- Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Liquidity coverage ratio (LCR): Cash outflows ¹	Line no.	Total	Specified factor ⁴	Weighted total (col.1 * 2)
		1	2	3
Retail deposits (total of items 119 and 124)	118			
Demand deposits and qualifying term deposits with residual maturity or notice period within 30 days (total of items 120 to 123)	119			
Specified stable deposits that meet the specified additional criteria	120		3%	
Stable deposits that do not meet the specified additional criteria	121		5%	
Less stable deposits	122		10%	
Other ² (please specify)	123		Specified by the Registrar	
Term deposits with residual maturity greater than 30 days subject to withdrawal with a significant penalty, or no legal right to withdraw ³	124		Specified by the Registrar	

- Based on the respective requirements specified in regulation 26(12)(d).
- Means such category of retail deposits that is subject to such a run-off factor as may be directed in writing by the Registrar.
- Means such category of term deposits that is subject to such a run-off factor as may be directed in writing by the Registrar.
- Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Liquidity coverage ratio (LCR): Cash outflows ¹	Line no.	Total	Specified factor ²	Weighted total (col.1 * 2)
		1	2	3
Unsecured wholesale funding (total of items 126 to 134)	125			
Stable demand and term funding from small business	126		5%	
Less stable demand and term funding from small business	127		10%	
Specified term deposits with residual maturity greater than 30 days	128		Specified by the Registrar	
Specified persons with specified operational relationship	129		25%	
Portion of specified corporate deposits with specified operational relationship covered by deposit insurance	130		5%	
Specified funding from cooperative banks in an institutional network	131		25%	
Specified non-financial corporates, sovereigns, central banks, multilateral development banks and public-sector entities with no operational relationship	132		40%	
Specified non-financial corporates, sovereigns, central banks, multilateral development banks and public-sector entities with no operational relationship when entire amount is fully covered by deposit insurance scheme	133		20%	
Other legal entities	134		100%	
Secured funding (total of items 136 to 141)	135			
Secured funding backed by level one high-quality liquid assets or the Reserve Bank	136		0%	
Secured funding backed by level 2A high-quality liquid assets	137		15%	
Secured funding from specified counterparties backed by non-level one or non-level 2A high-quality liquid assets	138		25%	
Secured funding backed by RMBS qualifying as level 2B high-quality liquid assets	139		25%	
Secured funding backed by qualifying level 2B high-quality liquid assets other than level 2B high-quality liquid assets already specified hereinbefore	140		50%	
Other secured funding	141		100%	
Other expected outflows (total of items 143 to 152, 160, and 165 to 169)	142			
Net payable amount related to specified derivative transactions	143		100%	
Outflows related to specified transactions such as collateral calls for specified downgrade	144		100%	
Valuation changes on posted collateral securing derivative transactions that is comprised of non-level one high-quality liquid assets	145		20%	
Excess collateral held related to derivative transactions that could contractually be called at any time	146		100%	
Liquidity needs related to collateral contractually due on derivatives transactions	147		100%	
Increased liquidity needs related to derivative transactions that allow collateral substitution to non-high-quality liquid assets	148		100%	
Market valuation changes on derivatives transactions (largest absolute net 30-day collateral flows realised during the preceding 24 months)	149		100%	
Specified funding related to asset-backed securities or other structured financing instruments	150		100%	
Sum of liabilities from maturing funding related to asset-backed commercial paper, conduits, securities investment vehicles and other similar financing facilities, and required liquidity related to assets that may be returned	151		100%	

1. Based on the respective requirements specified in regulation 26(12)(d).
2. Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Liquidity coverage ratio (LCR): Cash outflows ¹	Line no.	Total	Specified factor ³	Weighted total (col.1 * 2)
		1	2	3
Committed undrawn credit or liquidity facilities (total of items 153 to 159)	152			
Retail or small business	153		5%	
Credit facilities to non-financial corporates, sovereigns or central banks, public sector entities and multilateral development banks	154		10%	
Liquidity facilities to non-financial corporates, sovereigns or central banks, public sector entities and multilateral development banks	155		30%	
Credit or liquidity facilities extended to any other bank subject to prudential supervision	156		40%	
Credit facilities extended to any financial institution other than banks subject to prudential supervision	157		40%	
Liquidity facilities extended to any financial institution other than banks subject to prudential supervision	158		100%	
Other legal entities	159		100%	
Uncommitted undrawn credit or liquidity facilities ² (total of items 161 to 164)	160			
Retail or small business	161			
Credit facilities to non-financial corporates, sovereigns and central banks, public sector entities and multilateral development banks	162			
Liquidity facilities to non-financial corporates, sovereigns and central banks, public sector entities and multilateral development banks	163		Specified by the Registrar	
Other legal entities	164			
Trade finance instruments ²	165			
Internally matched client assets against other clients' short positions ²	166			
Specified contractual lending obligations	167		100%	
Other specified outflows, such as dividend payments (please specify)	168		100%	
Other ² (please specify)	169		Specified by the Registrar	
Total outflows (total of items 118, 125, 135 and 142)	170			

1. Based on the respective requirements specified in regulation 26(12)(d).

2. Relates to such items, instruments or facilities, and such factors, as may be specified in these Regulations or directed in writing by the Registrar from time to time.

3. Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Liquidity coverage ratio (LCR): Cash inflows ¹	Line no.	Total	Specified factor ³	Weighted total (col.1 * 2)
		1	2	3
Maturing secured lending transactions secured by: (total of items 172 to 176)	171			
- level one high-quality liquid assets as collateral	172		0%	
- level 2A high-quality liquid assets as collateral	173		15%	
- eligible RMBS qualifying as level 2B high-quality liquid assets as collateral	174		25%	
- assets other than eligible RMBS, qualifying as level 2B high-quality liquid assets, as collateral	175		50%	
- assets other than level one or level two high-quality liquid assets as collateral	176		100%	
Margin lending transactions secured by assets other than qualifying level one or level two high-quality liquid assets as collateral	177		50%	
Credit or liquidity facilities provided to the reporting bank	178		0%	
Specified net inflows (total of items 180 to 182)	179			
- from retail and small business	180		50%	
- from wholesale non-financial institutions	181		50%	
- from financial institutions and central banks	182		100%	
Specified deposits held at financial institutions for operational purposes	183		0%	
Specified deposits held at a centralised institution in a cooperative banking network	184		0%	
Net receivable amount from derivative instruments	185		100%	
Other contractual cash inflows²	186		Specified by the Registrar	
Total inflows (total of items 171, 177 to 179, and 183 to 186)	187			

1. Based on the respective requirements specified in regulation 26(12)(e).

2. Relates only to such inflows and such factors as may be directed in writing by the Registrar from time to time.

3. Or such factor as may be directed in writing by the Registrar.

(All amounts to be rounded off to the nearest R'000)

Calculation of liquidity coverage ratio (LCR)	Line no.	Total
		1
Total outflows (item 170, column 3)	188	
Total inflows (item 187, column 3)	189	
Total net cash outflows (item 188 minus min[item 189, 75% of item 188])	190	
		LCR
		1
Liquidity coverage ratio (item 98 divided by item 190, multiplied with 100)	191	

26. Liquidity risk – Directives, definitions and interpretations for completion of monthly return concerning liquidity risk (Form BA 300)

- (1) The content of the relevant return is confidential and not available for inspection by the public.
- (2) The purpose of the return, among other things, is to determine-
 - (a) at the reporting date, in respect of specified time buckets-
 - (i) the contractual mismatch between assets and liabilities;
 - (ii) the “business-as-usual” mismatch between assets and liabilities;
 - (iii) the bank-specific stress mismatch;
 - (b) in respect of a crisis scenario, the quantity and sources of funding available to the reporting bank;
 - (c) in respect of funding sources, the reporting bank’s potential concentration risk, that is, to identify those sources of funding that are of such significance that the withdrawal thereof may cause liquidity problems;
 - (d) in respect of significant currencies, the reporting bank’s exposure to foreign exchange;
 - (e) the expected change in the bank’s balance sheet.
- (3) A bank shall retain an audit trail in respect of the underlying data relating to the base models supporting the relevant form BA 300, which audit trail-
 - (a) shall provide a reconciliation between the total assets and the total liabilities reported on the form BA 300 and the total assets and the total liabilities contained in the reporting bank’s general ledger systems, which reconciliation-
 - (i) shall be made available to the Registrar on request;
 - (ii) shall not be included in the form BA 300;
 - (b) shall contain adequate explanations in respect of any reconciliation differences.

- (4) Unless specifically otherwise provided, any position reported on the form BA 300 shall be included in the relevant time bucket based on the position's remaining term to contractual maturity. In the case of a product with multiple maturity dates, the reporting bank shall assume that-
- (a) cash inflows will occur only at the latest residual contractual maturity date;
 - (b) cash outflows will occur at the earliest residual contractual maturity date.
- (5) Whenever specified or relevant, all amounts reported on the form BA 300 in respect of a specified bucket shall represent the respective total amounts relating to, amongst others-
- (a) assets, which total amount of assets shall be gross of any related impairment, allowance or provision for loss;
 - (b) liabilities; or
 - (c) derivative instruments, which total amount shall be the aggregate present value amount of the relevant cash flow amounts.
- (6) Whenever relevant, unless specifically otherwise stated, a bank-
- (a) shall include any asset or liability item with no maturity profile in the bucket titled "non contractual" or "indeterminate maturity", as the case may be;
 - (b) shall in accordance with Financial Reporting Standards issued from time to time translate to the reporting currency any asset or liability item denominated in foreign currency;
 - (c) shall report all inflows and outflows as positive amounts.
- (7) Whenever relevant, for purposes of reporting on the form BA 300 of-
- (a) specified asset classes, the category titled-
 - (i) "advances" shall include-
 - (A) all loans or advances made by the reporting bank, whether asset-backed or unsecured;
 - (B) all advances originated by the reporting bank through transactional banking facilities, such as overdrafts;
 - (C) any structured finance loans;

- (ii) “trading, hedging and investment instruments” shall include-
 - (A) any financial market investment instrument, collateral deposits and unlisted equity investments;
 - (B) any relevant derivative position or instrument;
 - (C) any asset held in terms of a trading or investment activity of the reporting bank;
 - (iii) “other assets” shall include all assets other than the asset items envisaged in subparagraphs (i) and (ii) above, including-
 - (A) any debit balance in respect of items in transit arising from timing differences in external settlement processes; and
 - (B) fixed assets, and intangible assets such as goodwill, patents and trademarks, which assets, by virtue of their nature, shall be regarded as non-contractual or of indeterminate maturity, as the case may be.
- (b) specified liability classes, the category titled-
- (i) “volatile deposits” shall include any deposit likely to be withdrawn quickly in a stress situation, including deposits received from government, parastatal institutions, financial institutions, asset managers, pension fund managers, banks or other private sector financial institutions, or private individuals;
 - (ii) “stable deposits”, whenever referred to in items 1 to 97 of the form BA 300, shall include any deposit deemed by the reporting bank to be less liquid, that is, deposits other than volatile deposits, including deposits received from government, parastatal institutions, financial institutions, asset managers, pension fund managers, banks or other private sector financial institutions, or private individuals;

Provided that in respect of subparagraphs (i) and (ii)-

- (A) a bank shall duly document the specific definitions and/or criteria applied by the bank to distinguish between “stable deposits” and “volatile deposits” and, at the request of the Registrar, the bank shall in writing submit to the Registrar the said specific definitions and/or criteria;
- (B) the Registrar may from time to time issue directives in respect of criteria to be applied by banks in order to distinguish between “stable deposits” and “volatile deposits”;

- (iii) “trading and hedging instruments” shall include-
 - (A) any financial market instrument, collateral liabilities and unlisted equity instruments;
 - (B) any liability arising from a trading or investment activity of the reporting bank;
 - (C) any relevant derivative position or instrument;
 - (iv) “other liabilities” shall include all liabilities other than the liability items or instruments envisaged in subparagraphs (i) to (iii) above, including any relevant amount related to a non-funding related liability,
- (c) items relating to maturity-
- (i) “next day” shall include any item with a legal right for the relevant amount to be paid or received on the business day immediately following the reporting date;
 - (ii) “2-7 days” shall include any item with a legal right for the relevant amount to be paid or received from the second business day up to and including the seventh day immediately following the reporting date;
 - (iii) “non contractual” or “indeterminate maturity”, as the case may be, shall include any item or position in respect of which no right or obligation in respect of maturity exists, including items such as deferred tax or provisions for non-performing assets.

(8) Matters relating to a bank's contractual balance sheet position

- (a) In order to determine, among other things, the extent to which a bank makes use of maturity transformation in terms of its current contracts, and to identify the gaps between the contractual inflows and contractual outflows of liquidity within specified time bands, a bank shall complete the section of the form BA 300 that relates to its contractual balance sheet on a static gap basis with all relevant cash flows being reported strictly on the basis of an item's residual or remaining contractual term to maturity, provided that-
 - (i) for purposes of this subregulation (8), in respect of-
 - (A) any existing liability, the bank shall assume that no rollover of such liability shall occur;
 - (B) any existing asset, the bank shall assume that it does not enter into any new or further contracts;

- (ii) the bank shall include accounts such as current accounts, savings accounts and transmission accounts in the next day bucket;
- (iii) the bank shall classify any marketable instrument tradable in a secondary market into an appropriate time bucket based on the said instrument's remaining contractual maturity;
- (iv) the bank shall report the relevant required information without applying any behavioural or other assumption to the relevant required contractual inflows and contractual outflows;
- (v) in order to monitor securities movements that mirror corresponding cash flows as well as the contractual maturity of collateral swaps and any uncollateralised stock lending or borrowing where stock movements occur without any corresponding cash flows, a bank shall separately record all relevant required information related to securities flows;
- (vi) in order to monitor the extent to which the bank may generate mismatches in the borrowing and lending of customer collateral, a bank shall separately record the relevant required details related to collateral received from customers that the bank is permitted to rehypothecate, and the relevant amount of such collateral that is rehypothecated at each relevant reporting date.

(9) *Matters relating to a bank's business as usual balance sheet mismatch*

A bank-

- (a) shall in the completion of the section of the form BA 300 that relates to its business as usual balance sheet apply the same going-concern behavioural or other relevant assumptions as in the bank's ALCO process, that is, the relevant required reported amounts-
 - (i) shall be based on the bank's relevant strategic and business plans; and
 - (ii) shall be reconcilable to the bank's ALCO model;
- (b) shall obtain the prior written approval of its board of directors or board approved committee in respect of any assumption and reasoning applied in respect of the bank's ALCO process;
- (c) shall on request submit to the Registrar any board approved assumption applied by the bank in respect of the bank's ALCO process;
- (d) shall duly document any related policies, procedures and underlying workings in respect of the relevant business as usual balance sheet;
- (e) shall report the business as usual balance sheet on a static gap basis.

(10) *Matters related to a bank-specific stress mismatch*

A bank-

- (a) shall obtain the prior written approval of its board of directors or board approved committee in respect of any going-concern behavioural or other relevant assumption and reasoning applied in respect of the bank-specific stress mismatch;
- (b) shall on request submit to the Registrar all relevant board approved assumptions and reasoning applied in respect of the bank-specific stress mismatch;
- (c) shall have in place sufficiently robust early warning indicators to identify the emergence of increased risk or vulnerabilities in its liquidity position or funding needs;
- (d) shall regularly perform robust liquidity stress tests or scenario analyses, which stress tests or scenario analyses shall be based on the bank's relevant strategic and business plans-
 - (i) in order to ensure that-
 - (A) the bank has in place an adequate framework that satisfactorily accounts for the liquidity risk inherent in its individual products and business lines;
 - (B) the bank estimates and understands the potential behavioural aspects related to the repayment of assets and the withdrawal of deposits under a bank specific stress scenario;
 - (C) the bank duly identifies the potential sources of liquidity strain;
 - (D) the bank's incentives at business level are aligned with the overall risk tolerance of the bank;
 - (E) the bank duly considers the amount of liquidity it may need to satisfy contingent obligations;
 - (F) the bank duly considers and understands the potential impact of any plausible severe and prolonged liquidity disruption;
 - (ii) in order to identify and quantify the bank's exposure to possible future liquidity stresses;
 - (iii) to analyse possible impacts on the bank's cash flows, liquidity positions, profitability, and solvency;

- (iv) the results of which stress tests or scenario analyses-
 - (A) shall be thoroughly discussed and understood by the bank's senior management;
 - (B) shall form the basis for taking remedial or mitigating action-
 - (i) to limit the bank's liquidity exposure;
 - (ii) to timely build up a liquidity cushion;
 - (iii) to timely adjust the bank's liquidity profile according to the bank's risk tolerance approved by the bank's board of directors;
 - (C) shall be appropriately linked to and play a key role in shaping the bank's contingency funding plan, which, among other things, shall outline policies for managing a range of stress events and clearly set out strategies for addressing liquidity shortfalls in emergency situations;
- (e) shall duly document any related policies, procedures and underlying workings in respect of its relevant stress mismatch;
- (f) shall report the bank-specific stress mismatch on a static gap basis.

(11) *Matters related to potential concentration of funding*

(a) *Specified minimum requirements*

As a minimum, in order to identify potential sources of funding that are of such significance that the withdrawal thereof may cause liquidity problems, a bank shall separately report the relevant required information related to significant counterparties, significant instruments or products, and significant currencies, provided that-

- (i) in the case of any significant counterparty the bank shall calculate its potential funding concentration through the application of the formula specified below, provided that in this regard, for both secured and unsecured funding from counterparties, the bank shall aggregate the respective amounts related to all relevant types of liabilities to a particular counterparty or group of connected, associated or affiliated counterparties, and all other relevant direct borrowings:

$$\frac{\text{Aggregate amount of funding liabilities sourced from each significant counterparty}}{\text{Total liabilities}} \times 100$$

- (ii) in the case of any significant instrument or product the bank shall calculate its potential funding concentration through the application of the formula specified below:

$$\frac{\text{Aggregate amount of funding liabilities sourced from each significant instrument or product}}{\text{Total liabilities}} \times 100$$

- (iii) in the case of any significant currency the bank shall calculate its potential funding concentration through the application of the formula specified below:

$$\frac{\text{Aggregate amount of funding liabilities sourced from each significant currency}}{\text{Total liabilities}} \times 100$$

- (iv) in all relevant cases, that is, in respect of significant counterparties, significant instruments or products, and significant currencies, the bank shall continuously monitor both the absolute percentage of the relevant specified funding exposures relative to the bank's total liabilities, as well as any significant increases in any potential funding concentration;
- (v) the relevant requirements specified in this subregulation (11) shall apply on a solo and consolidated basis;
- (vi) for purposes of this subregulation (11),
- (A) a significant counterparty-
- (i) means a single counterparty or group of connected, associated or affiliated counterparties representing in aggregate more than one per cent of the bank's total liabilities as reported in item 79 of the form BA 100;
- (ii) includes intra-group deposits and deposits from related persons, the relevant required information of which shall be reported separately from other relevant significant counterparties;

- (B) a group of connected, associated or affiliated counterparties means-
- (i) two or more persons, whether natural or juristic, that, unless proved to the contrary, constitute a single risk due to the fact that one of them has direct or indirect control over the other or others; or
 - (ii) two or more persons, whether natural or juristic, between whom there is no relationship or control as referred to in item (i) above, but that are to be regarded as constituting a single risk, due to the fact that they are so interconnected that should one of them experience financial difficulties, the other or all of them would be likely to encounter financial difficulties;
- (C) a significant instrument or product means a single instrument or product or group of similar instruments or products that in aggregate amount to more than one per cent of the bank's total liabilities as reported in item 79 of the form BA 100, that is, the requirements for a significant type of instrument or product shall apply for each relevant individually significant funding instrument or product, as well as for groups of similar types of instruments or products;
- (D) a significant currency means the aggregate liabilities denominated in that currency amount to two per cent or more of the bank's total liabilities as reported in item 79 of the form BA 100, provided that in respect of funding denominated in foreign currency, the bank shall in addition to any relevant requirement specified in this subregulation (11) comply with the relevant requirements specified in subregulation (15) below;

(12) Matters related to the calculation of a bank's liquidity coverage ratio

(a) Specified minimum requirements

As a minimum, in order to promote the short-term resilience of a bank's liquidity risk profile and ensure that the bank continuously maintains an adequate level of unencumbered level one and level two high-quality liquid assets (HQLA) that can be converted into cash at limited or no loss of value, to meet the bank's expected total net cash outflows and/ or any related liquidity needs during a 30 calendar day time horizon under a significantly severe liquidity stress scenario, whatever the source, a bank shall calculate and maintain a Liquidity Coverage Ratio (LCR) in accordance with the relevant requirements specified in this subregulation (12), provided that-

- (i) in addition to the relevant requirements specified in this subregulation (12), a bank shall comply with such further or other conditions or requirements related to LCR as may be specified in writing by the Registrar;

- (ii) between 1 January 2013 and 31 December 2014 banks, controlling companies and the Registrar shall apply the relevant requirements specified in this subregulation (12) to monitor the readiness of relevant banks and controlling companies to implement and fully comply with the said requirements and any subsequent amendments thereto as a minimum standard from 1 January 2015;
- (iii) in all relevant cases the requirements specified in this subregulation (12) shall be applied on a solo and consolidated basis, provided that-
 - (A) a bank shall have in place policies, processes and procedures-
 - (i) to capture any relevant liquidity transfer restrictions;
 - (ii) to monitor the rules and regulations in the jurisdictions in which the group operates, and to assess the liquidity implications for the group as a whole;
 - (B) when the bank assesses whether assets or instruments are freely transferable, the banks shall duly consider all relevant factors that may impact transferability, including regulatory, legal, tax, accounting or other relevant impediments, provided that-
 - (i) when calculating its consolidated LCR, a bank or controlling company shall not recognise any excess liquidity in any relevant cross-border entity when there is reasonable doubt regarding the availability of such liquidity or the transferability of high-quality liquid assets, which availability, transferability or flow of funds, for example, may be affected by liquidity transfer restrictions such as ring-fencing measures, non-convertibility of local currency or foreign exchange controls, that is, any surplus of high-quality liquid assets held at a legal entity level shall be included in the consolidated portfolio of high-quality liquid assets only if those assets are freely available to the consolidating entity in times of stress;
 - (ii) assets or instruments held in legal entities without market access, or with restricted market access, shall be included only to the extent that they can be freely transferred to other relevant entities that could monetise the assets or instruments;
 - (iii) the bank shall exclude from its relevant portfolio of high-quality liquid assets any asset or instrument when an impediment to sale, such as large fire-sale discounts which would cause it to breach minimum solvency requirements, or requirements to hold such assets, including statutory minimum inventory requirements for market making, exists;

- (C) any relevant qualifying high-quality liquid asset or instrument that is held to meet any statutory liquidity requirement at a legal entity or sub-consolidation level shall only be included at the consolidated level to the extent that the related risks, as measured by the relevant legal entity or sub-consolidated group in its relevant calculated amount of net cash outflows for LCR, are also incorporated into the consolidated LCR;
- (D) subject to the provisions of item (E) below, when a bank calculates the LCR on a consolidated basis, the bank shall apply the respective liquidity parameters specified in this subregulation (12) to all relevant legal entities being consolidated;
- (E) in the case of consolidation or solo reporting of relevant entities, subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, a bank may apply the rules and/or regulations of relevant host supervisors in respect of the treatment of retail or small business deposits of relevant entities operating in those jurisdictions;
- (F) notwithstanding the provisions of item (E) above, in the case of consolidation or solo reporting of relevant legal entities, including any relevant branch of such entities, operating in a host jurisdiction, the bank shall apply the relevant liquidity parameters specified in this subregulation (12) in respect of any relevant retail or small business deposits of such entities operating in a host jurisdiction when-
 - (i) the host supervisor has not yet specified the relevant requirements for retail and small business deposits in that particular jurisdictions;
 - (ii) the entity conducts business in a host jurisdiction that has not yet implemented the LCR framework; or
 - (iii) in the Registrar's opinion, the relevant liquidity parameters specified in this subregulation (12) in respect of any relevant retail or small business deposits are more appropriate or more strict than the host requirements;
- (G) the bank shall ensure that the currencies in which the bank's portfolios of high-quality liquid assets are denominated are materially similar in composition to the bank's operational needs;
- (H) in all relevant cases the bank shall actively monitor and control its liquidity risk exposures and funding needs at the level of each material individual legal entity, foreign branch or subsidiary, and the group as a whole, taking into account any relevant legal, regulatory or operational limitation that may affect the transferability of liquidity;

- (iv) for purposes of this subregulation (12), unencumbered means free of legal, regulatory, contractual or other restriction on the ability of the bank to liquidate, sell, transfer, or assign the asset, and the asset or instrument is not pledged, either explicitly or implicitly, to secure, collateralise or credit-enhance any transaction, or designated to cover operational costs, such as rents and salaries, or is not otherwise subject to any further commitment, provided that-
 - (A) assets or instruments received in reverse repo, resale and/ or securities financing transactions-
 - (i) that are held at the bank;
 - (ii) that have not been rehypothecated; and
 - (iii) that are legally and contractually available for the bank's use,

may be included in the bank's relevant portfolio of high-quality liquid assets;
 - (B) assets or instruments qualifying as high-quality liquid assets that have been deposited with or pledged to a central bank or a public sector entity to secure facilities shall not be regarded as pledged except to the extent that such assets or instruments are required to secure facilities actually utilised;
 - (C) unless specifically otherwise provided, when a bank has deposited, pre-positioned or pledged level one, level two and any other assets in a collateral pool, and no specific instruments or securities are assigned as collateral for any transactions, the bank may assume that assets are encumbered in order of increasing liquidity value in the LCR, that is, assets not qualifying as high-quality liquid assets shall be assigned first, followed by level 2B assets, then level 2A assets and finally level one high-quality liquid assets;
 - (D) a bank may hedge the market risk associated with ownership of the relevant assets or instruments, and still include the assets or instruments in the relevant pool of high-quality liquid assets, provided that when the bank chooses to hedge the market risk, the bank shall, in determining the relevant market value applied to each relevant asset or instrument, take into account the cash outflow that would arise if the hedge was to be closed out early, that is, in the event of the asset, for example, being sold;
- (v) even when assets or instruments comply with the aforesaid requirements and criteria related to unencumbered assets or instruments, a bank shall for purposes of this subregulation (12) exclude from its portfolio of qualifying high-quality liquid assets or instruments any asset or instrument

in respect of which the bank does not have the operational capability to monetise the asset or instrument to meet outflows during the aforementioned 30-day period of stress,

- (A) which operational capability to monetise assets or instruments, as a minimum, means-
 - (i) the bank has in place procedures and appropriate systems to execute monetisation of any relevant asset or instrument at any time;
 - (ii) the function responsible for managing the bank's liquidity, which is typically the bank's treasurer, has access to all relevant, required or necessary information to execute monetisation of any relevant asset or instrument at any time;
 - (B) which monetisation of assets or instruments shall from an operational perspective be executable in the standard settlement period for the relevant asset or instrument class in the relevant jurisdiction;
- (vi) the bank shall not include in its portfolio of high-quality liquid assets any asset, or liquidity generated from an asset, that the bank has received under right of rehypothecation, if the beneficial owner has the contractual right to withdraw that asset during the aforementioned 30-day stress period;
 - (vii) the bank may include in its portfolio of high-quality liquid assets any assets received as collateral for derivative transactions that are not segregated and are legally available to be rehypothecated, provided that the bank shall record an appropriate outflow for the associated risks in accordance with the relevant requirements specified in paragraph (d) below;
 - (viii) the bank shall manage its business in such a manner that a least sixty per cent of the bank's portfolio of qualifying high-quality liquid assets consists of level one high-quality liquid assets, that is, the bank's portfolio of qualifying high-quality liquid assets may consist of between sixty and one hundred per cent of level one high-quality liquid assets, but the aggregate amount of level two high-quality liquid assets shall in no case exceed forty per cent of the bank's aggregate amount of level one and level two high-quality liquid assets, provided that the bank shall manage its business in such a manner that-
 - (A) the bank's portfolio of level two high-quality liquid assets is as far as possible well diversified in terms of type of assets, type of issuer related to, for example, the economic sector in which it participates, and any specific counterparty or issuer;
 - (B) the aforesaid limits are adhered to and maintained after all relevant haircuts have been applied;

- (ix) while the bank has to report its LCR in Rand on a solo and consolidated basis, the bank shall continuously meet its liquidity needs in each relevant currency, and the bank shall therefore maintain high-quality liquid assets consistent with the distribution of the bank's liquidity needs by currency, that is-
 - (A) the bank shall ensure that it is able to generate the required liquidity in the currency and jurisdiction in which the relevant net cash outflows may arise;
 - (B) the bank shall monitor and report to its senior management the bank's LCR by currency to ensure that all relevant currency mismatches are duly managed;
 - (C) the bank shall take into account the risk that its ability to swap currencies and access the relevant foreign exchange markets may erode rapidly under stressed conditions, and that sudden, adverse exchange rate movements may sharply widen existing mismatched positions and alter the effectiveness of any foreign exchange hedges that the bank may have in place;
 - (D) since foreign exchange may constitute a material component of a bank's exposure to liquidity risk, and in order to duly monitor and manage the bank's overall level and trend of currency exposure, a bank shall separately assess the impact on its LCR of each significant currency, provided that the bank shall on request submit to the Registrar in writing all relevant LCR calculations and assessments in respect of each significant currency;
- (x) the bank shall have in place sufficiently robust policies, processes and procedures-
 - (A) to ensure that-
 - (i) the bank manages all relevant mismatches within the aforesaid 30-day period;
 - (ii) the bank has sufficient level one and level two high-quality liquid assets available to meet any potential cashflow mismatches throughout the said 30-day period;
 - (iii) the assets that the bank includes in each relevant category of high-quality liquid assets are only those assets that the bank is holding on the first day of the relevant 30-day stress period, irrespective of the residual maturity of the said assets;
 - (iv) the bank monitors and controls the potential risks, including any relevant credit or market risk, that the bank may be exposed to

as a result of the bank's investment in or holding of the assets or instruments envisaged in this subregulation (12), particularly the potential risks arising from the bank's investment in or holding of any level 2B asset or instrument envisaged in subregulation (12)(b)(iii);

- (v) the bank maintains a sufficiently diversified portfolio of high-quality liquid assets and avoids undue concentration with respect to any relevant asset type, issue and issuer type, and currency, consistent with the distribution of net cash outflows by currency, within all relevant asset classes;
 - (vi) the bank has in place and is able to enforce internally specified limits to avoid undue concentrations in respect of asset types, issue and issuer types, and currency related to its portfolio of high-quality liquid assets, consistent with the distribution of the bank's net cash outflows by currency, within all relevant asset classes;
 - (vii) the bank actively manages its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions;
 - (viii) the bank's internal stress tests also cover time horizons longer than the 30 calendar day time horizon envisaged in this subregulation (12);
- (B) to test-
- (i) that the scenario and assumptions underlying the net cash outflows envisaged in this subregulation (12) are adequate for the bank's specific business activities;
 - (ii) the level of liquidity the bank may have to maintain beyond the level of high-quality liquid assets envisaged in this subregulation (12);
- (C) to monitor the legal entity and physical location where collateral is held, and how the collateral may be mobilised in a timely manner, that is, as a minimum, the bank's policies, processes and procedures shall be sufficiently robust-
- (i) to identify the legal entities, geographical locations, currencies and specific custodial or bank accounts where its high-quality liquid assets are held;

- (ii) to determine whether any such assets or instruments should be excluded for operational reasons;
 - (iii) to determine the composition of its relevant portfolio of high-quality liquid assets or instruments on a daily basis;
- (xi) only assets or instruments that can be easily and immediately converted into cash at limited or no loss of value and that comply with specified fundamental and market-related characteristics shall qualify as high-quality liquid assets, which assets or instruments typically-
 - (A) constitute eligible instruments for intraday liquidity needs and overnight liquidity facilities from the Central Bank, provided that Central Bank eligibility does not in itself mean that an asset or instrument qualify as a high-quality liquid asset;
 - (B) raise confidence in the safety and soundness of liquidity risk management in the relevant bank, and the banking system;
- (xii) the aforesaid fundamental characteristics, as a minimum, mean-
 - (A) low risk, that is, for example-
 - (i) assets or instruments that are less risky tend to have higher liquidity;
 - (ii) a high credit standing of an issuer and a low degree of subordination increase an asset or instrument's liquidity; and
 - (iii) low duration, which measures the price sensitivity of a fixed income security to changes in interest rate, low legal risk, low inflation risk and denomination in a convertible currency with low foreign exchange risk, all of which characteristics enhance an asset or instrument's liquidity;
 - (B) ease and certainty of valuation, that is, for example-
 - (i) an asset or instrument's liquidity increases if market participants are more likely to agree on its valuation;
 - (ii) assets or instruments with more standardised, homogenous and simple structures tend to be more fungible, promoting liquidity;
 - (iii) the pricing formula of the asset or instrument does not contain strong assumptions and is relatively easy to calculate; and
 - (iv) the relevant inputs into the pricing formula are publicly

available;

- (C) low correlation with risky assets or instruments, that is, for example, the asset or instrument is not subject to wrong-way risk, that is, highly correlated risk;
 - (D) the asset or instrument is listed on a developed and recognised exchange, which characteristic therefore also increases the asset or instrument's transparency;
- (xiii) the aforesaid market-related characteristics, as a minimum, mean-
- (A) the existence of an active and sizable market, which may be evidenced by factors such as-
 - (i) the existence of active outright sale or repo markets at all times;
 - (ii) historical evidence of market breadth and market depth, which may in turn be evidenced by low bid-ask spreads, high trading volumes, and a large and diverse number of market participants, the latter characteristic therefore reducing any potential market concentration and increasing the reliability of the liquidity in the market;
 - (iii) the existence of a robust market infrastructure, that is, the presence of multiple committed market makers is likely to increase the liquidity of all relevant instruments;
 - (B) low volatility, that is, assets or instruments whose prices and/or spreads remain relatively stable, and are therefore less prone to sharp price declines over time, are likely to have a lower probability of triggering forced sales to meet liquidity requirements, which is typically evidenced by historic data of relative stability of market terms, such as prices and haircuts, and volumes during periods of financial stress.

Normally volatility of traded prices and spreads are simple proxy measures of market volatility.
 - (C) evidence of historic flight to quality, that is, historically, the market has shown tendencies to move into these types of assets or instruments during a systemic crisis, which may be evidenced by the correlation between the proxies of market liquidity and banking system stress;

- (xiv) all high-quality liquid assets or instruments-
 - (A) shall be managed as part of a portfolio of assets or instruments-
 - (i) that is at all times available for the bank to convert into cash either through outright sale or by way of a repurchase agreement to fill any funding gap that may arise between cash inflows and cash outflows during the said period of stress;
 - (ii) of which a representative proportion is periodically monetised through repurchase agreement or outright sale, in order to test the bank's access to the market, the effectiveness of the bank's processes for monetisation, the availability of the assets, and to minimise the risk of negative signalling during a period of actual stress;
 - (iii) that is unencumbered;
 - (iv) that is not co-mingled with or used as hedges on trading positions, designated as collateral or as credit enhancements in structured transactions or to cover operational costs, such as rents or salaries;
 - (v) with the clear and sole intent for use as a source of contingent funds;
 - (B) shall be under the control of the function responsible for managing the bank's liquidity, which is typically the bank's treasurer-
 - (i) which function shall have continuous authority, and legal and operational capability, to monetise any relevant asset or instrument in the said portfolio of high-quality liquid assets or instruments;
 - (ii) which control shall be evidenced either by maintaining assets or instruments in a separate pool managed by that function with the sole intent for use as a source of contingent funds, or by demonstrating that the function can monetise the assets or instruments at any point in time during the 30-day stress period, and that the related proceeds are available to the function throughout the 30-day stress period without directly conflicting with a stated business or risk management strategy, that is, no asset or instrument shall be included in the portfolio of high-quality liquid assets or instruments if the sale of that asset or instrument, without replacement throughout the 30-day period, would, for example, remove a hedge that would create an open risk position in excess of the bank's internal limits;

- (xv) in order to allow a bank time to adjust its portfolio of qualifying high-quality liquid assets, when a qualifying asset or instrument is subsequently disqualified, for example, as a result of a rating downgrade, the bank may retain the asset or instrument in its portfolio of qualifying high-quality liquid assets for 30 calendar days following the date that the asset or instrument became so disqualified.

(b) *Specific matters related to level one and level two high-quality liquid assets*

- (i) No asset or instrument shall qualify as-
 - (A) a level one high-quality liquid asset as envisaged in section 1 of the Act unless the said asset or instrument constitutes-
 - (i) a marketable security or instrument that, as a minimum-
 - (aa) is assigned a zero per cent risk-weight in terms of the provisions of the Standardised Approach for credit risk specified in regulation 23(8) of these Regulations, provided that the securities or instruments envisaged in this subitem (i)(aa) shall exclude any security or instrument specified or envisaged in subitems (ii) and (iii) below;
 - (bb) trades in large, deep and active repo or cash markets, characterised by a low level of concentration;
 - (cc) has a proven record as a reliable source of liquidity in all relevant markets, including the repurchase, resale or sale markets, even during stressed market conditions; and
 - (dd) does not constitute an obligation of a financial institution or any of its associated or affiliated entities, that is, the holder of the relevant security or instrument shall not have any recourse to the relevant financial institution or any of the affiliated entities of that financial institution;
 - (ii) a debt security issued in Rand by the central government of the RSA or the Reserve Bank; or
 - (iii) a debt security issued in foreign currency by the central government of the RSA or the Reserve Bank, provided that the amount related to such instruments shall not exceed the bank's stressed net cash outflows in that specific foreign currency stemming from the bank's operations in the jurisdiction where the bank's liquidity risk is incurred;

- (B) a level two high-quality liquid asset as envisaged in section 1 of the Act unless the said asset or instrument-
- (i) constitutes a marketable security or instrument that, as a minimum-
 - (aa) is assigned a twenty per cent risk-weight in terms of the provisions of the Standardised Approach for credit risk specified in regulation 23(8) of these Regulations;
 - (bb) trades in large, deep and active repo or cash markets, characterised by a low level of concentration;
 - (cc) has a proven record as a reliable source of liquidity in all relevant markets, including the repurchase, resale or sale markets, even during stressed market conditions, that is, during stressed market conditions-
 - (i) the maximum decline in the price of the relevant asset or instrument did not exceed ten per cent; or
 - (ii) the maximum increase in the haircut of the relevant asset or instrument did not exceed ten percentage points,

over a 30-day period during a relevant period of significant liquidity stress; and
 - (dd) does not constitute an obligation of a financial institution or any of its associated or affiliated entities;
 - (ii) constitutes a corporate debt security, bond or instrument that, as a minimum-
 - (aa) is not issued by a financial institution or any of its associated or affiliated entities;
 - (bb) has a long-term credit rating from an eligible institution of at least AA- or, in the absence of a credit assessment by an eligible institution, is internally rated with a probability of default (PD) corresponding to an external long-term credit rating of at least AA-, provided that-
 - (i) in the absence of a long-term rating, a bond or instrument with a short-term rating equivalent in quality to the aforesaid long-term rating of AA- may be included in this category of qualifying assets or instruments;

- (ii) when the corporate bond or instrument is held by a bank for local currency liquidity needs arising from its operations in that particular local jurisdiction, the bank may apply the relevant local rating scales, instead of the relevant international or global rating scale, of an eligible institution;
 - (iii) in the event of a split rating the bank shall determine the appropriate rating in accordance with the relevant requirements specified in regulation 23(5) of these Regulations;
- (cc) trades in large, deep and active repo or cash markets, characterised by a low level of concentration; and
- (dd) has a proven record as a reliable source of liquidity in all relevant markets, including the repurchase, resale or sale markets, even during stressed market conditions, that is, during stressed market conditions-
- (i) the maximum decline in the price of the relevant asset or instrument did not exceed ten per cent; or
 - (ii) the maximum increase in the haircut of the relevant asset or instrument did not exceed ten percentage points,

over a 30-day period during a relevant period of significant liquidity stress,

Provided that for purposes of this subregulation (12), corporate debt securities, bonds or instruments shall include only plain vanilla instruments, the valuation of which shall be readily available based on standard methods of valuation and shall not depend on private knowledge, that is, any complex structured product or subordinated debt is explicitly excluded from the definition of level two high-quality liquid assets;

- (iii) constitutes an asset or instrument as envisaged in sub-paragraphs (ii) and (iii) below.
- (ii) A bank may include in its level two high-quality liquid assets, the assets or instruments specified or envisaged in sub-paragraph (iii) below, provided that-
- (A) the assets or instruments specified or envisaged in sub-paragraph (iii) below-

- (i) shall not comprise more than fifteen per cent of the bank's total amount of high-quality liquid assets;
 - (ii) shall be included within the bank's overall forty per cent limit relating to the aggregate amount of level two high-quality liquid assets envisaged in subregulation (12)(a)(viii) above;
 - (iii) shall for purposes of these Regulations be referred to as the level 2B portfolio of high-quality liquid assets;
- (B) the aforesaid overall forty per cent limit related to level two high-quality liquid assets and the fifteen per cent limit in respect of the level 2B high-quality liquid assets shall be determined after the application of any relevant required or specified haircut, and after taking into account any relevant unwind of short-term securities financing transactions and collateral swap transactions maturing within 30 calendar days that involve the exchange of high-quality liquid assets, for which purposes short-term transactions mean transactions with a maturity date up to and including 30 calendar days.
- (iii) Subject to the relevant provisions and requirements of sub-paragraph (ii) above, a bank may include in its portfolio of level two high-quality liquid assets-
- (A) residential mortgage backed securities (RMBS), provided that-
 - (i) the said residential mortgage backed securities-
 - (aa) shall not be issued by, and the underlying assets have not been originated by, the bank or any of its affiliated or associated entities;
 - (bb) shall have a long-term credit rating issued by an eligible institution of AA or higher, or in the absence of a long-term rating, a short-term rating equivalent in quality to the aforesaid long-term rating;
 - (cc) shall trade in large, deep and active repo or cash markets characterised by a low level of concentration;
 - (dd) shall have a proven record as a reliable source of liquidity in the relevant repo or sale markets, even during stressed market conditions, that is, during stressed market conditions-
 - (i) the maximum decline in the price of the relevant securities did not exceed twenty per cent; or

- (ii) the maximum increase in the haircut of the relevant securities did not exceed twenty percentage points,
 - over a 30-day period during a relevant period of significant liquidity stress;
 - (ii) the relevant underlying asset pool shall be restricted to residential mortgages, and shall not contain any structured product;
 - (iii) the relevant underlying mortgages shall be “full recourse” loans, that is, in the case of foreclosure the mortgage owner shall remain liable for any shortfall in the sales proceeds from the property, and the relevant average loan-to-value ratio (LTV) shall not exceed eighty per cent at issuance;
 - (iv) the relevant securitisation structure or scheme shall be subject to “risk retention” requirements or regulations that require the issuer to retain an interest in the securitised assets; and
 - (v) the bank shall apply to the relevant current market value of such residential mortgage-backed securities a haircut of no less than twenty five per cent;
- (B) corporate debt securities, including commercial paper, provided that-
 - (i) the corporate debt securities-
 - (aa) shall not be issued by a financial institution or any of its affiliated or associated entities;
 - (bb) shall have a long-term credit rating issued by an eligible institution between A+ and BBB-, or in the absence of a long-term rating, a short-term rating equivalent in quality to the said long-term rating, provided that when the corporate debt security has no credit assessment issued by an eligible institution, the security shall have an internal rating with a PD that corresponds to an external credit assessment or rating of between A+ and BBB-;
 - (cc) shall trade in large, deep and active repo or cash markets characterised by a low level of concentration;
 - (dd) shall have a proven record as a reliable source of liquidity in the relevant repo or sale markets, even during stressed market conditions, that is, during stressed market conditions-
 - (i) the maximum decline in the price of the relevant

securities did not exceed twenty per cent; or

- (ii) the maximum increase in the haircut of the relevant securities did not exceed twenty percentage points,

over a 30-day period during a relevant period of significant liquidity stress;

- (ii) this category of corporate debt securities, including commercial paper, shall include only plain vanilla assets of which the valuation is readily available based on standard methods of valuation, and shall not depend on private knowledge, that is, any complex structured product or subordinated debt shall be excluded from this category of instruments; and

- (iii) the bank shall apply to the relevant current market value of such corporate debt securities a haircut of no less than fifty per cent;

(C) common equity shares, provided that-

- (i) the common equity shares-

- (aa) shall not be issued by a financial institution or any of its affiliated or associated entities;

- (bb) shall be exchange traded and centrally cleared;

- (cc) shall be a constituent of the relevant major stock index specified in writing by the Registrar or the relevant supervisory authority in the home jurisdiction or where the liquidity risk is incurred;

- (dd) shall be denominated in Rand or the relevant domestic currency of the jurisdiction where the bank's liquidity risk is incurred;

- (ee) shall trade in large, deep and active repo or cash markets characterised by a low level of concentration; and

- (ff) shall have a proven record as a reliable source of liquidity in the relevant repo or sale markets, even during stressed market conditions, that is, during stressed market conditions-

- (i) the maximum decline in the share price did not exceed forty per cent; or

- (ii) the maximum increase in the haircut of the relevant

shares did not exceed forty percentage points,

over a 30-day period during a relevant period of significant liquidity stress; and

- (ii) the bank shall apply to the relevant current market value of such common equity shares a haircut of no less than fifty per cent;
- (D) the undrawn amount of any contractually committed liquidity facility (CLF) provided by the Reserve Bank, provided that-
- (i) the relevant amount shall not be otherwise included in any other relevant portfolio of high-quality liquid assets, that is, the bank shall in no case double count any relevant amount related to any relevant asset, instrument or facility;
 - (ii) when the bank includes any relevant amount of such facility within its portfolio of level 2B assets or instruments, the facility shall for purposes of these Regulations be referred to as a Restricted-use Committed Liquidity Facility (RCLF);
 - (iii) the said RCLF-
 - (aa) shall be secured by unencumbered collateral of a type specified in writing by the Reserve Bank, which collateral-
 - (i) shall be held in a form that supports immediate transfer to the Reserve Bank should the facility need to be drawn;
 - (ii) shall be sufficient to cover the total size of the relevant facility, after any relevant haircut has been taken into consideration;
 - (iii) that is used to support the RCLF shall not simultaneously be used or included as part of any relevant portfolio of high-quality liquid assets, that is, as stated hereinbefore, the bank shall in no case double count any relevant amount related to any relevant asset or instrument;
 - (bb) shall in normal times be subject to a commitment fee calculated on the aggregate amount of the relevant drawn and undrawn portions of the facility, which commitment fee shall be at least equal to the greater of:
 - (i) 75 basis points per annum; or

- (ii) at least 25 basis points per annum above the difference in yield on any relevant asset or instrument used to secure the RCLF and the yield on a representative portfolio of high-quality liquid assets, after adjustment for any material differences in credit risk;
- (iv) during periods of market-wide stress the commitment fee on the aggregate amount of the relevant drawn and undrawn portions of the RCLF may be reduced, but shall remain subject to any relevant minimum requirements specified in writing by the Governor in respect of CLFs that may otherwise be made available to banks by the Reserve Bank;
- (v) for as long as the bank remains solvent, the RCLF contract-
 - (aa) shall be irrevocable prior to the maturity thereof; and
 - (bb) shall not make provision for any ex-post credit decision by the Reserve Bank;
- (vi) the commitment period of any relevant RCLF shall exceed the 30-day stress period envisaged in this subregulation (12);
- (vii) when the Reserve Bank makes RCLFs available to banks, the Reserve Bank shall disclose-
 - (aa) the cases in which the said facilities may not be available to all banks, and the cases in which the said facility may be available to banks;
 - (bb) any relevant further conditions that may apply for the inclusion of RCLFs within the banks' portfolios of high-quality liquid assets;
 - (cc) the period when it considers there to be a market-wide stress that justifies an easing of the RCLF terms, as envisaged hereinbefore.
- (iv) Subject to the provisions of sub-paragraph (v) below, in order to determine the extent of a bank's available unencumbered assets that may be used as collateral to raise additional high-quality liquid assets or secured funding in secondary markets or may be eligible as collateral at the Reserve Bank or other relevant central banks, and as such may potentially be an additional source of liquidity when required, a bank shall report to the Registrar the amount, type and location of such available unencumbered assets-
 - (A) that may serve as collateral for secured borrowing in secondary markets at prearranged or current haircuts at reasonable costs;

- (B) that are eligible to obtain secured funding from the Reserve Bank or other relevant central banks at prearranged (when available) or current haircuts at reasonable costs for standing facilities, that is, excluding any emergency assistance arrangement,
 - (i) which information shall include collateral that has already been accepted at the Reserve Bank or at another relevant central bank but which remains unused;
 - (ii) in respect of which assets the bank has in place operational procedures to monetise the relevant collateral when required,

Provided that the bank shall report any collateral received that the bank is permitted to deliver or re-pledge separately, as well as the part of such collateral that is so delivered or re-pledged by the bank at each relevant reporting date.

- (v) As part of or in addition to the required information specified in subparagraph (iv) above,
 - (A) a bank shall categorise the relevant assets according to significant currency, for which purposes a currency shall be regarded as significant when the aggregate amount relating to available unencumbered collateral denominated in that currency amounts to five per cent or more of the relevant total amount of unencumbered collateral available to raise additional high-quality liquid assets or secured funding in secondary markets or from relevant central banks;
 - (B) a bank shall report to the Registrar the haircut or estimated haircut that the secondary market or relevant central bank would require for each relevant asset, provided that in the case of a relevant central bank haircut, the bank shall report the haircut required by the relevant central bank for matching funding under normal circumstances, that is, for example, the Reserve Bank for rand-denominated funding under normal circumstances, the European Central Bank for euro-denominated funding under normal circumstances, and the Bank of Japan for yen funding under normal circumstances;
 - (C) a bank shall, instead of the relevant notional amounts, report to the Registrar the expected monetised value of the relevant collateral;
 - (D) a bank shall report to the Registrar the location where the respective assets are actually held, and the business units or lines that have access to those assets.

(c) *Matters related to the calculation of a bank's relevant amount of net cash outflow*

Based on the relevant requirements specified in this subregulation (12), a bank shall continuously calculate its expected total net cash outflows for the subsequent 30 calendar day period as the difference between total expected cash outflows and total expected cash inflows as envisaged and specified in these Regulations, provided that-

- (i) the bank's relevant calculation shall be based on a specified stress scenario applied for the subsequent 30 calendar days, in terms of which-
 - (A) the bank's total expected cash outflows shall be equal to the outstanding balances of specified categories or types of liabilities and off-balance-sheet commitments, multiplied by the relevant run-off or drawn-down rates specified in this paragraph (c) or in paragraph (d) below; and
 - (B) the bank's total expected cash inflows shall be equal to the outstanding balances of specified categories of contractual receivables, multiplied by the specified rates at which the said receivables are expected to flow in under the said stress scenario, provided that the bank's total expected cash inflows shall be limited to seventy five per cent of the bank's total expected cash outflows, that is:

$$\begin{aligned} \text{Total net cash outflows over the next 30 calendar days} &= \\ \text{Total expected cash outflows} - \min\{\text{total expected cash inflows;} & \\ \text{75\% of total expected cash outflows}\} & \end{aligned}$$

- (ii) when the bank calculates its LCR, the bank shall not double count any relevant item, that is, when the bank, for example, includes a high-quality liquid asset in the numerator, any cash inflow associated with that asset cannot be included as part of the denominator, that is, as part of cash inflows;
- (iii) when an item may be counted in multiple outflow categories, such as a committed liquidity facility granted to cover debt maturing within the 30 calendar day period, the bank only has to assume up to the maximum contractual outflow for that product.

(d) *Matters related to the calculation of a bank's total expected cash outflows*

Based on the relevant requirements specified in this subregulation (12), including, in particular, the categories of funding and other liabilities or potential liabilities, and run-off, outflow or drawdown factors, specified below, a bank shall continuously calculate its expected or potential total cash outflows, for which purposes-

- (i) retail deposits mean deposits placed with the bank by a natural person, which retail deposits shall include all relevant demand deposits and term deposits, provided that-
- (A) deposits received from legal entities, sole proprietorships or partnerships shall be included in the bank's wholesale deposit category;
 - (B) the bank shall divide its retail deposits between "stable" and "less stable" retail deposits;
 - (C) in respect of the aforesaid stable retail deposits, the bank shall determine the amount of deposits that is fully insured as envisaged in item (E) below in terms of an effective deposit insurance scheme or by a public guarantee that provides equivalent protection as envisaged in item (D) below, and where-
 - (i) the depositors have other established relationships with the bank that make deposit withdrawal highly unlikely; or
 - (ii) the deposits are in transactional accounts, such as accounts where salaries are automatically deposited,

and the relevant amount related to any other stable retail deposits, whereafter the bank shall determine the relevant run-off factor in accordance with the relevant requirements specified in item (F) below.

Based on the aforesaid, the mere existence of deposit insurance alone shall not be sufficient motivation to classify a deposit as "stable".

- (D) an effective deposit insurance scheme as envisaged in this subregulation (12) means a scheme-
 - (i) that guarantees that it has the ability to make prompt payouts; and
 - (ii) for which the coverage is clearly defined; and
 - (iii) in respect of which public awareness is high.

Provided that-

- (aa) the deposit insurer in an effective deposit insurance scheme shall have formal legal powers to fulfil its mandate and shall be operationally independent, transparent and accountable;

- (bb) an explicit and legally binding sovereign deposit guarantee that effectively functions as deposit insurance may be regarded as an effective deposit insurance scheme;
- (E) fully insured as envisaged in item (C) above means that one hundred per cent of the relevant deposit amount, up to the relevant deposit insurance limit, is covered by an effective deposit insurance scheme, that is-
- (i) deposit balances up to the deposit insurance limit may be treated as “fully insured”, even if the depositor has a balance in excess of the deposit insurance limit, provided that-
 - (aa) one hundred per cent of the relevant deposit amount, up to the relevant deposit insurance limit, is covered by an effective deposit insurance scheme;
 - (bb) the bank shall treat any amount in excess of the said deposit insurance limit as “less stable”;
 - (ii) when a depositor, for example, has a deposit of R150 000 that is covered by a deposit insurance scheme in terms of which one hundred per cent of the deposited amount is covered, up to a limit of R100 000, that is, the depositor would receive at least R100 000 from the deposit insurance scheme when the bank is unable to repay the deposit, R100 000 would be regarded as “fully insured” and treated as stable deposits, while the remaining R50 000 shall be treated as part of the less stable deposit category;
 - (iii) when the deposit insurance scheme covers only a percentage of the funds, such as ninety per cent of the deposit amount, but not one hundred per cent, up to a limit of, for example, R100 000, the bank shall classify the entire deposit of R150 000 as less stable;
- (F) when the retail deposit in question complies with the relevant criteria specified for stable deposits in items (C) to (E) above, and
- (i) the deposit insurance scheme is based on a system of prefunding via the periodic collection of levies on banks with insured deposits; and
 - (ii) the deposit insurance scheme has adequate means of ensuring ready access to additional funding in the event of a large call on its reserves, such as an explicit and legally binding guarantee from the government, or a standing authority to borrow from the

government; and

- (iii) access to insured deposits is available to depositors in a short period of time, that is, not more than seven business days once the deposit insurance scheme is triggered; and
- (iv) the bank complies with such further conditions or requirements as may be specified in writing by the Registrar,

the bank may apply to such stable retail deposits a run-off factor of no less than three per cent, provided that, unless specifically otherwise stated, the bank shall apply to the relevant amount of any stable retail deposit that does not comply with all the aforesaid specified criteria a run-off factor of not less than five per cent;

- (G) when the bank is unable to readily identify the retail deposits that qualify as “stable” retail deposits, the bank shall allocate the relevant full amount to the “less stable” retail deposits category;
- (H) in respect of the aforesaid less stable retail deposits, that is, for example, deposits that are not covered by an effective deposit insurance scheme or sovereign deposit guarantee, high-value deposits, deposits from sophisticated or high net worth individuals, deposits that can be withdrawn quickly, such as internet deposits, and foreign currency deposits, the bank shall apply a run-off factor of not less than ten per cent;
- (I) in order to more accurately capture depositor behaviour in a period of stress, the Registrar may require a bank in writing-
 - (i) to add further reporting categories of deposits with specified run-off factors; or
 - (ii) to apply a run-off factor higher than the percentages specified hereinbefore;
- (ii) fixed or term retail deposits with a residual maturity or withdrawal notice period of more than 30 days may be excluded from the bank’s calculation of total expected cash outflow for LCR, provided that-
 - (A) the depositor shall have no legal right to withdraw the deposit within the said 30-day horizon of the LCR;
 - (B) subject to such conditions as may be specified in writing by the Registrar, and the bank’s sole discretion, the bank may allow a depositor to early withdraw the deposit, provided that-
 - (i) the withdrawal shall be subject to a penalty substantially higher than the loss of interest;

- (ii) when the bank allows early withdrawal without applying the aforesaid penalty or despite the clause that states the depositor has no legal right to withdraw, the bank shall for purposes of calculating its LCR regard the entire category of those funds as demand deposits, regardless of the remaining term to maturity;
 - (C) when a portion of the said fixed or term deposits can be withdrawn without incurring the penalty referred to in item (B) above, the bank shall treat that portion as demand deposits, and the remaining balance of the deposits as term deposits;
 - (D) the Registrar may specify in writing exceptional circumstances that shall for purposes of these Regulations be regarded as hardship, under which exceptional circumstances a term deposit may be withdrawn by the depositor without the bank being required to change the treatment of the entire pool of deposits, as stated hereinbefore;
- (iii) unsecured wholesale funding, in respect of which the bank shall apply the relevant run-off factors specified in subparagraphs (iv) to (ix) below-
- (A) shall include-
 - (i) liabilities and general obligations that are raised from non-natural persons, such as legal entities, including sole proprietorships and partnerships, and that are not collateralised by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution;
 - (ii) all relevant funding that is callable or has its earliest possible contractual maturity date within the LCR's horizon of 30 days, such as maturing term deposits and unsecured debt securities, as well as funding with an undetermined maturity;
 - (iii) all relevant funding with options that are exercisable at the investor's discretion within the LCR's horizon of 30 calendar days;
 - (iv) all relevant liabilities in respect of which the market is likely to expect redemption before the relevant legal final maturity date;
 - (B) shall exclude-
 - (i) wholesale funding that is callable by a fund provider subject to a contractually defined and binding notice period beyond the 30-day horizon;
 - (ii) obligations related to derivative instruments or contracts;

- (iv) the bank shall, in respect of unsecured wholesale funding provided by small business customers, that is, deposits and other extensions of funds made by non-financial small business customers that are managed as retail deposits or exposures, and which are generally considered as having liquidity risk characteristics similar to retail accounts, follow an approach similar to the approach specified above for retail deposits, that is, the bank shall, based on the relevant criteria specified hereinbefore for retail deposits, distinguish between-
- (A) a stable portion of unsecured wholesale funding provided by small business customers, in respect of which the bank shall apply a run-off factor of not less than five per cent; and
- (B) a less stable portion of unsecured wholesale funding provided by small business customers, in respect of which the bank shall apply a run-off factor of not less than ten per cent,

Provided that-

- (i) this category of unsecured wholesale funding provided by non-financial small business customers shall only include small business customers in respect of which the total aggregate amount of funding raised from a customer and its relevant associates or affiliates, on a gross consolidated basis, is less than such an amount as may be specified in writing by the Registrar from time to time;
- (ii) term deposits from small business customers shall be treated in accordance with the relevant requirements specified hereinbefore for term retail deposits;
- (iii) the same principles and requirements that apply to small business customers envisaged in regulation 23(6)(b) of these Regulations shall apply *mutatis mutandis* to small business customers for purposes of this subregulation (12), including, in particular-
- (aa) the bank shall treat such deposits from small business customers in its internal risk management systems consistently over time and in a manner similar to other retail deposits; and
- (bb) such deposits shall not be managed individually, in a manner comparable to larger corporate deposits;
- (v) the bank may in respect of unsecured wholesale funding consisting of operational deposits generated by clearing, custody or cash management activities, as defined and envisaged in subparagraph (vi) below, placed at

or deposited with the bank by financial or non-financial customers to facilitate their access and ability to use payment and settlement systems, or to otherwise make payments, apply a run-off factor of not less than twenty five per cent, provided that-

- (A) in order to ensure the appropriate treatment by the bank of operational deposits and activities as envisaged in this subparagraph (v), including any potential concentration risk related thereto, the bank shall obtain the prior written approval of and comply with such further requirements or conditions as may be specified in writing by the Registrar in respect of any such operational deposits and activities;
- (B) the relevant financial or non-financial customer-
 - (i) shall have a substantive dependency with the bank, and the relevant deposit shall be required for the aforesaid activities;
 - (ii) shall be reliant on the bank to perform the aforesaid services as an independent third party intermediary in order to fulfil its normal banking activities over the next 30 days, that is, the bank shall not treat a deposit in accordance with the provisions of this subparagraph (v) if the bank is aware that the customer has adequate back-up arrangements;
- (C) the aforesaid clearing, custody or cash management activities and the related services shall be provided in terms of a legally binding agreement to institutional customers, and the termination of such agreements shall be subject to either 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 that relevant customer should the operational deposit be moved before the expiry of the said 30 day period;
- (D) the operational deposits generated by the aforesaid activities-
 - (i) shall be by-products of the underlying services provided by the bank, and not sought out in the wholesale market in the sole interest of offering interest income;
 - (ii) shall be held in specifically designated accounts and priced without giving any economic incentive to the customer to leave any excess funds on these accounts, which economic incentive does not relate only to the payment of market interest rates;
 - (iii) may be non-interest bearing when interest rates in a particular jurisdiction are close to zero;

- (E) the bank shall have in place sufficiently robust policies, processes and procedures to identify any excess deposits that have to be excluded from the provisions of this subparagraph (v),
- (i) which assessments shall be conducted at a sufficiently granular level to adequately assess the risk of withdrawal in an idiosyncratic stress;
 - (ii) which processes and procedures shall be sufficiently robust-
 - (aa) to take into account all relevant factors, such as the likelihood that wholesale customers have above average balances in advance of specific payment needs;
 - (bb) to duly consider appropriate indicators, such as ratios of account balances to payment or settlement volumes or to assets under custody, to identify those customers that are not actively managing account balances efficiently;
- (F) when the relevant deposits arise from correspondent banking, that is, an arrangement in terms of which one bank (correspondent) holds deposits owned by another bank (respondent) and provides payment and other services in order to settle foreign currency transactions, such as nostro and vostro accounts used to settle transactions in a currency other than the domestic currency of the respondent bank for the provision of clearing and settlement of payments, the bank shall, for purposes of determining the relevant run-off factor, treat the relevant deposit as if there was no operational relationship or activity;
- (G) when the relevant deposits arise from the provision of prime brokerage services, that is, a package of services offered to large active investors, particularly institutional hedge funds, which services usually include-
- (i) clearing, settlement and custody;
 - (ii) consolidated reporting;
 - (iii) margin, repo or synthetic financing;
 - (iv) securities lending;
 - (v) capital introduction; and
 - (vi) risk analytics,

the bank shall, for purposes of determining the relevant run-off factor, treat the relevant deposits as if there was no operational relationship

or activity;

- (H) in respect of any portion of the operational deposits generated by clearing, custody or cash management activities that is fully covered by deposit insurance, as envisaged in subparagraph (i) above, the bank may apply a run-off factor equivalent to the run-off factor that applies to “stable” retail deposits;
- (I) any excess balance that may be withdrawn and still leave sufficient funds to fulfil the required clearing, custody or cash management activities-
 - (i) shall not qualify for the aforesaid run-off factor of not less than twenty five per cent envisaged in this subparagraph (v), that is, only that portion of the deposit with the service provider bank that is proven to serve the relevant customer's operational needs shall qualify as stable, as envisaged in this subparagraph (v); and
 - (ii) shall be included in the relevant category related to non-operational deposits,

Provided that when a bank is unable to determine the relevant excess amount of the balance envisaged hereinbefore, the bank shall regard the entire deposit to be in excess to requirement, and as such the entire deposit shall be considered non-operational;

- (J) any relevant balance related to an operational deposit envisaged in this subparagraph (v) shall be subject to a zero per cent inflow assumption for the depositing bank, as set out in paragraph (e) below, given the fact that the said deposits are required for operational reasons, and are therefore not available to the depositing bank to repay any other outflow;
- (vi) in respect of unsecured wholesale funding received from financial and non-financial wholesale customers with specific operational relationships as envisaged in subparagraph (v) above,
 - (A) a clearing relationship means a service arrangement that enables customers to transfer funds or securities indirectly through direct participants in domestic settlement systems to final recipients, which services are limited to-
 - (i) transmission, reconciliation and confirmation of payment orders;
 - (ii) daylight overdraft, overnight financing and maintenance of post-settlement balances; and

- (iii) determination of intra-day and final settlement positions;
- (B) a custody relationship means the provision of safekeeping, reporting, processing of assets and/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, which services are limited to-
- (i) the settlement of securities transactions;
 - (ii) the transfer of contractual payments;
 - (iii) the processing of collateral;
 - (iv) the provision of custody related cash management services;
 - (v) the receipt of dividends and other income;
 - (vi) client subscriptions and redemptions;
 - (vii) asset and corporate trust servicing, treasury, escrow, funds transfer, stock transfer and agency services, including payment and settlement services, and depository receipts,
- but which custody related services shall in no case include any correspondent banking related services, as envisaged and described hereinbefore;
- (C) a cash management relationship means the provision of cash management and related services to customers, that is, the provision of cash management services related to 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, which services are limited to-
- (i) payment remittance;
 - (ii) collection and aggregation of funds;
 - (iii) payroll administration; and
 - (iv) control over the disbursement of funds;
- (vii) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, in respect of unsecured wholesale funding related to an institutional network of cooperative banks or similar institutions, that is, a group of legally autonomous banks or similar institutions with a statutory framework of cooperation with common strategic focus and brand where specific functions are performed by central

institutions or specialised service providers, the relevant central institution or specialised central service providers may apply a run-off rate of twenty five per cent in respect of deposits of member institutions that are placed-

- (A) due to statutory minimum deposit requirements, which are registered at the relevant regulators; or
- (B) in the context of common task sharing and legal, statutory or contractual arrangements,

Provided that-

- (i) both the bank that received the funds and the bank that deposited the funds shall participate in the same institutional network's mutual protection scheme against illiquidity and insolvency of its members;
- (ii) the depositing bank or institution shall apply a zero per cent inflow assumption in respect of the relevant deposited funds, since the funds are considered to remain with the relevant centralised institution;
- (iii) any relevant correspondent banking activities shall be excluded from this category and shall be subject to a run-off factor of one hundred per cent;
- (iv) funds placed with a central institution or specialised service provider for any reason other than-
 - (aa) the specific reasons specified in this subparagraph (vii); or
 - (bb) for operational functions of clearing, custody, or cash management as envisaged in subparagraphs (v) and (vi) above,

shall be subject to a run-off factor of one hundred per cent;
- (viii) in respect of any unsecured wholesale funding-
 - (A) from non-financial corporate customers, other than small business customers as envisaged hereinbefore;
 - (B) from domestic and foreign sovereign, central bank or public sector entities; or
 - (C) from multilateral development banks,

that are not specifically held for operational purposes as envisaged hereinbefore, the bank shall apply a run-off factor-

- (i) of twenty per cent when the entire amount of the relevant deposit or funding is fully covered by an effective deposit insurance scheme or by a public guarantee that provides equivalent protection; or
 - (ii) of forty per cent in respect of any of the aforesaid unsecured wholesale funding other than the fully covered deposits or funding envisaged in subitem (i) above;
- (ix) in respect of any unsecured wholesale deposits or other funding from institutions or persons other than the deposits and funding from institutions or persons specified hereinbefore, including-
- (A) any deposits or funds received from all relevant-
 - (i) banks;
 - (ii) securities firms;
 - (iii) insurance companies;
 - (iv) fiduciaries, that is, any legal entity that is authorised to manage assets on behalf of a third party, including all relevant asset management entities such as pension funds and other collective investment vehicles;
 - (v) beneficiaries, that is, any legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or any other relevant contract;
 - (vi) conduits and/ or special-purpose entities or vehicles; and
 - (vii) any affiliated entities of the bank,
 - (B) all relevant notes, bonds and other debt securities issued by the bank, regardless of the holder, unless the bond was sold exclusively in the retail market and held in a retail account or small business customer account treated as retail as envisaged in subparagraph (iv) above, in which case the instrument may be treated in accordance with the relevant requirements specified hereinbefore that relate to the retail deposit category or small business customer deposit category, provided that in order for the relevant amount to be treated as a retail or small business customer account, the bank shall ensure that appropriate limitations are in place to ensure that the said

instruments cannot be bought and held by persons other than retail or small business customers, that is, it will not be sufficient to merely design and market the debt instruments to retail or small business customers,

the bank shall apply a run-off factor of one hundred per cent;

- (x) the bank shall consider any customer cash balance arising from the provision of prime brokerage services, including but not limited to the cash arising from prime brokerage services envisaged in subparagraph (vi) above, separately from any relevant required segregated balances related to a client protection regime or arrangement that may be imposed in terms of the relevant regulatory framework or requirements of any relevant supervisor, and such balances shall not be netted off against any other relevant customer exposure specified in this subregulation (12), provided that any relevant offsetting balance held in a segregated account shall be treated as an inflow in terms of the relevant requirements specified in paragraph (e) below, and shall be excluded from the bank's relevant portfolio of high quality liquid assets;
- (xi) secured funding means those liabilities and general obligations that are collateralised by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution, provided that for purposes of the calculation of the bank's LCR-
 - (A) the bank shall assume that its ability to continue to transact repurchase agreements, resale agreements and any other relevant securities financing transactions is limited to transactions backed by specified high-quality liquid assets or specified counterparties;
 - (B) the bank shall treat collateral swaps and/ or similar transactions as repurchase or resale agreements;
 - (C) the bank shall treat any collateral lent to its customers to effect short positions as secured funding, for which purposes-
 - (i) a customer short position shall include any transaction where the bank's customer sells a security it does not own, and the bank subsequently obtains the same security from internal or external sources to make delivery into the sale; and
 - (ii) internal sources shall include the bank's own inventory of collateral as well as rehypothecatable collateral held in other customer margin accounts; and
 - (iii) external sources shall include any collateral obtained through a securities borrowing, resale or other similar transaction;

- (D) in respect of all outstanding secured funding transactions with maturities within the envisaged 30 calendar day stress horizon, including any relevant customer short position with no specified contractual maturity, the relevant calculated amount of outflow shall be based on the amount of funds raised through the relevant transaction and not the value of the underlying collateral, and the bank-
- (i) shall apply a zero per cent reduction in funding availability related to maturing transactions secured by level one high-quality liquid assets or any maturing secured funding transaction with the Reserve Bank;
 - (ii) shall in respect of maturing transactions secured by level two high-quality liquid assets apply a reduction in funding availability equivalent to the relevant haircuts specified in these Regulations, that is, the bank shall-
 - (aa) apply a fifteen per cent reduction in funding availability related to maturing transactions secured by level 2A high quality liquid assets, that is, level two high quality liquid assets other than level 2B high quality liquid assets;
 - (bb) in recognition that the Central Government of the RSA, multilateral development banks, or public sector entities that qualify for a risk weight of twenty per cent or lower in terms of the Standardised Approach for the measurement of the bank's exposure to credit risk in terms of the provisions of regulation 23(8) of these Regulations are unlikely to withdraw secured funding from the bank during a time of market-wide stress, apply a twenty five per cent reduction in funding availability related to maturing transactions with or secured by instruments of the aforesaid persons, entities or institutions, other than instruments or assets qualifying as level one or level 2A high quality liquid assets;
 - (cc) apply a twenty five per cent or such a higher percentage as may be specified in writing by the Registrar, reduction in funding availability related to maturing transactions secured by residential mortgage-backed securities qualifying as level 2B high quality liquid assets;
 - (dd) apply a fifty per cent or such a higher percentage as may be specified in writing by the Registrar, reduction in funding availability related to maturing transactions secured by level 2B high quality liquid assets other than any level 2B high quality liquid assets already specified

hereinbefore;

- (iii) shall apply a one hundred per cent reduction in funding availability related to all other relevant maturing transactions, including any relevant transaction in terms of which the bank accommodated customers' short positions with the bank's own long inventory;
- (E) the bank shall, based on the relevant requirements specified in item (D) above, read with the provisions of this item (E), add to its expected cash outflows the relevant amounts specified in table 1 below:

Table 1

Outstanding maturing secured funding	Amount to add to cash outflows
Secured by level one high-quality liquid assets or the Reserve Bank	0%
Secured by level 2A high-quality liquid assets, that is, level two high-quality liquid assets other than level 2B high-quality liquid assets	15%
Secured funding transactions with Central Government of RSA, multilateral development banks or public sector entities that are risk weighted at 20% or lower, and not secured by level one or level 2A high-quality liquid assets	25%
Secured by residential mortgage-backed securities (RMBS), qualifying as level 2B high-quality liquid assets	25%
Secured by any asset or instrument qualifying as level 2B high-quality liquid assets other than level 2B high-quality liquid assets already specified hereinbefore	50%
All others	100%

- (xii) the bank shall apply a run-off factor of one hundred per cent in respect of the sum of the relevant net derivative cash outflow amounts resulting from expected contractual derivative cash inflows and outflows, provided that-

(A) the bank-

- (i) shall, based on and in accordance with its existing valuation methodologies, calculate the relevant expected contractual cash inflow and outflow amounts related to its derivative instruments, contracts or transactions;
- (ii) may calculate the said cash inflow and outflow amounts on a

net basis per counterparty when the bank has in place a valid master netting agreement with that counterparty;

- (iii) shall exclude from the aforesaid calculation any liquidity requirements resulting from increased collateral needs due to market value movements or falls in the value of collateral posted;
 - (iv) shall assume that options that are 'in the money' to the option buyer will be exercised;
- (B) when derivative payments are collateralised by high-quality liquid assets and the bank is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the collateral is received, the bank shall calculate cash outflows net of any corresponding cash or collateral inflows that will result from the relevant contractual obligations for cash or collateral to be provided to the bank;
- (C) the bank shall in no case double count any relevant amount of liquidity inflow or outflow;
- (xiii) the bank shall apply a run-off factor of one hundred per cent of the relevant amount of collateral that will have to be posted for, or contractual cash outflows associated with, any downgrade up to and including a 3-notch downgrade by an eligible institution, that is, for each relevant contract or transaction with "downgrade triggers", the bank shall assume that one hundred per cent of the additionally required collateral shall be posted or the cash outflow shall occur for any downgrade up to and including a 3-notch downgrade of the bank's relevant long-term credit rating, provided that-
- (A) the bank shall assume that triggers linked to the bank's short-term rating shall be triggered at the appropriate or corresponding long-term rating, in accordance with the relevant published ratings criteria;
 - (B) the bank shall ensure that it has in place sufficiently robust policies, processes and procedures to ensure that the impact of the downgrade also takes into account the impact on all relevant types of margin collateral and contractual triggers which change rehypothecation rights for non-segregated collateral;
- (xiv) the bank shall apply a run-off factor of twenty per cent of the value of level two high-quality liquid assets posted or pledged as collateral to cover a potential loss of market value in respect of derivative or other relevant transactions, that is, a bank posting collateral other than level one high-quality liquid assets to cover any relevant mark-to-market exposure shall add to the relevant stock of required high-quality liquid assets twenty per cent of the value of all such level two high-quality liquid assets, net of

collateral received on a counterparty basis, provided that-

- (A) the aforesaid collateral received shall not be subject to restrictions on reuse or rehypothecation;
 - (B) the bank shall calculate the said twenty per cent based on the relevant notional amount required to be posted as collateral after any other relevant haircuts have been applied;
 - (C) any collateral maintained in a segregated margin account shall only be used to offset outflows that are associated with payments that are eligible to be offset from that same account;
- (xv) the bank shall apply an outflow factor of one hundred per cent in respect of any non-segregated collateral held by the bank that may contractually be called or recalled by the relevant counterparty because the collateral is in excess of the counterparty's current collateral requirements;
- (xvi) the bank shall apply an outflow factor of one hundred per cent in respect of any contractually required collateral on transactions for which the counterparty has not yet demanded the collateral be posted;
- (xvii) the bank shall apply an outflow factor of one hundred per cent in respect of the amount of collateral qualifying as high-quality liquid assets that may be substituted for assets that do not qualify as high-quality liquid assets without the bank's consent which have been received to secure transactions that have not been segregated;
- (xviii) based on the largest absolute net 30-day collateral flow realised during the preceding twenty four months related to collateralisation of mark-to-market exposures on derivative and other transactions to provide for valuation changes, and such further conditions as may be specified in writing by the Registrar, the bank shall apply an outflow factor of one hundred per cent in respect of the said absolute net collateral flow amount, provided that for purposes of this calculation-
- (A) the bank may treat inflows and outflows of all relevant transactions executed under the same master netting agreement on a net basis;
 - (B) the said absolute net collateral flow amount shall be based on both realised outflows and inflows;
- (xix) the bank shall apply a run-off factor of one hundred per cent in respect of funding related to asset-backed securities or other structured financing instruments maturing within the said 30-day period, that is, when the aforesaid instruments are issued by the bank itself, the bank shall assume that the re-financing market will not exist, causing a complete outflow of the related funding maturing within the said 30-day period;

- (xx) the bank shall apply a run-off factor of one hundred per cent in respect of maturing funding related to asset-backed commercial paper, conduits, securities investment vehicles and other similar financing facilities, and one hundred per cent of the relevant required liquidity related to assets that may be returned, that is-
- (A) a bank with structured financing facilities in place that include the issuance of short-term debt instruments, such as asset-backed commercial paper, shall duly consider-
- (i) the inability to refinance maturing debt; and
- (ii) the existence of derivatives or derivative-like components contractually written into the documentation associated with the structure that may cause the “return” of assets in a financing arrangement, or that require the originator to provide liquidity, effectively ending the financing arrangement within the said 30-day period;
- (B) when the bank engages in structured financing activities through a special-purpose entity or vehicle, the bank shall, in determining its relevant requirement for high-quality liquid asset, look through the structure to the maturity of the debt instruments issued by the special-purpose entity or vehicle, and any embedded options in financing arrangements that may potentially trigger the “return” of assets or the need for liquidity, irrespective whether or not the special-purpose entity or vehicle is consolidated;
- (C) based on the relevant requirements specified in this subparagraph (xx), a bank shall determine its relevant liquidity requirements in accordance with the requirements specified in table 2 below:

Table 2

Potential risk	Required high-quality liquid assets
Debt maturing within the calculation period	100% of the maturing amount
Embedded options in financing arrangements that allow for the return of assets or potential liquidity support	100% of the amount of assets that may be returned, or the relevant amount of liquidity required

- (xxi) the bank shall in respect of any relevant contractually committed undrawn credit or liquidity facility, that is, for example, any relevant explicit contractual agreement or obligation to extend funds at a future date to retail or wholesale counterparties or any other relevant person specified below, apply a drawdown or outflow factor of-

- (A) five per cent in respect of any committed undrawn credit or liquidity facility to retail or small business customers;
- (B) ten per cent in respect of any committed undrawn credit facility to non-financial corporates, sovereigns or central banks, public sector entities and multilateral development banks;
- (C) thirty per cent in respect of any committed undrawn liquidity facility to non-financial corporates, sovereigns or central banks, public sector entities, and multilateral development banks;
- (D) forty per cent in respect of any committed undrawn credit or liquidity facility extended to any other bank subject to prudential supervision;
- (E) forty per cent in respect of any committed undrawn credit facility extended to any financial institutions other than banks, including-
 - (i) securities firms;
 - (ii) insurance entities;
 - (iii) fiduciaries as defined hereinbefore; and
 - (iv) beneficiaries as defined hereinbefore;
- (F) one hundred per cent in respect of any committed undrawn liquidity facility extended to any financial institutions other than banks, including-
 - (i) securities firms;
 - (ii) insurance entities;
 - (iii) fiduciaries as defined hereinbefore; and
 - (iv) beneficiaries as defined hereinbefore;
- (G) one hundred per cent in respect of any committed undrawn credit or liquidity facility to any other legal entity, including, for example, conduits and special-purpose vehicles or entities, or any other entity not included elsewhere in one of the aforementioned categories,

Provided that-

- (i) for purposes of this subregulation (12),
 - (aa) the bank shall include in its relevant calculations all relevant committed facilities that are contractually

irrevocable or conditionally revocable, which off-balance sheet facilities or funding commitments may have long-term or short-term maturities, since customers drawing on facilities of any maturity in a stressed environment are unlikely to be able to quickly pay back the relevant borrowed funds;

- (bb) all relevant facilities that are assumed to be drawn, as envisaged in this subparagraph (xxi), shall be deemed to remain outstanding at the relevant amounts assigned thereto throughout the duration of the relevant stress period, regardless of maturity;
- (cc) the bank shall exclude from this category any revocable facility that is unconditionally cancellable by the bank, which facility shall be included in the category “other contingent funding liabilities”;
- (dd) a liquidity facility includes any relevant committed, undrawn back-up facility to be utilised to refinance the debt obligations of a customer in situations when such a customer is unable to rollover that debt in financial markets, such as pursuant to a commercial-paper programme, secured financing transactions or obligations to redeem units, provided that-
 - (i) the amount of the commitment that shall be treated as a liquidity facility shall be the amount of the currently outstanding debt issued by the relevant customer, or in the case of a syndicated facility the relevant proportionate share, maturing within a 30 day period and for which the facility serves as a backstop;
 - (ii) any portion of a liquidity facility that is backing debt that does not mature within the said 30-day period shall be excluded from the liquidity facility for purposes of the relevant calculation;
 - (iii) the bank shall treat any relevant additional capacity of the facility, that is, any remaining commitment, as a committed credit facility;
- (ee) any general working capital facility for corporate entities, such as revolving credit facilities for general corporate or working capital purposes, shall be classified as a credit facility and not as a liquidity facility;
- (ff) the bank shall reflect the aggregate amount related to all

relevant facilities provided to hedge funds, money market funds, special-purpose funding vehicles or conduits, or other vehicles used to finance the banks own assets, in the category liquidity facilities to other legal entities;

- (ii) the provisions of this subparagraph (xxi) shall apply to all relevant lending commitments, including any relevant direct import or export financing for non-financial corporate entities;
 - (iii) the relevant undrawn portion of the aforesaid facilities may be calculated net of any relevant eligible high-quality liquid assets already posted as collateral by the relevant counterparty to secure the facility or that contractually have to be posted when the counterparty draws down the facility, such as in the case of a liquidity facility structured as a repurchase facility, provided that-
 - (aa) the bank shall be legally entitled and operationally capable to re-use the collateral in further cash raising transactions once the facility is drawn; and
 - (bb) there shall be no undue correlation between the probability of drawing the facility and the market value of the collateral; and
 - (cc) as stated hereinbefore, eligible collateral may be netted against the outstanding amount of the relevant facility only if that collateral is not included in the bank's relevant portfolio of high-quality liquid assets, that is, no instrument shall be double counted;
 - (iv) a bank that acts as a liquidity provider or provider of associated liquidity facilities is not required to double count for any maturing financing instrument envisaged in subparagraphs (xix) and (xx) above, and any relevant related liquidity facility for consolidated programs;
- (xxii) the bank shall apply an outflow rate of one hundred per cent in respect of any relevant contractual lending obligation to extend funds to a financial institution not included hereinbefore, within the said 30 calendar day period;
- (xxiii) the bank shall apply an outflow rate of one hundred per cent in respect of the relevant excess amount by which the aggregate amount of all contractual obligations to extend funds to retail and non-financial corporate clients within the said 30 calendar days, not included in one of the aforementioned categories, exceeds fifty per cent of the aggregate amount of contractual inflows due in the next 30 calendar days from those clients, that is, when the aggregate amount of all contractual obligations to extend funds to retail and non-financial corporate clients within the next 30

calendar days, not included in one of the aforementioned categories, exceeds fifty per cent of the total contractual inflows due in the next 30 calendar days from those clients, the bank shall report that difference as a one hundred per cent outflow of funds;

(xxiv) the bank shall apply such run-off factors or outflow rates in respect of such other relevant contingent funding obligations, and calculated in such a manner, as may be directed in writing by the Registrar, which contingent funding obligations may be either contractual or non-contractual obligations, and-

(A) which contingent funding obligations-

(i) are not lending commitments, that is, no lending related commitment shall be included in the category of products or instruments envisaged in this subparagraph (xxiv), but any lending related commitment shall be included as part of the products and instruments envisaged in subparagraph (xxi) above;

(ii) may include products or instruments such as-

(aa) unconditionally revocable or uncommitted undrawn credit or liquidity facilities; or

(bb) guarantees or letters of credit other than instruments related to trade finance obligations;

(iii) may relate to trade finance instruments, consisting of trade-related obligations directly underpinned by the movement of goods or the provision of services, such as-

(aa) documentary trade letters of credit, documentary and clean collection, import bills, and export bills; and

(bb) guarantees directly related to trade finance obligations, such as shipping guarantees;

(B) which non-contractual contingent funding obligations-

(i) include associations with, or sponsorship of, products sold or services provided that may require the support or extension of funds in the future under stressed conditions;

(ii) may be embedded in financial products and instruments sold, sponsored, or originated by the bank that may give rise to unplanned balance sheet growth arising from support given for reputational risk considerations, such as, for example, products and instruments for which the relevant customer or holder has

specific expectations regarding the liquidity and marketability of the product or instrument and for which failure to satisfy customer expectations in a commercially reasonable manner may cause material reputational damage to the bank, or otherwise impair its ongoing viability;

- (iii) may include products or instruments such as-
 - (aa) potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities;
 - (bb) structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes; and
 - (cc) managed funds that are marketed with the objective of maintaining a stable value such as money market mutual funds or other types of stable value collective investment funds;
 - (iv) may relate to potential liquidity draws from joint ventures or minority investments in entities that are not consolidated in accordance with the relevant requirements specified in these Regulations, but the bank is expected to be the main liquidity provider when the said entity is in need of liquidity;
 - (v) may relate to internally matched client assets against other clients' short positions where the collateral does not qualify as level one or level two instruments or assets, and the bank may be obligated to find additional sources of funding for these positions in the event of client withdrawals, provided that in such cases the run-off factor that shall be applied to the relevant contingent obligation shall not be less than fifty per cent;
- (xxv) the bank shall apply an outflow rate of one hundred per cent in respect of any other contractual cash outflows within the next 30 calendar days, such as outflows to cover unsecured collateral borrowings, uncovered short positions, dividend payments or contractual interest payments, provided that any relevant outflow related to operating costs shall be excluded from the provisions of this subregulation (12).

(e) *Matters related to the calculation of a bank's total expected cash inflows*

Based on the relevant requirements specified in this subregulation (12), including, in particular, the categories of loans or receivables, and the inflow rates or factors, specified below, a bank shall continuously calculate its expected or potential total cash inflows, for which purposes-

- (i) the bank shall include only contractual inflows from outstanding loans or exposures that are fully performing, and in respect of which the bank has no reason to expect a default within the envisaged 30-day time horizon, which inflows-
 - (A) shall include any relevant amount related to interest payments; but
 - (B) shall exclude any relevant amount related to any contingent inflows;
- (ii) the bank shall manage its business in such a manner that its liquidity position is at no stage overly dependent on the expected inflows from one or a limited number of wholesale counterparties;
- (iii) the bank-
 - (A) shall assume that maturing resale or securities borrowing agreements secured by level one high-quality liquid assets will be rolled-over, and will therefore not give rise to any cash inflows, that is, in respect of maturing resale or securities borrowing agreements secured by level one high-quality liquid assets, the bank shall apply an inflow factor of zero per cent;
 - (B) shall, in respect of maturing resale or securities lending agreements secured by level two high-quality liquid assets assume a cash inflow equivalent to the relevant haircut(s) specified in these Regulations for that particular asset;
 - (C) shall assume no roll-over in respect of maturing resale or securities borrowing agreements secured by assets other than level one or level two high-quality liquid assets, and as such the bank shall assume to receive back one hundred per cent of the cash related to such agreements;
 - (D) shall treat any relevant collateralised loan extended to a customer for the purpose of taking a leveraged trading position, which transaction is sometimes being referred to as a “margin loan”, as a form of secured lending, provided that for purposes of these Regulations the bank shall assume a maximum contractual inflow of fifty per cent from such maturing margin loans secured by assets or instruments other than level one or level two high-quality liquid assets,

Provided that,

- (i) when the collateral obtained through resale or securities borrowing agreements, or collateral swaps, which agreements or contracts mature within the said 30-day horizon, is re-used, that is, rehypothecated, and is used to cover short positions that may be extended beyond 30 days, the bank shall assume that such resale or securities borrowing arrangements will be rolled-over, and as such the bank shall apply an inflow factor of zero per cent to reflect the need to continue to cover the short position or to re-purchase the relevant securities;
- (ii) a short position envisaged in sub-item (i) above includes-
 - (aa) instances where, in its 'matched book', the bank sold short a security outright, as part of a trading or hedging strategy; and
 - (bb) instances where the bank is short a security in its 'matched' repo book, that is, the bank has borrowed a security for a given period and lent the security out for a longer period;
- (iii) in the case of a short position, when the short position is covered by-
 - (aa) an unsecured security borrowing, the bank shall assume the unsecured security borrowing of collateral from financial market participants would run-off in full, leading to a one hundred per cent outflow of either cash or high-quality liquid assets to secure the borrowing, or cash to close out the relevant short position by buying back the security, which situation shall be recorded as a one hundred per cent other contractual outflow in accordance with the relevant requirements specified in paragraph (d)(xxv) above;
 - (bb) a collateralised securities financing transaction, the bank shall assume the short position will be maintained throughout the 30-day period and receive a zero per cent outflow;
- (iv) the respective scenarios envisaged hereinbefore may be summarised as set out in table 3 below:

Table 3

Maturing secured lending, secured by:	Assumed inflow rate if collateral is not used to cover short positions:	Assumed inflow rate if collateral is used to cover short positions:
Level one high-quality liquid assets	0%	0%
Level 2A high-quality liquid assets	15%	0%
Level 2B high-quality liquid assets		
- eligible RMBS	25%	0%
- other level 2B assets	50%	0%
Margin lending secured by all other collateral	50%	0%
All other collateral	100%	0%

- (v) notwithstanding the aforesaid applied assumptions, the bank shall continuously manage its collateral in such a manner that the bank is able to fulfil any obligation to return collateral whenever the relevant counterparty decides not to roll-over the resale or securities lending transaction;
- (iv) the bank shall, in order to-
- (A) reduce the contagion risk of liquidity shortages at one bank causing shortages at other banks;
 - (B) reflect the risk that other banks may not be in a position to honour credit facilities; and/ or
 - (C) reflect the risk that other banks may decide to incur the legal and reputational risk involved in not honouring their commitments, to conserve their own liquidity or reduce their exposure to that bank,

apply an inflow factor of zero per cent in respect of any relevant credit facility, liquidity facility or other contingent funding facility that the bank may hold at any other relevant institution for its own purposes;

- (v) the bank shall, in respect of all relevant types of secured or unsecured transactions with retail, small business or wholesale clients, apply to the amounts specified below, the respective inflow factors specified below, provided that-

- (A) as stated hereinbefore, when considering any relevant loan payment, the bank shall only include inflows in respect of fully performing loans;
- (B) any relevant inflow amount shall, based on the contractual rights available to the relevant counterparty, only be included in the bank's relevant calculation at the latest possible date, that is, in the case of-
 - (i) a revolving credit facility, the bank shall assume that the existing loan will be rolled over and that any remaining balance shall be treated in a manner similar to a committed facility, as specified in subregulation (12)(d)(xxi) above;
 - (ii) any relevant loan that either has no specified maturity or the maturity is not duly defined or the loan has an open maturity, the bank shall assume no amount of inflow, provided that in such cases the bank may include as an inflow any relevant minimum payments of principal, fee or associated interest when such payments are contractually due within the relevant 30-day period, which minimum payment amounts shall be captured as inflows in accordance with the relevant requirements specified in items (C) and (D) below;
- (C) in the case of relevant inflows from retail and small business customers, the bank shall assume that it will receive all relevant payments, including all relevant interest payments and instalments, that are fully performing and contractually due within the said 30-day period, and at the same time the bank shall assume that it will continue to extend loans to retail and small business customers at a rate equal to fifty per cent of the relevant contractual inflow amount, that is, the bank shall in the case of retail and small business customers assume a net inflow of fifty per cent of the relevant aggregate contractual inflow amount;
- (D) in the case of relevant inflows from wholesale clients, the bank shall assume that it will receive all relevant payments, including all relevant interest payments and instalments, that are fully performing and contractually due within the said 30-day period-
 - (i) from financial institutions and central bank counterparties, and at the same time the bank shall assume that it will continue to extend loans to financial institutions and central bank counterparties at a rate of zero per cent of the relevant aggregate inflow amount, that is, the bank shall assume a net inflow amount from financial institutions and central bank counterparties equal to one hundred per cent of the relevant aggregate contractual inflow amount;

- (ii) from all relevant wholesale clients other than financial institutions and central bank counterparties, including clients such as non-financial corporates, sovereigns, multilateral development banks and public sector entities, and at the same time the bank shall assume that it will continue to extend loans to such clients at a rate of fifty per cent of the relevant aggregate inflow amount, that is, the bank shall assume a net inflow amount from wholesale clients other than financial institutions and central bank counterparties equal to fifty per cent of the relevant aggregate contractual inflow amount;
- (E) the bank shall treat all relevant inflows from securities maturing within 30 days not included in the bank's portfolio of high-quality liquid assets in the same category as inflows from financial institutions, that is, the bank shall assume an inflow amount equal to one hundred per cent of the relevant aggregate amount, provided that-
 - (i) the bank may also recognise in this category inflows from the release of balances held in segregated accounts in accordance with relevant regulatory requirements for the protection of customer trading assets, provided that-
 - (aa) these segregated balances shall be maintained in the relevant portfolio of high-quality liquid assets;
 - (bb) the bank shall calculate the related inflow in accordance with the relevant requirements specified in these Regulations in respect of other related outflows and inflows;
 - (ii) the bank shall include in its relevant portfolio of high-quality liquid assets all relevant level one and level two securities or instruments that comply with all the relevant operational and other definitional requirements specified in the Act and in these Regulations, and that mature within the said 30-day period;
- (vi) the bank shall apply an inflow factor of zero per cent in respect of any relevant deposits held at other financial institutions for operational purposes, as envisaged in paragraphs (d)(v) and (d)(vi) above, including all relevant deposits for clearing, custody, and cash management purposes;
- (vii) the bank shall apply an inflow factor of zero per cent in respect of any relevant deposits held at a centralised institution in a cooperative banking network, which deposits shall be assumed to remain at that centralised institution, that is, the relevant depositing bank shall apply an inflow factor of zero per cent in respect of any relevant deposits held at a centralised institution in a cooperative banking network;

- (viii) the bank shall apply an inflow factor of one hundred per cent in respect of the relevant sum of all net cash inflows related to derivative instruments, provided that-
- (A) the relevant amounts of cash inflows and outflows from derivative instruments shall be calculated in accordance with the relevant requirements specified in paragraph (d)(xii) above;
 - (B) when derivative instruments are collateralised by high-quality liquid assets, the bank shall calculate cash inflows net of any corresponding cash or contractual collateral outflows that will result from contractual obligations for cash or collateral to be posted by the bank, which contractual obligations shall reduce the bank's relevant stock of high-quality liquid assets, that is, the bank shall not double-count any relevant liquidity inflow or outflow amount;
- (ix) the bank shall apply such inflow factors in respect of such other relevant contractual cash inflows, and calculated and disclosed in such a manner, as may be directed in writing by the Registrar, which other contractual cash inflows shall exclude any relevant cash inflow related to any non-financial revenue.

(f) *Formulae for the calculation of LCR*

Based on the relevant requirements specified in this subregulation (12), a bank shall calculate its LCR in accordance with the formula specified below:

$$\text{LCR} = \frac{\text{Unencumbered level one and level two high-quality liquid assets}}{\text{Net cash outflow during the next 30 calendar days}} \times 100$$

Provided that:

- (i) all relevant level one and level two high-quality liquid assets shall be included in the aforesaid formula at their respective market values, after all relevant haircuts have been applied;
- (ii) subject to the provisions of sub-paragraph (iii) below, the bank shall manage its business in such a manner that its calculated LCR during the periods specified in table 4 below is at no stage lower than the relevant percentage requirements specified in table 4 below:

Table 4

Specified period	Minimum LCR
1 January 2015 to 31 December 2015	60%
1 January 2016 to 31 December 2016	70%
1 January 2017 to 31 December 2017	80%
1 January 2018 to 31 December 2018	90%
1 January 2019 and thereafter	100%

- (iii) during such a period of financial stress as may be directed in writing by the Registrar-
- (A) a bank shall manage its business in such a manner that its calculated LCR is at no stage lower than the relevant percentages specified in writing by the Registrar;
- (B) a bank shall in writing present to the Registrar an assessment of its liquidity position, including-
- (i) the reasons for or factors that contributed to, or are likely to contribute to, the bank's failure to comply with the minimum required LCR specified in sub-paragraph (ii) above;
 - (ii) the measures that have been and will be taken by the bank to restore its liquidity positions; and
 - (iii) the bank's expectations on the potential duration of the stressed liquidity situation or period;
- (C) a bank shall in writing submit to the Registrar such reports, returns or further information related to its liquidity position as may be directed in writing by the Registrar;
- (D) a bank shall comply with such measures or requirements as may be directed in writing by the Registrar, which may relate to or include matters such as-
- (i) a reduction in the bank's exposure to liquidity risk;
 - (ii) a strengthening of the bank's overall policies, processes and procedures related to liquidity risk management;
 - (iii) an improvement in the bank's contingency funding plan;

- (iv) the bank shall apply to the current market value of each relevant-
 - (A) level one high-quality liquid asset such a haircut percentage as may be specified in writing by the Registrar;
 - (B) level two high-quality liquid asset, other than an asset or instrument that forms part of the bank's level 2B portfolio of high-quality liquid asset, a haircut of no less than 15 per cent, or such a higher haircut percentage as may be specified in writing by the Registrar;
 - (C) asset or instrument that forms part of the bank's level 2B portfolio of high-quality liquid asset, a haircut of no less than the percentages specified in paragraph (b)(iii) above, or such a higher haircut percentage as may be specified in writing by the Registrar;
- (v) the bank's total net cash outflows shall be calculated for a period of 30 consecutive calendar days in accordance with the relevant requirements specified in this subregulation (12);
- (vi) while the bank is required to calculate and report its relevant LCR in Rand, in order to better manage and understand its potential currency mismatches, the bank shall also monitor its respective LCRs in each significant currency, for which purposes-
 - (A) a currency shall be deemed to be significant when the aggregate liabilities denominated in that currency amount to two per cent or more of the bank's total liabilities;
 - (B) all relevant cash flows shall be based on the relevant currency in which the counterparties are obliged to deliver or settle the contract, that is, irrespective of the currency to which a contract may be indexed or linked, or the currency fluctuation that is intended to be hedged by means of the contract, the bank shall calculate the relevant required cash flows based on the relevant currency in which the counterparties are obliged to deliver or settle the contract;
 - (C) the bank shall calculate the relevant net foreign exchange cash outflow amount net of any relevant foreign exchange hedge contract;
 - (D) the bank shall continuously evaluate its ability to raise funds in foreign currency markets and to transfer any liquidity surplus from one currency to another and across jurisdictions and legal entities;
 - (E) the Registrar may specify in writing such threshold levels or monitoring ranges in respect of such foreign currency LCR as the Registrar may deem appropriate from time to time;
 - (F) the bank shall calculate its LCR in each significant currency through

the application of the formula specified below:

$$\text{Foreign currency LCR} = \frac{\text{Unencumbered high-quality liquid assets in each significant currency}}{\text{Net cash outflow during the next 30 calendar days in each significant currency}} \times 100$$

(13) *Available sources of stress funding and related matters*

A bank-

- (a) shall obtain the prior written approval of its board of directors or board approved committee in respect of any assumption made relating to the realisable value of assets under a forced sale scenario;
- (b) shall on request submit to the Registrar all relevant board approved assumptions and reasoning applied in respect of the realisable value of assets under a forced sale scenario;
- (c) shall ensure appropriate diversification in both the tenor and source of its funding;
- (d) shall, notwithstanding the relevant requirements specified in regulation 27 relating to minimum level one high-quality liquid assets, maintain a liquidity cushion, made up of unencumbered liquid assets, to protect the bank against liquidity stress events, including potential losses of unsecured and typically available secured funding sources;
- (e) shall ensure that its policies, processes, systems and procedures relating to liquidity risk management are sufficiently robust to effectively manage the bank's-
 - (i) ongoing liquidity needs, including any relevant intraday liquidity requirements;
 - (ii) collateral positions.

(14) *Matters related to the calculation of a bank's net stable funding ratio*

(a) *Specified minimum requirements*

As a minimum, in order to promote a bank's resilience over a one year time horizon and ensure that the bank continuously maintains a minimum specified amount of stable sources of funding relative to the liquidity profile of the bank's assets and the potential for contingent liquidity needs arising from the bank's off-balance sheet commitments, and in order to limit a bank's potential over-reliance on short-term wholesale funding, a bank shall calculate and maintain a Net

Stable Funding Ratio (NSFR) in accordance with and comply with the relevant requirements specified in this subregulation (14) read with such further conditions or requirements related to the NSFR as may be directed or specified in writing by the Registrar, provided that-

- (i) between 1 January 2013 and 31 December 2017 banks, controlling companies and the Registrar shall apply the relevant requirements specified in this subregulation (14) read with such further conditions or requirements related to the NSFR as may be directed or specified in writing by the Registrar to monitor the readiness of relevant institutions to implement and fully comply with the said requirements and any subsequent amendments thereto as a minimum standard from 1 January 2018;
- (ii) in all relevant cases, the requirements specified in this subregulation (14) shall apply on a solo and consolidated basis, provided that-
 - (A) subject to the prior written approval of and such conditions as may be specified in writing by the Registrar, in the case of consolidation or solo reporting of relevant entities, a bank may apply the rules or regulations of relevant host supervisors in respect of the treatment of retail or small business deposits of relevant entities operating in those jurisdictions;
- (iii) for purposes of this subregulation (14)-
 - (A) stable funding means the portion of those types and amounts of equity and liabilities expected to be reliable sources of funds over a one-year time horizon under conditions of extended stress;
 - (B) the relevant required amount of funding shall be deemed to be a function of the liquidity characteristics of various types of assets held by the bank, the bank's off-balance-sheet contingent exposures and/or the activities pursued by the bank;
 - (C) an extended bank-specific stress scenario means a scenario in which the bank encounters, and investors and customers become aware of-
 - (i) a significant decline in the bank's profitability or solvency arising from heightened credit risk, market risk or operational risk, and/or other risk exposures;
 - (ii) a potential downgrade in a debt, counterparty credit or deposit rating issued by an eligible institution; and/or
 - (iii) a material event that calls into question the reputation or credit quality of the bank;

- (D) in order not to create an environment in which banks rely on the Reserve Bank or other relevant central bank as a source of funding, any extended borrowing from central bank lending facilities, outside regular open market operations, falls outside the scope of this subregulation (14) and the calculation of the NSFR;
- (E) unless specifically otherwise stated or directed in writing by the Registrar, the respective definitions applicable to the bank's calculation of LCR in terms of the provisions of subregulation (12) shall *mutatis mutandis* apply to the calculation of the bank's NSFR in terms of the provisions of this subregulation (14).

(b) *Matters related to the calculation of a bank's available amount of stable funding*

Based on the relevant requirements specified in this subregulation (14) read with such conditions or requirements related to the NSFR as may be directed or specified in writing by the Registrar, a bank shall continuously calculate its relevant available amount of stable funding (ASF), which available amount of stable funding-

- (i) shall include-
 - (A) the relevant amounts related to the bank's capital sources;
 - (B) the bank's preferred securities with maturity equal to or longer than one year;
 - (C) the bank's liabilities with effective maturities of one year or longer;
 - (D) that portion of non-maturity deposits and/or term deposits with maturities of less than one year that the bank expects to remain with the bank for an extended period notwithstanding an idiosyncratic stress event, which assumptions and reasoning applied by the bank shall on request be submitted in writing to the Registrar; and
 - (E) that portion of wholesale funding with maturities of less than one year that the bank expects to remain with the bank for an extended period notwithstanding an idiosyncratic stress event, which assumptions and reasoning applied by the bank shall on request be submitted in writing to the Registrar;
- (ii) shall be calculated by first assigning the respective carrying values of specified equity and liabilities to the relevant category or categories specified in writing by the Registrar, where-after the relevant assigned amounts shall be multiplied by the relevant ASF factors specified in writing by the Registrar, and the bank's total ASF shall be the relevant sum of the respective weighted amounts;

(c) *Matters related to the calculation of a bank's required amount of stable funding*

Based on the relevant requirements specified in this subregulation (14) read with such conditions or requirements related to the NSFR as may be directed or specified in writing by the Registrar, a bank shall continuously calculate its relevant required amount of stable funding (RSF), which required amount of stable funding-

- (i) shall be the relevant aggregate amount of-
 - (A) the sum of the value of such assets or category of asset as may be specified in writing by the Registrar, multiplied by the relevant required stable funding (RSF) factor specified in writing by the Registrar and assigned to each relevant asset or category of asset;

plus

 - (B) the sum of such off-balance-sheet or potential liquidity exposures as may be specified in writing by the Registrar, multiplied by the required stable funding (RSF) factor specified in writing by the Registrar and assigned to each relevant off-balance-sheet exposure or category of off-balance-sheet exposures;
- (ii) is based on the principle that-
 - (A) assets that are more liquid and more readily available to serve as a source of extended liquidity in a stressed environment are assigned lower RSF factors, and require less stable funding, than assets considered less liquid in such circumstances, and require more stable funding;
 - (B) RSF factors assigned to various types of assets serve as parameters approximating the amount of a particular asset that could not be monetised through sale or use as collateral in a secured borrowing on an extended basis during a liquidity event lasting one year, which amounts are expected to be supported by stable funding;
 - (C) since some off-balance-sheet exposures may cause significant liquidity drains during times of market or idiosyncratic stress, a bank shall establish and maintain a buffer of stable funding to protect the bank during a period of such market or idiosyncratic stress.

(d) *Formula for the calculation of the NSFR*

Based on the relevant requirements specified in this subregulation (14) read with such conditions or requirements related to the NSFR as may be directed or specified in writing by the Registrar, a bank shall calculate its NSFR in accordance with the formula specified below:

$$\text{NSFR} = \frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} \times 100$$

(15) *Matters relating to a bank's foreign exchange contractual maturity ladder*

In order for the Registrar to assess the reporting bank's foreign currency liquidity needs and the mismatch between foreign currency assets and foreign currency liabilities, the bank shall report to the Registrar separate information relating to its foreign currency contractual maturity ladder, provided that-

- (a) when the bank's gross foreign exchange liability exposure exceeds 2.5 per cent of the bank's funding liabilities, which funding liabilities shall be calculated in accordance with the provisions of paragraph (b) below, the bank shall report to the Registrar the ZAR equivalent amount in respect of individual currencies at the month-end closing rate;
- (b) in order to determine the said amount in respect of the bank's funding related liabilities, the bank shall base its calculation on the relevant amount reported in item 55 of the form BA 100, that is, deposits, current accounts and other creditors;
- (c) in all cases, all relevant reported foreign currency amounts shall include the relevant amounts relating to the bank's forward exchange contracts, that is, FECs.

(16) *Conditions subject to which negotiable certificates of deposit, promissory notes or instruments of similar characteristics may be issued*

The issue of negotiable certificates of deposit, promissory notes or instruments of similar characteristics specified in a directive issued by the Registrar from time to time in terms of section 6(6) of the Act, and contemplated in section 79(1)(c) of the Act, shall be subject to the conditions specified below:

- (a) The instruments shall not be issued for a period exceeding ten years, which period is the original maturity of the instrument, unless-
 - (i) the instruments are issued in accordance with conditions specified by the Registrar; or

- (ii) on prior application, the Registrar has in writing authorised a deviation from the prescribed period.
- (b) The total amount relating to such instruments issued by a bank for a period not exceeding 12 months, which period is the original maturity of the instrument, and not yet repaid at the reporting date, shall not exceed twenty per cent of the total amount of funding related liabilities to the public, determined in accordance with the requirements specified in subregulation (15)(b), as at the reporting date immediately preceding the current reporting date.
- (c) Notwithstanding the provisions of paragraph (b) above, the total amount relating to such instruments issued by a bank and not yet repaid at the reporting date may not exceed thirty per cent of the total amount of funding related liabilities to the public, determined in accordance with the requirements specified in subregulation (15)(b), as at the reporting date immediately preceding the current reporting date.

(17) Instructions relating to the completion of the monthly return concerning liquidity risk are furnished with reference to the item descriptions and line item numbers appearing on the form BA 300, as follows:

*Line item
number*

- 6 This item shall include the aggregate amount of deposits received that are unlikely to be withdrawn within a short period of time, excluding any amount relating to an item included in item 9.
- 7 This item shall include the aggregate amount of deposits received that may be withdrawn within a short period of time.
- 13 This item shall include the aggregate amount of liquidity facilities provided by the reporting bank to any off-balance sheet vehicle. For example, when the reporting bank acts as a liquidity provider in respect of a special-purpose institution in an asset-backed securitisation structure, the bank shall include in item 13 the aggregate amount relating to a liquidity facility provided by the reporting bank to the said special-purpose institution.
- 15 to 17 These items shall include the relevant required aggregate amounts in respect of irrevocable commitments granted by the reporting bank to provide funds, provided that no amount in respect of a commitment to provide funds, which commitment may unconditionally be cancelled by the reporting bank at any time, shall be included in any of the aforementioned items.

- 18 to 28 Based on the relevant directives specified above in respect of items 1 to 9, these items shall reflect the relevant required aggregate amounts relating to the maturity or run-off of assets and liabilities of the reporting bank under normal operating conditions, instead of being based on the contractual maturity profile of the relevant asset and liability items.
- 35 to 43 Based on the relevant directives specified above in respect of items 1 to 9, these items shall reflect the relevant required aggregate amounts relating to a bank-specific stress, as determined by way of factual experience or simulation or both, performed by the reporting bank in respect of all relevant asset and liability items under a bank-specific stress scenario.
- The simulated stress mismatch shall include stress modification approved by the bank's board of directors or board-approved committee, or assumptions made by the reporting bank in respect of the business as usual mismatch, which simulated stress mismatch aims to provide an indication of the potential deterioration in the reporting bank's business as usual liquidity position under a bank specific stress scenario.
- 46 This item shall include any amount relating to a stress outflow that may arise from off-balance sheet exposures, such as liquidity calls in respect of off-balance sheet commitments relating to a special-purpose institution.
- 53 to 67 These items shall reflect the relevant required aggregate amounts in respect of funding sources available to the reporting bank under a bank-specific stress scenario, before taking into consideration any dispensation that may be granted by the Reserve Bank.
- 54 This item shall reflect, amongst others, the aggregate amount relating to long-term investments that may be realised by the reporting bank within the specified time intervals.
- 55 This item shall reflect the aggregate amount in respect of liquid marketable securities held for trading purposes, which securities shall be unencumbered, that is, this item shall not include any amount relating to a security held that is subject to further commitment or in terms of which agreement the security will be repurchased at a future date.
- 56 This item shall reflect the aggregate amount relating to assets available for sale in respect of securitisation vehicles, of which the capability to execute within the period specified on the form BA 300 is already in place, that is, this item shall reflect the aggregate amount relating to assets within already approved securitisation structures in respect of which issues or further issues can readily be made available to the market.

- 57 This item shall reflect the aggregate amount in respect of foreign exchange positions that may be executed by the reporting bank in order to obtain rand funding.
- 59 This item shall reflect the aggregate amount in respect of any liquid asset portfolio specifically maintained by the reporting bank for contingency liquidity risk management purposes, provided that this item-
- (a) shall not include any instrument held in order to comply with the requirements specified in section 72 of the Act, which requirements relate to liquid assets required to be held by a bank;
 - (b) shall include the aggregate amount of securities or instruments used by the bank for accommodation purposes, and any unencumbered liquid asset designated by the bank for liquidity risk contingency funding.
- 60 This item shall be equal to 25 per cent of the reporting bank's liquid assets held in terms of the provisions of section 72 of the Act.
- 61 This item shall reflect the aggregate amount in respect of the reporting bank's current utilisation in terms of the Reserve Bank's repo allotment.
- 62 This item shall reflect the estimated aggregate amount in respect of funds available to the reporting bank from the interbank market in terms of undrawn lines or interbank funding agreements.
- 63 This item shall reflect the aggregate amount in respect of uncommitted secured funding lines available to the reporting bank, such as bilateral funding lines derived from banking relationships.
- 64 This item shall reflect the aggregate amount in respect of committed funding lines available to the reporting bank, such as lines raised by the payment of commitment fees.
- 65 This item shall reflect the aggregate amount in respect of loans that will mature and which amount may be used by the reporting bank for funding purposes in the case of a liquidity stress event.
- 69 to 71 These items shall reflect the relevant required aggregate amounts relating to the ten largest depositors in respect of funding received from the relevant specified sectors, provided that the said aggregate amounts shall not include any amount in respect of negotiable certificates of deposits or other negotiable paper funding instruments issued by the reporting bank, which amounts shall be reported in item 72.

- 72 This item shall reflect the aggregate amount in respect of negotiable paper funding instruments issued by the reporting bank, including all relevant amounts relating to negotiable certificates of deposit, promissory notes or instruments of similar characteristic.
- 80 and 86 In the case of all ZAR cross currency swap contracts the reporting bank shall report the relevant ZAR legs relating to the said contracts in items 80 and 86.
- 88 to 97 Based on the bi-annual time buckets specified in the form BA 300, a bank shall estimate the expected change in its balance sheet during the 12 month period immediately following the reporting period, that is, for example, the reporting bank's expected incremental balance sheet growth during the two six month periods immediately following the current reporting date, which change shall exclude any rolling on maturity of existing products, that is, the bank shall only report the relevant change in its balance sheet.
- 89 to 91 In respect of the specified periods, based on the relevant directives specified in subregulation (7)(a), these items shall reflect the relevant required aggregate amounts in respect of the reporting bank's estimated change in business.
- 93 to 96 In respect of the specified periods, based on the relevant directives specified in subregulation (7)(b), these items shall reflect the relevant required aggregate amounts in respect of the reporting bank's estimated change in business.

MINIMUM RESERVE BALANCE AND LIQUID ASSETS

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MINIMUM RESERVE BALANCE AND LIQUID ASSETS

(Confidential and not available for inspection by the public)

Name of bank

Month ended(yyyy-mm-dd)

BA 310

Monthly

(All amounts to be rounded off to the nearest R'000)

Description of item	Line no.	Total	Average ¹	Directives and instructions	
		1	2	3	4
Total liabilities (item 79, column 3, of form BA 100)	1				
Less: funding received from head office or from other branches within the same group ²	2			Refer to note 2 below	
Less: amounts owing by banks, branches and mutual banks in the Republic ³	3			Refer to note 3 below	
Liabilities, as reduced ⁶ (item 1 less items 2 and 3)	4				
Less: funding received in terms of specified repurchase agreements ⁴	5			Refer to note 4 below	
Less: liabilities relating to transactions in derivative instruments ⁵ (item 67, column 3, of form BA 100)	6			Refer to note 5 below	
Less: amounts owing by banks rated investment grade or better, which banks are located in other countries rated investment grade or better	7				
Add: funding received from head office or other branches within the same group ² (item 2 above)	8				
Liabilities, as adjusted ⁶ (item 4 less items 5 to 7 plus item 8)	9				
Average daily minimum reserve balance to be held (item 9 column 2 multiplied by the prescribed percentage)	10			Prescribed percentage ⁷	
Less: Average daily amount of Reserve Bank notes and subsidiary coin held during the reporting month	11				
Average daily minimum reserve balance to be held with the Reserve Bank (item 10 less item 11)	12				
Average daily reserve balance held up to fourteenth business day of the month following on the month to which this return relates	13				
Level one high-quality liquid assets required to be held (item 4 column 2 multiplied by the prescribed percentage specified in this item 14)	14			Prescribed percentage 5%	
Average daily amount of level one high-quality liquid assets held up to fourteenth business day of the month following the month to which this return relates (total of items 16 to 23) – refer to section 1 of the Act	15				
Reserve Bank notes and coin held during the preceding month (excluding such notes or coin taken into account opposite item 11 in the calculation of the minimum reserve balance)	16			of which: acquired under resale agreements ⁸	
Gold coin and bullion	17				
Central Bank reserves specified by the Governor (excluding any amount included in items 13)	18			Total	Average ¹
Treasury bills of the Republic	19				
Securities issued by virtue of section 66 of the Public Finance Management Act, 1999, to fund the Central Government	20				
Securities of the Reserve Bank	21				
Securities guaranteed by specified counterparties ⁹	22				
Other (please specify)	23				

- Means the average amount calculated as the sum of the month-end balance relating to the reporting month and the month-end balances relating to the two months preceding the reporting month, divided by three, provided that in the case of items 10 to 13, 15 to 23, and 27 and 28 the average amount shall be the average daily amount calculated in accordance with the requirements specified in regulation 8 instead of the average amount calculated in accordance with the provisions of this footnote 1.
- Relates only to branches of foreign institutions conducting the business of a bank in the Republic.
- In order to eliminate any potential double counting of liabilities, provided that no amount relating to an amount owed to the reporting bank by the Reserve Bank shall be included in this item 3.
- Not to include any amount in respect of a repurchase transaction concluded in respect of an instrument obtained in terms of a resale agreement already deducted in item 3.
- Not to include any amount already deducted elsewhere on form BA 310.
- Subject to a minimum amount of zero, that is, the relevant amount shall be a positive amount or zero.
- Relates to the percentage determined in terms of section 10A(2) of the South African Reserve Bank Act, No. 90 of 1989.
- Report under columns 3 and 4 the relevant required amounts included in column 2 that relate to instruments acquired in terms of a resale agreement.
- Refer to section 1(1) of the Act read with regulation 26(12)(b).

Memorandum items:	Line no.	Total	Average ¹
		1	2
Adjustment in respect of cash-management schemes – regulation 16	24		
Adjustment in respect of set-off in terms of financial reporting standards	25		
Amounts qualifying for set-off in terms of regulation 13	26		
Average daily amount of all level one high-quality liquid assets acquired under resale agreements	27		
Average daily amount of all level one high-quality liquid assets sold under repurchase agreements	28		
Total average vault cash	29		
Less: Vault cash utilised in item 11 (may not exceed item 10)	30		
Excess vault cash utilised in item 16 (item 29 less item 30)	31		
Hash total	32		

1. Means the average amount calculated as the sum of the month-end balance relating to the reporting month and the month-end balances relating to the two months preceding the reporting month, divided by three, provided that in the case of items 10 to 13, 15 to 23, and 27 and 28 the average amount shall be the average daily amount calculated in accordance with the requirements specified in regulation 8 instead of the average amount calculated in accordance with the provisions of this footnote 1.

27. Minimum reserve balance and liquid assets - Directives and interpretations for completion of monthly return concerning minimum reserve balance and liquid assets (Form BA 310)

(1) The content of the relevant return is confidential and not available for inspection by the public.

(2) A bank shall comply with the provisions of any Notice issued by the Governor of the Reserve Bank under section 10A of the South African Reserve Bank Act, 1989 (Act No. 90 of 1989), regarding the determination of the minimum reserve balance to be held with the Reserve Bank, and the provisions of regulations 8(1) and 8(2) regarding the calculation of the average daily amount of Reserve Bank notes and subsidiary coin and level one high-quality liquid assets held during the reporting month.

(3) *Minimum level one high-quality liquid assets*

(a) For the purposes of complying with the provisions of section 72(1) of the Act, a bank shall during the period prescribed in subregulation (5) hold an average daily amount of level one high-quality liquid assets that shall not be less than an amount equal to 5 per cent of its liabilities as reduced as reported in item 4 column 2 of the latest monthly form BA 310 furnished to the Registrar in terms of the provisions of section 75(1)(a) of the Act, provided that-

(i) the minimum amount of level one high-quality liquid assets held by a bank at the close of business on any day during the period prescribed in subregulation (5) shall not be less than an amount equal to 75 per cent of the average daily amount of level one high-quality liquid assets required to be held by the bank in terms of the provisions of this subregulation (3);

(ii) the minimum amount of level one high-quality liquid assets held by the bank at any time during the day shall not be less than an amount equal to 50 per cent of the average daily amount of level one high-quality liquid assets required to be held by the bank in terms of the provisions of this subregulation (3);

(iii) at least 95 per cent of level one high-quality liquid assets required to be held by the bank in terms of the provisions of this subregulation (3) at the close of business on any day during the period prescribed in subregulation (5) shall be level one high-quality liquid assets owned outright by the said bank, that is, at least 95 per cent of level one high-quality liquid assets required to be held by the bank shall be level one high-quality liquid assets not subject to further commitment; and

(b) no instruments acquired in terms of a securities lending transaction shall qualify as level one high-quality liquid assets.

(4) The Registrar, in consultation with the Governor of the Reserve Bank, may amend the provisions of subregulation (3)(a) in respect of a particular bank or the banking sector as a whole should such provisions adversely affect the risk profile of the particular bank or the banking sector as a whole.

(5) *Period of maintenance of prescribed minimum reserve balance and liquid assets*

A bank shall maintain the minimum required amounts of prescribed minimum reserve balance and level one high-quality liquid assets during the period from the fifteenth business day of the month following the month or calendar quarter to which a particular return relates up to and including the fourteenth business day of the month following the month or calendar quarter in respect of which the next monthly or quarterly return, as the case may be, is to be furnished by the reporting bank.

(6) *Available unencumbered assets, including matters related to assets pledged or otherwise encumbered*

(a) Unless an exemption has been granted by the Registrar in terms of the proviso to section 72(3) of the Act, only assets not pledged or otherwise encumbered at the close of business on any day during the period prescribed in subregulation (5) shall qualify as level one high-quality liquid assets.

(b) Securities lodged with the Reserve Bank to secure facilities shall not be regarded as pledged except to the extent that such securities are required to secure facilities actually utilised at the close of business on any day.

(7) *Assets acquired in terms of a resale agreement*

An asset acquired by a bank in terms of a resale agreement and which asset is a level one high-quality liquid asset as defined in section 1 of the Act shall for the purposes of section 72(1) of the Act rank as a level one high-quality liquid asset of the said bank having acquired the said asset in terms of the resale agreement, instead of the bank that sold the asset in terms of the repurchase agreement, provided that the asset has not been disposed of under a further repurchase agreement and has not been encumbered or lodged as security by the said bank.

(8) *Valuation of securities that qualify as level one high-quality liquid assets*

A bank shall value level one high-quality liquid assets held at the close of business on any day during the period prescribed in subregulation (5) for the purposes of complying with the provisions of section 72(1) of the Act based on the daily market yields published by the Reserve Bank on Reuters page SARB 20 and/or such other page as may be specified by the Reserve Bank from time to time for accommodation collateral purposes.

(9) Instructions relating to the completion of the form BA 310 are furnished with reference to certain item descriptions and line item numbers appearing on the form BA 310, as follows:

*Line item
number*

3 Amounts owing by banks, branches and mutual banks in the Republic

This item shall reflect the relevant required aggregate amount relating to amounts **owed by** banks, branches and mutual banks in the Republic to the reporting bank, including any relevant amount related to a loan granted in terms of a resale agreement, provided that no amount relating to any amount owed to the reporting bank by the Reserve Bank shall be included in the aforesaid aggregate amount.

The purpose of the deduction is to avoid double reserving against liquidity risk in the South African banking system.

5 Repurchase agreements

This item shall reflect the relevant required aggregate amount relating to funding received in respect of repurchase agreements with a term of 31 days or shorter, with instruments such as Government securities, Treasury bills and Reserve Bank securities, qualifying as level one high-quality liquid assets, as underlying security.

10 Minimum reserve balance required to be held, prior to any adjustment

This item shall reflect the relevant required average daily minimum reserve balance to be held as from the fifteenth business day of the month following on the month to which the return relates, that is, item 9 column 2 multiplied by the required percentage.

12 Minimum reserve balance required to be held with the Reserve Bank

This item shall reflect the relevant required average daily minimum reserve balance to be held with the Reserve Bank as from the fifteenth business day of the month following on the month to which the return relates, that is, item 10 less item 11.

14 Level one high-quality liquid assets required to be held

This item shall reflect the relevant amount of level one high-quality liquid assets required to be held as from the fifteenth business day of the month following on the month to which the return relates, that is, item 4 column 2 multiplied by the prescribed percentage specified in item 14.

15 to 23 Average daily amount of level one high-quality liquid assets held

The reporting bank shall record in items 16 to 23 the average daily amount of its holdings during the prescribed period of the individual categories of level one high-quality liquid assets, valued in accordance with the requirements specified in section 72(4) of the Act.

The individual level one high-quality liquid asset items identified shall include the average daily amounts during the prescribed period of level one high-quality liquid assets acquired under resale agreements, but shall not include the average daily amounts of such assets sold under repurchase agreements.

24 to 31 Memorandum items

25 This item shall reflect the relevant required aggregate amounts relating to set-off or offsetting of balances or amounts in accordance with the relevant requirements for set-off or offsetting contained in Financial Reporting Standards issued from time to time.

26 This item shall reflect the relevant required aggregate amounts relating to set-off of balances or amounts in accordance with the relevant requirements specified in regulation 13.

27 and 28 The average daily amounts of all level one high-quality liquid assets acquired under resale agreements during the prescribed period and included in items 19 to 23, or sold under repurchase agreements, shall respectively be recorded in items 27 and 28.