



Mailing list Supervision/ Accounting/ Money Laundering

Brussels, 21 January 2014
BL, JP

Publications by the Basel Committee on Banking Supervision on the Basel III framework, in particular on a consultative document on NSFR

Dear Madam or Sir,

On 12 January 2014 the Basel Committee on Banking Supervision published several documents, all contributing to finalise the reforms of the international banking sector in the context of Basel III. The documents refer to the following topics:

1. Leverage Ratio (LR)

The document "Basel III leverage ratio framework and disclosure requirements" sets out the framework for a non-risk based leverage ratio which is defined as the capital measure (the numerator) divided by the exposure measure (the denominator). These requirements supersede those in Section V of Basel III "A global regulatory framework for more resilient banks and banking systems". For the moment the Basel Committee on Banking Supervision sticks to a minimum Tier 1 leverage ratio of 3% and will continue monitoring the impact on different business models. The final calibration, and any further adjustments to the definition, will be completed by 2017, with a view to migrating to a Pillar 1 (minimum capital requirement) treatment on 1 January 2018.

Additionally, the Basel Committee on Banking Supervision puts in order through its document that public disclosure of the leverage ratio will start as of 1 January 2015 on a consolidated basis. Already on 26 June 2013 the Basel Committee on Banking Supervision consulted on a draft framework on the publication of the leverage ratio. The EFBS has commented on this topic in its position paper of 18 September 2013. By now, the Committee schedules that Banks will be required to comply with the above requirements from the date of publication of their first set of financial statements on or after 1 January 2015. Disclosures must either be included in banks' published financial statements or, at a minimum, provide a direct link to the completed disclosures on the banks' websites. To guarantee a consistent and comparable publication by the credit institutions, the document provides a common set of templates for publication (page 12).

2. Liquidity

a. Liquidity Coverage Ratio (LCR)

After having decided in January 2013 on a step by step introduction of the minimum requirement for the LCR (from 60% in 2015 to 100% in 2019), the Basel Committee on Banking Supervision has published now a standard for banks' LCR-related disclosures. Banks will be required to comply with these disclosure requirements from the date of the first publication of their financial statements after 1 January 2015. Disclosures required by this document must either be included in banks' published financial reports or, at a minimum, provide a direct link to the completed disclosure on the banks' websites. The disclosure of quantitative information about the LCR should follow the common template that the Committee has developed (page 4) and has to be complemented by qualitative explanations.

Furthermore, the Committee is of the view that during periods of stress it would be entirely appropriate for banks to use their stock of HQLA, thereby falling below the minimum requirement of the LCR. Additionally, Committed Liquidity Facilities provided by central banks should be applicable on an exceptional basis and under strict conditions, too.

Additionally, the Basel Committee on Banking Supervision has published "Guidance for supervisors on market-based indicators of liquidity" to assist supervisors in their evaluation of the liquidity profile of assets held by banks, and to help to promote a greater degree of consistency in High Quality Liquid Assets (HQLA) classifications across jurisdictions.

b. Net Stable Funding Ratio (NSFR)

The Basel Committee on Banking Supervision has also initiated a consultation on the introduction of the NSFR. The NSFR is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). This ratio should be equal to at least 100% on an on-going basis. The NSFR shall become a minimum standard by 1 January 2018. The objective of the consultative document is to determine which assets are suitable for available stable funding and which for required stable funding. To calculate the NSFR, the components of each of the ASF categories and the associated maximum ASF factor as well as the specific types of assets to be assigned to each asset category and their associated RSF factor are summarised in the paper (pages 5 and 9).

We enclose the consultative document on NSFR. It includes a list of changes from the NSFR published in December 2010 (Publication of the Basel III framework) in Annex 1.

We would be grateful if you would send your comments, remarks and views on the consultative document to the EFBS office by **31 March 2014**.

If you have further questions, please contact us at any time.

Yours sincerely,



Andreas J. Zehnder
Managing Director
European Federation of Building Societies

Annex

- Basel III leverage ratio framework and disclosure requirements
- Liquidity coverage ratio disclosure standards
- Guidance for Supervisors on Market-Based Indicators of Liquidity
- Consultative document "Basel III: The Net Stable Funding Ratio"