



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 905 Series of 2016

Subject: **Implementation of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio and Disclosure Standards**

The Monetary Board, in its Resolution No. 310 dated 18 February 2016, approved the attached liquidity standards, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. The regulatory liquidity standards shall be incorporated as Subsections 1176.1, 1176.2, 1176.3, and Appendix 74a of the Manual of Regulations for Banks (MORB).

Section 1. The following subsections of the MORB shall be added as follows:

“Subsection 1176.1 Liquidity Coverage Ratio (LCR). To promote short-term resilience of a bank’s liquidity risk profile, a bank shall maintain, over a thirty (30)-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to offset the net cash outflows it could encounter under a liquidity stress scenario. At a minimum, the stock of liquid assets should enable the bank to withstand significant liquidity shocks that last thirty (30) calendar days, which would give time for corrective actions to be taken by the bank management and/or the BSP.

“a. The LCR is the ratio of HQLAs to total net cash outflows. Under a normal situation, the value of the ratio should be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The detailed LCR framework is provided as *Part I of Appendix 74a (Attachment 1)*.

“b. The LCR shall initially apply to all universal and commercial banks, including branches of foreign banks.

“c. *Required periodic reports.* Banks shall comply with the minimum LCR on a daily basis. However, for reporting purpose, banks shall report to the BSP, through the Supervisory Data Center, their LCR position for liquidity risk exposures as follows:

“i. In the prescribed form (*Attachment 2*) in the following manner.

Reporting Details	Solo*	Consolidated**
Frequency	Monthly	Quarterly
Measurement Date	End-of-month	End-of-quarter
LCR Calculation Period	30 calendar days from measurement date	
Submission Deadlines	15 banking days from measurement date	30 banking days from measurement date

* Head office plus branches/other offices

** Parent bank plus subsidiary financial allied undertakings, but excluding insurance companies

"The monthly LCR Report shall be accompanied by a certification under oath to the effect that the bank has fully complied with the LCR requirement on all calendar days of the reference month. The solo and consolidated LCR Reports, together with the Sworn Certification, shall be classified as *Category A-1* reports.

"ii. In a "single currency", i.e., in peso-equivalent terms. However, for monitoring purposes, banks shall also be required to submit an LCR Report per significant currency. Using the same LCR Report template, banks shall report their liquidity position in currencies in which they have significant activity as of LCR measurement date. A currency is considered "significant" if the aggregate liabilities denominated in that currency amount to five percent (5%) or more of the bank total liabilities as of LCR measurement date."

The specific guidelines on the mode and manner of submission of the LCR Report shall be covered by a separate memorandum issuance.

"d. The BSP reserves the right, upon the authority of the Deputy Governor, SES, to require submission of reports and information prescribed under item "c" of Subsection 1176.1 outside the regular reporting period, and to conduct on-site inspection outside of regular or special examination, for the purpose of ascertaining the accuracy of LCR calculations as well as the integrity of LCR monitoring and reporting systems."

"Subsection 1176.2 LCR Disclosure Requirements. To improve the transparency of regulatory liquidity requirement, enhance market discipline, and reduce uncertainty in the market, banks are required to publicly disclose information related to the LCR. The mandatory disclosure requirements should be published in the quarterly published balance sheet, and either, on the bank's website or in its other published financial reports or publicly available regulatory reports (e.g., the audited financial statements) as prescribed under *Part II of Appendix 74a*."

The specific guidelines on the mode and manner of submission of the disclosure requirements shall be covered by a separate memorandum issuance.

"Subsection 1176.3 Sanctions. It is the responsibility of the Senior Management of the bank to ensure the accuracy of LCR calculations and the integrity of the related monitoring and reporting system. It is likewise their responsibility to cause the reporting of LCR shortfalls both to its Board of Directors immediately, and to the BSP, through the appropriate Central Point of Contact Department (CPCD) within the prescribed timeline. Any willful violation of the foregoing provisions will subject the bank and/or its concerned directors/officers to the following:

"a. **On the bank:** A bank which fails to comply with the provisions on LCR standards shall be subject to penalties under *Appendix 67* of the MORB:

"i. *For non-submission, non-reporting or willful making of false/misleading statements.* A bank which:

"(1) Failed to submit the duly notarized Sworn Certification and/or LCR Report; or

"(2) Failed to report an LCR shortfall below the prescribed minimum; or

"(3) Has been found to have willfully made a non-disclosure or false/misleading statement in the said required certification, LCR Report, and/or AFS or PBS,

"shall be subject to the penalties applicable to serious offenses under *Appendix 67*, which shall be reckoned on a daily basis from the day following the due date of the said certification/reports until such time it is filed with the BSP in the case of non-submission/non-reporting, or until such time that an amended or corrected report has been submitted to the BSP in the case of false/misleading statements.

"ii. *For delayed Sworn Certification and/or LCR Report.* A bank shall be subject to the penalties for delayed submission of the Sworn Certification and/or LCR Report in accordance with the provisions of Subsection X192.2 of the MORB, to be reckoned on the day following the due date of submission until the certification and/or report is filed with the BSP.

"The imposition of the above penalties shall be without prejudice to the imposition of other administrative sanctions under Section 37 of Republic Act (R.A.) No. 7653, and of other sanctions under existing laws and regulations.

"b. *On the concerned directors/officers of the bank:* Directors/officers of a bank which have been found to have falsely certified/submitted misleading statements and/or violated any of the provisions of this standard shall be subject to the penalties provided applicable to serious offenses under *Appendix 67* and/or the other administrative sanctions under Section 37 of R.A. No. 7653.

"The imposition of the above penalties and/or administrative sanctions is without prejudice to the filing of appropriate criminal charges against culpable persons as provided under Section 35 of R.A. No. 7653 for the willful making of false/misleading statement.

"c. *Other sanctions:* The imposition of the foregoing sanctions shall be without prejudice to the imposition of other administrative sanctions as provided in other regulations and as may be determined by the BSP as applicable."

Section 2. Transitional Arrangements. The LCR shall be implemented in a phased-in arrangement to help ensure the banking sector can meet the standard through reasonable measures without disrupting credit extension and financial market activities. The gradual transition timeframe will likewise afford the BSP with enough time to: (i) ensure that the LCR functions as intended during both normal times and periods of stress; (ii) reduce perverse impacts on asset and funding markets; (iii) mitigate potential impediments to the smooth functioning of central bank operations; and (iv) limit unintended consequences for economic activity. As may be necessary, the BSP may issue amendments on refinements of the definition and qualification of HQLA, and/or recalibration of the parameters related to cash flow items.

During the phased introduction of the LCR standard, the following shall be observed:

1. Compliance with the LCR minimum requirement will commence on 01 January 2018. The prescribed minimum shall be set initially at 90% for 2018, and shall rise to the minimum required level of 100% on 01 January 2019, as per transition periods given below:

	01 July 2016	01 January 2017	01 January 2018	01 January 2019 & thereafter
Minimum LCR	Observation Period		90%	100%

2. During the observation period, no minimum ratio is prescribed to be complied with. Hence, no sworn certification of compliance shall be required from the bank. However, for monitoring purpose, the bank shall submit quarterly the LCR Reports, in single currency and per significant currency, on both solo and consolidated bases, as follows:

Reporting Details	Solo	Consolidated
Measurement Date	End-of-quarter*	
LCR Calculation Period	30 calendar days from measurement date	
Submission Deadline	15 banking days from measurement date	30 banking days from measurement date

* Quarterly submissions shall start with quarter ended 30 June 2016 and shall conclude with quarter ended 30 September 2017 reports.

3. Any non-submission or delayed submission of said LCR reports shall subject the bank to appropriate sanctions provided under Subsection 1176.3 of the MORB.
4. Starting 01 January 2018, a minimum LCR must be complied with at all times. Accordingly, the solo and consolidated LCR Reports, together with the sworn certification of compliance shall be submitted by the bank following the reportorial requirement prescribed under item "c" of Subsection 1176.1 of the MORB.
5. Public disclosure of LCR position in single currency and on a consolidated basis shall be required starting year 2019, i.e., by first quarter of 2019 for the quarterly published balance sheet, and by the year end 2019 for other published reports.
6. The phase-in arrangement is intended to facilitate compliance with the new liquidity requirement. Hence, banks with LCRs that are already at or near the prescribed minimum should not view the transition period as an opportunity to reduce their liquidity coverage. The LCR threshold is a minimum requirement and thus, banks are expected to achieve a liquidity position in line with their liquidity risk profile and as an effort towards better liquidity risk management.
7. During the transition period, the BSP is not precluded to assess the level of compliance of the bank to the LCR requirement. Those banks which would not be able to comply with the minimum LCR by 01 January 2018 will be required to submit to the BSP, through the appropriate CPCD, an acceptable liquidity build-up plan not later than 15 October 2017. The CPCD concerned will evaluate the continuing compliance of the bank to the said liquidity build-up plan. The BSP may require the bank to undertake set

of actions and/or impose sanctions for non-compliance with the liquidity build-up plan as provided under the LCR standard and existing banking laws and/or BSP rules and regulations.

This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

A handwritten signature in black ink, appearing to read 'A. Tetangco, Jr.', with a long horizontal flourish extending to the right.

AMANDO M. TETANGCO, JR.
Governor

10 March 2016

**BASEL III FRAMEWORK ON LIQUIDITY STANDARDS –
LIQUIDITY COVERAGE RATIO
(Appendix to Subsections 1176.1, 1176.2 and 1176.3)**

INTRODUCTION

This Appendix outlines the BSP guidelines implementing a quantitative liquidity regulatory framework consistent with the liquidity coverage ratio (LCR) standard introduced under the *Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools*, January 2013 by the Basel Committee on Banking Supervision (BCBS)¹.

With this new liquidity standard, the BSP aims to further strengthen the risk management of banks by enhancing their ability to draw information from their various operations, and assess the impact of external events on the liquidity of financial instruments and on the availability of funding under both normal and stressed conditions. With liquidity risk measurement standards in place, banks are expected to manage their liquidity positions more prudently by better aligning their funding models with their risk preferences and incorporating liquidity risk into product pricing. Overall, the new liquidity regime shall give market participants greater confidence in the ability of the banking sector to absorb shocks arising from financial and economic stress, and, hence, lowering the probability of acute shortfalls in liquidity.

The liquidity framework is part of the comprehensive set of complementary and mutually reinforcing measures for regulatory reform that are consistent with global standards that have been introduced by the BSP to strengthen the risk management of banks and the supervision of the banking system. The liquidity standard shall complement existing supervisory guidance on liquidity risk management.

¹ The Basel Committee on Banking Supervision is a committee of banking supervisory authorities that was established by the central bank governors of the Group of Ten countries in 1975. It consists of senior representatives of bank supervisory authorities and central banks from Argentina, Australia, Belgium, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Spain, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. It usually meets at the Bank for International Settlements in Basel, Switzerland where its permanent Secretariat is located.

PART I. LIQUIDITY COVERAGE RATIO (LCR) FRAMEWORK

I. DEFINITION OF TERMS

For the purpose of the LCR standard, the following terms and phrases shall be understood as follows:

1. *Beneficiary* – refers to a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract.
2. *Cash management operation* – refers to the provision of products and services intended to manage customers' cash flows, assets and liabilities, and for the conduct of financial transactions necessary to the customer's ongoing operations.
3. *Clearing operation* – refers to a service arrangement that enables customers to transfer funds (or securities) indirectly through direct participants in domestic settlement systems to final recipients.
4. *Committed business facilities* – are off-balance sheet facilities or funding commitments issued by banks to clients under explicit contractual agreements or obligations to extend funds at a future date that are contractually irrevocable (i.e., "committed") or conditionally revocable. The terms governing the facility prohibit the bank from refusing to extend credit or funding to the counterparty, except where certain conditions specified by the terms of the facility—other than customary notice, administrative conditions, or changes in financial condition of the client—have been met.
5. *Correspondent banking* – refers to arrangements under which one bank (correspondent) holds deposits owned by other banks (respondents) and provides payment and other services in order to settle foreign currency transactions (e.g., so-called 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).
6. *Current market value* – refers to the value of liquid assets included in the stock of HQLA, measured in accordance with the existing guidelines on mark-to-market valuation under Appendix 33a of the MORB.
7. *Custody operation* – refers to the provision of safekeeping, reporting, processing of assets or the facilitation of the operational and administrative elements of related activities on behalf of customers in the process of their transacting and retaining financial assets.
8. *Downgrade triggers* – pertain to clauses or provisions in contracts governing derivatives and other transactions that require the posting of additional collateral, drawdown of contingent facilities, or early repayment of existing liabilities upon the bank's downgrade by a recognized credit rating organization.
9. *Financial corporates* – refer to corporations, whether resident or non-resident, that are primarily engaged in financial intermediation or in auxiliary financial activities that are closely related to financial intermediation. These include non-bank financial institutions with quasi-banking functions, securities firms, and insurance companies, among others.

10. *Financial stress* – pertains to a condition where a bank cannot meet or has difficulty paying off its financial obligations as brought about by firm-specific and/or market-wide stress events. In such financial circumstance, the bank may be having difficulty accessing credit and financing facilities, and has no reasonable alternative other than to monetize its HQLA to the extent necessary to meet obligations such as but not limited to:
 - Servicing of deposit withdrawals;
 - Posting of additional collateral requirements;
 - Servicing of unscheduled drawdowns on committed but unused credit lines and business facilities that are extended to clients;
 - In the interest of mitigating reputational risk, buying back of debt, extending of funds to honor non-contractual obligations, or accommodation of any unexpected liquidity demand from counterparty.
11. *Haircut* – refers to a percentage by which the market value of an asset is reduced. A haircut is applied by a collateral taker as a risk control measure to protect itself from losses resulting from decline in the market value of an asset in the event that it needs to liquidate said collateral.
12. *High-quality liquid asset (HQLA)* – refers to an asset that can be converted easily and immediately into cash at little or no loss of value in private markets to meet the bank's liquidity needs during times of stress. To qualify as HQLA, the liquid asset should possess the asset and market liquidity characteristics, and should satisfy the operational requirements for monetization prescribed under the LCR standard. HQLAs shall be categorized as either Level 1 or Level 2 assets. The stock of HQLA makes up the numerator of the LCR.
13. *Inflow / Outflow rates* – pertain to the various percentages that are designed to reflect the observed behavior and characteristics of different assets, funding sources, obligations, and commitments during periods of liquidity stress. Inflow rates provide the assumption at which assets or contractual receivables are expected to flow in during times of stress. Outflow rates assume the level at which funding sources, obligations, and commitments are expected to run off or be drawn down during stress periods.
14. *LCR measurement date* – refers to end-of-month/quarter date which serves as the reference date for the calculation of the LCR.
15. *LCR period* – refers to the 30-calendar day period following the LCR measurement date, which serves as the standard horizon for HQLA availability and for total net cash outflows calculation.
16. *Liquidity metrics* – refer to a set of market-based indicators which enable assessment of the fundamental attributes of an asset that are generally found to be determinants of liquidity (i.e., measure of asset characteristics), and the essential aspects of the broader market structure within which the asset is traded (i.e., measure of market liquidity). These criteria provide guidance on which specific asset to qualify as liquid and readily marketable within an asset class.
17. *Multilateral organizations* – pertain to the Bank of International Settlements, the International Monetary Fund, the European Central Bank and European Community and the multilateral development banks (MDBs).

18. *Non-financial corporates* – refer to corporations, whether resident or non-resident, whose principal activity is the production of goods or non-financial services.
19. *Non-HQLAs* – pertain to debt securities and equity shares that are neither qualified as Level 1 nor Level 2 assets.
20. *Operational deposit* – refers to a deposit account maintained by a wholesale client for the primary purpose of obtaining a specific operational service from the bank as an independent third party intermediary, agent or administrator.
21. *Operational service* – refers to any of following contractual services performed by the bank related to clearing, cash management operations, and custody (but excluding correspondent banking or brokering activities), which effectively facilitate the clients' access and ability to use payment and settlement systems and otherwise make payments:

Clearing

- a. Overnight financing and maintenance of post-settlement balances;
- b. Transmission, reconciliation, and confirmation of payment orders;
- c. Intraday overdraft;
- d. Determination of intraday and final settlement positions;

Cash Management

- e. Payment remittance;
- f. Collection and aggregation of funds;
- g. Payroll administration and control over the disbursement of funds;
- h. Administration of payments and cash flows related to the safekeeping of investment assets, not including the purchase or sale of assets;

Custody

- i. Settlement of securities transactions;
- j. Client subscriptions and redemptions;
- k. Processing of collateral;
- l. Transfer of contractual payments, including collection and payment of dividends and other income from financial assets held under custodianship; and
- m. Escrow, funds transfer, stock transfer, and agency services, including payment and settlement services (excluding correspondent banking), payment of fees, taxes, and other expenses.

22. *Other contingent funding obligations* – refer to either contractual or non-contractual contingent funding obligations (excluding lending commitments) that are contingent upon a credit or other event that is not always related to the liquidity events simulated in the LCR stress scenario, but may nevertheless have the potential, especially out of reputation risk considerations, to cause significant liquidity drains to the bank in times of stress. *Non-contractual contingent funding obligations* are funding liabilities that are:

- associated with the issuance or sponsorship of products (including structured financial instruments) or provision of services that may require the funding support or extension of funds by the bank in times of stress; or
- embedded in financial products and instruments sold, sponsored, marketed or originated by the bank that might prompt the bank to repurchase said products and instruments from a customer in order to satisfy or manage the customer's reasonable expectations about the liquidity and marketability of the product or instrument. Failure to do so would likely cause material reputational damage to the bank or otherwise impair its ongoing viability.

23. *Philippine National Government (NG)* – refers to the Philippine NG and its agencies such as departments, bureaus, offices, and instrumentalities, but excluding local government units (LGUs) and government-owned and controlled corporations (GOCCs).
24. *Public sector entities (PSEs)* – refer to entities which are regarded as such by a recognized banking supervisory authority in the country in which they are incorporated.
25. *Rehypothecation and/or re-use of collateral* – Rehypothecation refers to the right of financial intermediaries to sell, pledge, invest, or perform transactions with the client assets they hold, thereby allowing them to obtain funding using said client collateral. Re-use of collateral, on the other hand, usually covers a broader context where securities delivered in one transaction are used to collateralize another transaction, including own trades, borrowings or short sellings. The terms rehypothecation and re-use of securities are used interchangeably in this standard.
26. *Retail deposits* – refer to deposit liabilities raised by the bank from individual clients including sole proprietorships and partnerships, and those classified as micro and small enterprises (hereinafter called retail clients).
27. *Securities financing transactions (SFTs)* – these involve repurchase (repos), and reverse repurchase (reverse repos) agreements, securities lending and borrowing, or margin lending transactions, where the value of the transactions depends on market valuations and the transactions are often subject to margin agreements.
28. *Secured funding* – refers to any liability and general obligation of the bank arising from securities transaction that is covered by collateral in the form of duly constituted mortgage, pledge, or lien on specifically designated asset owned by the bank or by its related party that gives the counterparty priority over said asset in case of bankruptcy, insolvency, liquidation, or resolution. This consists of repos, collateral swaps, collateral lending to customers to cover short positions and other similar secured funding arrangements. Forward repos and forward collateral swaps that start previous to and mature within the LCR horizon are included in this category.
29. *Secured lending* – refers to any securities transaction that is subject to a legally binding agreement that gives rise to a cash obligation of a counterparty to a bank that is secured under applicable law by a lien on specifically designated asset owned by the counterparty or by its related party, which gives the bank, as holder of the lien, priority over said asset in the event the counterparty enters into bankruptcy, insolvency, liquidation, receivership, resolution, or similar proceeding. This will include reverse repos, margin loans, and securities borrowing transactions. Forward reverse repos and forward collateral swaps that start previous to and mature within the LCR horizon are included in this category.
30. *Special purpose entity (SPE)* – as defined in the Basel II Framework, SPE is a corporation, trust, or other entity organized for a specific purpose, the activities of which are limited to those appropriate to accomplish the purpose of the SPE, and the structure of which is intended to isolate the SPE from the credit risk of an originator or seller of exposures. SPEs are commonly used as financing vehicles in which exposures are sold to a trust or similar entity in exchange for cash or other assets funded by debt issued by the trust.

31. *Total expected cash inflows* – pertain to the various types of contractual receivables which outstanding balances as of the LCR measurement date are multiplied by relevant inflow rates. The total inflow amounts are capped at 75 percent of aggregated total expected cash outflows.
32. *Total expected cash outflows* – pertain to the various on- and off-balance sheet funding sources and commitments which outstanding balances as of the LCR measurement date are multiplied by relevant outflow rates. The outflow amounts are aggregated to determine the total expected cash outflows.
33. *Total net cash outflows* – pertains to the sum of the total expected outflow amounts less the sum of the total expected inflow amounts, with the inflow amounts limited to 75 percent of outflow amounts. The calculated amount makes up the denominator of the LCR, thereby establishing the amount of HQLA that a bank would be required to hold.
34. *Trust and other fiduciary* – refers to a legal entity or to a specifically designated business unit that is authorized to administer, hold or manage assets for the use or in behalf of a third party. These shall include trust entities as defined under Section X403 of the MORB, mutual funds, exchange-traded funds and other collective investment vehicles.
35. *Unencumbered* – means free of legal, regulatory, tax, accounting, contractual or other impediments or practical restrictions on the ability of the bank to liquidate, sell, transfer, or assign the asset. Liquid assets may also be considered unencumbered if the potential credit or funding for which the assets are pre-positioned, deposited with or pledged to the BSP, to a clearing and settlement system, or to another financial entity is not currently extended to the bank or to any of its related parties².
36. *Unsecured wholesale funding* – refers to liabilities and general obligations of the bank, other than deposits, to wholesale clients that are not collateralized by legal rights to specifically designated assets owned by the bank or by its related party. This includes deposit substitutes, unsecured loans and advances, unsecured notes, bonds and other debt securities, and other unsecured funding obligations.
37. *Wholesale deposits* – refer to deposit liabilities raised by the bank from legal entities (excluding sole proprietorships and partnerships and those entities classified as micro and small enterprises) (hereinafter called wholesale clients).

II. SCOPE OF APPLICATION

1. The LCR requirement shall apply to all universal and commercial banks (U/KBs). Under normal situation, banks shall hold at all times an adequate stock of HQLA such that it maintains its LCR, both on solo (head office plus branches/other offices) and consolidated bases (parent bank plus subsidiary financial allied undertakings, but excluding insurance companies), at a level no lower than the minimum requirements specified below:

² As defined under Subsection X146.1 of the MORB.

	01 July 2016	01 January 2017	01 January 2018	01 January 2019 & thereafter
Minimum LCR	Observation Period		90%	100%

- The LCR is required to be met and reported in a “single currency” (i.e., in peso-equivalent terms). However, banks are also required to separately monitor on an ongoing basis, using the same LCR Report template, their liquidity requirements in currencies in which they have significant activity as of LCR measurement date. A currency is considered “significant” if the aggregate liabilities denominated in that currency amount to five percent (5%) or more of the banks’ total liabilities as of LCR measurement date. Banks are expected to be able to meet their liquidity needs in each currency and maintain HQLA consistent with the distribution of their liquidity needs by currency, so as to manage potential currency mismatch issues that could arise.
- While the LCR establishes one scenario for stress testing, this should be viewed as a minimum supervisory requirement. Banks are expected to conduct their own stress tests as part of their liquidity risk management process in order to identify the risk drivers that may lead to drastic fluctuations in their liquidity position. Accordingly, in view of the stress scenarios constructed that reflect the actual and specific risks they are exposed to, banks should be able to assess the level of liquidity they should hold, which could possibly go beyond the regulatory minimum. Such internal stress tests should incorporate time horizons longer than the 30-day stress period prescribed by this standard. Banks are expected to share the results of these additional stress tests when requested by the authorized representative/s of the appropriate departments of the BSP-SES for examination/inspection or review purposes.
- The BSP liquidity requirement is generally consistent with the Basel III liquidity framework except for the few parameters relating to certain net cash outflows and the outflow rates used in its determination, where the BSP gives regard to supervisory and market conditions that are distinctive to the Philippine financial market. As may be necessary, the BSP may issue amendments on refinements of the definition and qualification of HQLA, and/or recalibration of the parameters related to cash flow items.

III. LCR CALCULATION

A. GENERAL REQUIREMENTS

- The LCR is designed to promote the short-term resilience of the liquidity risk profile of a bank. To meet funding obligations and draws on contingent liabilities over the next thirty (30) calendar days, the LCR requires the bank to hold a stock of unencumbered HQLA equal to or greater than total net cash outflows. Hence, the LCR is calculated as the:

$$\text{LCR} = \frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 calendar days}}$$

2. The standard requires that, under normal situation, the value of the liquidity ratio be no lower than 100%³ on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against potential onset of liquidity stress.
3. When calculating the LCR, the bank should maintain a consistent categorization of a given entity/counterparty across all HQLA, outflow and inflow categories.
4. To facilitate LCR monitoring and ongoing compliance, the bank must maintain a reliable system that has the ability to calculate liquidity positions on a day-to-day basis, regardless of the frequency of mandatory reporting to the BSP. It should capture, at a minimum, specific information related to the bank's available unencumbered assets and collaterals, cash flows, and certain market and liquidity indicators prescribed in the standard. It must have the ability to deliver granular and time-sensitive information particularly during periods of stress.

B. STOCK OF HQLA

(1) HQLA Eligibility Criteria

5. **Asset and market liquidity characteristics.** To qualify as HQLA, assets should have a high potential to generate funds easily and immediately through outright sale or secured borrowing, during a stress scenario without incurring large discounts due to fire-sales. These assets must be liquid and readily-marketable, and ideally, eligible to be pledged at the BSP as collateral for intraday liquidity needs and overnight borrowing facilities, to enable banks to meet financial obligations when their other sources of funding are reduced or unavailable.
6. The liquidity and ready-marketable of an asset is influenced both by its own specific features and by the characteristics of the broader market structure within which it is traded. Set forth in *Annex A* are some of these key attributes that likely capture the dimensions of asset and market liquidity. To assess the relative liquidity and ready-marketable of an asset, each characteristic outlines relevant "liquidity metrics" that need to be met to be eligible to qualify as HQLA.
7. These liquidity metrics shall be determined using historical data with special focus on performance during periods of financial stress. The metrics will be periodically and at least annually reviewed, and shall be updated as necessary to reflect current market liquidity perspective. Said metrics, including the analytical tools, guidelines and methodologies, data used, and the threshold levels set to make such determinations, as well as its updates shall be developed in coordination with the banking industry.
8. **Operational requirements for monetization.** Not all assets considered to be liquid and readily-marketable are immediately eligible for the stock as there are other operational restrictions on the availability of HQLA that can prevent timely monetization during a stress period. The immediate availability of the liquid assets for monetization in times of stress as well as the unrestricted use of the funds generated from outright sale or secured borrowing of said assets must also be established in order for the liquid assets to be appropriately considered as HQLA.

³ The 100% threshold is the minimum requirement under a normal situation, and after the phase-in arrangement is complete. The minimum requirement is initially set at 90% for 2018, and shall rise to the minimum required level of 100% on 01 January 2019.

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

a. *Encumbrance and Transferability of the Liquid Assets*

- i. The liquid asset must be unencumbered. It should neither be pledged, explicitly or implicitly, to secure, collateralize, or credit-enhance any transaction.⁴
- ii. No operational constraint that may impede the monetization of the liquid asset must be attached to it, such as, but not limited to:
 - (1) Whether the monetization of the asset would directly conflict with another business or risk management strategy of the bank. For example, an asset should not be included in the stock if the sale of that asset, without replacement throughout the 30-day period, would remove a hedge that would create an open risk position to the bank in excess of internal limits;
 - (2) Potential differences in financial market conventions in other jurisdictions, where applicable (e.g., settlement period, processing time, etc.) that affect timely monetization of the asset; and
 - (3) Whether the asset is internally designated to cover operational costs (e.g., rents, salaries, facility maintenance, etc.).
- iii. The liquid asset received, such as those in SFTs or as collateral for derivatives transaction that is not segregated, must not have been rehypothecated and is legally and contractually available for the bank's use.
- iv. Assets or liquidity generated from said assets, which have been received under right of rehypothecation or under brokering agreements, shall be excluded from the bank's stock of HQLA if the beneficial owner has the contractual right to withdraw those assets during the LCR period.

b. *Capability to Monetize the HQLA*

- v. The bank must implement policies, procedures and appropriate systems that establish the proper authority and operational capacity of a liquidity management function (e.g., the treasurer) to monetize any HQLA at any point in the 30-day stress period. To ensure effective monetization from an operational perspective, said function must have:
 - (1) Continuous authority to invoke the contingency funding plan of the bank when deemed necessary;
 - (2) Access to all necessary information to execute monetization of any HQLA;

⁴ If a bank has deposited, pre-positioned or pledged Level 1, Level 2 and other assets in a collateral pool and no specific securities are assigned as collateral for any transactions, it may assume that assets are encumbered in order of increasing liquidity value in the LCR, i.e., assets ineligible for the stock of HQLA are assigned first, followed by Level 2 assets, and finally Level 1.

- (3) Control to any HQLA at any time. Control must be evidenced either by maintaining the assets in a separate pool managed by the function with the sole intent for use as a source of contingent funds, or by demonstrating that the function can monetize the asset at any point in the 30-day stress period; and
 - (4) Access and control over the monetization proceeds such that the funds will be available to the function throughout the 30-day stress period without directly conflicting with another business or risk management strategy of the bank.
- vi. The bank, as led by the liquidity management function, must demonstrate its operational capability to monetize the HQLA, through repo or outright sale to the market, by:
 - (1) Implementing policies that set out the approach to periodic monetization of its HQLA, which are consistent with existing regulatory standards and accounting principles;
 - (2) Establishing and maintaining appropriate procedures and systems to monetize any of the bank's HQLA at any time in accordance with the relevant standard settlement periods and procedures for the asset class; and
 - (3) Periodically monetizing a sample of HQLA in order for the bank to test its access to the market, the effectiveness of its processes for monetization, the availability of the assets, and to minimize the risk of negative signaling during a period of actual stress.

Such periodic monetization may be carried out through the ordinary business activities of the bank or be done without reference to its day-to-day liquidity needs depending on the liquidity profile exhibited by the HQLA.

The asset must be monetized in varying amounts, at varying durations in case of repos, and in various related trading or financing markets in which the bank has access to. The cumulative effect of said periodic monetization over any twelve (12) month period must reasonably reflect a representative proportion of the minimum required HQLA, including with respect to asset type, maturity, and counterparty characteristics.

- vii. The bank must implement policies and procedures and maintain systems that monitor the current market value, as well as the composition of the stock of HQLA as to:
 - (1) Identification by legal entity, location, currency, custodial account, or other relevant identifying factors;
 - (2) Appropriate diversification within asset classes (except for cash, government securities, and accounts with the BSP) by asset type, counterparty, issuer, currency, borrowing capacity, or other factors associated with the liquidity risk of the assets; and
 - (3) Continuous qualification as eligible HQLA.

(2) Calculation and Composition of HQLA

10. Two (2) categories of eligible assets⁵, which must be held by the bank on the first day of the 30-day stress test period irrespective of residual maturity, shall be included in the stock of HQLA. The highest quality liquid assets, the Level 1 assets, shall be included without limit, while other HQLA, the Level 2 assets, can only comprise up to 40% of the stock.
11. The calculation of the stock of HQLA, specifically the 40% cap on Level 2 assets, must take into account the required haircuts, as applicable, and the assumed unwinding of all short-term SFTs and collateral swap transactions maturing within 30 calendar days that involve the exchange of HQLA. The details of the adjustment on calculation of the stock of HQLA are provided in *Annex B*.
12. The specific individual assets within an asset class that would be considered as liquid and readily-marketable shall be determined in accordance with the liquidity metrics. However, the designation of these specific individual assets as HQLA is not fixed and absolute as the liquidity characteristics and/or the liquidity derived from these assets that qualify them under this criterion may change over time.
13. If a liquid asset will no longer qualify as HQLA during the immediate LCR period, the bank shall be allowed to keep such liquid asset as HQLA during the said LCR period. This would give the bank additional time to adjust its stock of HQLA as needed or to replace the liquid asset.
14. For purpose of LCR, assets included in the stock of HQLA should be measured at its current market value⁶. However, in case the bank hedges the market risk associated with the eligible HQLA, the current market value of the HQLA must be reduced by the outflow amount that would arise if the hedge were to be closed out early (in the event of the asset being sold).
15. For purpose of computing the consolidated LCR, the qualifying HQLA that are held at the branch/es abroad of domestic banks or subsidiary level (where applicable) shall be counted towards the stock of HQLA in an amount up to the total net cash outflows of said branch or subsidiary that are included in the consolidated LCR; *Provided*, that the HQLA are freely available and transferrable (i.e., without any regulatory, legal, tax, accounting or other impediment) to the parent bank for monetization.

(a) Level 1 Assets

16. Level 1 assets shall not be subject to any haircut under the LCR. These are limited to the following asset classes:
 - a. Cash on hand;
 - b. Bank reserves in the BSP;

⁵ To qualify as HQLA, the assets must satisfy the asset and market liquidity characteristics, and the operational requirements for monetization eligibility criteria.

⁶ Eligible HQLAs that are recognized at book value or at amortized cost such as securities designated as "held-to-maturity" must be included in the HQLA amount calculation at current market value.

- c. Overnight and term deposits⁷ with the BSP, including reverse repos where the BSP is the counterparty; and
- d. Eligible securities representing claims on or guaranteed⁸ by —
 - i. the Philippine National Government (NG) and the BSP⁹; or
 - ii. sovereigns, central banks, or PSEs of foreign countries, or by multilateral organizations, that are assigned a 0% risk weight under the Basel II Standardized Approach for credit risk, and are not an obligation by a bank or any of a bank's financial allied undertakings¹⁰.

(b) Level 2 Assets

17. Specific haircuts shall be applied to each Level 2 asset held in the stock. Level 2 assets are limited to the following asset classes:

Level 2 Asset	Haircut
a. Eligible securities representing claims on or guaranteed by LGUs, GOCCs, by sovereigns, central banks, or PSEs of foreign countries, or by MDBs, that are assigned with the following risk weight under the Basel II Standardized Approach for credit risk, and are not an obligation by a bank or any of a bank's financial allied undertakings ¹⁰ : i. Twenty percent (20%) ii. Fifty percent (50%)	15% 50%
b. Eligible corporate debt securities (including commercial papers) ¹¹ that are assigned with the following long-term credit rating ¹² by a third party credit assessment agency recognized by the BSP ¹³ , and are not issued by a bank or any of a bank's financial allied undertakings ¹⁰ :	

⁷ To the extent allowed to be drawn down in times of stress.

⁸ Securities which are guaranteed by the Philippine NG but were issued and remain as liabilities of a bank will not qualify for the stock of HQLA. The only exception is when the bank also qualifies as a GOCC with the highest credit quality, in which case, the securities issued by said bank could qualify for Level 2 assets if all necessary conditions are satisfied.

⁹ Issuances in foreign currencies shall be included in the stock to the extent of the bank's net cash outflows in that specific foreign currency.

¹⁰ For LCR purpose, a holding company shall only be deemed a financial corporate and/or a financial allied undertaking if the holding company is primarily engaged in financial intermediation or in auxiliary financial activities that are closely related to financial intermediation.

¹¹ Corporate debt securities (including commercial paper) in this respect include only plain-vanilla assets which valuation is readily available based on standard methods and does not depend on private knowledge, i.e., these do not include complex structured products or subordinated debt.

¹² In the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating shall be used. In case the security does not have a credit assessment by a recognized third party credit assessment agency, an internal rating equivalent to the probability of default corresponding to the required long-term credit rating shall be applied. In cases where there are two or more ratings which map into different risk weights, the higher of the two lowest risk weights should be used. External credit assessments for one entity within a corporate group cannot be used to proxy for the credit assessment of other entities within the same group. Such other entities should secure their own ratings.

¹³ The list of third party credit assessment agencies and the mapping of ratings given by these rating agencies are in Part IV.C of Appendix 63B of the MORB.

Level 2 Asset	Haircut
i. At least AA– or its equivalent	15%
ii. Between A+ and BBB– or their equivalent	50%
c. Eligible common equity shares that are included in the main index of an organized exchange, and are not issued by a bank or any of a bank's financial allied undertakings ¹⁰ .	50%

C. TOTAL NET CASH OUTFLOWS

18. The total net cash outflows, which should include interests and installments that are expected to be received and paid during the LCR period, are calculated as follows:

Total net cash outflows over the next 30 calendar days = Total expected cash outflows — Min {total expected cash inflows; 75% of the total expected cash outflows}

19. The bank is not allowed to double count items in the calculation of the LCR. If a liquid asset is included as part of the stock of HQLA (which is the numerator), the cash inflows associated with that liquid asset should no longer count as part of the total expected cash inflows (which is part of the denominator).

20. Where there is potential that a liability or obligation could be counted in multiple outflow categories (e.g., committed business facilities granted to cover debt maturing within the 30-calendar day period), only such liability or obligation that will yield the maximum amount of expected cash outflow must be included in the calculation of total expected cash outflows, except when a specific outflow treatment is clearly prescribed herein.

21. Cash flows arising from purchase/sale of non-HQLA that are executed but not yet settled at the LCR measurement date shall count towards other cash outflows/inflows. Outflows and inflows of HQLA-type assets that are or will be excluded from the bank's stock of HQLA due to operational requirements are treated like outflows or inflows of non-HQLA.

22. In calculating cash outflows and inflows, if considered to mature within the LCR period, the bank shall make the most conservative assumptions for determining the maturity or transaction date for an instrument or transaction:

- a. In general, the maturity of an instrument or obligation that would result in an outflow amount must be assumed to occur on the earliest possible contractual maturity date or the earliest possible date the obligation could be fulfilled; while the maturity of an instrument or transaction that would result in an inflow amount must be assumed to occur on the latest possible contractual maturity date or the latest possible date the transaction could occur;
- b. With respect to any option that would modify the maturity date, either explicit or embedded in the instrument or transaction, the bank shall assume that the option would be exercised at the earliest possible date in case of an outflow, and at the latest possible date in case of an inflow. In the event of an actual financial stress, however, the bank shall be allowed not to exercise the option and to treat the original maturity date of the instrument or transaction as the maturity for purpose of

computing the LCR; *Provided*, that the decision not to exercise the option would not subject the bank to any legal or reputational risk;

- c. If an option to adjust the maturity date is subject to a notice period, the bank must determine, for cash outflows, the earliest possible contractual maturity date regardless of the notice period; and for cash inflows, the latest possible contractual maturity date based on the borrower using the entire notice period;
- d. In the absence of a specific maturity date, i.e., there is no defined maturity or is an open maturity, the bank must consider the instrument or transaction to mature within the LCR period for cash outflows calculation; and after the LCR period for cash inflows calculation.

(3) Cash Outflows

- 23. When the bank, at LCR measurement date and in accordance with trade rules or market conventions, has specifically pre-positioned or deposited cash or any asset with a clearing and settlement system or with another financial institution to cover an obligation or settle a transaction that is set to mature within the LCR period, the cash outflow related to the obligation or transaction shall be excluded from cash outflow calculation; *Provided*, however, that the cash or any asset pre-positioned or deposited is neither treated as cash inflow nor counted in the stock of HQLA.
- 24. Funds subject to special arrangements whereby cash balances are cleared and transferred into a main account, other than those maintained within the bank, at the end of each day or within the LCR period (e.g., the Treasury Single Account System) shall automatically receive a 100% outflow rate.

(a) Deposits

- 25. Regardless of maturity, all deposits, unless otherwise excluded under the cases specified in the succeeding paragraph, shall be included in the calculation of total expected cash outflows. These accounts are categorized either as retail or wholesale, with wholesale accounts classified as either operational or non-operational, with different outflow rates assigned accordingly. To capture the relative volatility of a deposit account during a period of stress, the outflow rates for retail deposits are calibrated on a per account basis. Wholesale operational and non-operational deposits, on the other hand, receive outflow rates that are based on the established operational relationship of the depositor with the bank.
- 26. A deposit account with residual maturity or withdrawal notice period of greater than 30 calendar days may be excluded from the calculation of the total expected cash outflows under the following circumstances:
 - a. The deposit is contractually pledged to the bank as collateral to secure a credit facility or loan, where:
 - i. the loan will not mature or be settled during the LCR period; and
 - ii. the pledge or hold-out arrangement is subject to a legally enforceable contract disallowing withdrawal of the deposit before the loan is fully settled or repaid.

Said exclusion, however, does not apply to a deposit which is pledged against an undrawn facility, in which case the higher expected cash outflow between the undrawn facility or the pledged deposit shall be used; or

- b. The depositor has no contractual or legal discretion to withdraw said deposit or pre-terminate the account within the 30-day horizon of the LCR (e.g., negotiable certificates of time deposits).

(i) Retail deposits: 5%, 10% or 15% run-off rate

27. Retail deposits shall be assigned with specific run-off rates depending on the outstanding balance per account:

Outstanding Balance Per Account	Run-off Rate
• ₱500,000 and below	5%
• ₱500,000.01 to ₱4,000,000	10%
• Over ₱4,000,000	15%

(ii) Wholesale deposits: Operational deposits: 30% run-off rate

28. Operational deposits, which are maintained by wholesale clients to avail the operational services offered by the bank, shall receive a 30% outflow rate.
29. For LCR calculation, all current and savings (CASA) accounts, including negotiable order of withdrawal (NOW) accounts, shall automatically be categorized as operational deposits considering that said accounts are generally characterized by the following:
- The client is reliant on the bank as an independent third party that provides the operational service that will fulfill the client's normal business operation, rendering it unlikely for the client to transfer its banking activity to another bank within 30 days;
 - The funds held in this account are utilized for the operational needs of the client and no excess balance is assumed to be retained for the purpose of earning interest, or any economic incentive (i.e., rewards, rebates, reduction of fees or charges for other bank services, etc.) from the bank; and
 - The operational service is usually governed by a legally binding written agreement, which can only be terminated by the client either by giving prior notice of at least 30 days or by paying significant switching costs (such as those related to transaction, information technology, early termination or legal costs) if the operational deposit is withdrawn before 30 days.
30. In the case of the Philippine branch of a foreign bank, the amount of "Net Due To Head Office/Branches/Agencies Abroad" account shall be treated as operational deposit for LCR purpose. The "Due From" and "Due To" accounts are essentially clearing accounts through which the head office and branch transactions of the foreign bank are cleared, hence, for LCR purpose, the "Net Due To" balance shall be assumed as operational in nature. However, accumulated "Unremitted Profits" and "Losses in Operation" shall not be included in the LCR calculation considering that these balances are part of regulatory capital for purposes of computing risk-based capital adequacy ratio and adjusted net worth.

31. Deposits received specifically for clearing and settlement of foreign exchange transactions (e.g., amount of funding provided by the Philippine Domestic Dollar Transfer System [PDDTS] participants) shall be classified as operational accounts. These accounts are deemed maintained with the settlement/depository bank solely for effecting credits and debits arising from foreign exchange transactions, without having to go through a correspondent bank in the country where the foreign currency to be settled originated.

(iii) Wholesale deposits: Non-operational deposits: 20%, 40% or 100% run-off rate

32. The bank shall apply a run-off rate of 20% on term and other deposits of wholesale clients not classified as operational, provided the outstanding balance is fully insured by the PDIC. Otherwise, said accounts shall be assigned with the following run-off rates:

Depositors	Run-off Rate
Philippine NG; LGUs; GOCCs; BSP; sovereigns, central banks, PSEs of foreign countries; MDBs	40%
Non-financial corporates	40%
Other entities not included in the prior categories	100%

33. Irrespective of outstanding balance, the term and other non-operational deposits provided by banks, financial corporates, trust and other fiduciaries, beneficiaries, conduits and special purpose vehicles (SPVs), and by affiliated entities of the bank shall receive a 100% run-off rate at all times.

(iv) Deposits received under correspondent banking and brokering services agreements

34. The criterion for an operational deposit where the client has a substantive dependency on the continued operation of the deposit account, which serves as a practical impediment to closing or moving such account to another bank, is not consistently the case with correspondent banking and brokering services activities. Thus, deposits arising from correspondent banking and brokering services will be treated as wholesale non-operational deposit accounts.
35. Customer cash balances arising from the provision of brokering services should be considered separate from any required segregated accounts related to client protection regimes, and should not be netted against other customer exposures included in this LCR standard.

(b) Unsecured wholesale funding

36. The expected cash outflow that will be calculated for other unsecured wholesale funding shall generally comprise of:
- Any obligation or instrument issued by the bank that is not eligible as capital, and hence, treated as borrowings which the bank expects to fulfill within the LCR period;
 - All unsecured wholesale funding that is callable, or has an earliest contractual maturity date within the next 30 calendar days; and
 - Unsecured wholesale funding with undetermined maturity.

37. A range of outflow rates is assigned to this wholesale fund depending on the assumed stability of the funding in times of stress, i.e., in consideration of the sensitivity of the fund providers to the rate offered and to the credit quality and solvency of the borrowing bank, the type of wholesale client and their level of sophistication. However, this category excludes:

- a. Debt instruments issued by the bank exclusively in the retail market, such that those instruments cannot be bought and held by parties other than retail clients, which shall be treated appropriately under the retail funding category; and
- b. Liabilities and obligations related to derivative contracts, which outflow calculation shall be taken up under the derivatives contracts category.

(i) Unsecured wholesale funding provided by the Philippine NG, LGUs, GOCCs, BSP; by sovereigns, central banks, PSEs of foreign countries; by MDBs and by non-financial corporates: 40% outflow rate

38. The bank shall apply a cash outflow rate of 40% on all unsecured funds received from the abovementioned entities.

(ii) Unsecured wholesale funding from banks, financial corporates and from other wholesale clients: 100% outflow rate

39. Unsecured funding provided by banks, financial corporates, trust and other fiduciaries, beneficiaries, conduits and SPVs, by affiliated entities of the bank, and by other entities not included in the prior category shall receive a 100% outflow factor.

(c) Secured funding

40. The cash outflow on secured funding shall be calculated based on the amount of funds raised through the transaction and not on the value of the underlying collateral. In case of collateral swaps or collateral lending transactions, the outflow amount shall be based on the current market value of the asset received.

41. The outflow rates to be applied to outstanding secured funding transactions maturing within the 30-calendar day period shall depend on the quality of the underlying collateral and/or the counterparty, as follows:

Underlying Collateral and/or Counterparty	Outflow Rate
• Level 1 assets <i>OR</i> funding provided by the BSP	0%
• Level 2 assets with 15% haircut	15%
• Non-HQLA <i>AND</i> funding provided by the Philippine NG or by LGUs that are assigned with 20% credit risk weight or lower, or by MDBs	25%
• Level 2 assets with 50% haircut	50%
• All other maturing secured funding transactions not specified in the prior categories	100%

(d) Derivatives contracts

42. The bank shall calculate the expected contractual derivative cash inflows and outflows in accordance with existing valuation methodologies. A 100% outflow factor shall be assigned to the sum of all cash outflows arising from derivatives contracts maturing or expected to be preterminated within the LCR period.
43. For LCR purpose, expected derivatives cash flows shall be reported on gross amounts, i.e., the derivative contractual payments that the bank will make or deliver to a specific counterparty shall be included in the derivative cash outflow amount and the derivative contractual payments that the bank will receive from that counterparty shall be included in the derivative cash inflow amount, without any netting and subject to the LCR cap on total inflows. However, for contracts that inherently require net settlement (e.g., non-deliverable forward foreign exchange contract), the expected derivatives cash flows shall be reported on a net basis.
44. Where derivative payments are collateralized by HQLA, the cash outflows shall be calculated net of any corresponding cash payment or collateral inflows that would result, all other things being equal, from contractual obligations for cash payment or collateral to be posted to the bank; *Provided*, the bank will be legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the collateral is received. This is in line with the principle that banks should not double count liquidity inflows and outflows.
45. In case of “in the money” options, said options shall be assumed to be exercised when they are “in the money” to the option buyer. Hence, any expected cash flows from contractual derivatives that are “in the money” (to the option buyer) shall count towards derivatives cash flows in the LCR.
46. Additional cash outflows¹⁴ for liquidity requirements resulting from contingent obligations embedded in derivative contracts, if any, shall be included in the calculation of total expected cash outflows, with outflow rates assigned as follows:

(i) Potential valuation changes on posted collateral securing derivative and other transactions: 20% outflow rate

47. When the mark-to-market exposure of a derivative position of the bank is secured by non-Level 1 HQLA, an additional outflow equivalent to 20% of the value of such posted collateral, net of collateral received on a counterparty basis, provided that the collateral received is not subject to restrictions on re-use or rehypothecation, shall be included in the calculation of total expected cash outflows. This 20% shall be calculated based on the amount required to be posted as collateral after applying the relevant haircut prescribed for Level 2 assets and as agreed for non-HQLA assets. Any collateral that is in a segregated margin account can only be used to offset outflows that are associated with payments that are eligible to be offset from that same account.

¹⁴ If a bank posted a pool of HQLA and non-HQLA collateral to secure derivative and other transactions, the bank shall compute the collateral requirement in the order of increasing liquidity value of said assets, consistent with the methodology set out in footnote 4 of this standard.

(ii) Market valuation changes on derivative or other transactions: 100% outflow rate

48. As bank faces potentially substantial liquidity risk exposures to the valuation changes of collaterals posted by the bank on its derivatives and other transactions, the increased liquidity needed to cover these market valuation changes should be included in the LCR. Using the historical look-back approach, the collateral outflows shall be based on the fluctuations in the total current market value amount of collaterals posted for all derivatives for each day within consecutive periods of thirty (30) days. The amount of additional expected cash outflows shall be equal to the largest difference between the highest and the lowest amount of accumulated collateral posted during any thirty (30)-day period in the last 24 months¹⁵ preceding the date of the LCR calculation. The collateral amounts pledged towards the bank shall not be taken into account.

(iii) Downgrade triggers embedded in financing transactions, derivatives and other contracts¹⁶: 100% outflow rate

49. For a contract where downgrade trigger exists, the bank shall assume that 100% of the additional collateral or contractual cash outflow required in the contract will have to be posted or funded for any downgrade up to and including a 3-notch downgrade of the bank's long-term credit rating. Triggers linked to a bank's short-term rating should be assumed to be triggered at the corresponding long-term rating in accordance with published ratings criteria. The bank should assess the impact of the downgrade on all types of margin collateral and contractual triggers which may change rehypothecation rights for non-segregated collateral.

(iv) Excess non-segregated collateral held by the bank: 100% outflow rate

50. An additional 100% cash outflow based on the market value of the collateral held must be calculated as part of the total expected cash outflows in cases where the bank holds a collateral that:

- a. Can be contractually called at any time by the counterparty because the collateral posted exceeds the counterparty's current collateral requirement under the contract;
- b. Is not segregated from the bank's other assets such that it cannot be rehypothecated; and
- c. Is not already excluded as eligible HQLA by the bank.

(v) Contractually required collateral which are not yet posted: 100% outflow rate

51. For a collateral that is contractually due but the posting of which is not yet demanded by the counterparty, the bank shall increase the total expected cash outflows by an amount equivalent to 100% of the market value of the collateral.

¹⁵ The 2-year observation period consists of approximately 730 periods of 30-day, partly overlapping, rolling window.

¹⁶ This applies to contracts governing derivatives and other transactions that have clauses that require the posting of additional collateral, drawdown of contingent facilities, or early repayment of existing liabilities upon the bank's downgrade by a recognized credit rating organization. Contracts that include early termination agreements if a triggering event occurs (e.g., credit rating downgrade) shall not be covered by this requirement.

(vi) Collateral substitution to non-HQLA or lower-quality HQLA¹⁷: 100% outflow rate

52. When a contract for a transaction that has not been segregated allows the received HQLA collateral to be substituted for other collateral without the consent of the bank, an additional 100% outflow shall be included in the calculation of the total expected cash outflows. If the potential substitute collateral is a non-HQLA, the outflow amount shall be based on the market value of the received HQLA collateral after applying the respective haircut in the LCR (i.e., in the case of Level 2 assets). For substitution for other HQLA collateral of a lower liquidity value, an outflow amounting to the market value of the received collateral multiplied by the difference between the haircuts of the received collateral and the potential substitute collateral should be applied.

(e) Loss of funding from structured financing instruments (SFIs)**(i) Asset-backed securities and other SFIs allowed under existing regulations: 100% outflow rate**

53. Under the assumption that the funding required to refinance the bank-issued SFIs will not be available, the bank shall assign a 100% outflow rate to the total outstanding amount of these instruments maturing within the 30-day period.

(ii) Asset-backed commercial paper, conduits, securities investment vehicles (SIVs) and other such financing facilities allowed under existing regulations: 100% outflow rates

54. To take account of the potential liquidity risks pertaining to the bank's own structured financing facilities that include the issuance of short-term asset-backed commercial paper, the bank shall assume that its ability to refinance the outstanding maturing instrument will be uncertain and shall include in the calculation of expected cash outflows 100% of the amount of the maturing debt.

55. In cases where the documentation associated with the financing arrangement contractually includes derivatives or derivative-like components that allow the "return" of assets, or that require the bank (as original asset transferor) to provide liquidity, effectively ending the financing arrangement (liquidity puts) within the 30-day period, the bank shall increase its expected cash outflows by another 100% based on the amount of assets that could potentially be returned, or on the liquidity required.

56. Where the structured financing activities of the bank are conducted through a special purpose entity (such as a special purpose vehicle, conduit or structured investment vehicle), the bank should look through to the maturity of the debt instruments issued by the entity and to any embedded options in financing arrangements that may potentially trigger the "return" of assets or the need for liquidity, irrespective of whether or not the SPV is consolidated.

¹⁷ This provision for additional liquidity requirement shall be applicable only when the received HQLA collateral actually counts toward the bank's stock of HQLA, and its maturity value after applying the respective haircut is lower than the liquidity value of the potential collateral substitution.

(f) Drawdowns on committed business facilities

57. For LCR purpose, committed business facilities shall include: (a) lending commitments (e.g., Committed Credit Line for Commercial Paper Issued); (b) direct credit substitutes and transaction-related contingencies that are assigned 100% and 50% credit conversion factors under the Basel II Standardized Approach for credit risk, respectively; and (c) all other committed funding facilities extended by the bank excluding credit card lines and trade-related guarantees.
58. For purpose of expected cash outflows calculation, all committed obligations that are assumed to be drawn will remain outstanding at the amounts assigned throughout the duration of the stress test, regardless of maturity. The currently undrawn portion of each committed obligation shall be calculated net of HQLA collateral, if any¹⁸; *Provided*:
- The bank is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the facility is drawn; and
 - There is no undue correlation between the probability of drawing the facility and the market value of the collateral.

The collateral can be netted against the outstanding amount of the committed obligation to the extent that this collateral is not already counted in the stock of HQLA.

59. To calculate the expected cash outflows, the bank shall assume the amount of contractual loan drawdowns from irrevocable committed obligations and the estimated drawdowns from conditionally revocable obligations within the 30-day period using the following drawdown rates against the undrawn portion of these committed obligations:

Counterparties	Drawdown Rate
• Retail clients	5%
• Philippine NG; LGUs; GOCCs; sovereigns, central banks, PSEs of foreign countries; MDBs	10%
• Non-financial corporates	10%
• Banks subject to prudential supervision	40%
• Financial corporates, trust and other fiduciaries, beneficiaries, SPEs, conduits and SPVs (excluding bank's own structured financing facilities)	100%
• Other entities not included in the prior categories	100%

(g) Other contractual obligations within a 30-day period

60. The bank shall calculate additional 100% cash outflows on each of the following contractual obligation to extend funds within the next 30 calendar days:
- Any contractual lending obligations to financial institutions not captured elsewhere in this standard;

¹⁸ The HQLA in this case could have already been posted as collateral by the counterparty to secure the facility or is contractually obliged to be posted when the counterparty will draw down the facility.

- b. If the total of all contractual obligations to extend funds to retail and non-financial corporates within the next 30 calendar days (not captured in the prior categories) exceeds 50% of the total contractual inflows due in the next 30 calendar days from these clients, the difference should be reported as a 100% outflow;
 - c. Forward reverse repos (with a binding obligation to accept) that start within and mature beyond the LCR period, where the cash outflow should be netted against the market value of the collateral received after deducting the applicable haircuts;
 - d. In case of forward collateral swaps, the net amount between the market values of the assets extended and received after deducting the haircuts applied to the respective assets in the LCR counts towards “other contractual outflows” or “other contractual inflows” depending on which amount is higher;
 - e. Any other contractual cash outflows such as outflows to cover unsecured collateral borrowings, uncovered short positions¹⁹, dividends or contractual interest payments, with explanation given as to what comprises this bucket. In case, however, the bank’s short position is being covered by a collateralized securities financing transaction, the bank should assume the short position will be maintained throughout the 30-day period and thus, will receive a 0% outflow rate.
61. Contractual obligations by the bank related to operating costs (such as rents, salaries, utilities, and other similar payments) are not included in the calculation of LCR.

(h) Other contingent funding obligations

62. These include products and instruments for which the client or holder has specific expectations regarding the liquidity and marketability of the product or instrument and for which failure to satisfy client expectations in a commercially reasonable manner would likely cause material reputational damage to the bank or otherwise impair ongoing viability.
63. Other contingent funding obligations referred to in this category shall consist, among others, of the following:
- a. Unused portions of commitments to extend credit through credit cards;
 - b. Guarantees issued related to trade finance obligations directly underpinned by the movement of goods and/or the provision of services;
 - c. Unconditionally revocable “uncommitted” credit lines and business facilities;
 - d. Joint ventures or minority investments in entities which are not consolidated for financial reporting purposes but there is expectation that the bank will be the main liquidity provider when the entity is in need of funding; and
 - e. Non-contractual contingent funding obligations related to:
 - i. debt repurchases of the bank's own debt or that of related conduits, SIVs and other such financing facilities;
 - ii. structured products where customers anticipate ready marketability;

¹⁹ In the case of a bank’s short positions, if the short position is being covered by an unsecured security borrowing, the bank should assume the unsecured security borrowing of collateral from financial market participants would run-off in full, leading to a 100% outflow of either cash or HQLA to secure the borrowing, or cash to close out the short position by buying back the security.

- iii. managed funds such as money market funds and other types of collective investment funds that are marketed by the bank with the objective of maintaining stable value²⁰; and
 - iv. outstanding debt securities (unsecured and secured, term as well as short-term) having maturities greater than 30 calendar days, where the bank (or its affiliated entity) is the issuer, the market maker or the dealer, or has acted as an originator, sponsor, marketing or selling agent, to cover the potential repurchase of such outstanding securities.
64. To account for the potential liquidity exposure to these contingent liabilities, a minimum of 3% drawdown based on the contracted amount, on the undrawn portion of the facility, or on the value of the fund or debt instruments, whichever is applicable, shall be calculated as additional expected cash outflows. However, when there is reasonable expectation based on the bank's assessment that the contingent outflow will materialize within the LCR period, thereby rendering it necessary for the bank to provide funding support or to extend funds; or the BSP has determined the bank's systems and processes for identifying, measuring and monitoring contingent funding risks to be inadequate and ineffective in assessing the related risks that could potentially materialize, the full amount of the contingent funding obligation will receive a 100% outflow rate.
65. For non-contractual obligations where customer short positions are covered by other customers' collateral that are not qualified as HQLA, a 50% run-off factor of the contingent obligations shall be calculated in the total cash outflows under the assumption that the bank may be obligated to find additional sources of funding for these positions in the event of client withdrawals.
66. To estimate the potential liquidity demand associated with these contingent funding obligations, the bank must have a robust framework (i.e., procedures, systems and tools) that at a minimum, allows assessment of contingent funding risks, as follows:
- a. Identify the nature of the contingent obligation and credit worthiness of the counterparty, as well as the exposures to business and geographical sectors, as counterparties in the same sectors may be affected by stress at the same time;
 - b. Measure the normal level of cash outflows arising from the relevant off-balance sheet instruments under routine conditions and then estimate the scope of increase in these outflows during periods of stress;
 - c. Analyze the liquidity trigger events and the changes to underlying risk factors (e.g., changes in economic variables or conditions, credit rating downgrades, country risk issues, specific market disruptions and the alteration of contracts by governing legal, accounting, or tax systems and other similar changes) that would result to liquidity draws on these off-balance sheet positions. This analysis should include appropriate assumptions on the behavior of both the bank and its counterparties; and
 - d. Determine which among these contingent obligations and counterparties are of particular importance due to their prevalent use of liquidity, both under normal and adverse market conditions.

²⁰ This excludes funds managed by the bank's trust department.

(4) Cash Inflows

67. **Cap on total inflows.** In order to prevent banks from relying solely on anticipated inflows to meet their liquidity requirement when there is a possibility that a portion of expected cash inflows may become unavailable in a short-term stressed environment, the amount of inflows that can offset outflows is capped at 75% of total expected cash outflows. This requires that at a minimum, at least one-quarter of the total expected cash outflow amount should be covered by HQLA.
68. When considering available cash inflows, the bank should only include inflows (including interest payments and installments) from outstanding exposures that are contractually due within the LCR period, and are fully performing and for which the bank has no reason to expect a default within the LCR period.
69. For LCR purpose, the following shall not be counted as cash inflows:
- Market value of assets that already qualify in the stock of HQLA;
 - Deposits held at other financial institutions for operational purposes, such as for clearing, custody, and cash management purposes, including funds provided for clearing and settlement of foreign exchange transactions (e.g., deposits placed to facilitate PDDTS transactions). These deposits are necessary for operational reasons, and are therefore not available to the depositing bank to repay other outflows.
 - Amount of “Net Due From Head Office/Branches/Agencies Abroad” account in case of the Philippine branch of a foreign bank;
 - Payments from loans, receivables and other assets that are considered past due, or that the bank has reason to expect will become non-performing exposure within the LCR period;
 - Potential or contingent inflows from committed credit lines, business or other funding facilities that the bank holds at other institutions for its own purposes;
 - Amounts related to non-financial revenues; and
 - Amounts payable to the bank with respect to any transaction that has no specific contractual maturity date, i.e., no defined maturity or is open maturity, or that matures after the LCR period.

(a) Secured lending, including reverse repos²¹ and securities borrowings

70. For secured lending maturing within the LCR period, the bank shall calculate the expected cash inflow using the following inflow rates applied to the outstanding amount of the secured lending transaction:

Maturing Secured Lending Transactions Backed by the Following Asset Category	Inflow Rate
• Level 1 assets	0%
• Level 2 assets with 15% haircut	15%
• Level 2 assets with 50% haircut	50%

²¹ This excludes reverse repo transactions where the BSP is the counterparty, as such is already treated as HQLA.

Maturing Secured Lending Transactions Backed by the Following Asset Category	Inflow Rate
• Margin lending backed by all other collateral	50%
• All other collaterals	100%

71. If the collateral obtained through reverse repo, securities borrowing, or collateral swap, which matures within the LCR period, is re-used (i.e., rehypothecated) and is used to cover short positions that could be extended beyond 30 days, the bank should assume that such reverse repo or securities borrowing arrangements will be rolled-over. To reflect the need to continue to cover the short position or to re-purchase the relevant securities, no cash inflow will be expected, hence a 0% inflow rate.

(b) Loans, receivables and other credit facilities

72. The bank shall be assumed to continue to extend and roll-over loans and other credits to clients, either secured or unsecured, at a certain level even during times of stress. In this view, all payments (including interest payments and installments) shall be assumed to be received by the bank at a net inflow rate, as follows:

Counterparties	Inflow Rate
• Retail clients	50%
• Philippine NG; LGUs; GOCCs; sovereigns, PSEs of foreign countries; MDBs	50%
• Non-financial corporates	50%
• Banks; financial corporates; trust and other fiduciaries; beneficiaries; BSP; and central banks of foreign countries	100%
• Other entities not included in the prior categories	100%

73. For revolving credit facilities, the bank shall assume that the existing loan or financing is rolled over and that no principal or interest payment shall be received from the counterparty. However, in similar arrangements where the bank is not under obligation to extend credit and/or the bank reserves the right to revoke or withdraw the agreement and the facility in its sole and absolute discretion at any time, the principal and interest payments for the loan shall be assumed to be received by the bank at the foregoing net inflow rates.

74. In case of loans with no specific maturity, the bank shall include as cash inflows, at the rates prescribed above, the minimum payments of principal, fee or interest associated with the open maturity loan, provided that such payments are contractually due within the LCR period.

(c) Other cash inflows

75. The following instruments or transactions maturing within the LCR period shall receive a 100% inflow percentage:

- a. Deposits held at other financial institutions for non-operational purposes;
- b. Deposits pledged against an undrawn credit line or business facility;

- c. Cash balances arising from the provision of brokering services and similar arrangements;
- d. Cash balances released from segregated accounts held for the protection of customer trading assets, provided that these segregated balances are maintained in HQLA;
- e. Cash inflows associated with non-HQLA, as well with HQLA-type assets that are or will be excluded from the bank's stock of HQLA due to operational requirement;
- f. Forward repos that start within and mature beyond the LCR period, where the cash inflow should be netted against the market value of the collateral extended after deducting the applicable haircuts; and
- g. The sum of all cash inflows from derivatives transactions calculated in accordance with *paragraphs 42 to 45 under Section III.C – Total Net Cash Outflows*.

IV. SUPERVISORY FRAMEWORK FOR MINIMUM LIQUIDITY REQUIREMENT

A. GENERAL PROVISIONS

1. During a period of financial stress, banks are allowed to use their stock of HQLA as necessary in order to meet unforeseen liquidity needs that exceeds normal business fluctuations, thereby temporarily falling below the minimum.
2. Under this condition, the BSP will assess the situation to determine the extent to which the reported decline in the LCR is due to a bank-specific or market-wide shock and will accordingly provide the supervisory response necessary to address the circumstances. The BSP action shall be proportionate with the drivers, magnitude, duration and frequency of the reported liquidity deficit.
3. In all cases nevertheless, the BSP will be cognizant of the procyclicality of supervisory actions if applied in circumstances of market-wide stress. Likewise, the BSP will consider the potential for contagion to the financial system and the additional restricted flow of credit or reduced market liquidity due to actions to maintain a minimum LCR. Overall, the supervisory response will be based on a forward-looking assessment of macroeconomic and financial conditions of the financial system as a whole.

B. ACTUAL LCR SHORTFALL

4. In the event of an actual LCR shortfall (i.e., LCR falls below minimum threshold) for three (3) banking days within any two (2)-week rolling calendar period, the bank must notify the BSP, through the appropriate Central Point of Contact Department (CPCD), of such non-compliances within the banking day immediately following the third shortfall, notwithstanding if the LCR has already been restored during that day.
5. The shortfall notice signed by the bank President or officer of equivalent rank, and by the officer charged with managing the liquidity of the bank, shall contain at a minimum the following information:
 - a. The dates the LCR shortfall occur;
 - b. The reason/s or factor/s leading to the utilization of the HQLA resulting to non-compliance with the minimum LCR;

- c. The action/s the bank has taken and/or will take to achieve full LCR compliance;
 - d. The expected duration and possible extent of LCR shortfall (*may no longer be applicable if LCR has been restored*); and
 - e. A commitment to submit weekly its LCR Report to the concerned CPCD (*may no longer applicable if LCR has been restored*).
6. An LCR shortfall below the prescribed minimum will not necessarily result in supervisory or enforcement action, but, at a minimum, will entail heightened supervisory monitoring. The shortfall notice, together with the information gathered from the latest report of examination, from regular prudential reports submitted, from available market information, and if on file, from the internal management reports of the bank which may include the results of its own stress tests, will serve as the basis of the BSP in making assessments about the extent of the liquidity deficit and on whether the non-compliance with the LCR will be temporary, is part of a regular pattern or practice, or is caused by an unusual event.
7. In the event that:
- a. the LCR remains below the minimum requirement for a prolonged period of time or if the BSP has determined that the bank is otherwise materially non-compliant with the LCR²²; and
 - b. the reported shortfall in the LCR is caused by a firm-specific stress situation, i.e., based on operational issues of the bank which is part of an outstanding supervisory concern (such as imprudent management of liquidity consisting of material and/or persistent breaches of liquidity policies and limits, large funding mismatches and/or concentrations, undue reliance on high cost funds, etc.),
- the BSP will require an effective and timely remedial action from the bank to address the deficiency in its liquidity position within a committed timeline.
8. During the period the liquidity requirement is being restored, the bank may continue to have access to BSP credit and liquidity facilities notwithstanding non-compliance with standard conditions of access related to liquidity position to such facilities. The Deputy Governor, SES shall recommend such exemption to the Monetary Board (MB) for approval.
9. However, when the bank failed to restore its liquidity position within the committed timeline, or is unable to substantially comply with the remedial measures directed, sanctions may be imposed on the bank subject to MB approval. These may include any or all of the following:
- a. monetary penalty on or curtailment or suspension of privileges enjoyed by the BOD or responsible officers;
 - b. restriction on existing activities that the bank may undertake;
 - c. denial of application for branching and other special authorities;
 - d. denial or restriction of access to BSP credit and liquidity facilities; and
 - e. restriction on declaration of cash dividends.

²² In addition to the expected compliance with the provisions and requirements of the LCR standard, the adequacy of the bank's liquidity position given the current level and prospective sources of liquidity compared to funding needs, as well the adequacy of funds management practices relative to the bank's size, complexity and risk profile will be assessed.

10. The BSP shall not be precluded in any way from requiring accelerated remedial actions in the event the bank does not adequately address the deficiencies identified, or from deploying more robust and stringent supervisory or enforcement actions if further intrusive actions are deemed warranted. In cases where the bank's liquidity problem is deemed to be exceptionally serious from the outset, or when the bank refused to restore the required liquidity position, the BSP, upon the approval of the MB, may impose more drastic actions based on existing laws, rules, and regulations.
11. The BSP reserves the right, upon the authority of the Deputy Governor, SES, to require submission of reports and information prescribed under item "c" of Subsection 1176.1 outside the regular reporting period, and to conduct on-site inspection outside of regular or special examination, for the purpose of ascertaining the accuracy of LCR calculations as well as the integrity of LCR monitoring and reporting systems.

PART II. LCR DISCLOSURE REQUIREMENTS

1. To provide the banking public with a broader picture of the bank's liquidity risk position and management and to promote market discipline, the bank is required to disclose information related to LCR. Starting year 2019, the bank shall disclose its liquidity position in single currency and on a consolidated basis in the quarterly published balance sheet, and either, on the bank's website or in its other published financial reports or publicly available regulatory reports (e.g., the audited financial statements).
2. In the quarterly published balance sheet, the bank, at a minimum, must publicly disclosed the: (i) total HQLA; (ii) total net cash outflows; and (iii) LCR ratio, based on the LCR position for the quarter.
3. On the bank's website or in its other published reports, the disclosure must be presented in a format following a common template (*Annex C*), and must contain the following minimum requirements:
 - a. Data must be reported as simple averages of quarterly observations over the last 12 months. The number of data points used in calculating the average figures in the template must also be disclosed.
 - b. Sufficient qualitative discussion around the LCR to facilitate understanding of the results and data must be provided. Where significant to the LCR, the bank should discuss:
 - i. the main drivers of the LCR results and the evolution of the contribution of inputs to the LCR's calculation over time;
 - ii. intra-period changes as well as changes over time;
 - iii. the composition of HQLA;
 - iv. concentration of funding sources;
 - v. derivative exposures and potential collateral calls;
 - vi. currency mismatch in the LCR;
 - vii. a description of the degree of centralization of liquidity management and interaction between the bank's units; and
 - viii. other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the bank considers to be relevant for its liquidity profile.
4. The bank may also present additional information relevant to its business model that may not be adequately captured by the LCR standard. Additional quantitative information shall allow market participants to better understand and analyze any LCR figures disclosed while additional qualitative discussion of LCR results and its related components shall enable them to gain a more thorough understanding of the bank's internal liquidity risk management and positions. At the option of the bank, the following additional information may be provided:
 - a. Quantitative disclosures:
 - a. concentration limits on collateral pools and sources of funding (both products and counterparties);

- b. liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity; and
 - c. balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.
- b. Qualitative disclosures:
- a. governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors;
 - b. funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralized or decentralized;
 - c. liquidity risk mitigation techniques;
 - d. an explanation of how stress testing is used; and
 - e. an outline of contingency funding plans
5. The bank must also make available on its website, or through publicly available regulatory reports, an archive of all disclosure templates relating to prior reporting periods. Irrespective of the location of the disclosure, the minimum disclosure requirements must be presented in accordance with the format and template defined by this standard.

Liquidity Characteristics, Criteria and Metrics				
Characteristic		Criteria	Examples of metrics/measures	
Asset characteristics	Asset quality	Probability of default	Ratings	
			Spreads	
			Price drops during distress	
		Flight to quality (performance during distress)	Performance relative to risk-free asset	
			Correlation with financial stress	
		Volatility	Implied and actual volatility	
			Duration / time to maturity	
	Transparency and standardization	Collateral eligibility	Eligible/haircuts at financial market infrastructures	
			Across private counterparties	
		Standardization	Small number of standardized product types	
			Standardized risk modeling	
			Well-understood risk properties	
		Price transparency	Pre-trade pricing broadly available	
			Post-trade pricing broadly available	
Trading venues			Electronic (including hybrids)	
			Exchange-traded	
Market structure characteristics	Size	Volumes (number of trades and peso value)		
		Outstandings		
	Related financing markets	Repo financing available		
		Other secured / forward financing		
		Related hedging markets		
	Market participation	Breadth of investors (low concentration)		
		Large number of active market makers		
	Market liquidity	Liquidity	Depth / price impact of trading	Amihud ratio (price changes relative to volume)
				Autocorrelations of returns
			Breadth	Effective bid-ask spreads (ex post)
Quoted bid-ask spreads (ex ante)				
Immediacy			Average number of trades per day	
			Number of days with zero return/volume	

CALCULATION OF THE CAP ON LEVEL 2 ASSETS WITH REGARD TO SHORT-TERM SECURITIES FINANCING TRANSACTIONS

1. The formula for the calculation of the stock of HQLA is as follows:

$$\text{Stock of HQLA} = \text{Unadjusted Level 1 Assets} + \text{Unadjusted Level 2 Assets} - \text{Adjustment for 40\% cap on Level 2 Assets}$$

Where:

- Adjustment for 40% cap = $\text{Max} (\text{Adjusted Stock of Level 2 Assets} - \frac{2}{3} * \text{Adjusted Stock of Level 1 Assets}, 0)$
- Adjusted Level 1 Assets = $\text{Unadjusted Level 1 Assets} + \text{Level 1 assets lent or placed as collateral under short-term}^1 \text{ secured funding, secured lending or collateral swap transactions} - \text{Level 1 assets borrowed or received as collateral under short-term}^1 \text{ secured funding, secured lending or collateral swap transactions}$
- Adjusted Level 2 Assets = $\text{Unadjusted Level 2 Assets} + \text{Level 2 assets lent or placed as collateral under short-term}^1 \text{ secured funding, secured lending or collateral swap transactions} - \text{Level 2 assets borrowed or received as collateral under short-term}^1 \text{ secured funding, secured lending or collateral swap transactions}$

Alternatively, the formula can be expressed as:

$$\text{Stock of HQLA} = \text{Unadjusted Level 1 Assets} + \text{Unadjusted Level 2 Assets} - \text{Max} (\text{Adjusted Stock of Level 2 Assets} - \frac{2}{3} * \text{Adjusted Level 1 Assets}, 0)$$

2. The calculation of the 40% cap on Level 2 assets should take into account the impact on the stock of HQLA of the amounts of Level 1 and Level 2 assets involved in secured funding, secured lending and collateral swap transactions maturing within 30 calendar days. The maximum amount of adjusted Level 2 assets in the stock of HQLA is equal to two-thirds of the adjusted amount of Level 1 assets after haircuts have been applied.
3. The adjusted amount of Level 1 assets is defined as the amount of Level 1 assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 1 assets (including cash) that meet, or would meet if held unencumbered, the operational requirements for HQLA.
4. The adjusted amount of Level 2 assets is defined as the amount of Level 2 assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 2 assets that meet, or would meet if held unencumbered, the operational requirements for HQLA.

¹ Pertains to maturity date up to and including 30 calendar days.

LIQUIDITY COVERAGE RATIO DISCLOSURE TEMPLATE (In Single Currency, Absolute Amount)			THIS PORTION IS FOR REFERENCE ONLY. DO NOT INCLUDE IN THE TEMPLATE.	
NATURE OF ITEM	TOTAL UNWEIGHTED ¹ VALUE (AVERAGE)	TOTAL WEIGHTED ² VALUE (AVERAGE)	Relevant Paragraph(s) of Appendix 74a (Section – Paragraph)	Instructions for Completion of Template
STOCK OF HIGH-QUALITY LIQUID ASSETS (HQLA)				Rows in the template are set and mandatory for all banks/QBs. The relevant paragraph(s) of the Consultative Draft as well as the LCR Reporting Template provide guidance on which relevant subcomponents of each category or line item are to be included in the calculation of each row.
No value to be reported				
1. TOTAL STOCK OF HQLA		report calculated value		Values reported in the template must be averages of the observations of individual line items over the financial reporting period (i.e., the average of categories and the average LCR over the previous year of quarterly positions, irrespective of the financial reporting schedule). The averages are calculated after the application of any haircuts, outflow and inflow rates and caps, where applicable. For example: $Total\ unweighted\ retail\ funding_{Qi} = \frac{1}{T} \times \sum_{t=1}^T (Total\ unweighted\ retail\ funding)_t$ $Total\ weighted\ retail\ funding_{Qi} = \frac{1}{T} \times \sum_{t=1}^T (Total\ weighted\ retail\ funding)_t$ Where T equals the number of observations in period Qi .
EXPECTED CASH OUTFLOWS				
No value to be reported				
2. Deposits, of which:	Sum of lines 3 & 4	Sum of lines 3 & 4		
3. Retail funding	report calculated value	report calculated value		
4. Wholesale funding, of which:	Sum of lines 5 & 6	Sum of lines 5 & 6		
5. Operational deposits	report calculated value	report calculated value		
6. Non-operational deposits (all counterparties)	report calculated value	report calculated value		
7. Unsecured wholesale funding (all counterparties)	report calculated value	report calculated value		
8. Secured funding		report calculated value		
9. Derivatives contracts, of which:	Sum of lines 10 & 11	Sum of lines 10 & 11		
10. Outflows related to derivatives exposures (net)	report calculated value	report calculated value		
11. Outflows related to collateral requirements	report calculated value	report calculated value		
12. Structured financing instruments	report calculated value	report calculated value		
13. Committed business facilities (all counterparties)	report calculated value	report calculated value		
14. Other contractual obligations within a 30-day period	report calculated value	report calculated value		
15. Other contingent funding obligations	report calculated value	report calculated value		
16. TOTAL EXPECTED CASH OUTFLOWS		Sum of lines 2, 7 to 9 & 12 to 15		

¹ Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

² Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

LIQUIDITY COVERAGE RATIO DISCLOSURE TEMPLATE
(In Single Currency, Absolute Amount)

THIS PORTION IS FOR REFERENCE ONLY.
DO NOT INCLUDE IN THE TEMPLATE.

NATURE OF ITEM	TOTAL UNWEIGHTED ¹ VALUE (AVERAGE)	TOTAL WEIGHTED ² VALUE (AVERAGE)	Relevant Paragraph(s) of Appendix 74a (Section – Paragraph)	Instructions for Completion of Template
EXPECTED CASH INFLOWS	No value to be reported			<i>Weighted</i> values of HQLA (line 1, 3 rd column) must be calculated after the application of the respective haircuts but before the application of the 40% cap on Level 2 assets. <i>Unweighted</i> outflows and inflows (lines 3, 5–7, 10–15 and 17–19, 2 nd column) must be calculated as outstanding balances. <i>Weighted</i> outflows and inflows (lines 3, 5–8, 10–15 and 17–19, 3 rd column) must be calculated after the application of the outflow and inflow rates.
17. Secured lending	report calculated value	report calculated value		
18. Fully performing exposures (all counterparties)	report calculated value	report calculated value		
19. Other cash inflows	report calculated value	report calculated value		
20. TOTAL EXPECTED CASH INFLOWS	Sum of lines 17 to 19	Sum of lines 17 to 19		
		Total Adjusted³ Value		<i>Adjusted</i> values of HQLA (line 21, 3 rd column) must be calculated after the application of both (i) haircuts <u>and</u> (ii) 40% cap on Level 2 assets. <i>Adjusted</i> values of net cash outflows (line 22, 3 rd column) must be calculated after the application of both (i) outflow and inflow rates <u>and</u> (ii) 75% cap on inflows.
21. TOTAL STOCK OF HQLA		report calculated value		
22. TOTAL EXPECTED NET CASH OUTFLOWS		report calculated value		
23. LIQUIDITY COVERAGE RATIO (%)		report calculated value		
Note: Not all reported figures will sum exactly, particularly in the denominator of the LCR. For example, “total expected net cash outflows” (line 22) may not be exactly equal to “total expected cash outflows” minus “total expected cash inflows” (line 16 minus line 20) considering the 75% cap on inflows is binding. Similarly, the disclosed LCR may not be equal to an LCR computed on the basis on the average values of the set of line items disclosed in the template.				The LCR (line 23) must be calculated as the average of observations of the LCR: $LCR_{Qi} = \frac{1}{T} \times \sum_{t=1}^T LCR_t$

³ Adjusted values must be calculated after the application of both: (i) haircuts (for Total HQLA) and inflow and outflow rates (for Total Net Cash Outflows); and (ii) applicable cap and ceiling (i.e., cap on Level 2 assets for HQLA and ceiling on inflows).

(FORMAT)
SWORN CERTIFICATION OF COMPLIANCE WITH
THE LIQUIDITY COVERAGE RATIO (LCR) REQUIREMENTS

<NAME OF BANK>

C E R T I F I C A T I O N

Pursuant to Subsection 1176.1 of the Manual of Regulations for Banks, we hereby certify that the Bank have fully complied with the minimum LCR requirement on all calendar days of the month ended _____ 20__.

We further certify to the best of our knowledge that above statement is true and correct.

President/CEO or Country Head
TIN:

[Other authorized signatories for Category A-1 report]
TIN:

[Officer Charged with Liquidity
Management Function]
TIN:

Compliance Officer
TIN:

SUBSCRIBED AND SWORN TO before me this ____ day of _____ 20__,
at _____, Philippines affiant/s exhibiting their government-issued
identification cards as follows:

NAME	GOVERNMENT-ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE

Witness my hand and notarial seal on the date and place above-written.

NOTARY PUBLIC

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 20__.

Attachment 2

(In case there is/are non-compliance/s during the month, the certification should read as follows:)

Pursuant to Subsection 1176.1 of the Manual of Regulations for Banks (MORB), we hereby certify that the Bank have fully complied with the minimum LCR requirement on all calendar days of the month ended _____ 20__, except on *(example)*:

Dates (Day)	LCR Compliance (%)
11 January 2018 (Thursday)	99.56%
15 January 2018 (Monday)	98.10%
16 January 2018 (Tuesday)	98.97%

A shortfall notice containing the minimum information required under Appendix 74a of the MORB had been submitted to the BSP on 17 January 2018, through the appropriate Central Point of Contact Department (CPCD).

We further certify to the best of our knowledge that above statement is true and correct.

President/CEO or Country Head
TIN:

[Other authorized signatories for Category A-1 report]
TIN:

TIN:

*[Officer Charged with Liquidity
Management Function]*
TIN:

Compliance Officer
TIN:

SUBSCRIBED AND SWORN TO before me this ____ day of _____ 20__,
at _____, Philippines affiant/s exhibiting their government-issued
identification cards as follows:

NAME	GOVERNMENT-ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE

Witness my hand and notarial seal on the date and place above-written.

NOTARY PUBLIC

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 20__.

DEADLINE: 15 banking days after
end of LCR measurement
date (solo basis)

30 banking days after
end of LCR measurement
date (consolidated basis)

SUBMISSION: Original copy to the
Supervisory Data Center (SDC)

FOR UNIVERSAL BANKS/COMMERCIAL BANKS

(Name of Bank)	(Code)
(Address)	

BASEL III LIQUIDITY COVERAGE RATIO REPORT

(Indicate if for Solo Basis or Consolidated Basis)

(Indicate if for "SINGLE CURRENCY" or for "PHP" or for "USD"/"EUR"/"CNY"/"JPY", etc.)

CURRENCY

As of _____
(Quarter-End)

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

We solemnly swear that all matters set forth in this report and all its supporting schedules are true and correct, to the best of my knowledge and belief.

[Signatures of Category A-1 Authorized Signatories]

(Signature of _____)
(Officer charged with liquidity management
function)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of
_____, 20____, affiants exhibiting to me their
Community Tax Certificates, to wit:

<u>Name</u>	<u>CTC No.</u>	<u>Date/Place Issued</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Notary Public
Until December 31, 20 _____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

(Name of Bank)

Name of Bank

Basel III LCR Report

(Solo / Consolidated)

As of (Quarter-End)

(Indicate if for "SINGLE CURRENCY" or for "PHP" or for "USD"/"EUR"/"CNY"/"JPY", etc.)

PART I. CALCULATION OF LIQUIDITY COVERAGE RATIO (In Absolute Amount)			
Item	Nature of Item	Reference	Weighted Amount
A. Total Stock of High-Quality Liquid Assets (After Cap) <i>[Net of A.3 and A4]</i>			0.00
A.1	Stock of Level 1 Assets	Part II, Item A	0.00
A.2	Stock of Level 2 Assets	Part II, Item B	0.00
A.3 Total Stock of High Quality Liquid Assets (Before Cap) <i>[Sum of A.1 and A.2]</i>		Part II, Item C	0.00
A.4	Adjustment for 40% Cap on Level 2 Assets	Part II, Item D	0.00
B. Total Net Cash Outflows [Net of B.1 and B.2]			0.00
B.1	Total Expected Cash Outflows	Part III, Item I	0.00
B.2	Total Expected Cash Inflows Before Ceiling	Part IV, Item D	0.00
B.3	Adjustment for 75% Ceiling on Cash Inflows	Part IV, Item E	0.00
B.4	Total Expected Cash Inflows After Ceiling	Part IV, Item F	0.00
C. LIQUIDITY COVERAGE RATIO [A/B]			0.00%

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PART II. TOTAL STOCK OF HIGH-QUALITY LIQUID ASSETS (HQLAs) (In Absolute Amount)			
Item	Nature of Item ^{1/}	Amount ^{2/} (a)	Weighted Amount (a x b)
A. Stock of Level 1 Assets [Sum of A(1) to A(4)]		0.00	0.00
(1) Cash on hand			100% 0.00
(2) Bank reserves in the BSP (including excess reserves)			100% 0.00
(3) Overnight and term deposits with the BSP, including reverse repurchase transactions where the BSP is the counterparty			100% 0.00
(4) Eligible securities ^{3/} that are — [Sum of A(4)(a) and A(4)(b)]		0.00	0.00
(a) Issued or guaranteed by the Philippine National Government (NG) and the BSP ^{4/} — [Sum of A(4)(a)(i) to A(4)(a)(iii)]		0.00	0.00
(i) Peso - Denominated			100% 0.00
(ii) Foreign Currency - Denominated ^{5/}			100% 0.00
(b) With a 0% Basel II credit risk weight issued or guaranteed by — [Sum of A(4)(b)(i) to A(4)(b)(iii)]		0.00	0.00
(i) Sovereigns, central banks or public sector entities (PSEs) of foreign countries			100% 0.00
(ii) Multilateral organizations ^{6/}			100% 0.00
Add / Deduct:			
A.1 Adjustments to Stock of Level 1 Assets [Net of A.1(1) and A.1(2)]		0.00	0.00
(1) Add: Level 1 assets lent or placed as collateral under short-term ^{7/} secured funding, secured lending or collateral swap transactions — [Sum of A.1(1)(a) & A.1(1)(b)]		0.00	0.00
(a) Cash or deposits with the central bank			100% 0.00
(b) Level 1 eligible securities			100% 0.00
(2) Deduct: Level 1 assets borrowed or received as collateral under short-term ^{7/} secured funding, secured lending or collateral swap transactions — [Sum of A.1(2)(a) & A.1(2)(b)]		0.00	0.00
(a) Cash or deposits with the central bank			100% 0.00
(b) Level 1 eligible securities			100% 0.00
A.2 Adjusted Stock of Level 1 Assets^{8/} [Sum or Net of A and A.1]		0.00	0.00
B. Stock of Level 2 Assets [Sum of B(1) to B(3)]		0.00	0.00
(1) Eligible securities ^{3/} with a 20% Basel II credit risk weight issued or guaranteed by — [Sum of B(1)(a) to B(1)(c)]		0.00	0.00
(a) Government-Owned and Controlled Corporations (GOCCs) and Local Government Units (LGUs)			85% 0.00
(b) Sovereigns, central banks or PSEs of foreign countries			85% 0.00
(c) Multilateral development banks (MDBs)			85% 0.00
(2) Eligible securities ^{3/} with a 50% Basel II credit risk weight issued or guaranteed by — [Sum of B(2)(a) to B(2)(c)]		0.00	0.00
(a) Government-Owned and Controlled Corporations (GOCCs) and Local Government Units (LGUs)			50% 0.00
(b) Sovereigns, central banks or PSEs of foreign countries			50% 0.00
(c) Multilateral development banks (MDBs)			50% 0.00
(3) Eligible corporate securities ^{3/} with long-term credit rating of — [Sum of B(3)(a) and B(3)(b)]		0.00	0.00
(a) At least AA– or its equivalent			85% 0.00
(b) Between A+ and BBB– or their equivalent			50% 0.00
(4) Eligible common equity shares ^{3/} that are included in the main index of an organized exchange			50% 0.00
Add / Deduct:			
B.1 Adjustments to Stock of Level 2 Assets [Net of B.1(1) and B.1(2)]		0.00	0.00
(1) Add: Level 2 assets lent or placed as collateral under short-term ^{7/} secured funding, secured lending or collateral swap transactions — [Sum of B.1(1)(a) to B.1(1)(d)] :		0.00	0.00
(a) Eligible securities ^{3/} with a 20% Basel II credit risk weight			85% 0.00
(b) Eligible corporate securities ^{3/} rated at least AA– or its equivalent			85% 0.00
(c) Eligible corporate securities ^{3/} rated between A+ and BBB– or their equivalent			50% 0.00
(d) Eligible common equity shares ^{3/} that are included in the main index of an organized exchange			50% 0.00
(2) Deduct: Level 2 assets borrowed or received as collateral under short-term ^{7/} secured funding, secured lending or collateral swap transactions — [Sum of B.1(2)(a) to B.1(2)(d)] :		0.00	0.00
(a) Eligible securities ^{3/} with a 20% Basel II credit risk weight			85% 0.00
(b) Eligible corporate securities ^{3/} rated at least AA– or its equivalent			85% 0.00
(c) Eligible corporate securities ^{3/} rated between A+ and BBB– or their equivalent			50% 0.00
(d) Eligible common equity shares ^{3/} that are included in the main index of an organized exchange			50% 0.00
B.2 Adjusted Stock of Level 2 Assets^{9/} [Sum or Net of B and B.1]		0.00	0.00
C. Total Stock of High Quality Liquid Assets Before Cap Adjustment [Sum of A and B]		0.00	0.00
D. Adjustment for 40% Cap on Level 2 Assets [Max {B.2 – 3/4 * A.2, 0}]		0.00	0.00
E. Total Stock of High Quality Liquid Assets After Cap Adjustment [Net of C and D]		0.00	0.00

- 1/ To be included in the stock of HQLA, the assets owned and the collaterals received under reverse repos/securities borrowings/derivatives transactions must meet the following eligibility criteria as prescribed under *Section III.B(1)* of the LCR standard:
 - a. Asset and market liquidity characteristics; and
 - b. Operational requirements for monetization.
- 2/ Refers to the outstanding balance of the account as of measurement date, except for debt and equity securities which shall be reported using their current market values.
- 3/ In addition to satisfying the HQLA eligibility criteria, the asset must not be an obligation by a bank or any of a bank's financial allied undertakings in order to be included in the stock.
- 4/ Securities which are guaranteed by the Philippine NG but were issued and remain as liabilities of a bank will not qualify for the stock of HQLA. The only exception is when the bank also qualifies as a GOCC with the highest credit quality, in which case, the securities issued by said bank could qualify for Level 2 assets if all necessary conditions are satisfied.
- 5/ Eligible only up to the amount of the net cash outflows in that specific foreign currency. This only applies to single-currency and consolidated LCR.
- 6/ Include the Bank of International Settlements, the International Monetary Fund, the European Central Bank and European Community and the multilateral development banks (MDBs).
- 7/ Pertains to maturity date up to and including 30 calendar days.
- 8/ The adjusted amount of Level 1 and 2 assets are computed for purposes of calculation of the 40% cap on Level 2 assets to take into account the impact on the stock of HQLA of the amounts of Level 1 and Level 2 assets involved in secured funding, secured lending and collateral swap transactions maturing within 30 calendar days. Please refer to Annex B of the Appendix 74a for details.

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PART III. TOTAL EXPECTED CASH OUTFLOWS (In Absolute Amount)				
Item	Nature of Item ^{1/}	Amount ^{2/} (a)	Outflow Rates (b)	Weighted Amount (a x b)
A. Deposits [Sum of A.1 to A.3]		0.00		0.00
1.	Retail funding — [Sum of A.1.a to A.1.c]	0.00		0.00
	a. Php 500,000.00 and below		5%	0.00
	b. Php 500,000.01 – Php 4,000,000.00		10%	0.00
	c. Over Php 4,000,000.00		15%	0.00
2.	Wholesale funding — [Sum of A.2.a. to A.2.c]	0.00		0.00
	a. Operational deposits		30%	0.00
	b. Deposits received under correspondent banking and brokering services		100%	0.00
	c. Non-operational deposits [Sum of A.2.b.i to A.2.b.iv]	0.00		0.00
	i. Fully insured by the PDIC — [Sum of A.2.b.i.(1) and A.2.b.i.(2)]	0.00		0.00
	(1) Philippine NG; LGUs; GOCCs; BSP; sovereigns, central banks, PSEs of foreign countries; MDBs		20%	0.00
	(2) Non-financial corporates		20%	0.00
	ii. Not fully insured by the PDIC — [Sum of A.2.b.ii.(1) & A.2.b.ii.(2)]	0.00		0.00
	(1) Philippine NG; LGUs; GOCCs; BSP; sovereigns, central banks, PSEs of foreign countries; MDBs		40%	0.00
	(2) Non-financial corporates		40%	0.00
	iii. Financial entities		100%	0.00
	iv. Other wholesale clients not included in the above related categories		100%	0.00
3.	Qualified term deposits ^{3/}		0%	0.00
4.	Deposits pledged as collateral or under hold-out arrangements ^{4/}		0%	0.00
B. Unsecured Wholesale Funding [Sum of B.1 to B.4]		0.00		0.00
1.	Philippine NG; LGUs; GOCCs; BSP; sovereigns, central banks, PSEs of foreign countries; MDBs		40%	0.00
2.	Non-financial corporates		40%	0.00
3.	Financial corporates		100%	0.00
4.	Other wholesale clients not included in the above related categories		100%	0.00
C. Secured Funding ^{5/} [Sum of C.1 to C.5]		0.00		0.00
1.	Backed by Level 1 assets OR funding provided by the BSP		0%	0.00
2.	Backed by Level 2 assets with 15% haircut		15%	0.00
3.	Backed by non-HQLA AND funding provided by the Philippine NG or by LGUs that are assigned with 20% credit risk weight or lower, or by MDBs		25%	0.00
4.	Backed by Level 2 assets with 50% haircut		50%	0.00
5.	All other maturing secured funding transactions not specified in the above related categories		100%	0.00
D. Derivatives Contracts [Sum of D.1 to D.2]		0.00		0.00
1.	Contractual derivatives cash outflows ^{6/}		100%	0.00
2.	Additional liquidity requirements related to — [Sum of D.2.a to D.2.f]	0.00		0.00
	a. Potential valuation changes on non-Level 1 posted collateral securing derivatives and other transactions ^{7/}		20%	0.00
	b. Market valuation changes on derivatives or other transactions ^{8/}		100%	0.00
	c. Downgrade triggers embedded in financing transactions, derivatives and other contracts ^{9/}		100%	0.00
	d. Excess non-segregated collateral held by the bank ^{10/}		100%	0.00
	e. Contractually required collateral which posting is not yet demanded ^{11/}		100%	0.00
	f. Collateral substitution to lower-quality HQLA or non-HQLA ^{12/}		100%	0.00
E. Structured Financing Instruments (SFIs) [Sum of E.1 and E.2]		0.00		0.00
1.	Asset-backed securities ^{13/} and other SFIs		100%	0.00
2.	Asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities — [Sum of E.2.i and E.2.ii]	0.00		0.00
	a. Debt maturing within the LCR period ^{14/}		100%	0.00
	b. With embedded options in financing arrangements that allow for the return of assets or potential liquidity support ^{15/}		100%	0.00

PART III. TOTAL EXPECTED CASH OUTFLOWS (In Absolute Amount)				
Item	Nature of Item ^{1/}	Amount ^{2/} (a)	Outflow Rates (b)	Weighted Amount (a x b)
F. Committed Business Facilities ^{16/} [Sum of F.1 to F.6]		0.00		0.00
1.	Retail clients		5%	0.00
2.	Philippine NG; LGUs; GOCCs; sovereigns, central banks, PSEs of foreign countries; MDBs		10%	0.00
3.	Non-financial corporates		10%	0.00
4.	Banks and quasi-banks subject to prudential supervision		40%	0.00
5.	Other financial institutions (including securities firms, insurance companies, trust and fiduciaries, and beneficiaries), SPEs, conduits and SPVs [excluding bank's own structured financing facilities]		100%	0.00
6.	Other entities not included in the above related categories		100%	0.00
G. Other Contractual Obligations Within a 30-day Period — [Sum of G.1 to G.4]		0.00		0.00
1.	Other contractual lending obligations to financial institutions not captured in the prior related categories		100%	0.00
2.	Excess of contractual obligations to retail and non-financial entity clients which are not captured in the prior related categories over total contractual inflows from said clients ^{17/}		100%	0.00
3.	Forward transactions that start within and mature beyond the LCR period — [Sum of G.3.c to G.3.d]	0.00		0.00
	a. Reverse repurchase agreements ^{18/}		100%	0.00
	b. Collateral swaps ^{19/}		100%	0.00
4.	Total other contractual cash outflows not captured in the above related categories ^{20/} (Please enumerate, if any. See table below.)	0.00	100%	0.00
H. Other Contingent Funding Obligations — [Sum of H.1 to H.6]		0.00		0.00
1.	Unused portions of commitments to extend credit through credit cards		3%	0.00
2.	Guarantees issued related to trade finance obligations directly underpinned by the movement of goods and/or the provision of services — [Sum of H.2.a to H.2.f]	0.00		0.00
	a. Sight letters of credit (LCs) outstanding		3%	0.00
	b. Usance LCs outstanding		3%	0.00
	c. Deferred LCs outstanding		3%	0.00
	d. Revolving LCs outstanding		3%	0.00
	e. Export LCs of credit confirmed		3%	0.00
	f. Shipside bond / airway bills		3%	0.00
3.	Unconditionally revocable uncommitted credit lines and business facilities ^{21/}		3%	0.00
4.	Total other contingent funding obligations not captured in the above related categories (Please enumerate, if any. See table below.)	0.00	3%	0.00
5.	Total contingent liabilities that will materialize during the LCR period ^{22/} (Please enumerate, if any. See table below.)	0.00	100%	0.00
6.	Customer short positions covered by other customers' non-HQLA collateral		50%	0.00
I. Total Expected Cash Outflows [Sum of A to H]		0.00		0.00

ADDITIONAL ITEMS NOT CAPTURED IN THE ABOVE RELATED CATEGORIES:

G.4 Other contractual cash outflows — [Sum of G.4(1) to G.4(---)]	0.00
(1)	
(2)	
(3)	
(4)	
(5)	

H.4 Other contingent funding obligations — [Sum of H.4(1) to H.4(---)]	0.00
(1)	
(2)	
(3)	
(4)	
(5)	

H.5 Contingent liabilities that will materialize during the LCR period — [Sum of H.5(1) to H.5(---)]	0.00
(1)	
(2)	
(3)	
(4)	
(5)	

- 1/ The calculation of expected cash outflows per category shall be based on the assumptions and provisions set forth under *Section III.C* of the standard. Where applicable, cash outflows include interests and
- 2/ Refers to the outstanding balance of the account or instrument as of measurement date, except when otherwise stated herein.
- 3/ This refers to term deposits maturing beyond the 30-day LCR period and the depositor has no option to withdraw within the LCR period (e.g., LTNCTDs maturing beyond the 30-day LCR period)
- 4/ The credit facility or the loan for which the deposit has been pledged/held-out will mature or be settled beyond the LCR period.
- 5/ The cash outflow shall be calculated based on the amount of funds raised through the transaction and not on the value of the underlying collateral. In case of collateral swaps or collateral lending transactions, the
- 6/ Using the bank's existing valuation methodologies, derivatives cash flows shall be calculated as follows:
 - a. On a gross basis (i.e., inflows cannot offset outflows) by counterparty, except for contracts that inherently require net settlement (e.g., non-deliverable forward foreign exchange contract) which may reflect a net cash flow figure.
 - b. Where derivative payments are collateralized by HQLA, net of any corresponding cash payment or collateral inflows that would result, all other things being equal, from contractual obligations for cash payment or collateral to be provided to the bank; provided, the bank will be legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the collateral is received.

In case of "in the money" options, said options shall be assumed to be exercised when they are "in the money" to the option buyer.

- 7/ The outflow shall be calculated based on the notional amount required to be posted as collateral after applying the relevant haircut prescribed for Level 2 assets and as agreed for non-HQLA assets; and net of
- 8/ Refers to the largest fluctuation in the amount of collateral posted for the last 24 months preceding the LCR measurement date, calculated as follows:
 - a. For each day, sum up the current market value of all collaterals posted by the bank for its derivatives contracts and other transactions; then,
 - b. For every 30-day period (apply a 30-day moving window), find the difference between the highest and the lowest amount of accumulated collateral posted; then,
 - c. Among the approximately 730 observed differences, determine the largest amount of difference in collateral posted.
- 9/ The outflow shall be equivalent to the additional collateral or contractual cash outflow required in the contract that will have to be posted or funded.
- 10/ The outflow shall be based on the market value of the collateral held.
- 11/ The outflow shall be based on the market value of the collateral that will have to be posted.
- 12/ If HQLA collateral (e.g., Level 1 assets) may be substituted for Level 2 assets (e.g., Level 2 assets), the outflow amount shall be based on the market value of the received HQLA collateral after applying the
- 13/ The outflow shall be based on the total outstanding amount of these instruments maturing within the 30-day period.
- 14/ The outflow shall be based on the amount of the maturing debt.
- 15/ The outflow shall be based on the amount of assets that could potentially be returned, or on the liquidity required.
- 16/ The outflow shall be calculated using the currently undrawn portion of each committed obligation, net of HQLA collateral, if any, provided (i) the bank is legally entitled and operationally capable to re-use the
- 17/ Provided the total of all contractual obligations to extend funds to retail and non-financial corporates within the next 30 calendar days (not captured in the prior categories) exceeds 50% of the total contractual
- 18/ For forward reverse repos (with a binding obligation to accept), the cash outflow should be netted against the market value of the collateral received after deducting the applicable haircuts.
- 19/ In case of forward collateral swaps, the net amount between the market values of the assets extended and received after deducting the haircuts applied to the respective assets in the LCR counts towards "other
- 20/ Any other contractual cash outflows such as outflows to cover unsecured collateral borrowings, uncovered short positions, dividends or contractual interest payments
- 21/ The outflow shall be calculated using the undrawn portion of each unconditionally revocable uncommitted obligation.
- 22/ The drawdown shall be calculated based on the contracted amount, on the undrawn portion of the facility, or on the value of the fund or debt instruments, whichever is applicable

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(Indicate if for "SINGLE CURRENCY" or for "PHP" or for "USD"/"EUR"/"CNY"/"JPY", etc.)

PART IV. TOTAL EXPECTED CASH INFLOWS (In Absolute Amount)				
Item	Nature of Item ^{1/}	Amount (a)	Inflow Rates (b)	Weighted Amount (a x b)
A. Secured Lending ^{2/ 3/} — [Sum of A.1 to A.5]		0.00		0.00
1.	Level 1 assets		0%	0.00
2.	Level 2 assets with 15% haircut		15%	0.00
3.	Level 2 assets with 50% haircut		50%	0.00
4.	Margin lending backed by all other collateral		50%	0.00
5.	All other collaterals		100%	0.00
B. Loans, Receivables and Other Credit Facilities ^{3/ 4/} — [Sum of B.1 to B.4]		0.00		0.00
1.	Retail clients		50%	0.00
2.	Philippine NG, other sovereigns, PSEs, and MDBs		50%	0.00
3.	Non-financial entities ^{5/}		50%	0.00
4.	Financial entities ^{6/} , BSP, and other central banks		100%	0.00
C. Other Cash Inflows [Sum of C.1 to C.8]		0.00		0.00
1.	Deposits held with other financial institutions for non-operational purposes		100%	0.00
2.	Deposits pledged against an undrawn credit line or business facility		100%	0.00
3.	Cash balances arising from the provision of brokering services and similar arrangements		100%	0.00
4.	Cash balances released from segregated accounts held for the protection of customer trading assets ^{7/}		100%	0.00
5.	Cash inflows associated with non-HQLAs ^{8/}		100%	0.00
6.	Forward repos that start within and mature beyond the LCR period ^{9/}		100%	0.00
7.	Net derivatives cash inflows ^{10/}		100%	0.00
8.	Other cash inflows not captured in above inflow categories (Please enumerate, if any. See table below.)	0.00	100%	0.00
D. Total Expected Cash Inflows Before Ceiling [Sum of A to C]		0.00		0.00
E. Adjustment for 75% Ceiling [Max {D – Part III.I*75%, 0}]		0.00		0.00
F. Total Expected Cash Inflows After Ceiling [Net of D and E]		0.00		0.00

ADDITIONAL ITEMS NOT CAPTURED IN THE ABOVE RELATED CATEGORIES:

C.8 Other cash inflows — [Sum of C.8(1) to C.8(---)]	0.00
(1)	
(2)	
(3)	
(4)	
(5)	

- 1/ Cash inflows considered include only contractual inflows from outstanding exposures that are fully performing and for which the bank/QB has no reason to expect a default within the LCR period and exclude those instruments or transactions enumerated under *Section III.C paragraph 60* of the LCR standard. With respect to determining the maturity, unless specifically prescribed, the instruments or transactions included in the calculation of expected cash inflows follows the assumptions set forth under *Section III.C paragraph 62* of the LCR standard.
- 2/ Includes reverse repos, securities borrowings and collateral swaps with maturities within the LCR period, except those which collateral is re-used (i.e., rehypothecated) and is used to cover short positions that could extend beyond 30 days. Short positions include both instances where in its 'matched book' the bank/QB sold short a security outright as part of a trading or hedging strategy and instances where the bank/QB is short a security in the 'matched' repo book (i.e., it has borrowed a security for a given period and lent the security out for a longer period), e.g. reverse repo in secondary markets
- 3/ Where applicable, cash inflows include interests and installments that are expected to be received during the LCR period. This also includes checks and other cash items.
- 4/ Except revolving credit facilities, includes all credit transactions, either secured or unsecured, that are fully performing and are contractually due within the LCR period. Thus, non-performing loans and past due loans should be excluded.
- 5/ Include sole proprietorships, partnerships and private corporations.
- 6/ Include financial institutions (banks/QBs and their trust departments, off-shore banking units, securities firms, insurance companies, etc.), fiduciaries, beneficiaries, conduits and special purpose vehicles, affiliated entities of the bank/QB, e.g. Interbank Call Loans
- 7/ Provided these segregated balances are maintained in HQLA.
- 8/ Also include cash flows arising from sales of non-HQLA that are executed but not yet settled at LCR measurement date as well as interest income from non-HQLA (including HQLA-type assets that are or will be excluded from the bank's stock of HQLA due to operational requirement) expected to be received within the LCR period.
- 9/ The cash inflow to be recognized should be net of the market value of the collateral extended after deducting the applicable haircuts
- 10/ Calculated in accordance with the methodology described in Section III.C paragraphs 36 – 38. Where derivatives are collateralized by HQLA, cash inflows are calculated net of any corresponding cash or contractual collateral outflows that would result, all other things being equal, from contractual obligations for cash or collateral to be posted by the bank/QB, given these contractual obligations would reduce the stock of HQLA.

AVAILABLE UNENCUMBERED LIQUID ASSETS
As of (Month Ended)

AVAILABLE UNENCUMBERED LIQUID ASSETS

(Name of Bank)
Name of Bank
As of (Quarter-End)

Particular		Amount (In Absolute Gross Amount)			Asset Type	Asset Class	Location (Custodial account/ Country)	Estimated Haircut Required by the Secondary Market (%)	Expected Monetised Value of the Collateral (In PhP Absolute Amount)
Counterparty (Name of Issuer/ Borrower)	ISIN	CY	Foreign Currency	Peso Equivalent ^{2/}					
A. Level 1 assets ^{1/}									
On-Balance Sheet Items (per FRP Report)									
1									0.00
2									0.00
3									0.00
4									0.00
5									0.00
---									0.00
Total				0.00					0.00
Off-Books ^{3/} (Assets received as collateral and available for re-use/rehypothecation)									
1									0.00
2									0.00
3									0.00
4									0.00
5									0.00
---									0.00
Total				0.00					0.00
TOTAL LEVEL 1 ASSETS				0.00					0.00
B. Level 2 assets ^{1/}									
On-Balance Sheet Items (per FRP Report)									
1									0.00
2									0.00
3									0.00
4									0.00
5									0.00
---									0.00
Total				0.00					0.00

AVAILABLE UNENCUMBERED LIQUID ASSETS
As of (Month Ended)

Particular		Amount (In Absolute Gross Amount)			Asset Type	Asset Class	Location (Custodial account/ Country)	Estimated Haircut Required by the Secondary Market (%)	Expected Monetised Value of the Collateral (In PhP Absolute Amount)
Counterparty (Name of Issuer/ Borrower)	ISIN	CY	Foreign Currency	Peso Equivalent ^{2/}					
Off-Books (Assets received as collateral and available for re-use/rehypothecation)									
1									0.00
2									0.00
3									0.00
4									0.00
5									0.00

Total				0.00					0.00
TOTAL LEVEL 2 ASSETS				0.00					0.00
C. Other Available Unencumbered Assets ^{4/}									
On-Balance Sheet Items (per FRP Report)									
1									0.00
2									0.00
3									0.00
4									0.00
5									0.00

Total				0.00					0.00
Off-Books (Assets received as collateral and available for re-use/rehypothecation)									
1									0.00
2									0.00
3									0.00
4									0.00
5									0.00

Total				0.00					0.00
TOTAL OTHER AVAILABLE UNENCUMBERED ASSETS				0.00					0.00

1/ Total level 1 and Level 2 Assets should tie-up with Part II-HQLA of the Liquidity Template Report

2/ Assets in the foreign regular and FCDU/EFCDU books shall be recorded at their foreign currency amounts and their local currency equivalent using the Philippine Dealing System (PDS) Peso/US Dollar closing rate and the New York US Dollar/ Third Currencies closing rate.

3/ Off-Book Sheet items includes collaterals receives under everse repo in the secondary market and other secured borrowing (i.e., there is delivery of the security to the bank and the security is available for bank's re-use and/or rehypothecation.)

4/ Other available unencumbered assets that are eligible for secured financing with the central bank or could serve as collateral for secured borrowing in secondary markets at prearranged or current haircuts at reasonable costs.

Part III.A - Deposits

(Name of Bank)
 Name of Bank
 As of (Quarter-End)

Account Description	Government	Banks	Financial Corporation	Non-Financial Corporation	Individuals	Trust Department	Off-Shore Banking Unit	Others	Net Due to Head Office/Branches/Agencies (Philippine Branch of Foreign Banks) ^{3/}	Total
1. Retail Funding ^{2/}	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
a. 500,000.00 and below										0.00
b. 500,000.01 to 4,000,000.00										0.00
c. 4,000,000.01 and above										0.00
2. Wholesale Funding ^{2/}	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
a. Operational deposits										0.00
b. Deposits received under correspondent banking and brokering services										0.00
c. Non-operational deposits										0.00
3. Qualified term deposits										0.00
4. Deposits pledged as collateral or under hold-out arrangements										0.00
Total Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1/ Amounts should reconcile with FRP Schedule 22

2/ Net of qualified term deposits maturing beyond the 30-day LCR period and Deposits pledged as collateral or under hold-out arrangements

3/ Amount should reconcile with the net difference of Due to Head Office/Branches/Agencies (Philippine branch of a foreign bank) and Due from Head Office/Branches/Agencies (Philippine branch of a foreign bank). Amount should be zero if difference is Net Due from Head Office/Branches/Agencies (Philippine branch of a foreign bank).

Part III.B & C - Wholesale Funding

(Name of Bank)
Name of Bank
As of (Quarter-End)

Account Description	Financial Liabilities Held for Trading	Financial Liabilities Designated at Fair Value through Profit or Loss	Due to Other Banks	Bills Payable	Bonds Payable	Unsecured Subordinated Debt	Redeemable Preferred Shares	Financial Liabilities Associated with Transferred Assets	Derivatives with Negative Fair Value Held for Hedging	Accrued Interest Expense on Financial Liabilities	Finance Lease Payable	Others	Total
Unsecured Wholesale Funding maturing within one month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Philippine AG, GICs, GPCs, PSP, Sovereign, central banks, PSEs of foreign countries, MIBs													0.00
2. Non-financial corporates													0.00
3. Financial corporates													0.00
4. Other wholesale clients not included in the above related categories													0.00
Secured Funding maturing within one month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Backed by Level 1 assets OR funding provided by the BSP													0.00
2. Backed by Level 2 assets with 15% haircut													0.00
3. Backed by non-HQLA AND funding provided by the Philippine AG or by COOs that are assigned with 20% credit risk weight or higher than the above categories													0.00
4. Backed by Level 2 assets with 50% haircut													0.00
5. All other maturing secured funding transactions not specified in the above related categories													0.00
Derivatives Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Contractual derivatives cash outflows													0.00
2. Additional liquidity requirements related to --	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
a. Potential valuation changes on non-level 1 posted collateral securing derivatives and other transactions													0.00
b. Market valuation changes on derivatives or other transactions													0.00
c. Downgrade triggers embedded in financing transactions, derivatives and other contracts													0.00
d. Contractually required collateral held by the bank													0.00
e. Contractually required collateral which posting is not yet demanded													0.00
f. Collateral substitution to lower quality HQLA or non-HQLA													0.00
Total Funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1/ Records with FRP Schedules 39 and 39A maturing within one month

Part IV.A & B - Lending

(Name of Bank)
Name of Bank
As of (Quarter-End)

Account Description	Due from Other Banks	Financial Assets Held for Trading (excluding equity securities)	Financial Assets Designated at Fair Value through Profit or Loss (excluding equity securities)	Available-for-Sale Financial Assets (including equity securities)	Held-to-Maturity Financial Assets	Unquoted Debt Securities Classified as Loans	Loans and Receivables	Loans and Receivables Under Repurchase Agreements and Securities Lending and Borrowing Transactions ^{1/}	Derivatives with Positive Fair Value Held for Trading	Sales Contract Receivable	Accrued Interest Income from Financial Assets	Others	Total
A. Secured Lending maturing within one month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Level 1 assets													0.00
2. Level 2 assets with 15% haircut													0.00
3. Level 2 assets with 50% haircut													0.00
4. Level 2 assets backed by all other collateral													0.00
5. All other collateral													0.00
B. Loans, receivables and other credit facilities maturing within one month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Retail clients													0.00
2. Philippine NG, LGUs, GOCCs, some eigen, PSEs of foreign countries, MNBs													0.00
3. Non-financial corporates													0.00
4. Banks; financial corporates; trust and other fiduciaries; beneficiaries, BSR and central banks of foreign countries													0.00
C. Deposits held with other financial institutions for non-operational purposes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Deposits pledged against an undrawn credit line or business facility													0.00
2. Cash balances arising from the provision of brokering services and similar arrangements													0.00
3. Cash balances released from segregated accounts held for the protection of customers' credit assets													0.00
4. Cash balances released from segregated accounts held for the protection of customers' credit assets													0.00
5. Cash balances released from segregated accounts held for the protection of customers' credit assets													0.00
6. Cash balances released from segregated accounts held for the protection of customers' credit assets													0.00
7. Net derivatives cash inflows													0.00
8. Other cash inflows not captured in above inflow categories													0.00
D. Excluded from Cash Inflow / Recognized as NGLA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Please specify:													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

^{1/} Reconcile with RFR Schedules 39 and 38A maturing within one month