



MONETARY BOARD
CENTRAL BANK OF SRI LANKA
BANKING ACT DIRECTIONS

21 November 2018

No. 08 of 2018

(b) annually in the press, annual report, and website.

(ii) Information reported in Part I of Appendix I of Schedule I for the reporting period and previous reporting period, together with the details of main components:

(a) quarterly in the website and

(b) annually in the website and annual report.

5. Regulatory Reporting

5.1 Every licensed bank shall report NSFR as at the last calendar day of each quarter through the web-based off-site surveillance system via the return (BSD-QF-32-1A, BSD-QF-32-2A, BSD-QF-32-3A and BSD-QF-32-3B) within one month after the end of each quarter according to Schedule I hereto.

Dr. Indrajit Coomaraswamy

*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*



Banking Act Directions No. 08 of 2018
Net Stable Funding Ratio under Basel III Liquidity Standards
for Licensed Commercial Banks and Licensed Specialised Banks

SCHEDULE I

BASEL III - NET STABLE FUNDING RATIO

1.0 Implementation of Net Stable Funding Ratio

- 1.1 Basel Committee on Banking Supervision (BCBS) publication in December 2010 on liquidity, “Basel III: International framework for liquidity risk measurement, standards and monitoring” introduced two minimum standards namely Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).
- 1.2 In March 2015, the Central Bank of Sri Lanka (CBSL) issued Banking Act Directions No. 01 of 2015, Liquidity Coverage Ratio under Basel III Liquidity Standards for licensed banks (LBs).
- 1.3 The second liquidity standard under Basel III, viz., Net Stable Funding Ratio shall be effective from 01 January 2019.
- 1.4 The objective of NSFR is to reduce funding risk over a longer time horizon by requiring LBs to fund their activities with sufficiently stable sources of funding.

2.0 Net Stable Funding Ratio

- 2.1 NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The amount of available and required stable funding are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets. The computation of NSFR shall be based on the following formula.

$$\text{NSFR} = \frac{\text{available amount of stable funding}}{\text{required amount of stable funding}} * 100$$

2.2 Available Stable Funding

Available Stable Funding (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon of one year. ASF factors such as 100%, 90%, 50% and 0% are assigned according to presumed degree of stability of funding.

2.3 Required Stable Funding

Required Stable Funding (RSF) is a function of liquidity characteristics and residual maturities of various assets held and those of its off-balance sheet (OBS) exposures. RSF factors such as 0%, 5%, 10%, 15%, 50%, 65%, 85%, and 100% are assigned to different asset categories accordingly.

2.4 **Off-balance Sheet Exposures**

Many potential OBS exposures do not require immediate funding but can lead to significant liquidity drain over a longer time horizon. NSFR assigns RSF factors to various OBS exposures in order to ensure that banks hold stable funding for the portion of OBS exposures that may be expected to require funding within any one-year horizon.

2.5 Definitions on various components including High Quality Liquid Assets of Level 1, Level 2A and Level 2B assets of NSFR mirror those outlined in the Banking Act Directions No. 01 of 2015, on Liquidity Coverage Ratio, unless otherwise specified.

2.6 Unencumbered assets under NSFR have the meaning of free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer or assign the asset.

2.7 **Encumbered Assets**

- (a) Assets on the balance sheet that are encumbered for one year or more receive a 100% RSF factor.
- (b) Assets encumbered for a period of between six months and less than one year that would, if unencumbered, receive an RSF factor lower than or equal to 50% receive a 50% RSF factor.
- (c) Assets encumbered for a period of between six months and less than one year that would, if unencumbered, receive an RSF factor higher than 50% retain that higher RSF factor.
- (d) Where assets have less than six months remaining in the encumbrance period, those assets may receive the same RSF factor as an equivalent asset that is unencumbered.

3.0 **Reporting Formats**

3.1 The reporting formats and instruction guidelines for computation of Net Stable Funding Ratio are given as follows:

Appendix I: Reporting Formats for Net Stable Funding Ratio

Appendix II: Guidelines for computation of Net Stable Funding Ratio

Appendix I

REPORTING FORMATS FOR THE NET STABLE FUNDING RATIO

Part I: Computation of NSFR

Web-based Return Code	Item	Amount Rs. '000
32.1.1.0.0.0	Total Available Stable Funding	
32.1.2.0.0.0	Required Stable Funding – On Balance Sheet Assets	
32.1.3.0.0.0	Required Stable Funding – Off -balance Sheet Items	
32.1.4.0.0.0	Total Required Stable Funding	
32.1.5.0.0.0	NSFR	

Part II: Total Available Stable Funding

Web-based Return Code	Item	Unweighted Amount	ASF Factor	Weighted Amount
32.2.0.0.0.0	Total Available Stable Funding			
32.2.1.0.0.0	Liabilities and capital assigned a 100% ASF factor			
32.2.1.1.0.0	Total regulatory capital before capital deductions (excluding Tier 2 instruments with residual maturity of less than one year)		100%	
32.2.1.2.0.0	Any other capital instrument with effective residual maturity of one year or more		100%	
32.2.1.3.0.0	Secured and unsecured borrowings and liabilities with effective residual maturities of one year or more			
32.2.1.3.1.0	Net deferred tax liabilities		100%	
32.2.1.3.2.0	Minority interest		100%	
32.2.1.3.3.0	Other liabilities		100%	
32.2.2.0.0.0	Liabilities assigned a 90% ASF factor			
32.2.2.1.0.0	Non-maturity deposits and term deposits with residual maturity of less than one year provided by retail customers and Small and Medium Enterprises (SME)		90%	
32.2.3.0.0.0	Liabilities assigned a 50% ASF factor			
32.2.3.1.0.0	Funding with residual maturity of less than one year provided by non-financial corporate customers		50%	
32.2.3.2.0.0	Operational deposits		50%	
32.2.3.3.0.0	Funding with residual maturity of less than one year from sovereigns, Public Sector Entities (PSEs), and Multilateral Development Banks (MDBs)		50%	
32.2.3.4.0.0	Other funding with residual maturity between six months and less than one year not included in the above categories, including funding provided by central banks and financial institutions			
32.2.3.4.1.0	Net deferred tax liabilities		50%	
32.2.3.4.2.0	Minority interest		50%	
32.2.3.4.3.0	Other liabilities		50%	

32.2.4.0.0.0	Liabilities assigned a 0% ASF factor			
32.2.4.1.0.0	All other liabilities and equity not included in the above categories including other funding with residual maturity of less than six months from central banks and financial institutions		0%	
32.2.4.2.0.0	Other liabilities without a stated maturity			
32.2.4.2.1.0	Net deferred tax liabilities		0%	
32.2.4.2.2.0	Minority interest		0%	
32.2.4.2.3.0	Other liabilities		0%	
32.2.4.3.0.0	NSFR derivative liabilities net of NSFR derivative assets (if NSFR derivative liabilities are greater than NSFR derivative assets)		0%	
32.2.4.4.0.0	“Trade date” payables arising from purchases of financial instruments, foreign currencies and commodities		0%	

Part III (a): Required Stable Funding – On Balance Sheet Assets

Web-based Return Code	Item	Unweighted Amount	RSF Factor	Weighted Amount
32.3.0.0.0.0	Required Stable Funding – On Balance Sheet Assets			
32.3.1.0.0.0	Assets assigned a 0% RSF factor			
32.3.1.1.0.0	Cash in hand		0%	
32.3.1.2.0.0	Central bank reserves (Statutory Reserve Ratio (SRR) including excess SRR)		0%	
32.3.1.3.0.0	All claims on central banks with residual maturities of less than six months		0%	
32.3.1.4.0.0	"Trade date" receivables arising from sales of financial instruments, foreign currencies and commodities		0%	
32.3.2.0.0.0	Assets assigned a 5% RSF factor			
32.3.2.1.0.0	Unencumbered Level 1 assets			
32.3.2.1.1.0	Qualifying marketable securities			
32.3.2.1.1.1	Issued by sovereigns		5%	
32.3.2.1.1.2	Guaranteed by sovereigns		5%	
32.3.2.1.1.3	Issued or guaranteed by central banks		5%	
32.3.2.1.1.4	Issued or guaranteed by BIS, IMF, ECB and EC or eligible MDBs		5%	
32.3.2.2.0.0	20% of derivative liabilities		5%	
32.3.3.0.0.0	Assets assigned a 10% RSF factor			
32.3.3.1.0.0	Unencumbered loans to financial institutions with residual maturities of less than six months		10%	
32.3.4.0.0.0	Assets assigned a 15% RSF factor			
32.3.4.1.0.0	Unencumbered Level 2A assets			
32.3.4.1.1.0	Qualifying marketable securities			
32.3.4.1.1.1	Issued or guaranteed by sovereigns		15%	
32.3.4.1.1.2	Issued or guaranteed by central banks		15%	
32.3.4.1.1.3	Issued or guaranteed by PSEs		15%	
32.3.4.1.1.4	Issued or guaranteed by MDBs		15%	
32.3.4.1.2.0	Qualifying non-financial corporate debt securities (including commercial paper and promissory notes) and covered bonds		15%	
32.3.4.1.3.0	Qualifying investments in gilt unit trust backed by Government of Sri Lanka (GOSL) securities		15%	

32.3.4.2.0.0	All other unencumbered loans to financial institutions with residual maturities of less than six months		15%	
32.3.5.0.0.0	Assets assigned a 50% RSF factor			
32.3.5.1.0.0	Unencumbered Level 2B assets			
32.3.5.1.1.0	Qualifying non-financial corporate debt securities (including commercial paper and promissory notes)		50%	
32.3.5.1.2.0	Qualifying non-financial common equity shares		50%	
32.3.5.1.3.0	Residential mortgage backed securities (RMBS) with a credit rating of at least AA		50%	
32.3.5.2.0.0	HQLA encumbered for a period of six months or more and less than one year		50%	
32.3.5.3.0.0	Unencumbered loans to financial institutions and central banks with residual maturity between six months and less than one year		50%	
32.3.5.4.0.0	Deposits held at other financial institutions for operational purposes		50%	
32.3.5.5.0.0	All other non HQLA not included in the above categories with residual maturity of less than one year		50%	
32.3.6.0.0.0	Assets assigned a 65% RSF factor			
32.3.6.1.0.0	Qualifying unencumbered residential mortgages with a residual maturity of one year or more		65%	
32.3.6.2.0.0	Other qualifying unencumbered loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more		65%	
32.3.7.0.0.0	Assets assigned an 85% RSF factor			
32.3.7.1.0.0	Cash, securities or other assets posted as initial margin for derivative contracts		85%	
32.3.7.2.0.0	Other unencumbered performing loans		85%	
32.3.7.3.0.0	Unencumbered securities that are not in default and do not qualify as HQLA		85%	
32.3.7.4.0.0	Physical traded commodities, including gold		85%	
32.3.8.0.0.0	Assets assigned a 100% RSF factor			
32.3.8.1.0.0	All assets that are encumbered for a period of one year or more		100%	

32.3.8.2.0.0	NSFR derivative assets net of NSFR derivative liabilities if NSFR derivative assets are greater than NSFR derivative liabilities		100%	
32.3.8.3.0.0	All other assets not included in above		100%	

Part III (b): Required Stable Funding – Off Balance Sheet Items

Web-based Return Code	Item	Unweighted Amount	RSF Factor	Weighted Amount
32.4.0.0.0.0	Required Stable Funding – Off Balance Sheet Items			
32.4.1.0.0.0	Irrevocable and conditionally revocable credit and liquidity facilities to any client		5%	
32.4.2.0.0.0	Other contingent funding obligations including products and instruments			
32.4.2.1.0.0	Unconditionally revocable credit and liquidity facilities		0%	
32.4.2.2.0.0	Trade finance related obligations including guarantees and letters of credit		5%	
32.4.2.3.0.0	Guarantees unrelated to trade finance obligations		0%	
32.4.3.0.0.0	Non-contractual obligations			
32.4.3.1.0.0	Potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities		5%	
32.4.3.2.0.0	Structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes (VRDNs)		5%	
32.4.3.3.0.0	Managed funds that are marketed with the objective of maintaining a stable value		5%	
32.4.4.0.0.0	Any other obligations		5%	

Guidelines for Computation of NSFR Return

Web-based Return Code	Item
32.2.0.0.0.0	Total Available Stable Funding
32.2.1.0.0.0	Liabilities and capital assigned a 100% ASF factor
32.2.1.1.0.0	<p>Total regulatory capital before capital deductions (excluding Tier 2 instruments with residual maturity of less than one year)</p> <p>Total amount of regulatory capital, before the application of capital deductions, as defined in the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III excluding the value of Tier 2 instruments with residual maturity of less than one year.</p>
32.2.1.2.0.0	<p>Any other capital instrument with effective residual maturity of one year or more</p> <p>Total amount of any capital instrument not included above that has an effective residual maturity of one year or more, but excluding any instruments with explicit or embedded options that, if exercised, would reduce the expected maturity to less than one year. Value of Tier 2 instruments, with effective residual maturity of one year or more, that is not captured under 32.2.1.1.0.0 is eligible under this.</p>
32.2.1.3.0.0	<p>Secured and unsecured borrowings and liabilities with effective residual maturities of one year or more</p> <p>Total amount of secured and unsecured borrowings and liabilities (including term deposits) with effective residual maturities of one year or more. Cash flows falling below the one-year horizon but arising from liabilities with a final maturity greater than one year do not qualify for the 100% ASF factor. If a bank allows a depositor to withdraw a term deposit without applying a significant penalty that is materially greater than the loss of interest, or despite a clause that says depositor has no legal right to withdraw, the entire category should be treated as demand deposits regardless of the remaining maturity.</p> <p>Net deferred tax liabilities (if deferred tax liabilities are greater than deferred tax assets) should be treated according to the nearest possible date on which</p>

	such liabilities could be realised; and minority interest, should be treated according to the term of the instrument, usually in perpetuity. Based on that these liabilities are assigned either a 100% ASF factor if the effective maturity is one year or greater under 32.2.1.3.0.0, 50% if the effective maturity is between six months and less than one year under 32.2.3.4.0.0 or 0% otherwise under 32.2.4.2.0.0.
32.2.2.0.0.0	Liabilities assigned a 90% ASF factor
32.2.2.1.0.0	<p>Non-maturity deposits and term deposits with residual maturity of less than one year provided by retail customers and SME</p> <p>Non-maturity deposits and/or term deposits with residual maturity of less than one year provided by retail customers and SME. In the case of SME, the total amount of deposits placed with the bank by an SME shall not exceed Rs. 250 million.</p> <p>Qualifying criteria to be classified as an SME are as follows:</p> <ul style="list-style-type: none"> (i) The annual turnover of the SME shall not exceed Rs.750 million at the time of obtaining the deposit/granting the facility; (ii) The annual turnover should be based on latest available audited financial statements or certified by a Chartered Accountant or an Approved Accountant acceptable to the Department of Inland Revenue. In the case of draft financial statements, the turnover certified by a Chartered Accountant or an Approved Accountant should be obtained within the year; (iii) The criterion (ii) above shall be applicable if the total amount of deposits placed with the bank by the SME or the total exposure (including off-balance sheet exposure) to the SME is greater than or equal to Rs. 50 million. Otherwise banks may adopt their own internal mechanism to verify the annual turnover of the SME.

32.2.3.0.0.0	Liabilities assigned a 50% ASF factor
32.2.3.1.0.0	Funding with residual maturity of less than one year provided by non-financial corporate customers Both secured and unsecured funding with a residual maturity of less than one year provided by non-financial corporate customers.
32.2.3.2.0.0	Operational deposits Financial and non-financial customer deposits placed with a bank, in order to facilitate their access and ability to use payment and settlement systems or make payments (e.g. Vostro accounts and collection accounts).
32.2.3.3.0.0	Funding with residual maturity of less than one year from sovereigns, PSEs, and MDBs Funding with residual maturity of less than one year provided by sovereigns, PSEs, and MDBs.
32.2.3.4.0.0	Other funding with residual maturity between six months and less than one year not included in the above categories, including funding provided by central banks and financial institutions Secured and unsecured other funding with residual maturity between six months and less than one year not included in the above categories, including funding provided by central banks and financial institutions. Refer Banking Act Directions No. 1 of 2016 of Capital Requirements under Basel III for indicative list of financial institutions. Net deferred tax liabilities and minority interest shall be treated as instructed in 32.2.1.3.0.0.
32.2.4.0.0.0	Liabilities assigned a 0% ASF factor
32.2.4.1.0.0	All other liabilities and equity not included in the above categories including other funding with residual maturity of less than six months from central banks and financial institutions Liabilities and equity categories not included in the above categories, including other funding with residual maturity of less than six months provided by central banks and financial institutions.

32.2.4.2.0.0	<p>Other liabilities without a stated maturity</p> <p>This category may include short positions and open maturity positions. Net deferred tax liabilities and minority interest shall be treated as instructed in 32.2.1.3.0.0.</p>
32.2.4.3.0.0	<p>NSFR derivative liabilities net of NSFR derivative assets (if NSFR derivative liabilities are greater than NSFR derivative assets)</p> <p>NSFR derivative liabilities net of NSFR derivative assets, if NSFR derivative liabilities are greater than NSFR derivative assets. i.e. $ASF = 0\% * \text{MAX}((\text{NSFR derivative liabilities} - \text{NSFR derivative assets}), 0)$.</p> <p>**Derivative liabilities are calculated based on the replacement cost for derivative contracts (obtained by marking to market), where the contract has a negative value. When an eligible bilateral netting (refer consultation paper on leverage ratio for eligibility criteria until final Directions on leverage ratio is issued) contract is in place, the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost. In calculating NSFR derivative liabilities, collateral posted in the form of variation margin in connection with derivative contracts must be deducted from the negative replacement cost.</p> <p>NSFR derivative liabilities = (derivative liabilities) – (total collateral posted as variation margin on derivative liabilities).</p>
32.2.4.4.0.0	<p>“Trade date” payables arising from purchases of financial instruments, foreign currencies and commodities</p> <p>“Trade date” payables arising from purchases of financial instruments, foreign currencies and commodities that (i) are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction, or (ii) have failed to, but are still expected to settle.</p>
32.3.0.0.0.0	Required Stable Funding – On Balance Sheet Assets
32.3.1.0.0.0	Assets assigned a 0% RSF factor
32.3.1.1.0.0	<p>Cash in hand</p> <p>All cash (coins and bank notes) held by the bank that is immediately available to meet obligations.</p>

32.3.1.2.0.0	Central bank reserves (SRR including excess) Central bank balances and reserves including excess of SRR. The balance held at central bank which represents part of the capital held in foreign currency should not be included, since it is part of capital.
32.3.1.3.0.0	All claims on central banks with residual maturities of less than six months All claims on central banks with residual maturities of less than six months.
32.3.1.4.0.0	"Trade date" receivables arising from sales of financial instruments, foreign currencies and commodities Trade date receivables arising from sales of financial instruments, foreign currencies and commodities that (i) are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction, or (ii) have failed to, but are still expected to, settle.
32.3.2.0.0.0	Assets assigned a 5% RSF factor
32.3.2.1.0.0	Unencumbered Level 1 assets
32.3.2.1.1.0	Qualifying marketable securities Marketable securities with a 0% risk weight under the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III and that shall satisfy the following: <ul style="list-style-type: none"> (i) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; (ii) Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions; (iii) Not an obligation of a financial institution or any of its affiliated entities; (iv) At the mark to market value.
32.3.2.1.1.1	Issued by sovereigns Government of Sri Lanka - all rupee claims. Foreign Sovereigns - where the sovereign attracts an External Credit Rating between AAA to AA-. Refer Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for mapping of notations of the credit rating agencies in Sri Lanka.

32.3.2.1.1.2	Guaranteed by sovereigns Government of Sri Lanka - all rupee claims. Foreign Sovereigns - where the sovereign attracts an External Credit Rating between AAA to AA-.
32.3.2.1.1.3	Issued or guaranteed by central banks Central Bank of Sri Lanka - all claims. Foreign Central Banks - where the sovereign attracts an External Credit Rating between AAA to AA-.
32.3.2.1.1.4	Issued or guaranteed by BIS, IMF, ECB and EC or MDBs Issued or guaranteed by Bank for International Settlements (BIS), the International Monetary Fund (IMF), the European Central Bank (ECB), European Community (EC) and the following eligible MDBs: <ul style="list-style-type: none"> * The World Bank Group comprising of the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) * The Asian Development Bank (ADB) * The African Development Bank (AFDB) * The European Bank for Reconstruction and Development (EBRD) * The Inter-American Development Bank (IADB) * The European Investment Bank (EIB) * The European Investment Fund (EIF) * The Nordic Investment Bank (NIB) * The Caribbean Development Bank (CDB) * The Islamic Development Bank (IDB) * The Council of Europe Development Bank (CEDB) * The International Finance Facility for Immunization (IFFIm)
32.3.2.2.0.0	20% of derivative liabilities 20% of derivative liabilities (i.e. negative replacement cost amounts before deducting variation margin posted).

32.3.3.0.0.0	Assets assigned a 10% RSF factor
32.3.3.1.0.0	<p>Unencumbered loans to financial institutions with residual maturities of less than six months</p> <p>Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets and where the bank has the ability to freely rehypothecate the received collateral for the life of the loan.</p>
32.3.4.0.0.0	Assets assigned a 15% RSF factor
32.3.4.1.0.0	Unencumbered Level 2A assets
32.3.4.1.1.0	<p>Qualifying marketable securities</p> <p>Marketable securities with a 20% risk weight under the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III and that shall satisfy the following conditions:</p> <ul style="list-style-type: none"> (i) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; (ii) Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (i.e. A maximum decline of price or increase in haircut not exceeding 10% over a 30-day period of significant liquidity stress); (iii) Not an obligation of a financial institution or any of its affiliated entities; (iv) At the mark to market value.
32.3.4.1.1.1	<p>Issued or guaranteed by sovereigns</p> <p>Government of Sri Lanka – all foreign claims</p> <p>Foreign Sovereigns - where the sovereign attracts an External Credit Rating between A+ to A-.</p>
32.3.4.1.1.2	<p>Issued or guaranteed by central banks</p> <p>Foreign Central Banks - where the sovereign attracts an External Credit Rating between A+ to A-.</p>
32.3.4.1.1.3	<p>Issued or guaranteed by PSEs</p> <p>Domestic and foreign PSEs - where PSE attracts an External Credit Rating between AAA to AA-.</p>

32.3.4.1.1.4	<p>Issued or guaranteed by MDBs</p> <p>MDBs other than MDBs listed above in 32.3.2.1.1.4 where MDBs attracts an External Credit Rating between AAA to AA-.</p>
32.3.4.1.2.0	<p>Qualifying non-financial corporate debt securities (including commercial paper and promissory notes) and covered bonds</p> <p>Shall satisfy the following conditions:</p> <ul style="list-style-type: none"> (i) Not issued by a financial institution or any of its affiliated entities; (ii) With an External Credit Rating of at least AA-; (iii) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; (iv) Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (i.e. A maximum decline of price or increase in haircut not exceeding 10% over a 30-day period of significant liquidity stress); (v) At mark to market value. <p><i>In case of commercial paper and promissory notes:</i></p> <ul style="list-style-type: none"> (i) The issuer should be a non-financial institution. (ii) All existing facilities obtained by the issuer from the investee bank should be "performing" in terms of the Banking Act Directions on Classification of Loans and Advances, Income Recognition and Provisioning. (iii) Commercial Paper/Promissory Notes should be backed by an approved standby credit line supporting the issue to the full redemption value from another licensed bank.
32.3.4.1.3.0	<p>Qualifying investments in Gilt Unit Trust (GUT) backed by GOSL securities, subject to:</p> <ul style="list-style-type: none"> (i) GUTs should be open ended mutual funds (ii) Underlying investment portfolio of GUTs should always be Sri Lanka Government Securities

32.3.4.2.0.0	<p>All other unencumbered loans to financial institutions with residual maturities of less than six months</p> <p>All other unencumbered loans to financial institutions with residual maturities of less than six months not included above in 32.3.3.1.0.0.</p>
32.3.5.0.0.0	Assets assigned a 50% RSF factor
32.3.5.1.0.0	Unencumbered Level 2B assets
32.3.5.1.1.0	<p>Qualifying non-financial corporate debt securities (including commercial paper and promissory notes)</p> <p>Shall satisfy the following conditions:</p> <ul style="list-style-type: none"> (i) Not issued by a financial institution or any of its affiliated entities; (ii) With an External Credit Rating between A+ and BBB-; (iii) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; (iv) Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (i.e. A maximum decline of price or increase in haircut not exceeding 20% over a 30-day period of significant liquidity stress); (v) At mark to market value. <p><i>In case of commercial paper and promissory notes:</i></p> <ul style="list-style-type: none"> (i) The issuer should be a non-financial institution; (ii) All existing facilities obtained by the issuer from the investee bank should be "performing" in terms of the Banking Act Directions on Classification of Loans and Advances, Income Recognition and Provisioning; (iii) Commercial Paper/Promissory Notes should be backed by an approved standby credit line, supporting the issue to the full redemption value from another licensed bank.

32.3.5.1.2.0	<p>Qualifying non-financial common equity shares</p> <p>Shall satisfy the following conditions:</p> <ul style="list-style-type: none"> (i) Not issued by a financial institution or any of its affiliated entities; (ii) Traded at recognised stock exchange and centrally cleared; (iii) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; (iv) Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (i.e., maximum decline of share price or increase in haircut not exceeding 40% over a 30-day period of significant liquidity stress).
32.3.5.1.3.0	<p>Residential mortgage backed securities (RMBS) with a credit rating of at least AA</p> <p>Shall satisfy the following conditions:</p> <ul style="list-style-type: none"> (i) Not issued by and the underlying assets have not been originated by the bank or any of its affiliated entities; (ii) An External Credit Rating of AA or higher; (iii) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; (iv) Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (i.e., A maximum decline of price or increase in haircut not exceeding 20% over a 30-day period of significant liquidity stress); (v) The underlying asset pool is restricted to residential mortgages and cannot contain structured products; the underlying mortgages are “full recourse” loans (i.e. in the case of foreclosure the mortgage owner remains liable for any shortfall in sales proceeds from the property) and have a maximum loan-to-value ratio (LTV) of 80% on average at issuance.
32.3.5.2.0.0	<p>HQLA encumbered for a period of six months or more and less than one year</p> <p>Any HQLA that are encumbered for a period of between six months and less than one year.</p>

32.3.5.3.0.0	<p>Unencumbered loans to financial institutions and central banks with residual maturity between six months and less than one year</p> <p>Unencumbered loans to financial institutions and central banks with residual maturities between six months and less than one year.</p>
32.3.5.4.0.0	<p>Deposits held at other financial institutions for operational purposes</p> <p>Deposits placed in order to facilitate their access and ability to use payment and settlement systems or make payments (e.g. Nostro Accounts and collection accounts).</p>
32.3.5.5.0.0	<p>All other non HQLA not included in the above categories with residual maturity of less than one year</p> <p>Other non HQLA not included in the above categories that have a residual maturity of less than one year, including loans to non-financial corporate clients, loans to retail customers and SME, and loans to sovereigns and PSEs. In the case of an SME, the maximum exposure (including off balance sheet exposure) of the lending bank to the SME shall not exceed Rs. 250 million.</p>
32.3.6.0.0.0	Assets assigned a 65% RSF factor
32.3.6.1.0.0	<p>Qualifying unencumbered residential mortgages with a residual maturity of one year or more</p> <p>Unencumbered residential mortgages with a residual maturity of one year or more that would qualify for a 50% or lower risk weight according to the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III.</p>
32.3.6.2.0.0	<p>Other qualifying unencumbered loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more</p> <p>Other unencumbered loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more that would qualify for a risk weight lower than 50% according to the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III.</p>

32.3.7.0.0.0	Assets assigned an 85% RSF factor
32.3.7.1.0.0	Cash, securities or other assets posted as initial margin for derivative contracts Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a central counterparty (CCP).
32.3.7.2.0.0	Other unencumbered performing loans Other unencumbered performing loans with risk weight equal or greater than to 50% according to the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III and having residual maturities of one year or more, excluding loans to financial institutions.
32.3.7.3.0.0	Unencumbered securities that are not in default and do not qualify as HQLA Unencumbered securities that are not in default and do not qualify as HQLA with a remaining maturity of one year or more and exchange-traded equities.
32.3.7.4.0.0	Physical traded commodities, including gold Physical traded commodities, including gold.
32.3.8.0.0.0	Assets assigned a 100% RSF factor
32.3.8.1.0.0	All assets that are encumbered for a period of one year or more All assets that are encumbered for a period of one year or more.
32.3.8.2.0.0	NSFR derivative assets net of NSFR derivative liabilities, if NSFR derivative assets are greater than NSFR derivative liabilities NSFR derivative assets net of NSFR derivative liabilities, if NSFR derivative assets are greater than NSFR derivative liabilities. **Derivative assets are calculated first based on the replacement cost for derivative contracts (obtained by marking to market) where the contract has a positive value. When an eligible bilateral netting (refer consultation paper on leverage ratio for eligibility criteria until final Directions on leverage ratio is issued) contract is in place, the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost. In calculating NSFR derivative assets, collateral received in connection with

	derivative contracts may not offset the positive replacement cost amount, regardless of whether or not netting is permitted, unless it is received in the form of cash variation margin and meets the conditions as specified. (refer consultation paper on leverage ratio for conditions on cash variation margin until final Directions on leverage ratio is issued).
32.3.8.3.0.0	<p>All other assets not included in above</p> <p>All other assets not included in the above categories, including non-performing loans, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities.</p>
32.4.0.0.0.0	Required Stable Funding – Off Balance Sheet Items
32.4.1.0.0.0	<p>Irrevocable and conditionally revocable credit and liquidity facilities to any client</p> <p>Balances of undrawn credit and liquidity facilities that are contractually irrevocable (committed) or conditionally revocable agreements to extend funds in future.</p>
32.4.2.0.0.0	Other contingent funding obligations, including products and instruments below
32.4.2.1.0.0	<p>Unconditionally revocable credit and liquidity facilities</p> <p>Balances of undrawn credit and liquidity facilities where the bank has the right to unconditionally revoke the undrawn portion of these facilities (e.g., overdraft and credit card undrawn portion).</p>
32.4.2.2.0.0	<p>Trade finance-related obligations (including guarantees and letters of credit)</p> <p>Trade finance instruments consist of trade-related (import - export related) obligations directly underpinned by the movement of goods or the provision of services. Report up to uncovered exposure if such facilities are backed by margin deposits.</p>
32.4.2.3.0.0	<p>Guarantees unrelated to trade finance obligations</p> <p>The outstanding amount of guarantees unrelated to trade finance obligations.</p>

32.4.3.0.0.0	Non-contractual obligations
32.4.3.1.0.0	Potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities.
32.4.3.2.0.0	Structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes (VRDNs).
32.4.3.3.0.0	Managed funds that are marketed with the objective of maintaining a stable value.
32.4.4.0.0.0	Any other obligations Other off-balance sheet exposures not covered above.