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Basel III: The Net Stable Funding Ratio

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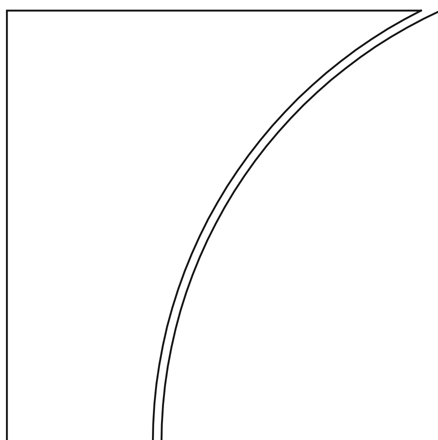
Basel Committee on Banking Supervision

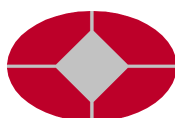
Consultative Document



Basel III: The Net Stable Funding Ratio

Issued for comment by 11 April 2014

January 2014



BANK FOR INTERNATIONAL SETTLEMENTS

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I. Introduction

1. This document presents the Net Stable Funding Ratio (NSFR), one of the Basel Committee's key reforms to promote a more resilient banking sector. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. This document sets out the proposed NSFR standard and timelines for its implementation.

2. Maturity transformation performed by banks is a crucial part of financial intermediation that contributes to efficient resource allocation and credit creation. However, private incentives to limit excessive reliance on unstable funding of core (often illiquid) assets are weak. Just as banks may have private incentives to increase leverage, incentives arise for banks to expand their balance sheets, often very quickly, relying on relatively cheap and abundant short-term wholesale funding. Rapid balance sheet growth can weaken the ability of individual banks to respond to liquidity (and solvency) shocks when they occur, and can have systemic implications when banks fail to internalise the costs associated with large funding gaps. A highly interconnected financial system tends to exacerbate these spillovers.

3. During the early liquidity phase of the financial crisis starting in 2007, many banks – despite meeting the existing capital requirements – experienced difficulties because they did not prudently manage their liquidity. The crisis drove home the importance of liquidity to the proper functioning of financial markets and the banking sector. Prior to the crisis, asset markets were buoyant and funding was readily and cheaply available. The rapid reversal in market conditions showed how quickly liquidity can dry up and also how long it can take to come back. The banking system came under severe stress, forcing central banks to take action in support of both the functioning of money markets and, in some cases, individual institutions.

4. The difficulties experienced by some banks arose from failures to observe the basic principles of liquidity risk management. In response, the Committee in 2008 published *Principles for Sound Liquidity Risk Management and Supervision ("Sound Principles")* as the foundation of its liquidity framework.[1] The *Sound Principles* offer detailed guidance on the risk management and supervision of funding liquidity risk and should help promote better risk management in this critical area, provided that they are fully implemented by banks and supervisors. The Committee will accordingly continue to monitor the implementation of these principles by supervisors to ensure that banks in their jurisdictions adhere to these fundamental principles.

5. The Committee has further strengthened its liquidity framework by developing two *minimum* standards for funding and liquidity. These standards are designed to achieve two separate but complementary objectives. The first is to promote the short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient High Quality Liquid Assets (HQLA) to survive a significant stress scenario lasting for 30 days. To this end, the Committee has developed the Liquidity Coverage Ratio (LCR).[2] The second objective is to reduce funding risk over a longer time horizon by requiring

[1] The *Sound Principles* are available at www.bis.org/publ/bcbs144.htm.

[2] See *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013, which can be found at www.bis.org/publ/bcbs238.htm.

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banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. To meet this second objective, the Committee has developed the NSFR.

6. In 2010, the Committee undertook to review the development of the NSFR over an observation period. The focus of this review was on addressing any unintended consequences for financial market functioning and the economy, and on improving the design with respect to several key issues, notably: (i) the impact on retail business activities; (ii) the treatment of short-term matched funding of assets and liabilities; and (iii) analysis of sub-one year buckets for both assets and liabilities. Based on this review, the Committee is proposing modifications to the NSFR, which are summarised in Annex 1.

7. In line with the timeline specified in the 2010 publication of the liquidity risk framework, it remains the Committee's intention that the NSFR, including any revisions, will become a minimum standard by 1 January 2018.[3]

II. Definition and minimum requirements

8. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. "*Available stable funding*" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding *required* of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

$$\frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} \geq 100\%$$

9. The NSFR consists primarily of internationally agreed upon definitions and calibrations. Some elements, however, remain subject to national discretion to reflect jurisdiction-specific conditions. In these cases, national discretion should be explicit and clearly outlined in the regulations of each jurisdiction.

10. As a key component of the supervisory approach to funding risk, the NSFR must be supplemented by supervisory assessment work. Supervisors may require an individual bank to adopt more stringent standards to reflect its funding risk profile and the supervisor's assessment of its compliance with the *Sound Principles*.

11. The amounts of available and required stable funding specified in the standard are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

12. The calibration reflects the stability of liabilities across two dimensions:

(a) *Funding tenor* – The NSFR is generally calibrated such that longer-term liabilities are assumed to be more stable than short-term liabilities.

(b) *Funding type and counterparty* – The NSFR is calibrated under the assumption that short-term (maturing in less than one year) deposits provided by retail customers and funding provided

[3] See *Basel III: International framework for liquidity risk measurement, standards and monitoring*, December 2010, available at www.bis.org/publ/bcbs188.pdf.

by small business customers is behaviourally more stable than wholesale funding of the same maturity from other counterparties.

13. In determining the appropriate amounts of required stable funding for various assets, the following criteria were taken into consideration, recognising the potential trade-offs between these criteria:

(a) *Resilient credit creation* – The NSFR requires stable funding for some proportion of lending to the real economy in order to ensure the continuity of this type of intermediation.

(b) *Bank behaviour* – The NSFR is calibrated under the assumption that banks may seek to roll over a significant proportion of maturing loans to preserve customer relationships.

(c) *Asset tenor* – The NSFR assumes that some short-dated assets (maturing in less than one year) require a smaller proportion of stable funding because banks would be able to allow some proportion of those assets to mature instead of rolling them over.

(d) *Asset quality and liquidity value* – The NSFR assumes that unencumbered, high-quality assets that can be securitised or traded, and thus can be readily used as collateral to secure additional funding or sold in the market, do not need to be wholly financed with stable funding.

14. Additional stable funding sources are also required to support at least a small portion of the potential calls on liquidity arising from OBS commitments and contingencies.

15. NSFR definitions mirror those outlined in the LCR, unless otherwise specified. As in the LCR, the application of the NSFR follows the existing scope of application set out in Part I (Scope of Application) of the Basel II framework.[4]

A. Definition of available stable funding

16. The amount of available stable funding (ASF) is measured based on the broad characteristics of the relative stability of an institution's funding sources, including the contractual maturity of its liabilities and the differences in the propensity of different types of funding providers to withdraw their funding. The amount of ASF is calculated by first assigning the carrying value of an institution's capital and liabilities to one of five categories as presented below. The amount assigned to each category is then multiplied by an ASF factor, and the total ASF is the sum of the weighted amounts. Carrying value represents the amount at which a liability or equity instrument is recorded before the application of any regulatory deductions, filters or other adjustments.

17. When determining the maturity of an equity or liability instrument, investors are assumed to redeem a call option at the earliest possible date. For funding with options exercisable at the bank's discretion, banks should assume that they will be exercised at the earliest possible date unless the bank can demonstrate to its supervisor's satisfaction that the bank would not exercise this option under any circumstances. For long-dated liabilities, only the portion of cash flows falling at or beyond the six-month and one-year time horizons should be treated as having an effective residual maturity of six months or more and one year or more, respectively.

[4] See BCBS, *International Convergence of Capital Measurement and Capital Standards: A Revised Framework – Comprehensive Version*, June 2006 ("Basel II Framework"), available at www.bis.org/publ/bcbs128.htm.

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Liabilities and capital receiving a 100% ASF factor

18. Liabilities and capital instruments receiving a 100% ASF factor comprise:

(a) The total amount of regulatory capital, before the application of capital deductions, as defined in paragraph 49 of the Basel III text,[5] excluding the proportion of Tier 2 instruments with residual maturity of less than one year;

(b) The total amount of any capital instrument not included in (a) that has an effective residual maturity of one year or more excluding any instruments with explicit or embedded options that, if exercised, would reduce the expected maturity to less than one year; and

(c) The 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 should not qualify for the 100% ASF factor.

Liabilities receiving a 95% ASF factor

19. Liabilities receiving a 95% ASF factor comprise "stable" (as defined in the LCR in paragraphs 75–78) non-maturity (demand) deposits and/or term deposits with residual maturities of less than one year provided by retail and small- and medium-sized entity (SME) customers.[6]

Liabilities receiving a 90% ASF factor

20. Liabilities receiving a 90% ASF factor comprise "less stable" (as defined in the LCR in paragraphs 79–81) non-maturity (demand) deposits and/or term deposits with residual maturities of less than one year provided by retail and SME customers.

Liabilities receiving a 50% ASF factor

21. Liabilities receiving a 50% ASF factor comprise:

(a) Funding (secured and unsecured) with a residual maturity of less than one year provided by non-financial corporate customers;

(b) Operational deposits (as defined in LCR paragraphs 93–104);

(c) Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks; and

(d) Other funding (secured and unsecured) not included in the categories above with residual maturity of not less than six months and less than one year, including funding from central banks and financial institutions.

Liabilities receiving 0% ASF factor

22. Liabilities receiving a 0% ASF factor comprise:

[5] Capital instruments reported here should meet all requirements outlined in, *Basel III: A global regulatory framework for more resilient banks and banking systems*, www.bis.org/publ/bcbs189.pdf, and should only include amounts after transitional arrangements have expired under fully implemented Basel III standards (ie as in 2022).

[6] Retail deposits are defined in LCR paragraph 73. SMEs are defined in paragraph 273 of the Basel II framework; see BCBS, *International Convergence of Capital Measurement and Capital Standards: A Revised Framework – Comprehensive Version* June 2006, available at www.bis.org/publ/bcbs128.htm.

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(a) All other liabilities and equity categories not included in the above categories, including other funding with residual maturity of less than six months from central banks and financial institutions;[7] and

(b) Other liabilities without a stated maturity. This category may include short positions and open maturity positions. Two exceptions can be recognised for liabilities without a stated maturity:

- first, deferred tax liabilities, which should be treated according to the nearest possible date on which such liabilities could be realised, and
- second, minority interest, which should be treated according to the term of the instrument, usually in perpetuity.

These liabilities would then be assigned either a 100% ASF factor if the effective maturity is one year or greater, or 50%, if the effective maturity is no less than six months and less than one year; and

(c) Derivatives payable net of derivatives receivable if payables are greater than receivables. A bank will usually have both net derivatives liabilities (ie payables) and net derivatives assets (ie receivables) on its balance sheet. Banks should deduct any net payable from any net receivable and the outcome is allocated 100% RSF if it is a net receivable or 0% ASF if it is a net payable position. During the consultative period, the Basel Committee will continue to evaluate alternative treatments for derivatives within the NSFR.

23. Table 1 below summarises the components of each of the ASF categories and the associated maximum ASF factor to be applied in calculating an institution's total amount of available stable funding under the standard.

Summary of Liability Categories and associated ASF factors — Table 1

ASF factor	Components of ASF category
100%	• Total regulatory capital • Other capital instruments and liabilities with effective residual maturity of one year or more
95%	• Stable non-maturity (demand) deposits and term deposits with residual maturity of less than one year provided by retail and SME customers
90%	• Less stable non-maturity deposits and term deposits with residual maturity of less than one year provided by retail and SME customers
50%	• Funding with residual maturity of less than one year provided by non-financial corporate customers • Operational deposits • Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks • Other funding with residual maturity of not less than six months and less than one year not included in the above categories, including funding provided by central banks and financial institutions
0%	• All other liabilities and equity not included in above categories, including liabilities without a stated maturity • Derivatives payable net of derivatives receivable if payables are greater than receivables

[7] At the discretion of national supervisors, a possible exception to this treatment is for stable deposits from cooperative banks that are required by law in some jurisdictions to be placed at the central organisation and are legally constrained within the cooperative bank network as minimum deposit requirements.

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B. Definition of required stable funding for assets and off-balance sheet exposures

24. The amount of required stable funding is measured based on the broad characteristics of the liquidity risk profile of an institution's assets and OBS exposures. The amount of required stable funding is calculated by first assigning the carrying value of an institution's assets to the categories listed. The amount assigned to each category is then multiplied by its associated required stable funding (RSF) factor and the total RSF is the sum of the weighted amounts added to the amount of OBS activity (or potential liquidity exposure) multiplied by its associated RSF factor. Definitions mirror those outlined in the LCR, unless otherwise specified.[8]

25. The RSF factors assigned to various types of assets are parameters intended to approximate the amount of a particular asset that would have to be funded, either because it will be rolled over, or because it could not be monetised through sale or used as collateral in a secured borrowing transaction over the course of one year without significant expense. Under the standard, such amounts are expected to be supported by stable funding.

26. Assets should be allocated to the appropriate RSF factor based on their residual maturity or liquidity value. When determining the maturity of an instrument, investors should be assumed to exercise any option to extend maturity. For amortising loans, the portion that comes due within the one-year horizon can be treated in the less than a year residual maturity category.

Encumbered assets

27. Assets on the balance sheet that are encumbered[9] for one year or more receive a 100% RSF factor. Assets encumbered for a period of six months or more and less than one year that would, if unencumbered, receive an RSF factor lower than or equal to 50%, receive a 50% RSF factor. Assets encumbered for six months or more and less than one year that would, if unencumbered, receive an RSF factor higher than 50%, retain that higher RSF factor. 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. In addition, for the purposes of calculating the NSFR, assets that are encumbered for central bank liquidity operations may also receive the same RSF factor as a similar asset that is unencumbered.

Secured financing transactions

28. For secured funding arrangements, use of balance sheet and accounting treatments should generally result in banks excluding, from their assets, securities which they have borrowed in securities financing transactions (such as reverse repos and collateral swaps) where they do not have beneficial ownership. In contrast, banks should include securities they have lent in securities financing transactions where they retain beneficial ownership. Banks should also not include any securities they have received through collateral swaps if those securities do not appear on their balance sheets. Where banks have encumbered securities in repos or other securities financing transactions, but have

[8] For the purposes of calculating the NSFR, HQLA are defined as all HQLA without regard to LCR operational requirements and LCR caps on Level 2 and Level 2B assets that may otherwise limit the ability of some HQLA to be included as eligible HQLA in calculation of the LCR. HQLA are defined in LCR paragraphs 24 to 54. Operational requirements are specified in LCR paragraphs 28 to 43.

[9] Encumbered assets include but are not limited to assets backing securities or covered bonds. Unencumbered means free of legal, regulatory, contractual or other restrictions on the ability of the bank to liquidate, sell, transfer or assign the asset.

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retained beneficial ownership and those assets remain on the bank's balance sheet, the bank should allocate such securities to the appropriate RSF category.

Assets assigned a 0% RSF factor

29. Assets assigned a 0% RSF factor comprise:

(a) Coins and banknotes immediately available to meet obligations;

(b) All central bank reserves (including required reserves and excess reserves); and

(c) All unencumbered loans to banks subject to prudential supervision (including interbank placements) with residual maturities of less than six months.

Assets assigned a 5% RSF factor

30. Assets assigned a 5% RSF factor comprise unencumbered Level 1 assets as defined in LCR paragraph 50, excluding assets receiving a 0% RSF as specified above, and including:

- marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs, the Bank for International Settlements, the International Monetary Fund, the European Central Bank and European Community, or multilateral development banks that are assigned a 0% risk-weight under the Basel II Standardised Approach for credit risk; and
- certain non-0% risk-weighted sovereign or central bank debt securities as specified in the LCR.

Assets assigned a 15% RSF factor

31. Assets assigned a 15% RSF factor comprise unencumbered Level 2A assets as defined in LCR paragraph 52, including:

- Marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs or multilateral development banks that are assigned a 20% risk weight under the Basel II Standardised Approach for credit risk; and
- Corporate debt securities (including commercial paper) and covered bonds with a credit rating equal or equivalent to at least AA–.

Assets assigned a 50% RSF factor

32. Assets assigned a 50% RSF factor comprise:

(a) Unencumbered Level 2B assets as defined and subject to the conditions set forth in LCR paragraph 54, including:

  - residential mortgage-backed securities (RMBS) with a rating of at least AA;
  - corporate debt securities (including commercial paper) with a credit rating of between A+ and BBB–; and
  - exchange-traded common equity shares not issued by financial institutions or their affiliates.

(b) Any HQLA as defined in the LCR that are encumbered for a period of six months or more and less than one year;

(c) All loans to banks subject to prudential supervision with residual maturity of six months or more and less than one year; and

(d) Deposits held at other financial institutions for operational purposes, as outlined in LCR paragraphs 93–104, that are subject to the 50% ASF factor in paragraph 21 (b); and

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(e) All other non-HQLA not included in the above categories that have a residual maturity of less than one year, including loans to non-bank financial institutions, loans to non-financial corporate clients, loans to retail customers (ie natural persons) and small business customers, and loans to sovereigns, central banks and PSEs.[10]

Assets assigned a 65% RSF factor

33. Assets assigned a 65% RSF factor comprise:

(a) Unencumbered residential mortgages with a residual maturity of one year or more that would qualify for a 35% or lower risk weight under the Basel II Standardised Approach for credit risk; and

(b) 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 35% or lower risk weight under the Basel II Standardised Approach for credit risk.

Assets assigned an 85% RSF factor

34. Assets assigned an 85% RSF factor comprise:

(a) Other unencumbered performing loans that do not qualify for the 35% or lower risk weight under the Basel II Standardised Approach for credit risk and have residual maturities of one year or more, excluding loans to financial institutions;

(b) Unencumbered securities that are not in default and do not qualify as HQLA according to the LCR including exchange-traded equities; and

(c) Physical traded commodities, including gold.

Assets assigned a 100% RSF factor

35. Assets assigned a 100% RSF factor comprise:

(a) All assets that are encumbered for a period of one year or more;

(b) Derivatives receivable net of derivatives payable if receivables are greater; and

(c) 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, pension assets, intangibles, deferred tax assets, retained interest, insurance assets, subsidiary interests and defaulted securities.

36. Table 2 summarises the specific types of assets to be assigned to each asset category and their associated RSF factor.

[10] Loans related to multilateral and national development banks with residual maturities of less than six months that have short-term pass-through obligations receive a 50% RSF factor and are, thus, treated symmetrically on the ASF and RSF side, subject to the condition that both the asset and liability remain on the balance sheet.

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Summary of asset categories and associated RSF factors — Table 2

RSF factor	Components of RSF category
0%	• Coins and banknotes • All central bank reserves • Unencumbered loans to banks subject to prudential supervision with residual maturities of less than six months
5%	• Unencumbered Level 1 assets, excluding coins, banknotes and central bank reserves
15%	• Unencumbered Level 2A assets
50%	• Unencumbered Level 2B assets • HQLA encumbered for a period of six months or more and less than one year • Loans to banks subject to prudential supervision with residual maturities six months or more and less than one year • Deposits held at other financial institutions for operational purposes • All other assets not included in the above categories with residual maturity of less than one year, including loans to non-bank financial institutions, loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs
65%	• Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 35% • Other unencumbered loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the Standardised Approach
85%	• Other unencumbered performing loans with risk weights greater than 35% under the Standardised Approach and residual maturities of one year or more, excluding loans to financial institutions • Unencumbered securities that are not in default and do not qualify as HQLA including exchange-traded equities • Physical traded commodities, including gold
100%	• All assets that are encumbered for a period of one year or more • Derivatives receivable net of derivatives payable if receivables are greater than payables • 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, pension assets, intangibles, deferred tax assets, retained interest, insurance assets, subsidiary interests, and defaulted securities

Off-balance sheet exposures

37. Many potential OBS liquidity exposures require little direct or immediate funding but can lead to significant liquidity drains over a longer time horizon. The NSFR assigns an RSF factor to various OBS activities in order to ensure institutions hold stable funding for the portion of OBS exposures that may be expected to require funding within a one-year horizon.

38. Consistent with the LCR, the NSFR identifies OBS exposure categories based broadly on whether the commitment is a credit or liquidity facility or some other contingent funding obligation. Table 3 identifies the specific types of OBS exposures to be assigned to each OBS category and their associated RSF factor.

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Summary of off-balance sheet categories and associated RSF factors — Table 3

RSF factor	RSF category
5% of the currently undrawn portion	Irrevocable and conditionally revocable credit and liquidity facilities to any client
National supervisors can specify the RSF factors based on their national circumstances.	Other contingent funding obligations, including products and instruments such as: • Unconditionally revocable credit and liquidity facilities; • Trade finance-related obligations (including guarantees and letters of credit); • Guarantees and letters of credit unrelated to trade finance obligations; and • Non-contractual obligations such as – potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities; – structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes (VRDNs); and – managed funds that are marketed with the objective of maintaining a stable value

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Annex 1

Key changes from the Net Stable Funding Ratio published in December 2010

Available Stable Funding (ASF)
Recognition of operational deposits • Operational deposits were not recognised in the 2010 NSFR, and would have received a 0% ASF factor (except for operational deposits from non-financial corporates); all operational deposits have now been included in the category receiving a 50% ASF factor
Clarification of secured funding treatment • A distinction is no longer made between secured and unsecured funding for funding maturing in less than one year from non-financial corporate customers; both are given a 50% ASF factor; in the 2010 NSFR, only unsecured funding from non-financial corporates maturing in less than one year received a 50% ASF factor; by implication, secured funding from the same counterparties received a 0% ASF factor
Higher ASF factors for stable non-maturity deposits and term deposits • "Stable" non-maturity deposits and term deposits now receive a 95% ASF factor compared with a 90% ASF factor in the 2010 NSFR • "Less-stable" non-maturity and term deposits now receive a 90% ASF factor compared with an 80% ASF factor in the 2010 NSFR
Additional granularity for liabilities with residual maturities of less than one year • Some funding sources with a residual maturity of not less than six months and less than one year now receive a 50% ASF factor, compared with 0% ASF in the 2010 NSFR
Required Stable Funding (RSF)
Greater consistency with LCR HQLA definitions • Where applicable, references to Liquidity Coverage Ratio (LCR) definitions of Level 1, Level 2A and Level 2B assets have been added to ensure greater consistency and alignment across the two standards; these assets have now been assigned RSF factors without regard to residual maturity
Lower RSF factors for unencumbered loans to retail and small business customers • Unencumbered loans with a residual maturity of less than one year to retail and small business customers that do not qualify for a 35% or lower risk weight were lowered to a 50% RSF factor from an 85% RSF factor in the 2010 NSFR
Higher RSF factors for loans to non-bank financial institutions and non-HQLA securities • Non-renewable loans to non-bank financial institutions and non-HQLA securities with a residual maturity of less than one year did not require any stable funding in the 2010 NSFR, but have now been placed in the category requiring a 50% RSF factor
Additional granularity and lower RSF factors for certain other non-HQLA • Certain assets with risk weights greater than 35% under the Basel II Standardised Approach, including unencumbered performing loans with residual maturity of one year or greater, unencumbered non-HQLA securities not in default, physical traded commodities and exchange-traded equities have been moved to a category requiring an 85% RSF factor from a category requiring a 100% RSF factor in the 2010 NSFR
Higher RSF for HQLAs encumbered for a period of six months or more and less than one year • HQLA encumbered for a period of six months or more and less than one year were previously treated as unencumbered in the 2010 NSFR but have now been assigned a 50% RSF factor
Higher RSF factor for interbank lending for a period of six months or more and less than one year • Interbank lending for a period of six months or more and less than one year is now assigned a 50% RSF factor (compared with 0% in the 2010 NSFR) and is treated symmetrically on the funding side with a 50% ASF factor for interbank borrowing for a period of six months or more and less than one year