

Guidance note

Prudential Reporting of Liquidity Data

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Glossary

The following abbreviations are used within the document:

ASF	Available Stable Funding
Branch	Jersey operations of an OIB
BCBS	Basel Committee on Banking Supervision
CD	Certificate of Deposit
CP	Commercial Paper
FRN	Floating Rate Note
HQLA	High Quality Liquid Assets
JFSC	Jersey Financial Services Commission
LCR	Liquidity Coverage Ratio
NSFR	Net Stable Funding Ratio
OIB	Overseas Incorporated Bank
PSE	Public Sector Entity
RSF	Required Stable Funding

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1 Introduction

Overview

- 1.1 Liquidity risk is the risk that a firm is not able to fund increases in assets and meet obligations as they come due. Guidance on this subject is provided by the Basel Committee on Banking Supervision (BCBS) in its paper "Sound Practices for Managing Liquidity in Banking Organisations". Liquidity risk arises because banks are in the business of maturity transformation; they take in deposits that are often repayable on demand or on short notice and use these deposits to fund credit facilities to borrowers over long periods.
- 1.2 Changes to the reporting of liquidity risk to the JFSC were set out within JFSC's consultation paper "Liquidity Management and Reporting", issued in November 2006, and these are enacted within this module. The JFSC will consider the figures reported within this module to be a key indicator of the Branch's financial wellbeing.
- 1.3 The JFSC issued a guidance note, "Liquidity Management and Reporting", in May 2017 to address JFSC's other liquidity risk management requirements based on the consultation paper. These requirements are a minimum and are not intended to replace or represent an entity's liquidity management policy (LMP). The Code of Practice for Deposit-taking refers entities to the BCBS paper for further guidance.

Bank's Internal Reporting

- 1.4 Branches are required to monitor liquidity in accordance with their LMP. The LMP will determine the frequency of internal reporting (usually daily).
- 1.5 Generally, assets and liabilities should be reported on a residual maturity basis except where explicitly stated. The Branch should also report interest accrued according to when it is due to be paid/received and other expected cash flows such as dividend payments and settlement of fixed asset purchases. All cash inflows and outflows arising from foreign exchange contracts should be reported gross in lines A.10 and B.10.
- 1.6 A note explaining any key assumptions made in completing the form and the scope for significant potential variances should also be provided; accompanying the other prudential reporting paperwork.
- 1.7 Assets and liabilities are recorded on a maturity ladder and a mismatch position is calculated for each time bucket, and cumulatively across time buckets. A "worst-case" basis is used to determine the timing of cashflows, with assets being recorded at the latest potential maturity and liabilities at the earliest. Liquid instruments such as government securities, certificates of deposit (CDs), commercial paper (CP), and short dated floating rate notes (FRNs), should be classified according to their marketability.
- 1.8 During a period of strained liquidity, a bank's ongoing ability to execute certain foreign exchange transactions may be severely curtailed and the JFSC may also require the completion of additional returns for individual currencies held. All returns should be completed in sterling equivalent.

2 '11.1 Liquidity - Cashflows'

Overview

- 2.1 This document specifies prudential reporting on cashflows. It is intended to provide information relevant to the assessment of liquidity, alongside consideration of the LCR and NSFR.

Guidance

- 2.2 Cashflows should be calculated for each bucket. Where there is uncertainty over the timing of flows, the most prudent assumption should be used, as follows, unless the JFSC has agreed that for this reporting an assumption may be applied.
- 2.2.1 Inflows should be reported under the latest date. For example, undated inflows should be reported under the heading '>5 years'; and
 - 2.2.2 Outflows should be reported under the earliest date. For example, undated outflows should be reported under the heading 'Sight'.
- 2.3 For the avoidance of doubt, Branches may take into account all relevant factors. For example:
- 2.3.1 in the case of cash security, a Branch may consider whether an outflow would only be possible in the event of loan repayment; and
 - 2.3.2 in the case of derivatives, the Branch may take current market rates into account when forecasting inflows and outflows.
- 2.4 In all cases, the contractually due inflows or outflows must be reported according to the following buckets:
- 2.4.1 'Sight';
 - 2.4.2 '2 days to <8 days';
 - 2.4.3 '8 days to <1 month';
 - 2.4.4 '1 month to <3 months';
 - 2.4.5 '3 months to <6 months';
 - 2.4.6 '6 months to <1 year';
 - 2.4.7 '1 year to <3 years';
 - 2.4.8 '3 years to <5 years'; and
 - 2.4.9 '5 years & over incl outdated'.
- 2.5 A discount should be applied to the market value of an asset before inclusion. The absence of a market value would in all cases preclude an asset being considered marketable. The valuations should be less than 1 month old. The discounts to be used are:

	Less than 1 year	1 year to less than 5 years	5 years and over
Zone A: Sovereign debt, Bank CDs, Local Authority debt	0%	5%	10%
Zone A: Other Debt Securities	5%	10%	15%

	Less than 1 year	1 year to less than 5 years	5 years and over
Zone A: Main Index equities		20%	
All Zone B:		40%	

2.6 The definition of Zone A is given within the Schedule to the “Codes of Practice for Deposit-taking Business”. Should there be any doubt as to the correct discount, the deposit taker should contact the Commission for clarification.

2.7 All marketable equity positions should be shown on line A.5. Marketable debt should be split by type across lines A.2 to A.5.

Detailed guidance

Item	Completion Notes	
A.1	All placements with group companies.	Note A: Report all deposits placed with, and CDs or similar instruments issued by, group entities. No adjustment should be made for the marketability of these.
A.2	Zone A Government Bonds.	Note B: Marketable investments. An asset should only be considered as marketable if it fulfils the following criteria: <ul style="list-style-type: none"> › Prices are regularly quoted for the asset; › The asset is regularly traded; › The asset is readily sold, including by repo, either on an exchange, or in a deep and liquid market for payment in cash; and › Settlement is made according to a prescribed timetable, rather than being subject to negotiation.
A.3	Zone A <u>PSE</u> Debt.	
A.4	<u>CDs</u>, <u>CP</u> and <u>FRNs</u> of less than 1 year maturity.	
A.5	Other Marketable Investments.	
A.6	All placements with deposit takers.	Note C: These should be classified according to the latest contractual maturity date. Any embedded repayment options should be considered only where the bank has the sole right of exercise. Balances on call or demand should be classified as sight.
A.7	Loans and overdrafts.	Note D: These should be classified according to the latest contractual maturity date. Mortgages secured on residential property are to be shown separately, in line A.8, from all other loans and advances, in line A.7
A.8	Mortgages.	
A.9	Other Assets.	Note E: Report here: <ul style="list-style-type: none"> › non-marketable debt - to be classified according to the latest contractual maturity date;

Item	Completion Notes	
		<div><div>› non-marketable equity investments (incl. investments in unlisted companies) – to be shown in the “5 years & over incl undated” column;</div><div>› any embedded repayment options – to be considered only where the bank has the sole right of exercise;</div></div> <div>Other assets (incl. fixed assets, other debtors and accrued interest receivable) should be classified according to the latest contractual due date or as undated (eg fixed assets would normally be considered undated and shown at balance sheet value in the “5 years & over including undated” column).</div>
A.9.0	Total Asset Flows. Calculated as the sum of A.1 to A.9	
A.10	Gross FX Transaction Inflows.	Note F: Report cash inflows on a gross basis in all cases. Include all unsettled amounts classified by settlement date.
A.11	Facilities provided by group companies.	Note G: Report undrawn amounts where the facility is legally committed. Facilities provided by group companies should be shown in line A.11, and might, for example, include liquidity facilities made available by the reporting bank’s group treasury. All other facilities should be shown in line A.12
A.12	All other facilities	
A.13	Other Inflows.	Note H: Include all other known inflows that are legally committed.
A.0	Total Contractual Cash Inflow. Calculated as the sum of A.9.0 to A.13	
B.1	Deposits from group companies.	Note I: Report all deposits received from group companies according to their earliest potential maturity.
B.2	Retail Accounts - Demand & Notice.	Note J: “Retail” is defined as accounts in the names of individuals. Notice deposits that allow immediate withdrawal with interest penalties should be classified as sight deposits. Retail amounts are to be shown in lines B.2 & B.3, whilst Corporate and Fiduciary amounts are to be shown in lines B.4 & B.5. For both of these categories, demand & notice deposits are shown in the first line, with fixed term deposits on the second line.
B.3	Retail Accounts – Fixed.	
B.4	Corporate and Fiduciary - Demand & Notice.	
B.5	Corporate and Fiduciary – Fixed.	
B.6	Deposits from deposit takers. Include all deposits received from deposit takers according to their earliest potential maturity.	

Item	Completion Notes	
B.7	All other deposits. Include all other deposits received, according to their earliest potential maturity.	
B.7.1	Total Deposit Outflows. Calculated as the sum of B.1 to B.7	
B.8	Capital & Reserves.	Note K: These should be classified according to the latest contractual due date. Capital & Reserves should be shown separately, in line B.8, from Other Liabilities, which should be shown in line B.9. Many items here will be undated, (eg share capital) and should be shown in the “5 years & over incl unrated” column. The main exception to this would be subordinated debt, which should be classified according to its final maturity.
B.9	Other Liabilities.	
B.9.0	Liability Outflows. Calculated as the sum of B.7.1 to B.9	
B.10	Gross FX Transaction Outflows.	Note F: Report cash outflows on a gross basis in all cases. Include all unsettled amounts classified by settlement date.
B.11	Committed Standby facilities provided.	Note L: Report undrawn facilities provided to third parties where the facility is irrevocably committed.
B.12	Commitments to make loans and advances.	Note M: Report undrawn amounts where the loan is legally committed.
B.13	Other Outflows.	Note H: Include all other known outflows that are legally committed.
B.0	Total Contractual Cash Outflow. Calculated as the sum of B.9.0 to B.13	
E	Net Flow. Calculated as the difference between A.0 and B.0	
F	Cumulative Net Flow. Calculated as the sum of E from the same column and F from the preceding column.	
G	Cumulative Net Flow as % Total Deposits.	

3 ‘11.2 Liquidity – Large Deposits’

Guidance

- 3.1 Report both the ten largest deposits placed by depositors that are banks and the ten largest deposits placed by other depositors, these already having been aggregated by beneficial owner.
- 3.2 The identity of these depositors must be made available to the JFSC upon request.

4 '11.3 Whole-bank Liquidity Data'

Overview

- 4.1 Each Branch must provide prudential data relating to liquidity risk for the Overseas Incorporated Bank (**OIB**) of which it is a branch.
- 4.2 This comprises reporting of:
 - 4.2.1 For OIBs subject to a Liquidity Coverage Ratio (**LCR**) requirement in their home jurisdiction: key components of the LCR, the LCR itself and the pass rate set by the home supervisor;
 - 4.2.2 For OIBs subject to an Net Stable Funding Ratio (**NSFR**) reporting requirement: Available Stable Funding (**ASF**), Required Stable Funding (**RSF**) and the NSFR itself and any pass rate set by the home supervisor;
 - 4.2.3 For all OIBs, including those not subject to the above prudential liquidity requirements, other liquidity metrics established by the home supervisor that are relevant to liquidity.
- 4.3 In the last case, agreement should be sought regarding which metrics to report, which should be those regulator set metrics most relevant to the determination of liquidity. In the case of ratios other than the NSFR/LCR, reporting should include the name, the metric and supporting pieces of data to be supplied.
- 4.4 In all cases, ratios should be reported as percentages. The submission template is set up to convert the numbers inputted to percentages: if the ratio is 425/400 then 106.25 should be entered, which will be recorded and displayed as 106.25%.
- 4.5 All calculations should be according to the relevant regulatory requirements for liquidity that apply to the OIB and after applying any restrictions, percentages or haircuts that apply.
- 4.6 Variances may be granted to the above, which might include circumstances where there are barriers that cannot be overcome to the provision of data or where barriers have not yet been removed (on a time limited basis).
- 4.7 For each data item that has been requested and that falls within the framework set out below, please provide the current value in the "Amount 1" column and the value reported in the last prudential return in the "Amount 2" column. If no data requested, enter "0".

Detailed guidance

Item	Completion Notes
LCR.1	LCR. If the OIB itself is subject to the LCR by its home country supervisor then enter "LCR: Y", else enter "LCR: N".
LCR.2	Level 1 Assets. Report the amount of Level 1 HQLA held by the OIB and that forms part of its regulatory LCR calculation (after all relevant adjustment).
LCR.3	Level 2A Assets. Report the amount of Level 2A HQLA held by the OIB and that forms part of its regulatory LCR calculation (after all relevant adjustment).

Item	Completion Notes
LCR.4	Level 2B Assets. Report the amount of Level 2A HQLA held by the OIB and that forms part of its regulatory LCR calculation (after all relevant adjustment).
LCR.5	Total HQLA. Report the total amount of HQLA held by the OIB and that forms part of its regulatory LCR calculation (after all relevant adjustment).
LCR.6	Outflows. Report the total amount of predicted outflows for the OIB that forms part of its regulatory LCR calculation (after all relevant adjustment).
LCR.7	Inflows. Report the total amount of predicted inflows for the OIB that forms part of its regulatory LCR calculation (after all relevant adjustment).
LCR.8	Net Outflows. Report the total amount of net outflows for the OIB that forms part of its regulatory LCR calculation, being equal to its HQLA requirement (after all relevant adjustment).
LCR.9	LCR Ratio. Report the LCR for the OIB (after all relevant adjustment).
LCR.10	LCR Minimum. Report the LCR minimum for the OIB, as set by its home country supervisor. (Leave blank if no minimum has been established.)
NSFR.1	NSFR. If the OIB itself is subject to the NSFR by its home country supervisor then enter "NSFR: Y", else enter "NSFR: N"
NSFR.2	ASF. Report the total amount of ASF for the OIB that forms part of its regulatory NSFR calculation (after all relevant adjustment).
NSFR.3	RSF. Report the total amount of RSF for the OIB that forms part of its regulatory NSFR calculation (after all relevant adjustment).
NSFR.4	NSFR Ratio. Report the NSFR for the OIB (after all relevant adjustment).
NSFR.5	NSFR Minimum. Report the NSFR minimum for the OIB, as set by its home country supervisor. (Leave blank if no minimum has been established.)
Metric 1.1	Metric 1: If another metric has been agreed to be reportable, enter the name here.
Metric 1.2	Metric 1: level. Report the percentage being the metric reported determined in accordance with the home country supervisor's rules.
Metric 1.3	Metric 1: minimum. Report the minimum set by the home country supervisor.
Metric 1.4	Metric 1: data 1 Report either the first or only piece of supporting data for metric 1.
Metric 1.5	Metric 1: data 2 Report either the second piece of supporting data for metric 1.
Metric 2.1	Metric 2: If another metric has been agreed to be reportable, enter the name here.
Metric 2.2	Metric 2: level. Report the percentage being the metric reported determined in accordance with the home country supervisor's rules.
Metric 2.3	Metric 2: minimum. Metric 2: minimum". Report the minimum set by the home country supervisor.

Item	Completion Notes
Metric 2.4	Metric 2: data 1 Report either the first or only piece of supporting data for metric 2.
Metric 2.5	Metric 2: data 2 Report either the second piece of supporting data for metric 2.