Annex 1

Summary of revisions to the Liquidity Coverage Ratio (LCR)

Paragraph reference (2013 LCR document)	Revisions
HIGH-QUALITY LIQUID ASSETS	
53 – 54	**Addition of new category of Level 2B assets to the range of assets eligible as HQLA (inclusion to be subject to national discretion and satisfaction of all relevant criteria)** - Non-financial corporate debt securities rated A+ to BBB– with a **50%** haircut - Certain unencumbered listed common equities subject to a **50%** haircut - Certain residential mortgage-backed securities rated AA or higher with a **25%** haircut Aggregate of Level 2B assets, after haircuts, subject to a limit of **15%** of total HQLA
52(b), Footnote 21	**Rating requirement on qualifying Level 2 assets** - Use of local rating scales and inclusion of qualifying commercial paper
11 17 – 18	**Usability of HQLA in times of stress** - Incorporation of language related to the expectation that banks will use their pool of HQLA during periods of stress
28 – 43	**Operational requirements** - Refinement and clarification of the operational requirements for HQLA
48, Annex 1	**Operation of the caps on Level 2 HQLA** - Revision and improvement of the operation of the overall cap of 40% on Level 2 assets and the specific cap of 15% on Level 2B assets
55 – 68 Annex 2 Annex 3	**Alternative liquidity approaches (ALA)** - Development of the alternative treatments, and inclusion of a fourth option for Shari'ah-compliant banks

Paragraph reference (2013 LCR document)	Revisions
50(b) Footnotes 12 & 13	**Central bank reserves** - Clarification of language to confirm that supervisors have national discretion to include, or exclude, required central bank reserves (as well as overnight and certain term deposits) as HQLA as they consider appropriate
INFLOWS AND OUTFLOWS	
 78 108	**Insured deposits** - Reduction of the outflow rate for fully insured retail deposits from **5% to 3%**, subject to specific qualifying requirements - Reduction of the outflow rate for fully insured non-operational deposits from non-financial corporates, sovereigns, central banks, multilateral development banks and public sector entities (PSEs) from **40% to 20%** if the entire amount of deposit is fully covered by an effective deposit insurance scheme
107	**Non-financial corporate deposits** - Reduction of the outflow rate for "non-operational" deposits provided by non-financial corporates, sovereigns, central banks, multilateral development banks and PSEs from **75% to 40%**
128 131(c)	**Committed liquidity facilities to non-financial corporates** - Clarification of the definition of liquidity facilities and reduction of the drawdown rate for the unused portion of committed liquidity facilities granted to non-financial corporates, sovereigns, central banks, multilateral development banks and PSEs from **100% to 30%**
131(d) 131(e)	**Committed but unfunded inter-financial liquidity and credit facilities** - Recalibration of credit facilities and liquidity facilities granted to banks and non-bank financial institutions, and reduction of the outflow rates for the following two categories from **100% to 40%**: - both credit facilities and liquidity facilities granted to banks; and - credit facilities granted to non-bank financial institutions
120 – 123	**Derivatives** - Specification of additional types of derivatives outflows in the LCR with a **100%** outflow (relating to collateral substitution, and excess collateral that a bank is contractually obligated to return/provide if required by a counterparty)

Paragraph reference (2013 LCR document)	Revisions
	- Introduction of a standardised approach for liquidity risk related to market value changes in derivatives positions - Assumption of a net outflow of **0%** for derivatives (and commitments) that are contractually secured/collateralised by HQLA
138	**Trade finance** - Inclusion of guidance to indicate that a low outflow rate (**0–5%**) is expected to apply
114 – 115	**Secured funding transactions with central bank** - Reduction of the outflow rate for maturing secured funding transactions with central banks from **25% to 0%**
111 140 (last point) 141 145 – 148	**Client servicing brokerage** - Clarification of the treatment of activities related to client servicing brokerage (which generally lead to an **increase in net outflows**)
PHASE-IN ARRANGEMENT	
10	- Setting the minimum LCR requirement on 1 January 2015 at **60%**, which will rise by **10 percentage points per annum** to reach 100% on 1 January 2019
OTHER CHANGES	
	- Various clarifications to promote consistent application and reduce arbitrage opportunities (e.g. operational deposits from wholesale clients, derivatives cash flows, open maturity loans) - Incorporation of previously published FAQs