

# **MAS NOTICE 651**

14 December 2015

Last revised on 7 August 2019

## **NOTICE TO BANKS**

### **BANKING ACT, CAP 19**

#### **LIQUIDITY COVERAGE RATIO (“LCR”) DISCLOSURE**

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##### **Introduction**

- 1 This Notice is issued pursuant to section 10B of the Banking Act (Cap. 19) (the “Act”) and applies to every Reporting Bank incorporated in Singapore which is an internationally active bank or which has been notified by the Authority that it is a domestic systemically important bank (“D-SIB”).

[MAS Notice 651 (Amendment) 2019]

- 2 This Notice sets out requirements for a Reporting Bank to disclose quantitative and qualitative information about its Liquidity Coverage Ratio (“LCR”) –
  - (a) in the case of a D-SIB incorporated in Singapore and whose head office or parent bank is incorporated in Singapore, or an internationally active bank, on a consolidated level, which consolidates the assets and liabilities of all its banking group entities, other than those of the following banking group entities, if any:
    - (i) an insurance subsidiary; or
    - (ii) any other entity, where such non-consolidation of assets and liabilities of the entity is expressly permitted under the Accounting Standards. For the avoidance of doubt, the exemption in paragraph 4(a) of Singapore Financial Reporting Standards 110 (“SFRS 110”) Consolidated Financial Statements<sup>A</sup> shall not apply for the purposes of complying with this paragraph;
  - (b) in the case of a D-SIB incorporated in Singapore that is not an internationally active bank and whose head office or parent bank is incorporated outside Singapore, and the D-SIB has not obtained the approval of the Authority pursuant to paragraph 4 of MAS Notice 649 to comply with the requirements set out in that Notice on a country-level group basis, at the entity level; and

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<sup>A</sup> Paragraph 4(a) of SFRS 110 exempts a parent from presenting consolidated financial statements, subject to certain conditions.

[MAS Notice 651 (Amendment) 2019]

- (c) in the case of a D-SIB incorporated in Singapore that is not an internationally active bank and whose head office or parent bank is incorporated outside Singapore, and the D-SIB has obtained the approval of the Authority pursuant to paragraph 4 of the MAS Notice 649 to comply with the requirements set out in that Notice on a country-level group basis, at country-level group level.

It also sets out additional requirements on quantitative and qualitative information that a Reporting Bank is required to disclose. Together, these disclosures are intended to facilitate users' understanding of the Reporting Bank's liquidity risk profile and management, and thereby promote market discipline.

[MAS Notice 651 (Amendment) 2017]

[MAS Notice 651 (Amendment) 2019]

- 2A A Reporting Bank need not comply with the requirements in this Notice if it is a subsidiary of –

- (a) another Reporting Bank which is subject to the requirements in this Notice; or
- (b) a financial holding company which is subject to requirements similar to that set out in this Notice.

[MAS Notice 651 (Amendment) 2019]

## **Definitions**

- 3 In this Notice –

“LCR Disclosure Template” refers to the template set out in Appendix 1; and

“parent bank” has the same definition as in paragraph 1 of the Fifth Schedule of the Banking Act.

[MAS Notice 651 (Amendment) 2019]

[Deleted by MAS Notice 651 (Amendment) 2019]

- 4 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meaning as in the Act and paragraphs 1A and 17 of MAS Notice 649.

[MAS Notice 651 (Amendment) 2019]

## Public Disclosure of Quantitative and Qualitative Information

5 A Reporting Bank shall publish on a quarterly basis –

- (a) quantitative information relating to its LCR in the format of the LCR Disclosure Template<sup>1</sup> in accordance with the instructions provided in Appendix 3; and
- (b) qualitative information<sup>2</sup> relating to its LCR for the purposes of enabling users to better understand and analyse the quantitative information.

[MAS Notice 651 (Amendment) 2017]

[MAS Notice 651 (Amendment) 2019]

5A For reporting periods ending otherwise than at the close of an annual reporting period –

- (a) a Reporting Bank which issues quarterly financial statements shall publish the quantitative and qualitative information referred to in paragraph 5 concurrently with the publication of its quarterly financial statements, and in any case, no later than 45 days after the end of the reporting period; and
- (b) a Reporting Bank which does not issue quarterly financial statements shall publish the quantitative and qualitative information referred to in paragraph 5 no later than 45 days after the end of the reporting period.

[MAS Notice 651 (Amendment) 2017]

[MAS Notice 651 (Amendment) 2019]

5B For reporting periods ending at the close of an annual reporting period –

- (a) a Reporting Bank which issues quarterly financial statements shall publish the quantitative and qualitative information referred to in paragraph 5 concurrently with the publication of its annual report or financial statements, and in any case, no later than 4 months after the end of the reporting period; and

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<sup>1</sup> Explanations for the respective items in the LCR Disclosure Template are set out in Appendix 2.

<sup>2</sup> Examples of the qualitative information are –

- (a) the main drivers of the Reporting Bank's LCR results and the evolution of the contribution of inputs to the LCR's calculation over time;
- (b) intra-period changes as well as changes over time;
- (c) the composition of HQLA;
- (d) concentration of sources of funding;
- (e) derivative exposures and potential collateral calls;
- (f) currency mismatch in the LCR;
- (g) description of the degree of centralisation of liquidity management and interaction between the group's units; and
- (h) other inflows and outflows in the LCR calculation that are not captured in the LCR Disclosure Template but which the Reporting Bank considers to be relevant for its liquidity profile.

[MAS Notice 651 (Amendment) 2019]

- (b) a Reporting Bank which does not issue an annual report shall publish the quantitative and qualitative information referred to in paragraph 5 no later than 4 months after the end of the reporting period.

[MAS Notice 651 (Amendment) 2019]

- 5C Notwithstanding paragraph 5, a Reporting Bank that has not been notified by the Authority that it is a D-SIB and whose head office or parent bank is incorporated outside Singapore may publish the quantitative and qualitative information referred to in paragraph 5 on a semi-annual basis.

[MAS Notice 651 (Amendment) 2019]

- 6 A Reporting Bank shall publish the quantitative and qualitative information referred to in paragraph 5 in the standalone Pillar 3 report required under paragraph 11.2.7 of MAS Notice 637.

[MAS Notice 651 (Amendment) 2019]

- 7 A Reporting Bank shall make available on its website an archive of all quantitative and qualitative information referred to in paragraphs 5 and 10 that it has published for a period of not less than 5 years.

[MAS Notice 651 (Amendment) 2019]

- 8 A Reporting Bank shall present the quantitative information referred to in paragraph 5 –
  - (a) with respect to all currency LCR, in the same currency as its published financial statements; and
  - (b) with respect to Singapore Dollar LCR, in Singapore Dollars.

[MAS Notice 651 (Amendment) 2019]

- 9 A Reporting Bank shall –
  - (a) present the quantitative information referred to in paragraph 5 as simple averages of daily observations over the previous quarter; and
  - (b) publish the number of data points used in calculating the average figures.

[MAS Notice 651 (Amendment) 2017]

[MAS Notice 651 (Amendment) 2019]

10 A Reporting Bank shall disclose at least annually –

- (a) quantitative information relating to its internal liquidity risk measurement and management framework to enable users to better understand and analyse the data provided in the LCR Disclosure Template<sup>3</sup>; and
- (b) qualitative information to enable users to better understand its internal liquidity risk management and positions<sup>4</sup>.

[MAS Notice 651 (Amendment) 2017]

[MAS Notice 651 (Amendment) 2019]

10A A Reporting Bank which issues an annual report shall publish the quantitative and qualitative information referred to in paragraph 10 concurrently with the publication of its annual report or financial statements, and in any case, no later than 4 months after the end of the reporting period. A Reporting Bank which does not issue an annual report shall publish the information no later than 4 months after the end of the reporting period.

[MAS Notice 651 (Amendment) 2019]

10B A Reporting Bank shall publish the quantitative and qualitative information referred to in paragraph 10 in –

- (a) the standalone Pillar 3 report required under paragraph 11.2.7 of MAS Notice 637; or

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<sup>3</sup> Quantitative information could include, but is not limited to –

- (a) key monitoring tools as defined under the Basel III liquidity risk framework;
- (b) customised measurement tools or metrics that assess the structure of the Reporting Bank's balance sheet;
- (c) metrics that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to the Reporting Bank;
- (d) concentration limits on collateral pools and sources of funding (both products and counterparties);
- (e) liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity; and
- (f) balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

[MAS Notice 651 (Amendment) 2017]

[MAS Notice 651 (Amendment) 2019]

<sup>4</sup> Qualitative information could include, but is not limited to –

- (a) governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors;
- (b) funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised;
- (c) liquidity risk mitigation techniques;
- (d) an explanation of how stress testing is used; and
- (e) an outline of contingency funding plans.

[MAS Notice 651 (Amendment) 2017]

[MAS Notice 651 (Amendment) 2019]

- (b) a separate document from the standalone Pillar 3 report, provided that:
  - (i) the level of assurance on the reliability of information in the separate document is equivalent to, or greater than, the internal assurance level required for the standalone Pillar 3 report; and
  - (ii) it includes in the standalone Pillar 3 report the following information –
    - (A) the title of the disclosure requirement;
    - (B) the full name of the separate document in which the information has been published;
    - (C) the URL to such disclosure of the information on its website, where relevant; and
    - (D) the page and paragraph number of the separate document where the information can be located.

[MAS Notice 651 (Amendment) 2019]

10C A Reporting Bank shall present narrative commentaries to supplement the disclosure of quantitative information referred to in paragraphs 5 and 10 in a format at the Reporting Bank's discretion to explain any significant changes between reporting periods and any other issues of interest to users.

[MAS Notice 651 (Amendment) 2019]

10D A Reporting Bank may omit the disclosure of any information required in this Notice if the omitted information is –

- (a) proprietary or confidential in nature as defined in paragraph 11.2.13 of MAS Notice 637; or
- (b) assessed not to be meaningful or relevant to users.

[MAS Notice 651 (Amendment) 2019]

10E Where a Reporting Bank omits a disclosure under paragraph 10D(a), the Reporting Bank shall identify the information that it has omitted to disclose in a narrative commentary and provide a reason for the omission. The Reporting Bank shall also disclose general qualitative information about the subject matter of the disclosure requirement.

[MAS Notice 651 (Amendment) 2019]

- 10F Where a Reporting Bank omits a disclosure under paragraph 10D(b), the Reporting Bank shall state clearly in a narrative commentary why the information that it has omitted to disclose is assessed not to be meaningful or relevant to users.

[MAS Notice 651 (Amendment) 2019]

- 10G A Reporting Bank may omit the disclosure of any qualitative information referred to in paragraph 10 if the Reporting Bank –

- (a) has a parent bank that is incorporated outside Singapore that is subject to disclosure requirements similar to those set out in this Notice on a consolidated basis, which is inclusive of the operations of the Reporting Bank; and
- (b) makes clear reference in the standalone Pillar 3 report to the location of the relevant disclosure made by that parent bank.

[MAS Notice 651 (Amendment) 2019]

- 10H A Reporting Bank shall ensure that the disclosure of quantitative and qualitative information referred in paragraphs 5 and 10 is subject, at a minimum, to the same level of internal review and internal control processes as the information provided by the Reporting Bank for its financial reporting, if applicable, and the level of assurance shall be the same as for information provided within the management discussion and analysis part of its annual report.

[MAS Notice 651 (Amendment) 2019]

- 10I A Reporting Bank shall take into consideration the disclosures required under this Notice in formulating its disclosure policy in accordance with paragraphs 11.2.17 and 11.2.18 of MAS Notice 637.

[MAS Notice 651 (Amendment) 2019]

- 10J A Reporting Bank may disclose information in addition to those required under this Notice to provide users with a broader picture of the Reporting Bank's risk position and promote market discipline. If a Reporting Bank discloses additional quantitative information, the Reporting Bank should also disclose sufficient meaningful or relevant information to enable users to understand and analyse the quantitative information disclosed, accompanied by a qualitative discussion.

[MAS Notice 651 (Amendment) 2019]

- 10K A Reporting Bank should apply the principles in paragraph 11.1.2 of MAS Notice 637 in making its disclosures.

[MAS Notice 651 (Amendment) 2019]

**Effective Date**

- 11 This Notice shall take effect on 1 January 2016. A D-SIB shall comply with this Notice from the date of the first reporting period after 1 January 2016.



## LCR Disclosure Template

		TOTAL UNWEIGHTED <sup>5</sup> VALUE (average)	TOTAL WEIGHTED <sup>6</sup> VALUE (average)
<b>HIGH-QUALITY LIQUID ASSETS</b>			
1	Total high-quality liquid assets (HQLA)		
<b>CASH OUTFLOWS</b>			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits		
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)		
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities		
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	<b>TOTAL CASH OUTFLOWS</b>		
<b>CASH INFLOWS</b>			
17	Secured lending (eg reverse repos)		
18	Inflows from fully performing exposures		
19	Other cash inflows		
20	<b>TOTAL CASH INFLOWS</b>		
<b>TOTAL ADJUSTED<sup>7</sup> VALUE</b>			
21	<b>TOTAL HQLA</b>		
22	<b>TOTAL NET CASH OUTFLOWS</b>		
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>		

<sup>5</sup> Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

<sup>6</sup> Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

<sup>7</sup> Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

## Explanation of the LCR Disclosure Template

Row number	Explanation	Relevant paragraph(s) of MAS Notice 649
1	Sum of all eligible high-quality liquid assets (HQLA), as defined in MAS Notice 649, before the application of any limits, excluding assets that do not meet the operational requirements, and including, where applicable, assets qualifying under alternative liquidity approaches	21-30
2	Retail deposits and deposits from small business customers are the sum of stable deposits, less stable deposits and any other funding sourced from (i) natural persons and/or (ii) small business customers (as defined in MAS Notice 649)	33-41, 45, 58
3	Stable deposits include deposits placed with a bank by a natural person and unsecured wholesale funding provided by small business customers, defined as “stable” in MAS Notice 649	33-38, 40-41, 45, 58
4	Less stable deposits include deposits placed with a bank by a natural person and unsecured wholesale funding provided by small business customers, not defined as “stable” in MAS Notice 649	33-36, 39-41, 45, 58
5	Unsecured wholesale funding is defined as those liabilities and general obligations from customers other than natural persons and small business customers that are not collateralised	42-57
6	Operational deposits include deposits from bank clients with a substantive dependency on the bank where deposits are required for certain activities (ie clearing, custody or cash management activities). Deposits in institutional networks of cooperative banks include deposits of member institutions with the central institution or specialised central service providers	46-55
7	Non-operational deposits are all other unsecured wholesale deposits, both insured and uninsured	55-57
8	Unsecured debt includes all notes, bonds and other debt securities issued by the bank, regardless of the holder, unless the bond is sold exclusively in the retail market and held in retail accounts	58
9	Secured wholesale funding is defined as all collateralised liabilities and general obligations	60-63
10	Additional requirements include other off-balance sheet liabilities or obligations	64-79
11	Outflows related to derivative exposures and other collateral requirements include expected contractual derivatives cash flows on a net basis. These outflows also include increased liquidity needs related to: downgrade triggers embedded in financing transactions, derivative and other contracts; the	64-70

	potential for valuation changes on posted collateral securing derivatives and other transactions; excess non-segregated collateral held at the bank that could contractually be called at any time; contractually required collateral on transactions for which the counterparty has not yet demanded that the collateral be posted; contracts that allow collateral substitution to non-HQLA assets; and market valuation changes on derivatives or other transactions	
12	Outflows related to loss of funding on secured debt products include loss of funding on: asset-backed securities, covered bonds and other structured financing instruments; and asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	71-72
13	Credit and liquidity facilities include drawdowns on committed (contractually irrevocable) or conditionally revocable credit and liquidity facilities. The currently undrawn portion of these facilities is calculated net of any eligible HQLA if the HQLA have already been posted as collateral to secure the facilities or that are contractually obliged to be posted when the counterparty draws down the facility	73-79
14	Other contractual funding obligations include contractual obligations to extend funds within a 30-day period and other contractual cash outflows not previously captured under MAS Notice 649	80-81, 89
15	Other contingent funding obligations, as defined in MAS Notice 649	82-88
16	Total cash outflows: sum of lines 2–15	
17	Secured lending includes all maturing reverse repurchase and securities borrowing agreements	92-98
18	Inflows from fully performing exposures include both secured and unsecured loans or other payments that are fully performing and contractually due within 30 calendar days from retail and small business customers, other wholesale customers, operational deposits and deposits held at the centralised institution in a cooperative banking network	102-103, 105-106
19	Other cash inflows include derivatives cash inflows and other contractual cash inflows	104, 107-109
20	Total cash inflows: sum of lines 17–19	
21	Total HQLA (after the application of any cap on Level 2B and Level 2 assets)	21-30
22	Total net cash outflows (after the application of any cap on cash inflows)	31
23	Liquidity Coverage Ratio (after the application of any cap on Level 2B and Level 2 assets and caps on cash inflows)	17

[MAS Notice 651 (Amendment) 2019]

## Instructions for Completing the LCR Disclosure Template

Rows in the template are set and compulsory for all banks. The table in Appendix 2 provides an explanation of each line of the LCR Disclosure Template, with references to the relevant paragraph(s) of MAS Notice 649. Key points to note about the template:

- Each dark grey row introduces a section of the template (HQLA, cash outflows and cash inflows) and does not require any value to be reported.
- The light grey rows represent the broad categories of the subcomponents of the LCR in the relevant section.
- The unshaded rows represent subcomponents within the major categories of cash outflows. The relevant subcomponents to be included in the calculation of each row are specified in Appendix 2.
- No data should be entered in the cross-hatched cells.

Figures entered in the template must be averages of the observations of individual line items over the financial reporting period (i.e. the average of components and the average LCR over the most recent three months of daily positions, irrespective of the financial reporting schedule). The averages are calculated after the application of any haircuts, inflow and outflow rates and caps, where applicable. For example:

$$\text{Total unweighted stable deposits}_{Qi} = \frac{1}{T} \times \sum_{t=1}^T (\text{Total unweighted stable deposits})_t$$

$$\text{Total weighted stable deposits}_{Qi} = \frac{1}{T} \times \sum_{t=1}^T (\text{Total weighted stable deposits})_t$$

where  $T$  equals the number of observations in period  $Qi$ .

*Weighted* figures of HQLA (line 1, third column) must be calculated after the application of the respective haircuts but before the application of any caps on Level 2B and Level 2 assets. Unweighted inflows and outflows (lines 2–8, 11–15 and 17–20, second column) must be calculated as outstanding balances. *Weighted* inflows and outflows (lines 2–20, third column) must be calculated after the application of the inflow and outflow rates.

Adjusted figures of HQLA (line 21, third column) must be calculated after the application of both (i) haircuts and (ii) any applicable caps (ie cap on Level 2B and Level 2 assets). *Adjusted* figures of net cash outflows (line 22, third column) must be calculated after the application of both (i) inflow and outflow rates *and* (ii) any applicable cap (ie cap on inflows).

The LCR (line 23) must be calculated as the average of observations of the LCR:

$$\text{LCR}_{Qi} = \frac{1}{T} \times \sum_{t=1}^T \text{LCR}_t$$

Not all reported figures will sum exactly, particularly in the denominator of the LCR. For example, “total net cash outflows” (line 22) may not be exactly equal to “total cash outflows” minus “total cash inflows” (line 16 minus line 20) if the cap on inflows is binding. Similarly, the disclosed LCR may not be equal to an LCR computed on the basis on the average values of the set of line items disclosed in the template.

[MAS Notice 651 (Amendment) 2019]

**\* Notes on History of Amendments**

1. MAS Notice 651 (Amendment) 2017 dated 28 December 2017 with effect from 31 December 2017.
2. MAS Notice 651 (Amendment) 2019 dated 7 August 2019 with effect from 1 October 2019.