Liquidity Risk Policy

Prudential Risk Policy | Global

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Replace all references to “the Company” with your organisation’s name.

Document Control

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Contents

1. Purpose

This Policy establishes the framework by which the Company identifies, measures, monitors, limits and reports liquidity risk. Its objective is to ensure that the Company holds sufficient high-quality liquid assets and maintains sufficient stable funding capacity, at all times and in all plausible conditions, to meet its obligations as they fall due without incurring unacceptable losses and without reliance on emergency support.

The Policy gives effect to the Basel III liquidity framework as implemented in the Company's operating jurisdiction(s), comprising the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the Basel Committee's additional liquidity monitoring metrics, and the BCBS Principles for Sound Liquidity Risk Management and Supervision. [Where the Company's prudential regulator applies a simplified or small-institution liquidity regime in place of the LCR and NSFR — for example a minimum liquid asset ratio or simplified NSFR — references in this Policy to the LCR and NSFR must be read as references to the corresponding local metrics, and the limit structure in Appendix A must be adapted accordingly.]

This Policy is approved by the Board Risk Committee under delegated authority of the Board, on the recommendation of the Asset and Liability Committee (ALCO). The Chief Financial Officer owns this Policy and is accountable for its implementation and annual review. Nothing in this Policy limits the Board's ultimate responsibility for the sound management of liquidity risk.

2. Scope

This Policy applies to the Company and to all of its controlled entities, business lines, products, channels and booking locations, and to all on-balance-sheet and off-balance-sheet positions that give rise to liquidity risk, including committed and standby facilities, guarantees, derivative collateral obligations and settlement obligations. It applies to liquidity risk in all currencies in which the Company transacts; where foreign currency activity is undertaken, liquidity must be managed on both an aggregate and a significant single-currency basis.

This Policy binds all directors, officers, employees, contractors and secondees of the Company. It applies most directly to the Treasury function (first line), the Risk function (second line), Finance, Operations and Internal Audit, whose specific responsibilities are set out in Section 8.

This Policy governs liquidity risk only. Interest rate risk in the banking book, market risk, and capital management are governed by separate policies, although the interaction between liquidity, funding and capital must be considered in balance sheet planning. The Contingency Funding Plan (CFP) required by this Policy must be consistent with, and cross-reference, the Company's recovery plan or equivalent crisis preparedness documentation required by its prudential regulator, and CFP actions must not double-count capacity assumed in that plan.

Jurisdictional application. This Policy states international best practice anchored to the Basel Framework and related standards. The Company must map the requirements of this Policy to the law and regulatory requirements of each jurisdiction in which it operates, including any local implementation of the LCR and NSFR, and where local law or regulation imposes a stricter requirement than this Policy, the local requirement prevails.

3. Definitions

Term	Definition
Asset and Liability Committee (ALCO)	The management committee responsible for day-to-day oversight of the Company's balance sheet, including funding, liquidity, market risk and interest rate risk in the banking book, operating under delegated authority from the Board or its risk committee.
Available stable funding (ASF)	The portion of the Company's capital and liabilities expected to remain with the Company over a one-year horizon, weighted in accordance with the Basel III Net Stable Funding Ratio standard.
Contingency Funding Plan (CFP)	The documented plan setting out the triggers, governance, funding actions and communications the Company will execute to manage a liquidity stress event.
Early Warning Indicator (EWI)	A forward-looking quantitative or qualitative metric, with defined warning and trigger levels set inside the Company's risk appetite limits, whose deterioration or breach signals emerging stress and prompts heightened monitoring and management assessment before a recovery or escalation trigger is reached.
Encumbrance	Any charge, pledge, repurchase obligation or other restriction that prevents an asset from being freely sold or used as collateral; encumbered assets do not qualify as HQLA under this Policy.
Funding concentration	Reliance on a single counterparty, product, sector, tenor, currency or market for funding to a degree that its withdrawal could materially impair the Company's liquidity.
Funds transfer pricing (FTP)	The internal mechanism by which the costs, benefits and risks of liquidity are attributed to business lines, products and transactions.
Going-concern scenario	A cash flow projection of the Company's

	liquidity position under normal business conditions, incorporating approved behavioural assumptions.
High-quality liquid assets (HQLA)	Unencumbered assets that can be converted into cash quickly with little or no loss of value, meeting the eligibility criteria, haircuts and composition caps of the Basel III Liquidity Coverage Ratio standard (Level 1, Level 2A and Level 2B assets).
Intraday liquidity	Funds available to the Company during the business day to meet payment and settlement obligations at the time they fall due.
Liquidity Coverage Ratio (LCR)	The ratio, as defined in the Basel III LCR standard, of the Company's stock of high-quality liquid assets (HQLA) to its total net cash outflows over a 30 calendar day period under the prescribed stress scenario, subject to a minimum of 100% or such simplified equivalent measure as the Company's prudential regulator applies.
Liquidity risk	The risk that the Company is unable to meet its financial obligations as they fall due, or can do so only at excessive cost; it comprises funding liquidity risk and market liquidity risk.
Market liquidity risk	The risk that the Company cannot readily sell or pledge assets at or near their carrying value because of inadequate market depth or market disruption.
Maturity mismatch	The difference between contractual or behaviourally adjusted cash inflows and outflows within a defined time band.
Name-crisis scenario	A stress scenario specific to the Company in which counterparties and depositors lose confidence in the Company's ability to meet its obligations, resulting in accelerated outflows and loss of funding access.
Net Stable Funding Ratio (NSFR)	The ratio of the Company's available stable funding to its required stable funding over a one-year horizon, as defined in the Basel III net stable funding ratio standard, which sets a minimum of 100% where applied to the Company by its prudential regulator.
Required stable funding (RSF)	The amount of stable funding the Company is required to hold given the

	liquidity characteristics and residual maturities of its assets and off-balance-sheet exposures, weighted in accordance with the Basel III NSFR standard.
Survival horizon	The period over which the Company can continue to meet its obligations under a defined stress scenario without recourse to extraordinary measures.

4. Regulatory Framework

The key legislation, regulations and standards relevant to this document include (as amended from time to time):

Instrument / Standard	Relevance
BCBS Principles for Sound Liquidity Risk Management and Supervision (2008)	The international benchmark for liquidity risk governance, measurement, stress testing, intraday management and contingency planning on which this Policy's architecture is based.
Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools (BCBS, 2013)	Defines the LCR, HQLA eligibility, haircuts and composition caps, and the additional monitoring metrics (contractual maturity mismatch, funding concentration, unencumbered assets) applied in this Policy.
Basel III: The Net Stable Funding Ratio (BCBS, 2014)	Defines the NSFR structural funding requirement, including ASF and RSF weightings, that governs the Company's funding profile under this Policy.
Basel Framework — LIQ standards and Supervisory Review Process (Pillar 2)	Consolidates the binding liquidity standards and the supervisory expectation that the Company maintain an internal liquidity adequacy assessment proportionate to its risk profile.
BCBS Monitoring tools for intraday liquidity management (2013)	Prescribes the intraday liquidity metrics and stress considerations underlying the intraday requirements in Section 10.2.
BCBS Corporate Governance Principles for Banks (2015)	Sets the Board and committee oversight, risk appetite and three-lines expectations within which liquidity risk governance under this Policy is exercised.
BCBS 239 — Principles for Effective Risk Data Aggregation and Risk Reporting (2013)	Governs the accuracy, completeness and timeliness of the liquidity data used for daily ratio calculation, stress testing and crisis reporting under this Policy.
Basel Framework — Pillar 3 disclosure requirements (DIS)	Prescribes the periodic public disclosure of the LCR, NSFR and liquidity risk management information, where applied

End of preview

This is a preview extract. The complete document continues beyond the pages shown here.

The full document is supplied as a single, fully editable Microsoft Word (.docx) file immediately after purchase — including every remaining section, the definitions, the regulatory framework references and all appendices and templates.

Bracketed prompts such as [30 days] mark the points where your own thresholds, committee names and local regulatory references are inserted.