Qualitative disclosure around Liquidity Coverage Ratio (LCR)

In the backdrop of the global financial crisis that started in 2007, the Basel Committee on Banking Supervision (BCBS) proposed certain reforms to strengthen global capital and liquidity regulations with the objective of promoting a more resilient banking sector. In this direction BCBS published guidelines on ‘Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools’ in January 2013 and the ‘Liquidity Coverage Ratio Disclosure Standards’ in January 2014. Accordingly, Reserve Bank of India, vide its circular dated June 09, 2014, issued guidelines on Liquidity Coverage Ratio (LCR).

The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors.

Definition of LCR:

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}} >= 100\%$$

The LCR requirement is binding on banks from January 1, 2015. LCR is to be maintained at 100%.

High Quality Liquid Assets (HQLA):

Under the standard, banks must hold a Stock of unencumbered HQLA to cover the total net cash outflows over 30-day period under the prescribed stress scenario. In order to qualify as HQLA, assets should be liquid in markets during times of stress and, in most cases, be eligible for use in central bank operations. The HQLA of the Bank mainly comprise of SLR investments over and above mandatory requirement, liquidity available by way of borrowing under Marginal Standing Facility (2% of NDTL), Facility to Avail Liquidity for Liquidity Coverage Ratio (16% of NDTL) & other securities as may be permitted by Reserve Bank of India from time to time.

Total net cash outflows:

Total expected cash out flows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow.

Liquidity Management:

The Bank has well organized liquidity risk management structure as enumerated in ALM Policy which is approved by the Board. The Asset Liability Management Committee (ALCO) of the Bank monitors & manages liquidity and interest rate risk in line with the business strategy. ALM activity including liquidity analysis & management is conducted through coordination between various ALCO support groups residing in the functional areas of Balance Sheet Management, Treasury Front Office, Budget and Planning etc. ALCO directives and ALM actions are implemented by the business groups and verticals.

The Bank during the quarter ended 31st March 2023, maintained average HQLA of ₹64,956.35 crore after factoring eligible haircuts. HQLA is mainly driven by Level 1 Assets and comprises mainly of Government securities and T-bills which constitute more than 90% of HQLA as on 31st March 2023. Bank has well diversified source of funds which mainly comprise of deposits, with top 20 depositors contributing 8.04% of total deposits as on 31st March 2023.

The average LCR for the quarter ended March 31, 2023 was at 135.66% above the present prescribed minimum requirement of 100%.

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LCR DISCLOSURE

₹ crore

		Quarter ended March 2023		Quarter ended December 2022		Quarter ended Sep 2022		Quarter ended June 2022	
Sr. No		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
1	Total High Quality Liquid Assets (HQLA) -Annexure-I		64956		59009		60592		63766
	Cash Outflow		0						
2	Retail deposits and deposits from small business customers, of which:	125989	12175	122886	11863	122413	11816	122785	11848
(i)	Stable deposits	8461	423	8510	426	8498	425	8610	430
(ii)	Less stable deposits	117528	11752	114376	11438	113915	11392	114176	11418
3	Unsecured wholesale funding, of which:	57288	34622	55090	35333	53912	34742	52926	33049
(i)	Operational deposits (all counterparties)	0	0	0	0	0	0	0	0
(ii)	Non-operational deposits (all counterparties)	56468	33802	54270	34513	53092	33922	52106	32229
(iii)	Unsecured debt	820	820	820	820	820	820	820	820
4	Secured wholesale funding		0		0		0		0
5	Additional requirements, of which	5516	2645	2371	2191	1203	1195	627	627
(i)	*Outflows related to derivative exposures and other collateral requirements*	2164	2164	2071	2071	1190	1190	627	627
(ii)	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
(iii)	*Credit and liquidity*	3352	481	300	120	13	5	0	0
6	Other contractual funding obligations	1864	1864	1546	1546	1677	1677	1583	1583
7	Other contingent funding obligations	147047	6207	153993	6677	145594	6266	141892	6147
8	**Total Cash Outflows**		57512		57610		55696		53254
	Cash Inflows	0	0						
9	Secured lending (e.g. reverse repos)	355	0	269	0	140	0	4799	0
10	Inflows from fully performing exposures	6341	3157	5712	2856	5591	2795	4338	2169
11	Other cash inflows	6453	6474	6595	6470	5686	5674	6180	6180
12	**Total Cash Inflows**	13149	9631	12576	9326	11418	8469	15316	8349
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13	**TOTAL HQLA**		64956		59009		60,592		63,766
14	**Total Net Cash Outflows**		47881		48285		47,227		44,906
15	**Liquidity Coverage Ratio (%)**		**135.66%**		**122.21%**		**128.30%**		**142.00%**

***Note:** In accordance with RBI circular Ref: RBI/2013-14/635 DBOD.BP.BC.No.120 /21.04.098/2013-14 dated June 09, 2014, the average weighted and un-weighted amounts are calculated taking daily simple average from 1st April to 31st March for working days.*