

## MAS NOTICE FHC-N651

29 June 2022

NOTICE TO DESIGNATED FINANCIAL HOLDING COMPANIES  
FINANCIAL HOLDING COMPANIES ACT 2013

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

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#### Introduction

1 This Notice is issued pursuant to section 60(1) of the Financial Holding Companies Act 2013 (the “Act”) and applies to all financial holding companies that –

- (a) have a subsidiary that is a bank incorporated in Singapore;
- (b) are predominantly banking DFHCs; and
- (c) are internationally active designated financial holding companies or are entities within a group that is designated by the Authority as a domestic systemically important bank<sup>1</sup> (“D-SIB”).

(referred to in this Notice as “FHCs”, or each, an “FHC”).

2 This Notice sets out requirements for an FHC to disclose quantitative and qualitative information about its Liquidity Coverage Ratio (“LCR”) on a consolidated (“Group”) level, which consolidates the assets and liabilities of all its FHC group entities, other than those of the following FHC group entities, if any:

- (a) an insurance subsidiary;
- (b) any other entity, where such non-consolidation of assets and liabilities of the entity is expressly permitted under the Accounting Standards. To avoid doubt, the exemption for an entity that is a parent from presenting consolidated financial statements in paragraph 4(a) of Singapore Financial Reporting Standards 110 (“SFRS 110”) Consolidated Financial Statements does not apply to the FHC for the purposes of complying with this paragraph.

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<sup>1</sup> More information on the D-SIB framework can be found at <https://www.mas.gov.sg/-/media/MAS/News-and-Publications/Monographs-and-Information-Papers/Monograph--MAS-Framework-for-Impact-and-Risk-Assessment.pdf>.

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

- 3 An FHC need not comply with the requirements in this Notice if it is a subsidiary of –
- (a) another FHC that is subject to the requirements in this Notice; or
  - (b) a bank that is subject to the requirements in MAS Notice 651.

#### **Definitions**

- 4 In this Notice –
- “bank” has the same meaning as in paragraph 2 of MAS Notice FHC-N649;
  - “Banking Act” means the Banking Act 1970;
  - “FHC” has the same meaning as in paragraph 1;
  - “financial holding company” has the same meaning as in section 2(1) of the Act;
  - “LCR Disclosure Template” refers to the template set out in Appendix 1;
  - “subsidiary” has the same meaning as in section 2(1) of the Act.

- 5 The expressions used in this Notice, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Banking Act and in paragraphs 2 and 25 of MAS Notice FHC-N649.

#### **Public Disclosure of Quantitative and Qualitative Information**

- 6 An FHC must publish on a quarterly basis –
- (a) quantitative information relating to its LCR in the format of the LCR Disclosure Template<sup>2</sup> in accordance with the instructions provided in Appendix 3; and

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

- (b) qualitative information<sup>3</sup> relating to its LCR for the purposes of enabling users to better understand and analyse the quantitative information.

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

- (a) an FHC that issues quarterly financial statements must publish the quantitative and qualitative information referred to in paragraph 6 concurrently with the publication of its quarterly financial statements, and in any case, not later than 45 days after the end of the reporting period; and
- (b) an FHC that does not issue quarterly financial statements must publish the quantitative and qualitative information referred to in paragraph 6 not later than 45 days after the end of the reporting period.

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

- (a) an FHC that issues quarterly financial statements must publish the quantitative and qualitative information referred to in paragraph 6 concurrently with the publication of its annual report or financial statements, and in any case, not later than 4 months after the end of the reporting period; and
- (b) an FHC that does not issue an annual report must publish the quantitative and qualitative information referred to in paragraph 6 not later than 4 months after the end of the reporting period.

9 Despite paragraph 6, an FHC that is not an entity within a group that is designated by the Authority as a D-SIB may publish the quantitative and qualitative information referred to in paragraph 6 on a semi-annual basis.

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<sup>3</sup> Examples of the qualitative information are –

- (a) the main drivers of the FHC'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 FHC considers to be relevant for its liquidity profile.

10 An FHC must publish the quantitative and qualitative information referred to in paragraph 6 in the standalone Pillar 3 report required under paragraph 11.2.7 of MAS Notice 637 as applied by paragraph 7.1 of MAS Notice FHC-N637.

11 An FHC must make available on its website an archive of all quantitative and qualitative information referred to in paragraphs 6 and 14 that it has published for a period of not less than 5 years.

12 An FHC must present the quantitative information referred to in paragraph 6 –

- (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.

13 An FHC must –

- (a) present the quantitative information referred to in paragraph 6 as simple averages of daily observations over the previous quarter; and
- (b) publish the number of data points used in calculating the average figures.

14 Subject to paragraph 21, an FHC must 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>4</sup>; and
- (b) qualitative information to enable users to better understand its internal liquidity risk management and positions<sup>5</sup>.

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<sup>4</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 FHC'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 FHC;
- (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.

<sup>5</sup> Qualitative information could include, but is not limited to –

15 An FHC that issues an annual report must publish the quantitative and qualitative information referred to in paragraph 14 concurrently with the publication of its annual report or financial statements, and in any case, not later than 4 months after the end of the reporting period. An FHC that does not issue an annual report must publish the information not later than 4 months after the end of the reporting period.

16 An FHC must publish the quantitative and qualitative information referred to in paragraph 14 in –

- (a) the standalone Pillar 3 report required under paragraph 11.2.7 of MAS Notice 637 as applied by paragraph 7.1 of MAS Notice FHC-N637; or
- (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.

17 An FHC must present narrative commentaries to supplement the disclosure of quantitative information referred to in paragraphs 6 and 14 in a format at the FHC's discretion

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- (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.

to explain any significant changes between reporting periods and any other issues of interest to users.

18 Despite paragraphs 6 and 14, an FHC 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 as applied by paragraph 7.1 of MAS Notice FHC-N637; or
- (b) assessed not to be meaningful to users.

19 Where an FHC omits a disclosure under paragraph 18(a), the FHC must identify the information that it has omitted to disclose in a narrative commentary and provide a reason for the omission. The FHC must also disclose general qualitative information about the subject matter of the disclosure requirement.

20 Where an FHC omits a disclosure under paragraph 18(b), the FHC must state clearly in a narrative commentary why the information that it has omitted to disclose is assessed not to be meaningful to users.

21 An FHC may omit the disclosure of any qualitative information referred to in paragraph 14 if the FHC –

- (a) is a subsidiary of another financial holding company, or a subsidiary of a bank that is incorporated outside Singapore, and the other financial holding company or bank is subject to disclosure requirements similar to those set out in this Notice on a consolidated basis that is inclusive of the operations of the FHC; and
- (b) makes clear reference in the standalone Pillar 3 report to the location of the relevant disclosure made by the other financial holding company or the bank referred to in sub-paragraph (a).

22 An FHC must ensure that the disclosure of quantitative and qualitative information referred in paragraphs 6 and 14 is subject, at a minimum, to the same level of internal review and internal control processes as the information provided by the FHC for its financial reporting, if applicable, and the level of assurance must be the same as for information provided within the management discussion and analysis part of its annual report.

23 An FHC must 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 as applied by paragraph 7.1 of MAS Notice FHC-N637.

24 To avoid doubt, an FHC may disclose<sup>6</sup> information in addition to those required in paragraphs 6 and 14 to provide users with a broader picture of the FHC's risk position and promote market discipline.

25 An FHC must apply the principles in paragraph 11.1.2 of MAS Notice 637 as applied by paragraph 7.1 of MAS Notice FHC-N637 in making its disclosures.

### **Effective Date**

26 This Notice takes effect on 1 July 2022.

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<sup>6</sup> If an FHC discloses additional quantitative information, the FHC should also disclose sufficient meaningful information to enable users to understand and analyse the quantitative information disclosed, accompanied by a qualitative discussion.

## LCR Disclosure Template

		TOTAL UNWEIGHTED <sup>7</sup> VALUE (average)	TOTAL WEIGHTED <sup>8</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 (e.g. reverse repos)		

<sup>7</sup> Unweighted values must be calculated as outstanding balances maturing or callable within the 30-day LCR horizon (for inflows and outflows).

<sup>8</sup> Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).



18	Inflows from fully performing exposures		
19	Other cash inflows		
20	<b>TOTAL CASH INFLOWS</b>		
		TOTAL ADJUSTED <sup>9</sup> VALUE	
21	<b>TOTAL HQLA</b>		
22	<b>TOTAL NET CASH OUTFLOWS</b>		
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>		

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<sup>9</sup> Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. 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 FHC-N649
1	Sum of all eligible high-quality liquid assets (HQLA), as defined in MAS Notice FHC-N649, 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	29-38
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 FHC-N649)	44-57, 61, 77, 80
3	Stable deposits include deposits placed by a natural person and unsecured wholesale funding provided by small business customers, as defined in MAS Notice FHC-N649	44-51, 54-57, 61, 77, 80
4	Less stable deposits include deposits placed by a natural person and unsecured wholesale funding provided by small business customers, as defined in MAS Notice FHC-N649	44-45, 52-57, 61, 77, 80
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	58-76, 80
6	Operational deposits include deposits from customers with a substantive dependency on the FHC where deposits are required for certain activities (i.e. 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	62-74, 80

7	Non-operational deposits are all other unsecured wholesale deposits, both insured and uninsured	73-76, 80
8	Unsecured debt includes all notes, bonds and other debt securities issued by the FHC, regardless of the holder, unless the bond is sold exclusively in the retail market and held in retail accounts	77
9	Secured wholesale funding is defined as all collateralised liabilities and general obligations	82-86
10	Additional requirements include other off-balance sheet liabilities or obligations	87-107
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 potential for valuation changes on posted collateral securing derivatives and other transactions; excess non-segregated collateral held at the FHC 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	87-98
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	99-100
13	Credit and liquidity facilities include drawdowns on committed (contractually irrevocable) or conditionally revocable credit and liquidity facilities. The currently undrawn	101-107

	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	
14	Other contractual funding obligations include contractual obligations to extend funds within the 30-day LCR horizon and other contractual cash outflows in accordance with paragraph 117 of MAS Notice FHC-N649	108-109, 117
15	Other contingent funding obligations, as defined in MAS Notice FHC-N649	110-116
16	Total cash outflows: sum of lines 2–15	
17	Secured lending includes all maturing reverse repurchase and securities borrowing agreements	120-127
18	Inflows from fully performing exposures include both secured and unsecured loans or other payments that are fully performing and contractually due within the 30-day LCR horizon from retail and small business customers, other wholesale customers, operational deposits, deposits held at the centralised institution in a cooperative banking network and unsecured precious metals assets	131-132, 134, 136, 138
19	Other cash inflows include derivatives cash inflows and other contractual cash inflows	133, 139-144
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)	29-38
22	Total net cash outflows (after the application of any cap on cash inflows)	39-40
23	Liquidity Coverage Ratio (after the application of any cap on Level 2B and Level 2 assets and caps on cash inflows)	25

### Instructions for Completing the LCR Disclosure Template

Rows in the template are set and compulsory for all FHCs. 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 FHC-N649. 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 3 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  $Q_i$ .

*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 (i.e. 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 (i.e. cap on inflows).

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

$$\text{LCRQi} = \frac{1}{T} \times \sum_{t=1}^T \text{LCRt}$$

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.