

## **Response to feedback received**

### **Net Stable Funding Ratio**

#### **Introduction**

The Bank issued the policy document on *Net Stable Funding Ratio* today. In finalising the requirements, the Bank has considered the feedback received during the consultation period and has incorporated them where appropriate. Comments that are of wider interest have been set out in this document, together with the Bank's responses. The Bank would like to thank all respondents for the feedback and suggestions received during the consultation period.

**Bank Negara Malaysia**  
**31 July 2019**

## 1. Treatment of funding from non-financial entities

### Feedback received

Respondents commented that the available stable funding (ASF) factor for wholesale funding maturing in less than one year could be too low relative to the behaviour of certain non-financial counterparties, including institutional depositors or investors.

Respondents also highlighted that the difference in ASF factors across different tenures and counterparty types (i.e. retail versus wholesale funding) may not be warranted, particularly in consideration of the public mandates of several major institutional depositors and investors, the observed behaviour of non-financial corporates, and the comparison with run-off rates accorded under the Liquidity Coverage Ratio (which looks at a severe stress scenario).

### The Bank's view

- 1.1. The Bank notes that the difference between the ASF factor for funding from non-financial entities maturing beyond one year, and that maturing in less than one year, could be disproportionate and potentially disruptive to the banking institutions' regular sources of funding.
- 1.2. In light of this, the Bank has conducted an aggregate-level assessment of deposit stickiness for such entities and has decided to increase the ASF factor for funding from non-financial entities maturing in less than one year from 50% to 60%.
- 1.3. In view of the importance of a thorough and detailed understanding of wholesale depositor behaviour, which may evolve over time, banking institutions are required to maintain a record of key information (as listed in paragraph 15.1) on wholesale deposits at the transaction level from 1 July 2020 onwards. For the avoidance of doubt, this will apply prospectively, i.e. the record is to include new deposits from 1 July 2020 onwards.
- 1.4. Banking institutions are not required to submit the above information to the Bank as part of their quarterly NSFR regulatory report. However, as part of the Bank's ongoing monitoring of liquidity conditions and implementation progress, the Bank may request for additional information on relevant liquidity metrics over the coming year. Where this is the case, banking institutions will be provided sufficient time for the submission of such information.

## 2. Treatment of Islamic Unrestricted Account (UA) funds

### **Feedback received**

In response to the proposal to recognise UA funding according to contractual residual maturity if the fund is fully invested in low-risk assets, respondents commented that it may be more practical to extend the treatment to UA funds that are mostly, instead of fully, invested in the specified low-risk assets. This is in consideration of the current risk diversification strategies where a small proportion of the fund would be invested in higher-risk assets, such as SME financing.

### **The Bank's view**

- 2.1 The Bank notes the feedback provided and has revised the requirement accordingly. The final standard allows UA funds to be reported based on their contractual residual maturity if the funds are at least 75% invested in one or a combination of the low-risk assets that are listed under paragraph 13.10 of the policy document.
- 2.2 In line with the monitoring requirement described in paragraph 1.3 above, Islamic banking institutions are required to maintain an internal record of key information listed under paragraph 15.2 of the policy document at the transaction level from 1 July 2020 onwards. This information may be requested by the Bank to facilitate further assessments of the appropriateness of the stability factors applicable to UA funds.