Annex – required size of liquidity buffer

Stage 1 – Calculate the cumulative wholesale net funding position.

The firm should calculate the net cumulative wholesale funding position day on day out to three months from FSA 047 and 048. It is calculated by considering the contractual cash flows from all maturing assets and liabilities recorded in lines 21-23, 26-30, 35–51, 52, 53, 56, (57 for single currency evaluation) and 78 (excluding any overall net margin received position appearing on lines 74-77 column C) and calculated based on the rollover assumptions shown in the table below. All open maturity balances/transactions should be treated as a next day contractual flows and liability rollover assumptions can only be applied to the discrete daily flow and not to the cumulative flow. For reverse and repo, the treatment depends on whether the cumulative net cash flow is an inflow or an outflow and the amount on which rollover assumptions are applied is limited to the cumulative net outflows.

FSA047/048	**Contractual asset inflows recognised**	**<= 2 week inflow**	**2 week – 3 month inflow**
21	Lending to UK credit institutions	100 %	100 %
22	Lending to non-UK credit institutions	100 %	100 %
23	Own account security cash flows	100 %	100 %
26/35	Net Reverse/Repo cash inflow	100 %	100 %
27/36	Net Reverse/Repo cash inflow	100 %	100 %
28/37	Net Reverse/Repo cash inflow	100 %	100 %
29/38	Net Reverse/Repo cash inflow	100 %	100 %
30/39	Net Reverse/Repo cash inflow	100 %	100 %
	Contractual liability outflows after rollover assumption	**<= 2 week outflow**	**2 week – 3**
26/35	Net Reverse/Repo cash outflow	0%	Benchmarks
27/36	Net Reverse/Repo cash outflow	0%	Benchmarks
28/37	Net Reverse/Repo cash outflow	0%	Benchmarks
29/38	Net Reverse/Repo cash outflow	0%	Benchmarks
30/39	Net Reverse/Repo cash outflow	0%	Benchmarks
40	Primary issuances - senior securities	0%	Benchmarks
41	Primary issuances - dated subordinated securities	0%	Benchmarks
42	Primary issuances - structured notes	0%	Benchmarks
43	Covered bonds	0%	Benchmarks
44	Group entities	0%	0%
45	UK credit institutions	0%	Benchmarks
46	Non-UK credit institutions	0%	Benchmarks
47	Governments, central banks and supranationals	0%	Benchmarks
48	Non-credit institution financials	0%	Benchmarks
49	Non-financial large enterprises - Type A	0%	Benchmarks
50	Conditional liabilities pre-trigger contractual profile	0%	Benchmarks
51	SSPE liability cash flows	0%	Benchmarks
52	Large Enterprises Type B	Benchmarks	Benchmarks
53	SME deposits (Type B by default)	Benchmarks	Benchmarks
56	Client free cash	Benchmarks	Benchmarks
Note 1	All Client Free BIPRU 12.7 Eligible collateral included in the liquidity buffer	Same as client free	Same as client free

		cash	cash
Note 2	Client Free non-BIPRU 12.7 eligible collateral rehypothecated > 3 months	Same as client free cash	Same as client free cash
57	FX contractual flows including currency swaps (if applied on a single currency basis)	FX markets closed	FX Markets Open

Client Assets held under rehypothecation and physical short positions

Specific guidance for firms holding client assets under rehypothecation rights and any overall net derivatives margin collateral received.

Note 1 Client Free BIPRU 12.7 eligible assets:

For firms holding BIPRU 12.7 eligible client collateral under rehypothecation rights and/or any overall net received derivatives margin collateral (lines 74-77 column C) these assets are reported on line 78 and included on line 6. Firms should assume that any overall net derivatives received position comprises BIPRU 12.7 eligible collateral and calculate the amount of client free BIPRU 12.7 eligible assets by deducting any overall net derivatives received position from the amount reported on line 78. This is the potential outflow of client free BIPRU 12.7 eligible collateral.

Note 2 Client Free Non-BIPRU 12.7 eligible assets rehypothecated > 3 months

Firms should assume that current unencumbered and the future contractually projected unencumbered position in non-BIPRU 12.7 eligible assets is assumed to first represent any client free non-BIPRU 12.7 eligible assets reported on lines 79-89 before representing an own account, net reversed or net pledge received position. Firms can then assess for each FSA048 asset class whether at 3 months under this assumption any client assets have been rehypothecated beyond 3 months. Any client assets rehypothecated beyond 3 months represents a potential outflow of liquidity.

Specific guidance for firms running physical short positions

The net funding position should be adjusted so that any cumulative physical short position, in any FSA048 asset class in aggregate should be treated as a cash outflow on the day the short first contractually occurs, until the aggregate short position contractually unwinds

The cumulative wholesale net funding position should be capped at zero so that the net wholesale component can only result in a buffer requirement.

The cumulative wholesale requirement arising day on day are reduced to the glide path percentage of [X%] as prescribed in the main body of this letter and the resulting cumulative wholesale requirements day on day out to three months are then subsequently scaled up by risk management scalar shown in the main body of the ILG letter. The resulting amounts are the day on day cumulative wholesale requirement to carry over to step 3.

Stage 2 – Calculate a cumulative net buffer position

The firm should calculate the cumulative net buffer position day on day for three months taking into account the starting unencumbered buffer of eligible assets and central bank reserves plus the contractual stock flows of eligible assets and any net cash flow arising from transactions involving buffer eligible assets. All open maturity balance should be treated as a next day contractual flow.

	Calculation of cumulative liquidity buffer day on day
6	Unencumbered buffer eligible securities unencumbered plus stock flows
19	Balance of buffer eligible central bank reserves
25	Reverse Repo items reported on line 6 cash flows
34	Repo items reported on line 6 cash flows

Any BIPRU 12.7 eligible collateral included on line 6 related to overall net derivatives collateral received or client assets client assets held with rehypothecation rights are included in the liquidity buffer.

The cumulative buffer can be negative or positive, although negative means there is no buffer to cover the non-wholesale components.

Stage 3 – Combine the net positions calculated under stage 1 and stage 2

The firm should, calculate, day on day for three months, the combined cumulative net buffer position net of the wholesale requirement.

The firm should take the lowest position over the three months horizon at take this forward to stage 4.

Stage 4 - calculate liquidity needs for other risks

The firm should calculate the outflows requirement that would occur against the following non-wholesale risks based on the outflow assumptions shown. The total non-wholesale requirement should then be reduced to the glide path percentage of [X%] of the stress as prescribed in the main body of this letter and this should be subsequently scaled up by risk management scalar also shown in the main body of the ILG letter.

Retail Deposits		Outflow assumption
54	Retail deposits – Type A	Benchmarks
55	Retail deposits – Type B	Benchmarks

Off balance sheet		Outflow assumption
60	Secured facilities provided - other securities	Benchmarks
61	Unsecured facilities provided - credit institutions	Benchmarks
62	Not required as SSPE's are reported within the solo legal entity	
63	Unsecured stand-by facilities provided - entities other than credit institutions and connected SSPE's	Benchmarks
64	Unsecured facilities provided by connected SSPE's - third parties	Benchmarks
65	Unsecured facilities provided - entities other than credit institutions	Benchmarks
66	Overdraft and credit card facilities provided	Benchmarks
67	Pipeline lending commitments	Benchmarks
68	Contingent obligations to repurchase assets financed through third parties	Benchmarks
69	Other legally binding commitments provided	Benchmarks

Credit downgrades lines 70-73		Outflow assumption
	1 notch	Benchmarks
	2 notches	Benchmarks
	3 notches	Benchmarks
	4 notches	Benchmarks
	5 notches	Benchmarks
	6 notches	Benchmarks
	7 notches	Benchmarks
	8 notches	Benchmarks

Fixed amounts for other risks	Amount
Intra-day	Evaluated with firm
Intra-group risk driver	Evaluated with firm
Other	Evaluated with firm

The three month low point of the net liquidity buffer after wholesale risks carried forward from stage 3 should be compared to the level of liquidity required under stage 4. The net liquidity buffer after wholesale should be positive and at least equal to the non-wholesale component in order to conclude that the firm has an adequate liquidity buffer.