Standard Chartered

Liquidity Coverage Ratio ("LCR") common disclosure template - quarter ended June 2020

In line with the disclosure requirements of the Guideline on Liquidity Risk Management, the table below presents LCR information as simple averages of bimonthly observations over the quarter ended 30 June 2020.

LCR common disclosure template			
	(Consolidated USD)	TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations)	TOTAL WEIGHTED VALUE (quarterly average of monthly observations)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)	366,443,138	366,443,138
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	*Stable deposits*		
4	*Less stable deposits*		
5	Unsecured wholesale funding, of which:	1,438,662,702	870,608,049
6	*Operational deposits (all counterparties)*	566,530,752	141,632,688
7	*Non-operational deposits (all counterparties)*	872,131,950	728,975,361
8	*Unsecured debt*		
9	Secured wholesale funding		
10	Additional requirements, of which:	42,729,214	42,729,214
11	*Outflows related to derivative exposures and other collateral requirements*	42,729,214	42,729,214
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	116,210,472	9,281,054
16	**TOTAL CASH OUTFLOWS**		**922,618,317**
CASH INFLOWS			
17	Secured funding (e.g. reverse repos)		
18	Inflows from fully performing exposures	988,777,185	941,848,231
19	Other cash inflows		
20	**TOTAL CASH INFLOWS**		**941,848,231**
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		**366,443,138**
22	**TOTAL NET CASH OUTFLOWS**		**230,654,579**
23	**LIQUIDITY COVERAGE RATIO (%)**		**159%**
24	**QUARTERLY AVERAGE OF DAILY HQLA**		**373,939,736**

Liquidity Risk Management

The Liquidity Coverage Ratio ('LCR') is a regulatory requirement set to ensure that the Bank has sufficient unencumbered high-quality liquid assets ('HQLA') to meet its liquidity needs in a 30 calendar day liquidity stress scenario.

The Bank monitors and reports its liquidity position as per the Bank of Mauritius Guideline on Liquidity Risk Management and has maintained its liquidity position above the prudential requirement.

HQLA

High-quality liquid assets should be unencumbered, liquid in markets during a time of stress.

HQLA eligible securities fall into three categories: Level 1, Level 2A, and Level 2B liquid assets.

Level 1 liquid assets, which are of the highest quality and deemed the most liquid, are subject to no or little discount (or haircuts) to their market value and may be largely used without limit in the liquidity buffer.

Level 2A and 2B securities are recognised as being relatively stable and reliable sources of liquidity, but not to the same extent as Level 1 assets. LCR rules therefore set a 40% cap on the combined amount of Level 2A and Level 2B that firms may hold in their total eligible liquidity buffer.

Level 2B liquid assets, are considered less liquid and more volatile than Level 2A liquid assets, and are subject to larger and varying haircuts and which may not exceed 15 % of the total eligible HQLA.

The Bank's HQLA as at end of June 2020 amounted to USD409m, composed of central bank reserves of USD9m (HQLA1), United States Government securities of USD353m (HQLA 1) and Multilateral Development Banks securities of USD47m.

The daily simple averages of the HQLA held over the second quarter of 2020 was USD374m.

Outflows

Expected outflows are generally calculated as a percentage outflow on-balance sheet items such as funding received and off-balance sheet commitments.

Inflows

Expected inflows are also generally calculated as a percentage inflow on-balance sheet items and include inflows that will be repaid within 30 days. To ensure a minimum level of liquid asset holdings, and to prevent banks from relying solely on anticipated inflows to meet their liquidity coverage ratio, the prescribed amount of inflows that can offset outflows is capped at 75 per cent of total expected outflows.

The consolidated LCR was 118% as at 30 June 2020.

Main drivers and changes in LCR

The simple average of the Bank's bimonthly LCR over the second quarter decreased to 159% compared to 172% for the first quarter as the bank continues to closely monitor the LCR daily to ensure that it operates at an adequate and optimum level of HQLA.

The net cash outflows increased during the second quarter compared to the first quarter, driven by significant movements in customer accounts.

Concentration of funding and liquidity sources

The Bank funding strategy is largely driven by its policy to maintain adequate liquidity at all times and in all currencies, and hence to be in a position to meet all obligations as they fall due. The main funding sources for the Bank are current account deposits from Financial Institutions, Custody business and International corporates.

Our funding profile over the reporting period was well diversified. Customer assets were largely funded out of customer deposits, which are considered a stable source of funding and also from group borrowings. Customer deposits are primarily sourced from Current Account out of which a large portion is considered as operational accounts.

The concentration is closely monitored and the bank has put in place key metrics to ensure that there is no undue concentration on specific clients or group.

Derivative exposures and potential collateral calls

The Bank deals in the several derivatives instruments and exclusively with group and on an uncollateralized basis.

Trades are taken primarily to facilitate client activity or for hedging our own risk exposures; as such, derivatives are not generally held for position-taking.

The bank runs a low derivative exposure with negligible impact on liquidity.

Currency mismatch in the LCR

The Bank LCR is calculated and reported in US dollars and MUR and in other currencies if they meet the materiality threshold as set in the Bank of Mauritius Guideline.

To minimise currency mismatch risk, the Bank funds assets in the same currency. The implementation of liquidity metrics such as advance to deposit ratio ensures that a large portion of assets is funded out of liabilities raised in the same currency. We also monitor closely, against set limits, the amount of foreign currency that can be swapped to local currency, and vice versa, in addition to currency mismatches by different tenor buckets.

For the period under review, the Bank has no material currency mismatch in the LCR.

Liquidity risk Management

The Bank manages liquidity risk both on a short-term and medium-term basis. In the short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring that the statement of financial position remains structurally sound.

Daily liquidity management is performed by Treasury markets with support and oversight by group treasury. Assets and Liabilities Committee ("ALCO") is responsible for ensuring that the Bank is self-sufficient and is able to meet all its obligations to make payments as they fall due by operating within the set liquidity limits. It also has primary responsibility for compliance with regulations and Bank policy and maintaining a liquidity crisis contingency plan.

The Bank liquidity risk management framework requires limits to be set for prudent liquidity management. These limits are on:

- the mismatch in local and foreign currency behavioural cash flows;
- the level of wholesale borrowing to ensure that the size of this funding is proportional to the local market and the Bank's operations;
- commitments, both on and off the statement of financial position, to ensure there are sufficient funds available in the event of drawdown on these commitments;
- the advances to deposits ratio to ensure that commercial advances are funded by stable sources;
- the amount of medium term funding to support the asset portfolio; and the amount of local currency funding sourced from foreign currency sources.