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RESERVE BANK OF INDIA

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Reserve Bank of India (Payments Banks – Asset Liability Management) Directions, 2025

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In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, and all other provisions / laws enabling the Reserve Bank of India ('RBI') in this regard, RBI being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Directions hereinafter specified.

Chapter I – Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Payments Banks–Asset Liability Management) Directions, 2025.
2. These Directions shall come into effect from the date of issue.

B. Applicability

3. These Directions shall be applicable to Payments Banks (hereinafter collectively referred to as 'banks' and individually as a 'bank').

   Note: Mere mention of an activity, transaction or item in these Directions does not imply that it is permitted, and the bank shall refer to the extant statutory and regulatory requirements while determining the permissibility or otherwise of an activity, transaction, or item.

C. Definitions

4. In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

   (1) **'Business Day'** means the opening hours of the Large Value Payment System (LVPS) or of correspondent banking services during which a bank can receive and make payments in a local jurisdiction.

   Explanation: An LVPS is a funds transfer system that typically handles large-value and high-priority payments. In India, Real Time Gross Settlement System (RTGS) is an LVPS.

   (2) **'Cash in hand'** shall consist of total amount of notes and coins held by bank branches / ATMs / Cash deposit machines maintained by a bank, including transit cash on bank's books as also cash with Business

Correspondents (BCs), but shall exclude cash, where physical possession is with outsourced vendors / BCs, which is not replenished in bank's ATM and / or is not reflected on bank's books.

(3) **'Cash Reserve Ratio (CRR)'** shall have the same meaning as defined in the Reserve Bank of India (Payments Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Directions, 2025.

(4) **'Government security'** shall have the same meaning as assigned to it in Section 2(f) of the Government Securities Act, 2006.

(5) **'Interest Rate Risk (IRR)'** means the risk where changes in market interest rates might adversely affect a bank's financial condition.

(6) **'Intraday Liquidity'** means funds which can be accessed during the business day, usually to enable a bank make payments in real time.

(7) **'Intraday Liquidity Risk'** means the risk that a bank fails to manage its intraday liquidity effectively, which could leave it unable to meet a payment obligation at the time expected, thereby affecting its own liquidity position and that of other parties.

(8) **'Funding Liquidity Risk'** means the risk that a bank will not be able to meet efficiently the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition.

(9) **'Marginal Standing Facility (MSF)'** shall mean the facility as mentioned in RBI press release dated September 30, 2025.

(10) **'Market Liquidity Risk'** means the risk that a bank cannot easily offset or eliminate a position at the prevailing market price because of inadequate market depth or market disruption.

(11) **'Modified Duration'** means the approximate percentage change in value of an asset or liability for a 100-basis point change in the rate of interest.

(12) **'Net Worth'** comprises of Paid-up capital plus Free Reserves including Share Premium but excluding Revaluation Reserves, plus Investment Fluctuation Reserve, and credit balance in Profit & Loss Account, less debit balance in Profit and Loss Account, Accumulated Losses, and Intangible

Assets. No general or specific provisions should be included in computation of Net Worth.

(13) **'Statutory Liquidity Ratio (SLR)'** shall have the same meaning as defined in Reserve Bank of India (Payments Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Directions, 2025.

(14) **'Time-specific obligations'** means the obligations which must be settled at a specific time within the day or have an expected intraday settlement deadline.

(15) **'Unencumbered'** means free of legal, regulatory, contractual or other restrictions on the ability of a bank to liquidate, sell, transfer or assign an asset.

5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, the RBI Act, rules / regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II – Role of the Board

A. Responsibilities of the Board

6. The Board of Directors (Board) shall be responsible for overall management of liquidity risk, and shall decide the strategy, policies, and procedures of the bank to manage liquidity risk in accordance with the liquidity risk tolerance / limits.

7. The Board shall have a clear understanding of the bank's liquidity risk, including the liquidity risk profile of all its branches, subsidiaries, and associates (both domestic and overseas).

8. The Board shall ensure that risk tolerance is understood at all levels of management.

9. The Board shall establish executive level authority and responsibility for liquidity risk management, enforce management's duties to identify, measure, monitor, and manage liquidity risk and formulate / review the Contingent Funding Plan (CFP).

B. Approval of Policies, limits and reviews

10. The Board or its Committee shall oversee the establishment and approval of policies, strategies, and procedures to manage liquidity risk, and review them at least annually. The Board shall also approve the policy regarding inclusion and monitoring of only those intraday liquidity sources which are freely and readily available to the bank at the start of the day.

11. The Board shall approve the internal limits for liquidity stock ratios, based on its liquidity risk management capabilities, experience, and risk profile. It shall also set an explicit liquidity risk tolerance, which shall define the level of liquidity risk that the bank is willing to assume and reflect the bank's financial condition and funding capacity.

12. The Board shall periodically review information necessary to maintain its understanding of liquidity risk, the key assumptions used in setting the liquidity risk tolerance, and contingency plans for their effectiveness and operational feasibility, at least on an annual basis.

13. The Board or Risk Management Committee (RMC) shall inter-alia approve the internal prudential limits for cumulative mismatches across all time buckets of structural liquidity statement (SLS) for monitoring by bank, as also approve appropriate internal limits on Earnings at Risk (EaR) and volatility in the Market Value of Equity (MVE), based on bank's risk bearing and risk management capacity.

14. The Board / ALCO shall periodically review the internal limits after assessing various scenarios of interest rates and the resultant volatility of earnings in terms of Net Interest Income (NII) and volatility in Net Worth.

15. A reliable Management Information System (MIS) designed to provide timely and forward-looking information on the liquidity position of the bank and the banking group, under normal and stress situations, shall be presented before the Board and the Asset Liability Management Committee (ALCO).

16. Any vulnerability observed in the stress test results shall be reported to the Board and the Board shall ensure that the bank designs a plan of action to address the vulnerability immediately.

17. The Board shall ensure that the bank:

    (1) develops and adopts a suitable intraday liquidity risk management strategy that enables the bank to:

        (i) monitor and measure expected daily gross liquidity inflows and outflows;

        (ii) ensure availability of sufficient intraday funding to meet its payment obligations;

        (iii) manage unexpected disruptions to its liquidity flows; and

        (iv) effectively manage collateral as integral part of intraday liquidity strategy.

    (2) establishes suitable policies, procedures, practices, and systems to support the intraday liquidity risk management in all financial markets and currencies in which it has significant payment and settlement flows, including when it chooses to rely on correspondents or custodians to conduct payment and settlement activities.

18. The Board shall approve the risk tolerance of individual business lines, for the bank to align the risk-taking incentives and the liquidity risk exposure of each business line.

Chapter III – Liquidity Risk Management

A. Introduction

19. A bank's liquidity is its capacity to fund increase in assets and meet both expected and unexpected cash and collateral obligations at reasonable cost and without incurring unacceptable losses. The inability of a bank to meet such obligations as they become due, without adversely affecting the bank's financial condition, creates liquidity risk. Effective liquidity risk management helps ensure a bank's ability to meet its obligations as they fall due and reduces the probability of an adverse situation developing. This assumes significance on account of the fact that liquidity crisis, even at a single institution, can have systemic implications. Liquidity risk for a bank mainly manifests on account of Funding Liquidity Risk and Market Liquidity Risk.

20. After the global financial crisis, in recognition of the need for a bank to improve its liquidity risk management, the Basel Committee on Banking Supervision (BCBS) published 'Principles for Sound Liquidity Risk Management and Supervision' in September 2008 and subsequently reviewed in January 2019 (https://www.bis.org/press/p190117.htm). The broad principles as envisaged by BCBS have been provided in Annex-I along with guidance on sound liquidity risk management for a bank.

B. Governance of Liquidity Risk Management

21. Successful implementation of liquidity risk management process shall emanate from the Top Management in a bank with the demonstration of its strong commitment to integrate basic operations and strategic decision making with risk management. The organisational set-up for liquidity risk management shall be as under:

    (1) Board of Directors (Board)

    (2) Risk Management Committee (RMC)

    (3) Asset Liability Management Committee (ALCO)

    (4) Asset Liability Management (ALM) Support Group

22. The Board shall be responsible for overall management of liquidity risk. The Board shall decide the strategy, policies and procedures of the bank to manage liquidity risk in accordance with the liquidity risk tolerance / limits as detailed in paragraphs 46 to 48 . The Board shall ensure that the risk tolerance is clearly understood at all levels of management. The Board shall also ensure that it understands the nature of the liquidity risk of the bank, including liquidity risk profile of all branches, and associates, periodically reviews information necessary to maintain this understanding, establishes executive-level lines of authority and responsibility for managing the bank's liquidity risk, enforces management's duties to identify, measure, monitor, and manage liquidity risk and formulates / reviews the CFP.

23. The RMC, which reports to the Board, consisting of Chief Executive Officer (CEO) / Chairman and Managing Director (CMD) and heads of credit, market, and operational risk management committee, shall be responsible for evaluating liquidity risk faced by a bank. The RMC shall also include the potential interaction of liquidity risk with the other risks addressed by it.

24. The ALCO shall be responsible for ensuring adherence to the risk tolerance / limits set by the Board as well as implementing the liquidity risk management strategy of the bank in line with a bank's decided risk management objectives and risk tolerance.

25. The size (number of members) of the ALCO will depend on the size of institution, business mix, and organizational complexity. The ALCO shall be headed by the CEO / CMD or the Executive Director (ED) of a bank. The ALCO members may include the Heads of Investment, Credit and Strategy, Treasury, International Banking, Risk Management, and Economic Research and other members as deemed suitable.

26. The ALCO shall perform the following functions with respect to the liquidity risk of the bank:

    (1) Decide on desired maturity profile and mix of incremental assets and liabilities.

    (2) Decide on source and mix of liabilities or sale of assets. Towards this end, it shall develop a view on future direction of interest rate movements and

decide on funding mix between fixed v/s. floating rate funds, wholesale v/s. retail deposits, money market v/s. capital market funding, and domestic v/s. foreign currency funding. The ALCO shall be aware of the composition, characteristics, and diversification of a bank's assets and funding sources and shall regularly review the funding strategy in the light of any changes in the internal or external environments.

(3) Determine the structure, responsibilities, and controls for managing liquidity risk, oversee the liquidity positions of all branches and legal entities like joint ventures and associates in which a bank is active, and outline these elements clearly in the bank's liquidity policy.

(4) Ensure operational independence of Liquidity Risk Management function, with adequate support of skilled and experienced officers.

(5) Ensure adequacy of cash flow projections and the assumptions used.

(6) Review the stress test scenarios, including the assumptions as well as the results of the stress tests, and ensure that a well-documented CFP is in place, which is reviewed periodically.

(7) Decide the transfer pricing policy of the bank and make liquidity costs and benefits an integral part of bank's strategic planning.

(8) Report bank's liquidity risk profile regularly to the Board / RMC.

27. The ALCO shall have a thorough understanding of the close links between Funding Liquidity Risk and Market Liquidity Risk, as well as how other risks including credit, market, operational, and reputational risks affect the bank's overall liquidity risk strategy. The ALCO shall identify events that could have an impact on market and public perceptions about bank's soundness and reputation.

28. The ALM Support Group consisting of operating staff shall be responsible for analysing, monitoring and reporting the liquidity risk profile to the ALCO. The group shall prepare forecasts and simulations to assess the impact of various possible changes in market conditions on a bank's liquidity position and recommend action needed to be taken to maintain the liquidity position and ensure adherence to bank's internal limits.

C. Liquidity Risk Management Policy

29. A bank shall put in place an effective liquidity risk management policy, which inter alia, shall spell out the liquidity risk tolerance, funding strategies, prudential limits, system for measuring, assessing and reporting / reviewing liquidity, framework for stress testing, liquidity planning under alternative scenarios / formal contingent funding plan, nature and frequency of management reporting and periodical review of assumptions used in liquidity projection. The policy shall also address liquidity risk for individual currencies; legal entities including joint ventures, and associates; and business lines, when appropriate and material, and shall place limits on transfer of liquidity keeping in view the regulatory, legal and operational constraints.

30. The Board or its delegated committee of board members shall oversee the establishment and approval of policies, strategies and procedures to manage liquidity risk, and review them at least annually.

31. A bank shall have a sound process for identifying, measuring, monitoring, and mitigating, along with a strategy for liquidity risk management.

D. Strategy for Managing Liquidity Risk

32. The strategy for managing liquidity risk shall be appropriate for the nature, scale and complexity of a bank's activities. In formulating the strategy, a bank / banking group shall take into consideration its legal structures, key business lines, the breadth and diversity of markets, products, jurisdictions in which it operates, and home and host country regulatory requirements. The strategy shall identify primary sources of funding to meet daily operating cash outflows, as well as expected and unexpected cash flow fluctuations.

E. Identification

33. A bank shall define and identify the liquidity risk to which it is exposed for each major on and off-balance sheet position. The identification process shall include the effect of embedded options and other contingent exposures that may affect the bank's sources and uses of funds. Liquidity risk shall be identified for all currencies in which a bank is active.

F. Risk Measurement – Flow Approach

34. Liquidity can be measured through stock and flow approaches. Flow approach measurement involves comprehensive tracking of cash flow mismatches. A bank shall adopt the format of the structural liquidity statement (SLS), provided in Annex-II, for tracking cash flow mismatches at different time buckets, for measuring and managing net funding requirements. The cash flows shall be placed in different time buckets based on the residual maturity of the cash flows or the projected future behaviour of assets, liabilities, and OBS items. The difference between cash inflows and outflows in each time period shall be starting point for the measurement of the bank's future liquidity surplus or deficit, at a series of points of time.

35. A bank shall prepare domestic SLS (₹) on a daily basis and report to RBI on a fortnightly basis. SLS shall include four parts:

    (1) Domestic Currency – Indian Operations

    (2) Foreign Currency – Indian Operations

    (3) Combined Indian Operations – Domestic and Foreign Currency, i.e., solo bank level

    (4) For Consolidated Bank Operations

    The guidance for slotting the future cash flows of a bank in the time buckets has been provided in Annex-IV.

36. A bank shall analyse the behavioural maturity profile of various components of on / off-balance sheet items on the basis of assumptions and trend analysis supported by time series analysis. The behavioural analysis, for example, may include the proportion of maturing assets and liabilities that the bank can rollover or renew, the behaviour of assets and liabilities with no clearly specified maturity dates, potential cash flows from OBS activities, including draw down under loan commitments, contingent liabilities and market related transactions.

37. A bank shall undertake variance analysis, at least once in six months to validate the assumptions used in the behavioral analysis. The assumptions shall be fine-tuned over a period which facilitate near reality predictions about future behaviour of on / off-balance sheet items.

38. A bank shall also track the impact of prepayment of loans, premature closure of deposits, and exercise of options built in certain instruments which offer put / call options after specified times. Cash outflows can be ranked by the date on which liabilities fall due, i.e., the earliest date a liability holder could exercise an early repayment option, or the earliest date contingencies could be crystallised.

39. The assumptions used in projections of cash flows and measuring liquidity risk, shall be reasonable, appropriate, and adequately documented. They shall also be periodically reviewed by the Board / RMC.

G. Risk Measurement – Stock Approach

40. A bank may consider measures / ratios in this regard. Some illustrative stock ratios with their significance in liquidity risk management are given in the Table 1 below. A bank may also use other measures / ratios.

41. A bank may monitor liquidity risk by putting in place internally defined limits approved by the Board for such measures / ratios. Such limits should be based on its liquidity risk management capabilities, experience, and risk profile. Such measures / ratios may be used to monitor the liquidity risk in ₹ and in major currencies at the solo bank level.

Table 1

Sl. No.	Ratio	Significance
1.	(Volatile liabilities - Temporary Assets) / (Earning Assets - Temporary Assets)	Measures the extent to which volatile money supports bank's basic earning assets. Since the numerator represents short-term, interest sensitive funds, a high and positive number implies some risk of illiquidity.
2.	Core deposits / Total Assets	Measures the extent to which assets are funded through stable deposit base.
3.	(Loans + mandatory SLR + mandatory CRR + Fixed Assets) / Total Assets	Loans including mandatory cash reserves and statutory liquidity investments are least liquid and hence a high ratio signifies the degree of 'illiquidity' embedded in the balance sheet.
4.	(Loans + mandatory SLR + mandatory CRR + Fixed Assets) / Core Deposits	Measure the extent to which illiquid assets are financed out of core deposits.
5.	Temporary Assets / Total Assets	Measures the extent of available liquid assets. A higher ratio could impinge on the asset utilisation of banking system in terms of opportunity cost of holding liquidity.

6.	Temporary Assets / Volatile Liabilities	A higher ratio is reflective of adequate cover of liquid investments relative to volatile liabilities while lower ratio indicate scope for increasing the liquid investments and / or decreasing the volatile liabilities.
7.	Volatile Liabilities / Total Assets	Measures the extent to which volatile liabilities fund the balance sheet.

Explanation: A bank may refer to the following guidance for computation of above ratios:

(1) **Volatile Liabilities:** (i) (Deposits + borrowings and bills payable up to 1 year). Borrowings include from RBI, call, other institutions and refinance. Current deposits (CA) and Savings deposits (SA) reported by a bank as payable within one year (as reported in SLS) are included under volatile liabilities. (ii) Letters of credit – full outstanding. (iii) Component-wise Credit Conversion Factor of other contingent credit and commitments. (iv) Swap funds (buy / sell) up to one year.

(2) **Temporary assets** =Cash + Excess CRR balances with RBI + Balances with a bank + Bills purchased / discounted up to 1 year + Investments up to one year + Swap funds (sell / buy) up to one year.

(3) **Earning Assets** = Total assets – (Fixed assets + Balances in current accounts with other banks + Other assets excluding leasing + Intangible assets)

(4) **Core deposits** = All deposits (including CA / SA) above 1 year (as reported in SLS) + Net Worth

H. Risk Monitoring

42. While the mismatches in SLS up to one year would be relevant, since these provide early warning signals of impending liquidity problems, the main focus shall be on the short-term mismatches, i.e., up to 30 days. A bank shall also monitor cumulative mismatches across all time buckets by setting internal prudential limits, with the approval of the Board or the RMC.

43. The net cumulative negative mismatches in the domestic SLS (Refer Annex-I - Part A1 Liquidity Return) during the next day, 2-7 days, 8-14 days, and 15-30 days bucket shall not exceed 5 per cent, 10 per cent, 15 per cent, and 20 per

cent of the cumulative cash outflows in the respective time bucket. A bank shall also adopt the above cumulative mismatch limits for its SLS for consolidated bank operations (Annex -I – Part B).

I. Liquidity Across Currencies

44. A bank shall have a measurement, monitoring and control system for liquidity positions in the major currencies in which it is active. For assessing the liquidity mismatch in foreign currencies, a bank shall prepare Part A2 of Liquidity Return as provided in Annex-II. For slotting the various items of assets and liabilities in SLS, bank shall refer to the guidance provided in Annex IV. In addition to assessing its aggregate foreign currency liquidity needs and the acceptable mismatch in combination with its domestic currency commitments, a bank shall also undertake separate analysis of its strategy for each major currency individually by taking into account the outcome of stress testing.

45. The assessment of foreign currency mismatches by a bank shall take into account:

    (1) bank's ability to raise funds in foreign currency markets;

    (2) the likely extent of foreign currency back-up facilities available in its domestic market;

    (3) the ability to transfer liquidity surplus from one currency to another, and across legal entities; and

    (4) the likely convertibility of currencies in which the bank is active, including the potential for impairment or complete closure of foreign exchange swap markets for particular currency pairs.

J. Liquidity Risk Tolerance

46. A bank's Board shall set an explicit liquidity risk tolerance, which shall define the level of liquidity risk that a bank is willing to assume and reflect its financial condition and funding capacity. The tolerance should ensure that the bank manages its liquidity in normal times in such a way that it is able to withstand a prolonged period of, both institution specific and market wide, stress events.

47. The articulation of risk tolerance shall be explicit, comprehensive, and appropriate as per bank's complexity, business mix, liquidity risk profile, and

systemic significance; and also be subjected to sensitivity analysis. The risk tolerance could be specified by way of fixing the tolerance levels for various maturities under flow approach depending upon a bank's asset - liability profile, extent of stable deposit base, the nature of cash flows, regulatory prescriptions, etc. In respect of mismatches in cash flows in the near-term buckets up to 30 days, a bank shall endeavour to keep the cash flow mismatches at the minimum levels. Risk tolerance may also be specified for various ratios under stock approach.

48. Liquidity risk tolerance may also be expressed in terms of minimum survival horizons under a range of severe but plausible stress scenarios, chosen to reflect the particular vulnerabilities of the bank. The Board shall periodically review the key assumptions.

K. Management Information System (MIS)

49. A bank shall maintain a reliable MIS designed to provide timely and forward-looking information on the liquidity position of the bank and the group to the Board and ALCO, both under normal and stress situations. The MIS shall cover liquidity positions in all currencies in which a bank conducts its business – both at the bank level and on an aggregate Group basis. It shall capture all sources of liquidity risk, including contingent risks and those arising from new activities, and have the ability to furnish more granular and time sensitive information during stress events.

50. Liquidity risk reports shall provide sufficient detail to enable management to assess the sensitivity of a bank to changes in market conditions, its own financial performance, and other important risk factors. The reports shall inter alia include:

    (1) cash flow projections and cash flow gaps;

    (2) asset and funding concentrations;

    (3) critical assumptions used in cash flow projections;

    (4) funding availability;

    (5) compliance to various regulatory and internal limits on liquidity risk management;

    (6) results of stress tests;

(7) key early warning or risk indicators; and

(8) status of contingent funding sources and collateral usage.

L. Internal Controls

51. A bank shall maintain appropriate internal controls, systems and procedures to ensure adherence to liquidity risk management policies and procedure as also adequacy of liquidity risk management functioning.

52. Top Management (direct reporting to the MD & CEO and / or the Board) shall ensure that an independent party regularly reviews and evaluates the various components of the bank's liquidity risk management process. These reviews shall assess the extent to which the bank's liquidity risk management complies with the regulatory / supervisory instructions as well as its own policy. The independent review process shall report key issues requiring immediate attention, including instances of non-compliance to various guidance / limits for prompt corrective action consistent with the Board approved policy.

M. Monitoring of Liquidity

53. Call Money Borrowing and Lending Limit : A bank shall be guided by Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021 for limit on call money borrowings and lending.

N. Collateral Position Management

54. A bank shall have sufficient collateral to meet expected and unexpected borrowing needs and potential increases in margin requirements over different timeframes, depending upon its funding profile. A bank shall also consider the potential for operational and liquidity disruptions that may necessitate the pledging or delivery of additional intraday collateral.

55. A bank shall have proper systems and procedure to calculate all of its collateral positions in a timely manner, including the value of assets currently pledged relative to the amount of security required and availability of unencumbered assets that may be pledged. A bank shall monitor these positions on an ongoing basis. It should also be aware of the operational and timing requirements associated with accessing the collateral given its physical location.

O. Incorporation of Liquidity Costs, Benefits and Risks in the Internal Pricing

56. A bank may implement a scientifically designed internal transfer pricing mechanism that assigns value to funds provided and funds used, based on prevailing market rates, thus ensuring the liquidity costs and benefits are an integral part of bank's strategy planning.

57. A bank may develop a process to quantify liquidity costs and benefits so that these are incorporated in the internal product pricing, performance measurement, and new product approval process for all material business lines, products and activities. Such process may aim to align the risk-taking incentives and the liquidity risk exposure of each business line, in accordance with the Board approved risk tolerance of individual business lines.

P. Funding Strategy - Diversified Funding

58. A bank shall establish a funding strategy that provides effective diversification in the sources and tenor of funding. A bank may regularly assess its ability to raise funds quickly from each source. It shall identify the main factors that affects its ability to raise funds and monitor those factors closely to ensure that estimates of fund-raising capacity remain valid. These factors shall also be incorporated in bank's stress test scenario and CFP.

59. A bank shall avoid over-reliance on a single source of funding. Funding strategy shall also take into account the qualitative dimension of the concentrated behaviour of deposit withdrawal in typical market conditions and overdependence on non-deposit funding sources arising out of unique business model. Funding diversification may be implemented by way of placing limits based on parameters such as tenor, counterparty, secured versus unsecured market funding, instrument type, currency, geography, and securitization.

Q. Liquidity risk due to Intra Group transfers

60. In order to mitigate the potentially high risk arising from Intra Group transactions and exposures, the following shall be ensured:

    (1) The head of the Group financial conglomerate shall develop and maintain liquidity management processes and funding programmes that are

consistent with the complexity, risk profile, and scope of operations of the financial conglomerate.

(2) The liquidity risk management processes and funding programmes shall take into account lending, investment, and other activities, and ensure that adequate liquidity is maintained at the head entity and each constituent entity within the financial conglomerate. Processes and programmes shall fully incorporate real and potential constraints, including legal and regulatory restrictions, on the transfer of funds among these entities and between these entities and the head entity.

(3) A bank shall manage liquidity risks through i) effective governance and management oversight as appropriate; ii) adequate policies, procedures, and limits on risk taking; and iii) strong management information systems for measuring, monitoring, reporting, and controlling liquidity risks.

R. Stress Testing

61. A bank shall integrate stress testing into its overall liquidity risk governance and management framework. A stress test is commonly described as an evaluation of the financial position of a bank under a severe but plausible scenario to assist in decision making within the bank. Stress testing shall serve as forward looking risk assessment tool to alert a bank's management to adverse unexpected outcomes and facilitate better planning to address the vulnerabilities identified. A bank shall put in place a stress testing framework as specified below:

62. **Scenarios and Assumptions**

(1) A bank shall conduct stress tests on a regular basis for a variety of short term and protracted bank specific and market wide stress scenarios (individually and in combination). In designing liquidity stress scenarios, the nature of bank's business, activities and vulnerabilities shall be taken into consideration so that the scenarios incorporate the major funding and market liquidity risks to which it is exposed. These include risks associated with its business activities, products (including complex financial instruments and OBS items) and funding sources. The defined scenarios shall allow a bank to evaluate the potential adverse impact these factors

can have on its liquidity position. While historical events may serve as a guide, a bank shall exercise judgment in designing the stress tests.

(2) A bank shall specifically take into account the link between reductions in market liquidity and constraints on funding liquidity, especially one with significant market share in, or heavy reliance upon, specific funding markets. It shall also consider the insights and results of stress tests performed for various other risk types while stress testing its liquidity position and consider possible interactions with these other types of risk.

(3) A bank shall recognise that stress events may simultaneously give rise to immediate liquidity needs in different currencies and multiple payment and settlement systems. It shall consider in the stress tests, the likely behavioural response of other market participants to events of market stress, and the extent to which a common response might amplify market movements and exacerbate market strain as also the likely impact of its own behaviour or that of other market participants. The stress tests shall consider how the behaviour of counterparties (or their correspondents and custodians) would affect the timing of cash flows, including on an intraday basis.

(4) Based on the type and severity of the scenario, a bank shall consider the appropriateness of a number of assumptions which are relevant to its business. A bank's choice of scenarios and related assumptions should be well thought of, documented, and reviewed together with the stress test results. A bank shall take a conservative approach when setting stress testing assumptions.

(5) A bank shall conduct stress tests to assess the level of liquidity it should hold, the extent and frequency of which shall be commensurate with the size of the bank and its specific business activities / liquidity for a period over which it is expected to survive a crisis.

(6) A bank may conduct stress tests assuming the minimum stress period for an institution-specific crisis scenario to last for no less than five business days, and that for a general market crisis scenario and a combined

scenario, no less than one calendar month. The bank should adopt longer minimum stress periods if its liquidity risk profile warrants this.

63. **Use of Stress Test Results**

(1) A bank shall use the outcomes of liquidity stress tests to identify and quantify sources of potential liquidity strain and to analyse possible impacts on its cash flows, liquidity position, profitability, and solvency. The results of stress tests shall be discussed thoroughly by ALCO. Remedial or mitigating actions shall be identified and taken to limit bank's exposures, to build up a liquidity cushion, and to adjust the liquidity profile to fit the risk tolerance. The results should also play a key role in shaping the bank's contingent funding planning and in determining the strategy and tactics to deal with events of liquidity stress.

(2) A bank shall maintain proper documentation of the stress test results and the corresponding action taken. If the stress test results indicate any vulnerability, these shall be reported to the Board and a plan of action charted out immediately. In such cases, the Department of Supervision (DoS), RBI, shall be informed immediately.

S. Contingency Funding Plan (CFP)

64. A bank shall formulate a CFP for responding to severe disruptions which might affect its ability to fund some or all of its activities in a timely manner and at a reasonable cost. CFP should prepare a bank to manage a range of scenarios of severe liquidity stress that include both bank specific and market-wide stress and should be commensurate with bank's complexity, risk profile, and scope of operations.

65. CFPs shall contain:

(1) details of available / potential contingency funding sources and the amount/ estimated amount which can be drawn from these sources,

(2) clear escalation / prioritisation procedures detailing when and how each of the actions can and shall be activated, and

(3) the lead time needed to tap additional funds from each of the contingency sources.

66. With a view to diversify, a bank may enter into contingency funding agreements with different banks / types of banks (public sector, private sector, foreign bank) for providing contingency funding lines and / or reciprocal lines of credit. The CFP shall be flexible to allow rapid response across various stress scenarios. The design, plans and procedures shall be closely integrated with bank's ongoing analysis of liquidity risk and with the results of the scenarios and assumptions used in stress tests. The plan shall address liquidity requirements over a range of different time horizons including intraday.

67. CFP shall set out a clear decision-making process on what actions to take at what time, who can take them, and what issues need to be escalated to Top Management of a bank. There shall be explicit procedures for effective internal coordination and communication across bank's different business lines and locations. It shall also address when and how to contact external parties, such as supervisors, central bank, or payments system operators. It is particularly important that in developing and analysing CFP and stress scenarios, a bank is aware of the operational procedures needed to transfer liquidity and collateral across different entities, business lines and jurisdictions and the restrictions that govern such transfers like legal, regulatory and time zone constraints. CFP shall contain clear policies and procedures that will enable a bank's management to make timely and well-informed decisions, execute contingency measures swiftly and proficiently, and communicate effectively to implement the plan efficiently, including:

    (1) clear specification of roles and responsibilities, including the authority to invoke the CFP. The establishment of a crisis team can facilitate internal coordination and decision-making during a liquidity crisis.

    (2) names and contact details of members of the team responsible for implementing the CFP and the locations of team members.

    (3) the designation of alternates for key roles.

68. CFPs must be tested regularly to ensure their effectiveness and operational feasibility and shall be reviewed by the Board at least on an annual basis.

Chapter IV – Interest Rate Risk (IRR) Management

A. General Instructions

69. Interest rate risk is the risk where changes in market interest rates affect a bank's financial position. IRR from 'earnings perspective' is interest rate changes impacting a bank's earnings (i.e., reported profits) through changes in its Net Interest Income (NII). IRR from 'economic value perspective' is interest rate changes impacting a bank's Market Value of Equity (MVE) or Net Worth through changes in the economic value of its rate sensitive assets, liabilities and OBS positions. The IRR from 'earnings perspective' is measured using the Traditional Gap Approach (TGA) whereas the IRR from 'economic value perspective' is measured using Duration Gap Approach (DGA). A bank shall carry out both the analyses.

70. The framework, both DGA and TGA, shall be applied to the bank-level position of assets, liabilities, and OBS items of a bank which are rate sensitive. A bank shall compute its IRR position in each currency applying the DGA and TGA to the Rate Sensitive Assets (RSA) / Rate Sensitive Liabilities (RSL) items, where either the assets, or liabilities in a currency constitute 5 per cent or more of bank's assets or liabilities. The IRR position in all other residual currencies shall be computed separately on an aggregate basis.

71. The methodologies specified in these Directions shall serve as a benchmark. A bank which has more sophisticated systems may continue its existing systems but shall also adopt the DGA and TGA as supervisory reporting / disclosure frameworks.

B. Earnings Perspective – TGA

72. The Gap Report shall be generated by grouping rate sensitive liabilities, assets and OBS positions into time buckets according to residual maturity or next repricing period, whichever is earlier. All investments, advances, deposits, borrowings, purchased funds, etc., that mature / reprice within a specified timeframe are interest rate sensitive. Similarly, any principal repayment of loan is also rate sensitive if the bank expects to receive it within the time horizon. This

includes final principal payment and interim instalments. Assets and liabilities repriced at pre-determined intervals are rate sensitive at the time of repricing.

73. A bank shall use the traditional Gap analysis to measure the level of a bank's exposure to IRR in terms of sensitivity of its NII to interest rate movements over the horizon of analysis, which is usually one year. A bank shall bucket all RSA, RSL, and OBS items as per residual maturity / re-pricing date in various time buckets as per guidance provided in Annex VI and report as per the reporting format of Interest Rate Sensitivity (IRS) statement provided in Annex-III. A bank shall compute Earnings at Risk (EaR) representing the loss of income under different interest rate scenarios over a time horizon of one year.

C. Economic Value Perspective – DGA

74. The DGA is to measure the level of a bank's exposure to IRR in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements, and report as per IRS statement provided in Annex-III .

75. For calculation of changes in MVE due to changes in the interest rates, market values of RSA and RSL shall be used. However, for simplicity, the book values of the RSA and RSL (both inclusive of notional value of rate sensitive OBS items) may be used as an approximation.

76. A bank shall bucket all RSA, RSL, and OBS position as per residual maturity / re-pricing dates in various time buckets as per the guidance provided in Annex VI, and compute the Modified Duration Gap (MDG). The MDG shall be used to evaluate the impact on the MVE of the bank under different interest rate scenarios.

77. Under MDG framework a bank shall compute Modified Duration of RSA (MDA) and Modified Duration of RSL (MDL).

Explanation:

(i) Modified Duration (MD) of an asset or liability measures the approximate percentage change in its value for a 100 basis point change in the rate of interest.

(ii) MDA and MDL are the weighted average of the MD of items of RSA and RSL respectively.

78. The MDG, reflecting the degree of duration mismatch in the RSA and RSL in a bank's balance sheet, shall be calculated with the help of the following formula:

$$MDG = [MDA - \left(MDL * \frac{RSL}{RSA}\right)]$$

A higher absolute value of the MDG shall indicate greater exposure of the bank to interest rate shocks.

79. The impact of changes in the interest rates on the MVE shall be evaluated by computing ΔE with the help of following formula:

$$\Delta E = -[MDG] * RSA * \Delta i$$

wherein:

(1) Equity shall mean Net Worth.

(2) 'ΔE' stands for change in the value of equity.

(3) 'Δ i' stands for change in interest rates in percentage points (1 per cent change to be written as 0.01).

A schematic hypothetical illustration for computation of MDG, and $\frac{\Delta \mathbf{E}\ \mathbf{(per\ cent)}}{\mathbf{E}}$ for an interest rate shock of 200 basis points is as below:

Relationship between MDG and sensitivity of MVE to interest rate changes

(₹ in crore)	
Particulars	**Amount**
Equity as on date	1350.00
RSA as on date	18251.00
RSL as on date	18590.00
MDA (Weighted Modified Duration of Assets)	1.96
MDL (Weighted Modified Duration of Liabilities)	1.25
MDG [1.96- {1.25*(18590/18251)}]	0.687
$\Delta E = -MDG * RSA * \Delta i$	-250.77
For a 200 bps rise in rate of interest, MVE will fall by (250.77/1350) *100	18.58%

80. The estimated drop in MVE resulting from the prescribed interest rate shock shall indicate the economic impact on a bank's equity, assuming the shock scenario materialises. This decline shall not be construed as an accounting loss as banking book is not marked to market.

81. The MDG framework is based on the utilization of book values of banking book assets and liabilities for the purpose of computation of MD. However, a bank that has the capability to use market value of assets and liabilities of banking book shall do so. The market values of assets and liabilities shall be determined by discounted cash flow method. The step-by-step approach for computing the MDG is as under:

(1) Identify variables such as principal amount, maturity date / re-pricing date, coupon rate, yield, frequency, and basis of interest calculation for each item / category of RSA / RSL.

(2) Plot each item / category of RSA / RSL under the various time buckets. The absolute notional amount of rate sensitive off-balance sheet items in each time bucket shall be included as RSA if positive and as RSL if negative.

(3) The mid-point of each time bucket shall be taken as a proxy for the maturity of assets and liabilities in that time bucket, except for those for which the bank is able to compute modified duration on individual basis.

(4) Determine the coupon for computation of MD of RSAs and RSLs as indicated in Annex VI except for those for which the bank is able to compute MD on individual basis.

(5) Determine the yield curve for arriving at the yields based on current market yields or current replacement cost or as specified in Annex VI for each item / category of asset / liability / OBS item.

(6) Calculate the MD in each time band of each item / category of RSA / RSL using the maturity date, yield, coupon rate, frequency, yield, and basis for interest calculation.

(7) Calculate the MD of each item / category of RSA / RSL as weighted average MD of each time bucket for that item.

(8) Calculate the weighted average MD of all RSA (MDA) and RSL (MDL) to arrive at Modified Duration Gap (MDG) and Modified Duration of Equity (MDOE).

82. The requirement to determine the impact of IRR on the Market Value Equity (MVE) shall be applicable across the bank's entire balance sheet, i.e., both the banking and trading books.

D. Monitoring of Interest Rate Risk

83. A bank shall prepare the IRS statement, under TGA and DGA, as per reporting format provided in Annex-III, bucketing all RSA and RSL in following time buckets as per table below:

Sr. No.	Interest Rate Sensitivity statement - Time Buckets
1	1-28 days
2	29 days and up to 3 months
3	Over 3 months and up to 6 months
4	Over 6 months and up to 1 year
5	Over 1 year and up to 3 years
6	Over 3 years and up to 5 years
7	Over 5 years and up to 7 years
8	Over 7 years and up to 10 years
9	Over 10 years and up to 15 years
10	Over 15 years
11	Non-sensitive

84. The RSA and RSL with fixed maturities shall be classified in the relevant time buckets based on residual maturity / re-pricing dates.

85. For RSA and RSL items without fixed maturity or with embedded optionality (i.e., savings bank deposits, current account deposits, and mortgage loans), a bank shall undertake behavioural studies to assess the interest rate sensitivity realistically. The bank shall have an appropriate process and a detailed framework for conducting such studies and review their output at least annually. A bank shall apply the results of the behavioural studies on a consistent basis and the results shall be reviewed / revised once a year in the first quarter of the financial year, if necessary. The behavioural studies shall be based on at least three years data. The bank shall evolve a suitable mechanism, supported by empirical studies and behavioural analysis to estimate the future behaviour of assets and liabilities and OBS items with respect to changes in market variables.

86. An indicative framework for bucketing of assets and liabilities has been furnished in Annex VI.

87. Calculation of the MD of each individual rate sensitive asset, liability and OBS position and taking their weighted average to derive the MD of RSA and RSL enhance the accuracy of calculation. Accordingly, a bank having the capability to compute the MD of each item of RSA and RSL shall do so to improve the accuracy of measurement of IRR.

88. However, a bank which is not equipped to compute the MD of each individual rate sensitive asset, liability and OBS position shall:

    (1) group RSA and RSL under the broad categories indicated in Annex VI under various time buckets; and

    (2) compute MD of these categories of assets / liabilities and OBS items using the suggested common maturity, coupon and yield parameters indicated in Annex VI.

    MDG computed from this approach shall be simpler, providing a cost effective alternative despite approximations in the calculation of MD.

89. A bank shall compile the ALM statements and compute the MDG for the entire balance sheet, encompassing both the banking and trading books.

E. Treatment of positions in various currencies

90. While reporting the currency-wise IRR position, as advised in paragraph 70 above, in IRS statement provided in Annex-III, a bank shall convert the foreign currencies into ₹ using the relevant spot closing rates as published by FEDAI. A bank shall compute the MD of each item or group of items of rate sensitive assets, liabilities and OBS items using the appropriate coupon and relevant foreign currency yield curve. For residual currencies, a bank may use the appropriate coupon and yield curve of the largest among the residual currencies. In deciding the appropriate coupon and yield curves, a bank shall follow the principles outlined in Annex VI.

F. Interest rate risk management

91. A bank shall, with the approval of its Board / RMC, set appropriate internal limits on Earnings at Risk (EaR) and volatility in the MVE, based on its risk bearing and risk management capacity. These limits shall be linked to MVE for DGA and the NII for TGA. The Board / ALCO shall periodically review the above limits after assessing various scenarios of interest rates and the resultant volatility of earnings in terms of NII and volatility in Net Worth.

92. ALCO prior approval shall be obtained for deciding upon yields, assumptions used / proposed to be used, bucketing, behavioural studies, etc., for DGA. A bank shall ensure that such decisions are compliant with extant regulatory guidelines.

93. A bank shall update material assumptions on a regular basis to reflect the current market and operating environment. The process for developing such material assumptions shall be formalized and reviewed at least annually.

94. A bank shall adopt the practice of periodic model validation. In cases where internal models / software packages are used, the bank shall ensure the integrity and validation of data / assumptions being used to generate the results, validation and functioning of the entire system of IRR management by an independent audit either by an experienced internal auditor or external auditor who is conversant with risk management processes. The Audit Committee of the Board (ACB) shall ensure the suitability of auditors through a due diligence process.

95. A bank shall ensure documentation in respect of discount rates, coupons, assumptions used / proposed to be used, bucketing, behavioural studies, and validation process. All material assumptions, regardless of the source, shall be supported with analysis and documentation. The bank shall ensure that sufficient documentation is made available at the time of validation, internal audit, statutory audit, and RBI inspection.

Chapter V – Monitoring and Reporting

A. Liquidity Risk

A.1 Preparation and Review of Statements

96. A bank shall prepare domestic structural liquidity statement (SLS)- ₹ on a daily basis.

97. A bank shall report the liquidity return comprising the SLS in four parts viz.

    (1) Domestic currency for Indian operations

    (2) Foreign currency for Indian operations

    (3) Combined Indian operations

    (4) Consolidated bank operations

The formats of the returns are provided in Annex-I.

A.2 Regulatory Reporting and Periodicity of Returns

Liquidity Return

98. A bank shall adhere to the periodicity of submission in respect of each part of the Liquidity Return is specified in the table below. Further, bank shall refer Reserve Bank of India (Filing of Supervisory Returns) Directions, 2024, dated February 27, 2024, for submission timelines for all regulatory returns.

Sl. No.	Name of the Liquidity Return (LR)	Periodicity
	Structural Liquidity Statement	
i	Part A1 - SLS - Domestic Currency, Indian Operations	Fortnightly
ii	Part A2 – SLS - Foreign Currency, Indian Operations	Fortnightly
iii	Part A3 - SLS - Combined Indian Operations	Fortnightly
iv	Part B - SLS - Consolidated Bank Operations	Quarterly

B. Interest Rate Risk

B.1 Preparation and Review of Statements

99. A bank shall prepare the IRS Statement, under TGA and DGA, as per reporting format provided in Annex-III.

B.2 Regulatory Reporting and Periodicity of Returns

100. A bank shall submit IRS Statement under TGA and DGA approaches on a monthly basis. Further, bank shall refer Reserve Bank of India (Filing of Supervisory Returns) Directions, 2024, for submission timelines for all regulatory returns.

Chapter VI – Repeal and Other Provisions

A. Repeal and Saving

101. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Asset Liability Management as applicable to Payments Banks stands repealed, as communicated vide circular DOR.RRC.REC.302/33-01-010/2025-26 dated November 28, 2025. The Directions, instructions and guidelines already repealed shall continue to remain repealed.

102. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these Directions, instructions, or guidelines shall not in any way prejudicially affect:

    (1) any right, obligation or liability acquired, accrued, or incurred thereunder;

    (2) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;

    (3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

103. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

C. Interpretations

104. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary

clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

(Sunil T S Nair)
Chief General Manager

Annex- I: Basel Principles for Liquidity Risk Management

Broad principles for sound liquidity risk Management by banks as envisaged by BCBS

Fundamental principle for the management and supervision of liquidity risk	
Principle 1	A bank is responsible for the sound management of liquidity risk. A bank should establish a robust liquidity risk management framework that ensures it maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources. Supervisors should assess the adequacy of both a bank's liquidity risk management framework and its liquidity position and should take prompt action if a bank is deficient in either area in order to protect depositors and to limit potential damage to the financial system.
Governance of liquidity risk management	
Principle 2	A bank should clearly articulate a liquidity risk tolerance that is appropriate for its business strategy and its role in the financial system.
Principle 3	Senior management should develop a strategy, policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the bank maintains sufficient liquidity. Senior management should continuously review information on the bank's liquidity developments and report to the board of directors on a regular basis. A bank's board of directors should review and approve the strategy, policies and practices related to the management of liquidity at least annually and ensure that senior management manages liquidity risk effectively.
Principle 4	A bank should incorporate liquidity costs, benefits and risks in the internal pricing, performance measurement and new product approval process for all significant business activities (both on- and off-balance sheet), thereby aligning the risk-taking incentives of individual business lines with the liquidity risk exposures its activities create for the bank as a whole.
Measurement and management of liquidity risk	
Principle 5	A bank should have a sound process for identifying, measuring, monitoring and controlling liquidity risk. This process should include a robust framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons.
Principle 6	A bank should actively monitor and control liquidity risk exposures and funding needs within and across legal entities, business lines and currencies, taking into account legal, regulatory and operational limitations to the transferability of liquidity.
Principle 7	A bank should establish a funding strategy that provides effective diversification in the sources and tenor of funding. It should maintain an ongoing presence in its chosen funding markets and strong relationships with funds providers to

	promote effective diversification of funding sources. A bank should regularly gauge its capacity to raise funds quickly from each source. It should identify the main factors that affect its ability to raise funds and monitor those factors closely to ensure that estimates of fund raising capacity remain valid.
Principle 8	A bank should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems.
Principle 9	A bank should actively manage its collateral positions, differentiating between encumbered and unencumbered assets. A bank should monitor the legal entity and physical location where collateral is held and how it may be mobilised in a timely manner.
Principle 10	A bank should conduct stress tests on a regular basis for a variety of short-term and protracted institution-specific and market-wide stress scenarios (individually and in combination) to identify sources of potential liquidity strain and to ensure that current exposures remain in accordance with a bank's established liquidity risk tolerance. A bank should use stress test outcomes to adjust its liquidity risk management strategies, policies, and positions and to develop effective contingency plans.
Principle 11	A bank should have a formal contingency funding plan (CFP) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations. A CFP should outline policies to manage a range of stress environments, establish clear lines of responsibility, include clear invocation and escalation procedures and be regularly tested and updated to ensure that it is operationally robust.
Principle	A bank should maintain a cushion of unencumbered, high quality liquid assets to be held as insurance against a range of liquidity stress scenarios, including those that involve the loss or impairment of unsecured and typically available secured funding sources. There should be no legal, regulatory or operational impediment to using these assets to obtain funding.
Public disclosure	
Principle 13	A bank should publicly disclose information on a regular basis that enables market participants to make an informed judgment about the soundness of its liquidity risk management framework and liquidity position.

Thus, a sound liquidity risk management system would envisage that:

1. A bank should establish a robust liquidity risk management framework.
2. The Board of Directors (Board) of a bank should be responsible for sound management of liquidity risk and should clearly articulate a liquidity risk tolerance appropriate for its business strategy and its role in the financial system.
3. The Board should develop strategy, policies, and practices to manage liquidity risk in accordance with the risk tolerance and ensure that the bank maintains sufficient liquidity. The Board should review the strategy, policies, and practices at least annually.

4. Top Management / ALCO should continuously review information on bank's liquidity developments and report to the Board on a regular basis.
5. A bank should have a sound process for identifying, measuring, monitoring and controlling liquidity risk, including a robust framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate time horizon.
6. A bank's liquidity management process should be sufficient to meet its funding needs and cover both expected and unexpected deviations from normal operations.
7. A bank should incorporate liquidity costs, benefits, and risks in internal pricing, performance measurement and new product approval process for all significant business activities.
8. A bank should actively monitor and manage liquidity risk exposure and funding needs within and across legal entities, business lines and currencies, taking into account legal, regulatory, and operational limitations to transferability of liquidity.
9. A bank should establish a funding strategy that provides effective diversification in the source and tenor of funding and maintain ongoing presence in its chosen funding markets and counterparties and address inhibiting factors in this regard.
10. Senior management should ensure that market access is being actively managed, monitored, and tested by the appropriate staff.
11. A bank should identify alternate sources of funding that strengthen its capacity to withstand a variety of severe bank specific and market-wide liquidity shocks.
12. A bank should actively manage its intraday liquidity positions and risks.
13. A bank should actively manage its collateral positions.
14. A bank should conduct stress tests on a regular basis for short-term and protracted institution-specific and market-wide stress scenarios and use stress test outcomes to adjust its liquidity risk management strategies, policies and position and develop effective contingency plans.
15. Senior management of a bank should monitor for potential liquidity stress events by using early warning indicators and event triggers. Early warning signals may include, but are not limited to, negative publicity concerning an asset class owned by a bank, increased potential for deterioration in bank's financial condition, widening debt or credit default swap spreads, and increased concerns over the funding of OBS items.
16. To mitigate the potential for reputation contagion, a bank should have a system of effective communication with counterparties, credit rating agencies, and other stakeholders when liquidity problems arise.
17. A bank should have a formal contingency funding plan (CFP) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations. A CFP

should delineate policies to manage a range of stress environments, establish clear lines of responsibility, and articulate clear implementation and escalation procedures.

18. A bank should maintain a cushion of unencumbered, high quality liquid assets to be held as insurance against a range of liquidity stress scenarios.
19. A bank should publicly disclose its liquidity information on a regular basis that enables market participants to make an informed judgment about the soundness of its liquidity risk management framework and liquidity position.

Annex- II: Liquidity Return

Part A1: SLS - Domestic Currency, Indian Operations

Reporting Frequency: Fortnightly																
Name of the Bank:																
Position as on:																
																Amount in ₹ crore
		Residual Maturity														
	Outflows	**Day - 1**	**2-7 Days**	**8-14 Days**	**15-30 Days**	**31 Days & upto 2 months**	**More than 2 months and upto 3 months**	**Over 3 Months and upto 6 months**	**Over 6 Months and upto 1 year**	**Over 1 Year and upto 3 years**	**Over 3 Year and upto 5 years**	**Over 5 years and upto 7 years**	**Over 7 years and up to 10 years**	**Over 10 year and up to 15 years**	**Over 15 years**	**Total**
1	Capital															
2	Reserves & Surplus															
3	Deposits	***	***	***	***	***	***	***	***	***	***	***	**			
	i) Current Deposits															
	ii) Savings Bank Deposits															
4	Borrowings	***	***	***	***	***	***	***	***	***	***	***	**			
	i) Call and Short Notice															
	ii) Others (specify)															
5	Other Liabilities & Provisions	***	***	***	***	***	***	***	***	***	***	***	**			
	i) Bills Payable															
	ii) Inter-Office Adjustments															

	iii) Provisions															
	iv) Others															
6	Repos															
7	Swaps (Buy / Sell) / Maturing / Forwards															
8	Interest Payable															
9	Others (specify)															
10	**A. Total Outflows**															
11	**B. Cumulative Outflows**															

Amount in ₹ crore

	Residual Maturity															
	Inflows	**Day - 1**	**2-7 Days**	**8-14 Days**	**15-30 Days**	**31 Days & upto 2 months**	**More than 2 months and upto 3 months**	**Over 3 Months and upto 6 months**	**Over 6 Months and upto 1 year**	**Over 1 Year and upto 3 years**	**Over 3 Year and upto 5 years**	**Over 5 years and upto 7 years**	**Over 7 years and up to 10 years**	**Over 10 year and up to 15 years**	**Over 15 years**	**Total**
1	Cash															
2	Balances with RBI															
3	Balances with other A bank	***	***	***	***	***	***	***	***	***	***	***	**			
	i) Current Account															
	ii) Money at Call and Short Notice, Term Deposits and other placements															
4	Investments (including those under Repos but excluding Reverse Repos)															
5	Advances (Performing)	***	***	***	***	***	***	***	***	***	***	***	**			
	ii) Permitted Loans															
6	NPAs (Advances and Investments) *															

7	Fixed assets															
8	Other Assets	***	***	***	***	***	***	***	***	***	***	***	**			
	i) Leased Assets															
	ii) other assets															
9	Reverse Repos															
10	Swaps (Buy / Sell) / maturing forwards															
11	Interest receivable															
12	Others (Specify)															
13	**C. Total Inflows**															
14	**D. Mismatch (C-A)**															
15	**E. Mismatch as % to Outflows (D as % to A)**															
16	**F. Cumulative Mismatch**															
17	**G. Cumulative Mismatch as a % to cumulative outflows (F as % of B)**															

* Net of provisions, interest suspense and claims received from ECGC/ DICGC

Part A2: SLS - Foreign Currency, Indian Operations

Reporting Frequency:	Fortnightly
Name of the Bank:	
Position as on:	
Indicate Currency (To be furnished in four major currencies namely US Dollar, Pound Sterling, Euro and Japanese Yen. In respect of other foreign currencies, the statement should be submitted where the transactions in the currency concerned exceed 5 per cent of the total foreign exchange turnover.)	

Denote the foreign currency in Million

	Outflows	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Year and upto 5 years	Over 5 years and upto 7 years	Over 7 years and up to 10 years	Over 10 year and up to 15 years	Over 15 years	Total
1	**Off balance sheet items**															
	i) Merchant Sales															
	ii) Interbank Sales															
	iii) Overseas Sales															
	iv) Sales to RBI															
	v) Foreign currency ₹ swaps - Sale against ₹															
	vi) Cross Currency Swaps - Sale against Cross Currency															
	vii) Options															
	viii) Currency Futures															
	x) Others -please specify															
2	**On balance sheet items**															
	i) Others - Pl specify															
3	**Total Outflows**															
4	**Total Outflows (in ₹)***															

*Converted into ₹ using relevant spot rates as published by FEDAI. # Such as Escrow accounts, Diamond dollar accounts, external agencies foreign currency accounts.

	Inflows	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Year and upto 5 years	Over 5 years and upto 7 years	Over 7 years and up to 10 years	Over 10 year and up to 15 years	Over 15 years	Total
1	**Off balance sheet items**															
	i) Merchant Purchases															
	ii) Inter-bank Purchases															
	iii) Overseas Purchases															
	iv) Purchases from RBI															
	v) Foreign currency ₹ Swaps - purchases against ₹															
	vi) Cross currency Swaps - Purchases against cross currency															
	vii) Options															
	viii) Currency Futures															
	ix) Others - Pl specify															
2	**On balance sheet items**															
	i) Nostro Balances (Cash and Bank Balances)															
	ii) Short Term Investments															
	iii) Other loans	***	***	***	***	***	***	***	***	***	***	***	**			
3	**Total Inflows**															
4	**Total Inflows (in ₹)***															
	Gap (Total Inflows - Total outflows)															

*Converted into ₹ using relevant spot rates as published by FEDAI

Additional Details

1) Aggregate Gap Limit (in US Dollar Mio)

2) Maximum AGL during the period (in US Dollar Mio)

3) Value at Risk Limit approved by the management

4) Maximum VAR figure during the month (in US Dollar Mio)

Part A3: SLS - Combined Indian Operations - Domestic and Foreign currency (LR -1 Part A1 + Part A2)

Reporting Frequency	Fortnightly
Name of the Bank:	
Position as on:	

Amount in ₹ crore

	Outflows	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Year and upto 5 years	Over 5 years and upto 7 years	Over 7 years and up to 10 years	Over 10 year and up to 15 years	Over 15 years	Total
1	A. Total ₹ Outflows (from Item 14A -Part A1 of LR-1)															
2	B. Outflows of FCs (in ₹) (from Item 4, Part A2 of LR-1)															
	i) US dollar															
	ii) Pound Sterling															
	iii) Euro															
	iv) Japanese Yen															
	v) Other significant currencies															
3	C. Total Outflows of FCs (i to v)															
4	D. Adjusted Outflows of FCs (1.08*C) #															
5	E. Consolidated Outflows (Adjusted outflows of FCs and ₹ Outflows) (A + D)															
6	F. Consolidated Cumulative Outflows															

	Inflows	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & upto 2 months	More than 2 months and upto 3 months	Over 3 Months and upto 6 months	Over 6 Months and upto 1 year	Over 1 Year and upto 3 years	Over 3 Year and upto 5 years	Over 5 years and upto 7 years	Over 7 years and up to 10 years	Over 10 year and up to 15 years	Over 15 years	Total

1	G. Total ₹ inflows (From Item 16C of Part A1 of LR-1															
2	H. Inflows of FCs (in ₹) (from Item 4 of Part A2 of LR-1)															
	i) US dollar															
	ii) Pound Sterling															
	iii) Euro															
	iv) Japanese Yen															
	v) Other significant currencies															
3	I. Total inflows of FCs (i to v)															
4	J. Adjusted inflows of FCs (0.92*I) #															
5	K. Consolidated Inflows (Adjusted inflows of FCs and ₹ inflows) (G + J)															
6	**L. Total Mismatch (K - E)**															
7	**M. Mismatch (L) as % of outflows (E)**															
	N. Cumulative Mismatch															
	O. Cumulative Mismatch (N) as % of Cumulative outflows (F)															

The foreign currency outflows and inflows have been scaled up and scaled down by 8 per cent respectively. This is a proxy based on the currency mismatch haircut for a 10-business day holding period (assuming daily marking to market) which is 8 per cent as prescribed in the Basel III credit risk standard document under the standardised approaches for the recognition of credit risk mitigation.

Part B: Statement of Structural Liquidity - For Consolidated Bank Operations

Reporting Frequency:	Quarterly
Name of the Bank:	
Position as on:	

Amount in ₹ crore

		Residual Maturity														
	Outflows	**Day - 1**	**2-7 Days**	**8-14 Days**	**15-30 Days**	**31 Days & upto 2 months**	**More than 2 months and upto 3 months**	**Over 3 Months and upto 6 months**	**Over 6 Months and upto 1 year**	**Over 1 Year and upto 3 years**	**Over 3 Year and upto 5 years**	**Over 5 years and upto 7 years**	**Over 7 years and up to 10 years**	**Over 10 year and up to 15 years**	**Over 15 years**	**Total**
1	Capital															
2	Reserves & Surplus															
3	Deposits	***	***	***	***	***	***	***	***	***	***	***	**			
	(i)Current Deposits															
	(ii) Savings Bank Deposits															
4	Borrowings	***	***	***	***	***	***	***	***	***	***	***	**			
	(i) Call and Short Notice															
	(ii) Others (specify)															
5	Other Liabilities & Provisions	***	***	***	***	***	***	***	***	***	***	***	**			
	(i) Bills Payable															
	(ii) Provisions															
	(iii) Others															
6	Repos															
7	Swaps (Buy / Sell) / Maturing / Forwards															
8	Interest Payable															
9	Others (specify)															
10	**A. Total Outflows**															
11	**B. Cumulative Outflows**															

* Net of provisions, interest suspense and claims received from ECGC/ DICGC.

	Residual Maturity															
	Inflows	**Day - 1**	**2-7 Days**	**8-14 Days**	**15-30 Days**	**31 Days & upto 2**	**More than 2 mo**	**Over 3 Months and**	**Over 6 Months and**	**Over 1 Year and**	**Over 3 Year and**	**Over 5 years and**	**Over 7 years and**	**Over 10 year and up**	**Over 15 years**	**Total**

						mo nth s	nth s and upt o 3 mo nth s	upt o 6 mo nth s	upt o 1 year	upt o 3 year s	upt o 5 year s	upt o 7 year s	up to 10 year s	to 15 year s		
1	Cash															
2	Balances with RBI															
3	Balances with other banks	***	***	***	***	***	***	***	***	***	***	***	**			
	(i) Current Account															
	(ii) Money at Call and Short Notice, Term Deposits and other placements															
4	Investments (including those under Repos but excluding Reverse Repos)															
5	Advances (Performing)	***	***	***	***	***	***	***	***	***	***	***	**			
	ii) Permitted Loans															
6	NPAs (Advances and Investments)*															
7	Fixed assets															
8	Other Assets	***	***	***	***	***	***	***	***	***	***	***	**			
	i) Leased Assets															
	ii) Other assets															
9	Reverse Repos															
10	Swaps (Buy / Sell) / maturing forwards															
11	Interest receivable															
12	Others (Specify)															
13	**C. Total Inflows**															
14	**D. Mismatch (C-A)**															
15	**E. Mismatch as % to Outflows (D as % to A)**															
16	**F. Cumulative Mismatch**															
17	**G. Cumulative Mismatch as a % to cumulative outflows (F as % of B)**															

Annex-III: Interest Rate Sensitivity Statement

A. Interest Rate Sensitivity – Traditional Gap Analysis (TGA)

Name of the bank:
Currency:
Position as on:

	Liabilities	1 to 28 days	29 days to 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years and upto 7 years	Over 7 years and upto 10 years	Over 10 years and upto 15 years	Over 15 years	Non Sensitive	Total RSL (Sum of columns 3 to 12)	Total (13+14)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Capital-Equity Shares												-	-
2	Reserves and Surplus												-	-
3	Capital instrument other than equity (i+ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Perpetual Non-Cumulative Preference Shares (Tier I)												-	-
(ii)	IPDI												-	-
4	Tier II Capital instruments [Sum of (i) to (v)]	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Perpetual Cumulative Preference Shares												-	-
(ii)	Redeemable Cumulative Preference Shares												-	-
(iii)	Redeemable Non-Cumulative Preference Shares												-	-
(iv)	Redeemable debt instruments (Upper Tier II)												-	-
(v)	Redeemable debt instruments (Lower Tier II)												-	-
5	Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Current Deposits												-	-
(ii)	Savings Bank Deposits												-	-
6	Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-

(i)	Call and short Notice												-	-
(ii)	Others (Specify)												-	-
7	Other Liabilities and provisions [Sum of (i) to (iv)]	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Bills Payable												-	-
(ii)	Inter - Office Adjustment												-	-
(iii)	Provisions												-	-
(iv)	Others												-	-
8	Repos												-	-
9	Forex Swaps (Buy/Sell)												-	-
10	Others (Specify)												-	-
A	**Total Liabilities**	-	-	-	-	-	-	-	-	-	-	-	-	-
B	**Off-Balance Sheet Position (sum of (i) to (v))**	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	FRAs												-	-
(ii)	Swaps												-	-
(iii)	Futures												-	-
(iv)	Options												-	-
(v)	Others (Specify)												-	-
C	**Total RSL (A + B)**	-	-	-	-	-	-	-	-	-	-	-	-	-

Interest Rate Sensitivity- Assets

Amount in ₹ crore

	Assets	**1 to 28 days**	**29 days to 3 months**	**Over 3 months and upto 6 months**	**Over 6 months and upto 1 year**	**Over 1 year and upto 3 years**	**Over 3 years and upto 5 years**	**Over 5 years and upto 7 years**	**Over 7 years and upto 10 years**	**Over 10 years and upto 15 years**	**Over 15 years**	**Non Sensitive**	**Total RSA (Sum of columns 3 to 12)**	**Total (13+14)**
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Cash												-	-
2	Balances with RBI												-	-
3	Balances with other Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Current Account												-	-

(ii)	Money at Call and Short Notice												-	-
(iii)	Term Deposits and Other Placements													
4	Performing Investments (including those under reverse repos but excluding repos)	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	SLR Investments												-	-
(ii)	Non-SLR Investments													
(iii)	Out of total Performing Investments (including those under reverse repos but excluding repos), investments held in HTM												-	-
5	Advances (performing)	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii)	Permitted Loans												-	-
6	NPAs (Advances and Investment)												-	-
7	Fixed Assets												-	-
8	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Inter-Office Adjustment												-	-
(ii)	Leased Assets												-	-
(iii)	Others												-	-
9	Reverse Repos												-	-
10	Forex Swaps(Sell/ Buy)												-	-
11	Others (Specify)												-	-
D	**Total Assets**	-	-	-	-	-	-	-	-	-	-	-	-	-
E	**Off-Balance Sheet Position(sum of (i) to (v))**	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	FRAs												-	-
(ii)	Swaps												-	-
(iii)	Futures												-	-
(iv)	Options												-	-
(v)	Others (Specify)												-	-
F	**Total RSA (D + E)**	-	-	-	-	-	-	-	-	-	-	-	-	-
	Net Gap (Total RSA- Total RSL)	-	-	-	-	-	-	-	-	-	-	-	-	-
	Cumulative Gap	-	-	-	-	-	-	-	-	-	-	-	-	-
	Net Gap as % to Total Assets	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%	-%

B. Interest Rate Sensitivity: Modified Duration Gap (MDG)

Name of the bank:
Currency:
Position as on:

PART A: Computation of RSL and RSA for each Currency

Interest Rate Sensitivity-Liabilities

Amount in ₹ crore

	Liabilities	1 to 28 days	29 days to 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years and upto 7 years	Over 7 years and upto 10 years	Over 10 years and upto 15 years	Over 15 years	Non Sensitive	Total RSL (Sum of columns 3 to 12)	Total (13+14)	Weighted Average MD
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Capital instrument other than equity(i+ii)	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	Perpetual Non-Cumulative Preference Shares(Tier I)												-	-	
(ii)	IPDI												-	-	
2	Tier II Capital instruments [Sum of (i) to (v)]	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	Perpetual Cumulative Preference Shares												-	-	
(ii)	Redeemable Cumulative Preference Shares												-	-	
(iii)	Redeemable Non-Cumulative Preference Shares												-	-	
(iv)	Redeemable debt instruments(Upper Tier II)												-	-	
(v)	Redeemable debt instruments(Lower Tier II)												-	-	
3	Deposits [Sum of(i) to (v)]	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	Current Deposits												-	-	
(ii)	Savings Bank Deposits												-	-	

(iii)	Other Deposits												-	-	
4	Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	Call and short Notice												-	-	
(ii)	Others (Specify)												-	-	
5	Other Liabilities and provisions [Sum of(i) to (iv)]	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	Bills Payable												-	-	
(ii)	Inter - Office Adjustment												-	-	
(iii)	Provisions												-	-	
(iv)	Others												-	-	
6	Repos												-	-	
7	Forex Swaps (Buy / Sell)												-	-	
8	Others (Specify)												-	-	
A	**Total Liabilities**	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	Off-Balance Sheet Position(sum of (i) to (v))	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	FRAs												-	-	
(ii)	Swaps												-	-	
(iii)	Futures												-	-	
(iv)	Options												-	-	
(v)	Others (Specify)												-	-	
C	**Total RSL (A + B)**	-	-	-	-	-	-	-	-	-	-	-	-	-	

Interest Rate Sensitivity- Assets

Amount in ₹ crore

	Assets	1 to 28 days	29 days to 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years and upto 7 years	Over 7 years and upto 10 years	Over 10 years and upto 15 years	Over 15 years	Non Sensitive	Total RSA (Sum of columns 3 to 12)	Total (13+14)	Weighted Average MD
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Cash												-	-	
2	Balances with RBI												-	-	
3	Balances with other Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	Current Account												-	-	
(ii)	Money at Call and Short Notice												-	-	
(iii)	Term Deposits and Other Placements														
4	Performing Investments (including those under reverse repos but excluding repos)	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	SLR Investments												-	-	
(ii)	Non-SLR Investments														
5	Advances (performing)	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	Permitted Loans												-	-	
6	NPAs (Advances and Investment)												-	-	
7	Fixed Assets												-	-	
8	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	Inter-Office Adjustment												-	-	
(ii)	Leased Assets												-	-	
(iii)	Others												-	-	
9	Reverse Repos												-	-	
10	Forex Swaps(Sell / Buy)												-	-	
11	Others (Specify)												-	-	

D	**Total Assets**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
E	**Off-Balance Sheet Position(sum of (i) to (v))**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(i)	FRAs												-	-		
(ii)	Swaps												-	-		
(iii)	Futures												-	-		
(iv)	Options												-	-		
(v)	Others (Specify)												-	-		
F	**Total RSA (D + E)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

PART B: Aggregation of RSL and RSA across all currencies and computation of MDG and sensitivity of MVE under different scenarios

		Amount in ₹ crore
	Equity (i.e., Net worth) (E)	
A	**Computation of Aggregate RSL (i) + (ii)**	-
(i)	RSL of ₹ liabilities	-
(ii)	₹ equivalents of RSL in different currencies	-
B	**Computation of Aggregate RSA (i) + (ii)**	-
(i)	RSA of ₹ Assets	-
(ii)	₹ equivalents of RSA in different currencies	-
C	**Weighted Average MD of RSL across all currencies (MD RSL)**	-
D	**Weighted Average MD of RSA across all currencies (MD RSA)**	-
E	**Modified Duration Gap (MDG) [MDA - MDL * (RSL/RSA)]**	-
F	% Change in MVE **=** $\left(\frac{\Delta \mathbf{E}}{\mathbf{E}}\right) = -\frac{\text{MDG} * \text{RSA} * \Delta \text{i}}{\text{E}}$ when	
(i)	There is 100 bps change in interest rates i,e ^ i = 1%	-%
(ii)	There is 200 bps change in interest rates i,e ^ i =2%	-%
(iii)	There is 300 bps change in the interest rates i,e ^ i - 3%	-%
(iv)	Other scenarios (pl. specify)	

Part C. Statement of average coupon/yield on assets/liabilities used for computing MD in each time band

Name of the Bank:

	Liabilities	1-28 days		29 days and up to 3 months		Over 3 months and up to 6 months		Over 6 months and up to 1 year		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years and up to 7 years		Over 7 years and up to 10 years		Over 10 year and up to 15 years		Over 15 years		Non-sensitive		Total
1	2	3		4		5		6		7		8		9		10		11		12		13		
		Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	
1	**Tier I capital instruments other than equity (i and ii)**																							
(i)	Perpetual Non-Cumulative Preference Shares (Tier I)																							
(ii)	IPDI																							
2	**Tier II Capital instruments [(i) to (v)]**																							
(i)	Perpetual Cumulative Preference Shares																							
(ii)	Redeemable Cumulative Preference Shares																							
(iii)	Redeemable Non-cumulative Preference Shares																							
(iv)	Redeemable debt instruments(Upper Tier II)																							
(v)	Redeemable debt instruments(Lower Tier II)																							

3	**Deposits [(i) to (v)]**																								
(i)	Current Deposits																								
(ii)	Savings Bank Deposits																								
4	**Borrowings**																								
(i)	Call and Short Notice																								
(iv)	Others (specify)																								
5	**Other Liabilities & Provisions [(i) to (iv)]**																								
(i)	Bills Payable																								
(ii)	Inter-office Adjustment																								
(iii)	Provisions																								
(iv)	Others																								
6	**Repos**																								
7	**Bills Rediscounted (DUPN)**																								
8	**Forex Swaps (buy / Sell)**																								
9	**Others (specify)**																								
A	**Total Liabilities**																								
B	**Off-Balance Sheet Positions equivalent to short positions in bonds**																								
	(i) Positions related to Derivatives																								
	i) FRAs																								
	ii) Swaps																								
	iii) Futures																								
	iv) Options																								
	(ii)Other Off-balance sheet positions																								

	Assets	1-28 days		29 days and up to 3 months		Over 3 months and up to 6 months		Over 6 months and up to 1 year		Over 1 year and up to 3 years		Over 3 years and up to 5 years		Over 5 years and up to 7 years		Over 7 years and up to 10 years		Over 10 year and up to 15 years		Over 15 years		Non-sensitive		Total
		Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	Coupon	Yield	
1	**Cash**																							
2	**Balances with RBI**																							
3	**Balances with other Banks**																							
	Current Account																							
	Money at call and short notice																							
	Term Deposits and Other Placements																							
4	**Investments (including those Reverse Repos but excluding Repos)**																							
	SLR Investments																							
	Non-SLR Investments																							
5	**Advances (Performing)**																							
(i)	Permitted Loans																							
6	**NPAs (Advances and Investments)**																							
7	**Fixed Assets**																							
8	**Other Assets**																							
	Inter-office Adjustment																							
	Leased Assets																							
	Others																							
9	**Reverse Repos**																							
10	**Forex Swaps (buy / Sell)**																							
11	**Bills Rediscounted (DUPN)**																							

12	**Others (specify)**																							
C	**Total Assets**																							
D	**Off- Balance Sheet Positions equivalent to long positions in bonds**																							
D. 1	*Positions related to Derivatives*																							
	i) FRAs																							
	ii) Swaps																							
	iii) Futures																							
	iv) Options																							
D. 2	*Other Off-balance sheet positions*																							

Guidance for Slotting the Future Cash Flows of Banks in Structural Liquidity Statement, Part A1

Heads of Accounts			Classification into time buckets	
A.	**Outflows**			
1.	Capital, Reserves and Surplus		Over 5 years bucket.	
2.	Demand Deposits (Current and Savings Bank Deposits)		Savings Bank and Current Deposits may be classified into volatile and core portions. Savings Bank (10 per cent) and Current (15 per cent) Deposits are generally withdrawable on demand. This portion may be treated as volatile. While volatile portion can be placed in the Day 1, 2-7 days, and 8-14 days time buckets, depending upon the experience and estimates of a bank and the core portion may be placed in over 1- 3 years bucket.	
			The above classification of Savings Bank and Current Deposits is only a benchmark. Banks which are better equipped to estimate the behavioural pattern, roll-in and roll-out, embedded options, etc., on the basis of past data/ empirical studies could classify them in the appropriate buckets, i.e., behavioural maturity instead of contractual maturity, subject to the approval of the Board / ALCO.	
3.	***Other Liabilities and Provisions***			
	(i)	Bills Payable	(i)	The core component which could reasonably be estimated on the basis of past data and behavioural pattern may be shown under 'Over 1-3 years' time bucket. The balance amount may be placed in Day 1, 2-7 days, and 8-14 days buckets, as per behavioural pattern.
	(ii)	Provisions other than for loan loss and depreciation in investments	(ii)	Respective buckets depending on the purpose.
	(iii)	Other Liabilities	(iii)	Respective maturity buckets. Items not representing cash payables (i.e. income received in advance, etc.) may be placed in over 5 years bucket.
B.	**Inflows**			
1.	Cash		Day 1 bucket	

Heads of Accounts			Classification into time buckets	
2.	Balances with RBI		While the excess balance over the required CRR/ SLR may be shown under Day 1 bucket, the Statutory Balances may be distributed amongst various time buckets corresponding to the maturity profile of DTL with a time-lag of 14 days.	
3.	***Balances with other Banks***			
	(i)	Current Account	(i)	Non-withdrawable portion on account of stipulations of minimum balances may be shown under 'Over 1-3 years' bucket and the remaining balances may be shown under Day 1 bucket.
	(ii)	Money at Call and Short Notice, Term Deposits and other placements	(ii)	Respective maturity buckets.
4.	***Investments (Net of provisions)*** #			
	(i)	Approved securities	(i)	Respective maturity buckets, excluding the amount required to be reinvested to maintain SLR corresponding to the DTL profile in various time buckets. A bank can slot its excess SLR securities and MSF eligible securities under the Day-1 bucket.
	(ii)	Corporate debentures and bonds, PSU bonds, CDs and CPs, Redeemable preference shares, Units of Mutual Funds (close ended), etc.	(ii)	Respective maturity buckets. Investments classified as NPIs should be shown under over 3-5 years bucket (sub-standard) or over 5 years bucket (doubtful).
	(iii)	Shares	(iii)	Listed shares (except strategic investments) in 2-7 days bucket, with a haircut of 50 per cent. Other shares in 'Over 5 years' bucket.
	(iv)	Units of Mutual Funds (open ended)	(iv)	Day 1 bucket
	(v)	Investments in Subsidiaries/ Joint Ventures	(v)	'Over 5 years' bucket.
	(vi)	Securities in the Trading Book	(vi)	Day 1, 2-7 days, 8-14 days, 15-28 days, and 29-90 days according to defeasance periods.
	#	Provisions may be netted from the gross investments provided provisions are held security-wise. Otherwise provisions should be shown in over 5 years bucket.		
5.	***Advances (Performing)***			
	(i)	Permitted Loans	(iii)	Interim cash flows may be shown under respective maturity buckets.
6.	***NPAs (Net of provisions, interest suspense and claims received from ECGC / DICGC)***			

Heads of Accounts			Classification into time buckets	
	(i)	Sub-standard	(i)	Over 3-5 years bucket.
	(ii)	Doubtful and Loss	(ii)	Over 5 years bucket.
7.	***Fixed Assets/ Assets on lease***		'Over 5 years' bucket / Interim cash flows may be shown under respective maturity buckets.	
8.	***Other Assets***			
	(i)	Intangible assets	Intangible assets and assets not representing cash receivables may be shown in 'Over 5 years' bucket.	
C.	**Off balance sheet items**			
1.	**Lines of Credit committed/ available**			
	(i)	Lines of Credit committed to/ from Institutions	(i)	Day 1 bucket.
2.	***Other Inflows/ outflows***			
	(i)	Repos/ Bills Rediscounted (DUPN)/ CBLO/ Swaps ₹/ USD, maturing forex forward contracts/ futures etc. (outflow/ inflow)	(i)	Respective maturity buckets.
	(ii)	Interest payable/ receivable (outflow/ inflow) - Accrued interest which are appearing in the books on the reporting day	(ii)	Respective maturity buckets.
	Note :			
	(i)	Liability on account of event cash flows i.e. short fall in CRR balance on reporting Fridays, wage settlement, capital expenditure, etc. which are known to the banks and any other contingency may be shown under respective maturity buckets. The event cash outflows, including incremental SLR requirement should be reported against "Outflows - Others".		
	(ii)	All overdue liabilities may be placed in the Day 1, 2-7 days, and 8-14 days buckets, based on behavioural estimates.		
	(iii)	Interest and instalments from advances and investments, which are overdue for less than one month may be placed in Day 1, 2-7 days and 8-14 days buckets, based on behavioural estimates. Further, interest and instalments due (before classification as NPAs) may be placed in '31 days to 3 months bucket' if the earlier receivables remain uncollected.		
D.	**Financing of Gap**			
	In case the net cumulative negative mismatches during the Day 1, 2-7 days, 8-14 days, and 15- 30 days buckets exceed the prudential limit of 5 per cent ,10 per cent, 15 per cent and 20 per cent of the cumulative cash outflows in the respective time buckets, the bank may			

Heads of Accounts		Classification into time buckets
	show by way of a foot note as to how it proposes to finance the gap to bring the mismatch within the prescribed limits. The gap can be financed from market borrowings (call / term), Bills Rediscounting, Repos, LAF and deployment of foreign currency resources after conversion into ₹ (unswapped foreign currency funds), etc.	

Guidance for Slotting the Future Cash Flows of Banks in Structural Liquidity Statement Part A2

Heads of Accounts		Classification into time buckets
A.	**Outflows**	
1.	Merchant sales, Inter-bank sales, overseas sales, sales to RBI	As per the tenor of the contract- respective maturity buckets
2.	Swaps, currency futures, etc	Respective maturity buckets as per the pay-off profile
3.	Overdrafts in Nostro accounts	Day 1 bucket
4.	Inter-bank borrowings	Respective Maturity buckets
B.	**Inflows**	
1.	Merchant purchases, inter-bank purchases, overseas purchases, purchases from RBI.	As per the tenor of the contract- respective maturity buckets
2.	Swaps, currency futures and options	Respective maturity buckets as per the pay-off profile
3.	Nostro balance	Day 1 bucket
4.	Short term, long term investments and loans	Respective Maturity buckets.

Annex-VI: Guidance on Bucketing

Guidelines on Bucketing of various items of Assets and Liabilities in the Interest Rate Sensitivity Statement, along with the coupons and yields to be used

Sr.	Liabilities		Framework for Bucketing of Assets/ Liabilities/ Off Balance Sheet Items and Computation of Modified Duration		
1.	Capital - Equity shares			Non-sensitive for TGA.	
				Not to be bucketed for DGA.	
2.	Reserves and Surplus			Non-sensitive for TGA.	
				Not to be bucketed for DGA.	
3.	(i)	Innovative Perpetual Debt Instruments (IPDI) eligible for Tier I status		Sensitive.	
	(ii)	Debt capital Instruments qualifying as Upper Tier II Capital and Tier II bonds		Bucketing as per residual maturity/ re-pricing.	
	(iii)	Preference shares eligible for Tier I and Tier II Capital		Coupon rate: Contract rate.	
				Yield: Govt. of India yield for corresponding period with appropriate mark up for rated bonds (corresponding to rating of the instrument) published by FBIL.	
				A bank better equipped to estimate the behavioral pattern of current deposits should classify them in the appropriate buckets based on behavioral maturity as per the behavioural study. In such cases to compute the Modified Duration, a bank must use its relevant term deposit rates as the discount rate, coupon rate being zero.	
				However, a bank which have not conducted the above behavioral study may classify 15 per cent of the current deposits as volatile and place it in the first time bucket (viz. 1-28 days) and 85 per cent may be placed in the 1-3 years time bucket.	
				Coupon Rate: Zero.	
				Yield:	
				(i)	As the mid-point of the 1-28 days time bucket is 14 days, a bank could take its 14 days term deposit rate as the yield to compute the MD of the volatile portion.

Sr.	Liabilities		Framework for Bucketing of Assets/ Liabilities/ Off Balance Sheet Items and Computation of Modified Duration		
				(ii)	As the mid-point of the 1-3 years time bucket is 2 years, a bank could take its 2-year term deposit rate as the discount rate to compute the Modified Duration of the core portion.
	(ii)	Savings Bank Deposits		Sensitive.	
				A bank may estimate the future behaviour/ sensitivity of savings bank deposits to changes in market variables, the sensitivity so estimated could be shown under appropriate time buckets. The existing savings bank rate may be used as coupon and the bank's own relevant term deposit rates must be used as the yield to compute the MD.	
				However, where a bank has not undertaken any behavioral study it may include core portion (say 90 per cent) as rate sensitive and include the same in 1-3 years time bucket. The volatile portion (10 per cent) may be placed in 1-28 days bucket.	
				Coupon Rate: Existing Savings Bank interest rate, i.e., 3.5 per cent.	
				Yield:	
				(i)	As the mid-point of the 1-28 days time bucket is 14 days, a bank could take its 14 days term deposit rate as the yield to compute the MD of the volatile portion.
				(ii)	As the mid-point of the 1-3 years time bucket is 2 years, a bank could take its 2-year term deposit rate as the discount rate to compute the Modified Duration of the core portion.
	(i)	Money at Call and Short Notice		The amounts should be distributed to different buckets on the basis of remaining maturity/ re-pricing date.	
				Overnight call money rate may be taken as both the coupon and yield.	
	(iv)	Others (specify)	-		
6.	Other Liabilities and Provisions				
	i)	Bills Payable		Non-sensitive.	
	ii)	Inter-office adjustment		Non-sensitive.	
	iii)	Provisions		Non-sensitive.	
	iv)	Others		Non-sensitive.	
7.	Repos (Funds borrowed)			Sensitive.	
				The amounts should be distributed to different buckets on the basis of remaining maturity.	

Sr.	Liabilities	Framework for Bucketing of Assets/ Liabilities/ Off Balance Sheet Items and Computation of Modified Duration	
			The coupon will be as per actual rate for each repo and yield may be based on FBIL-NSE MIBOR curve.
8.	Forex Swaps (Buy/ Sell)		Sensitive.
			Actual MD for each contract may be computed using the ₹ implied rate through forward premium / discount as both coupon and discount rate.
9.	Others		
A.	**Total Liabilities**		

Sr.	Assets		Framework for Bucketing of Assets / Liabilities / Off Balance Sheet Items and Computation of Modified Duration
1.	Cash		Non-sensitive.
2.	Balances with RBI		Non-sensitive.
3.	Balances with other banks		
	i)	Current account	Non-sensitive.
	ii)	Money at Call and Short Notice	Sensitive on maturity.
			The amount should be plotted in the 1-28 days bucket.
			The overnight call money rate may be used as both coupon and yield.
	iii)	Term deposits and other placements	Sensitive.
			The amounts should be distributed to different time buckets on the basis of residual maturity or residual period to repricing, as relevant.
			Coupon rate: Relevant rate of term deposit / placement.
			Yield: Term deposit rates of the corresponding tenors of the banks with whom deposits are placed.
4.	Investments (Performing) (including those under reverse repos but excluding repos)		Sensitive
			For the purpose of bucketing and calculation of Modified Duration, investments may be classified into SLR and non-SLR investments as indicated below :
	i)	SLR investments	Sensitive.
			Actual Modified Duration of each SLR security should be used.
			Yield : G-Sec yield curve.
	ii)	Non-SLR investments	Sensitive (except equity which may be put in the non-sensitive bucket).
			Actual Modified Duration of each Non-SLR security should be used.
			Yield : FIMMDA benchmark curve.

5.	Advances (Performing)		Sensitive.
			The amounts should be distributed to different time buckets on the basis of residual maturity or residual period to re-pricing, as relevant.
			Banks may compute the average coupon for the advances portfolio by comparing the interest income during the relevant accounting period from 'standard' advances to the monthly average outstanding 'standard' advances.
			The average rating of the advances portfolio may be estimated by each bank to arrive at the applicable yield. One of the methods for estimating the average rating may be as follows :
			Multiply the outstanding advances in each bucket with the internal rating scores to arrive at the weighted average rating of the advances in that bucket. Thereafter, this rating may be mapped to an external rating. In case a major portion of the bank's advances in a particular time bucket happens to be unrated, the bank may use the rating scores of large advances / rated advances in each bucket (mapped with the rating of external agency) for arriving at weighted average rating for the bucket. On the basis of the average rating of each bucket, the yield may be arrived at using the FBIL yield curve for GoI securities with appropriate mark-up.
	iii)	Permitted Loans	Sensitive on re-pricing / maturity, whichever is earlier. In the case of BPLR / Base Rate linked advances, a bank may estimate the re-pricing date based on the past experience and future forecast for the changes in their BPLR / Base Rate.
			The average coupon and yield for the advances portfolio, as computed above, may be used.
6.	NPAs (Advances and Investments) *		Sensitive.
			Sub-standard NPAs should be slotted in the 1-3 years time bucket.
			Doubtful and Loss Assets - should be slotted in the 3-5 years time bucket.
			Coupon: The coupon rate will be taken as zero.
			The yield curve prescribed by FIMMDA for unrated exposures/ default category may be used as yield.
7.	Fixed Assets		Non-sensitive.
8.	i)	Inter-office adjustment	Non-sensitive.
	ii)	Leased Assets	Sensitive on cash flows.
			The amounts should be distributed to respective maturity buckets corresponding to the cash flow dates.
			Yield curve prescribed by FIMMDA for valuation of corporate bonds as per the average rating estimated for leased assets to be used for arriving at the yields.
			The average coupon for the leased assets portfolio, as computed for advances, may be used.
	iii)	Others	Non-sensitive.

9.	Reverse Repos (Funds Lent)		Sensitive. The amounts should be distributed to different buckets on the basis of remaining maturity.
			The coupon will be as per actual rate for each repo and yield may be based on FBIL-NSE MIBOR curve.
10.	Forex Swaps (Sell / Buy)		Sensitive.
			Actual MD for each contract may be computed using the ₹ implied rate through forward premium / discount may be used as both coupon and discount rate.
12.	Others (specify)		
B.			
13.	Other Products (Interest Rate Derivatives)		Derivatives to be converted into positions in the relevant underlying. The amounts considered would be the principal amount of the underlying or of the notional underlying. Options (where permitted) shall be considered according to the delta equivalent amount of the underlying or of the notional underlying. Actual modified duration for each contract may be computed using the contracted rate as coupon and the relevant yield curve for discounting factor. Alternatively all interest rate derivatives can also be dealt with in the following manner:
	i)	FRAs	Forward Rate Agreements (FRAs) could also be considered as a combination of a short position and a long position. For instance, a long position in a September three month FRA (taken on June 1), can be bucketed as a short position in a bond with a maturity of 6 months and a long position in a bond with a maturity of 3 months. Accordingly a liability in the 3-6 months bucket and an asset in the 28 days to 3 months bucket may be shown. The amount to be reckoned for computing interest rate sensitivity is the notional value of the FRA.
	ii)	Swaps	Interest Rate Swaps could be considered as a combination of a short position and a long position. The notional of the fixed and floating leg of an Interest Rate Swap could be shown in the respective maturity bucket based on the maturity date for the fixed leg and the reset date for the floating leg. Suppose a bank receives 5-year fixed and pays floating MIBOR, then the fixed leg of the swap could be shown as an asset in the '5-7 year' bucket and the floating leg would be shown as a liability in '1-28 days' bucket. Similarly, a currency swap may be considered as a combination of a short position in one currency and long position in another currency. The two positions will be sensitive to the changes in the respective interest rates. The notionals of the two currencies will be bucketed as a short / long positions in the respective currency with relevant maturity.
	iii)	Futures	Interest Rate Futures (IRFs) could also be considered as a combination of a short position and long position. For instance, a long position in a September three month IRF (taken on June 1), can be bucketed as a long position in Government bond, with a maturity of six months and a short position

			in Government bond with maturity of three months. The amount to be reckoned for computing interest rate sensitivity is the notional value of the IRF.

* Net of provisions, interest suspense and claims received from ECGC / DICGC.

Note :

1. Wherever FIMMDA spreads are proposed to be used, the FIMMDA Corporate Bond Spreads table may be used. The same can be downloaded from the FIMMDA website (www.fimmda.org).
2. Equity holding whether strategic or for investment purposes may be treated as Non-sensitive and bucketed accordingly.