# NSFR
## Net Stable Funding Ratio

The global financial crisis drove home the importance of liquidity to the proper functioning of financial markets and the banking sector. Incentives for banks to expand their balance sheets quickly translated into over-reliance on relatively cheap and abundant short-term wholesale funding thereby weakening their ability to respond to liquidity shocks when they occurred. As a response to the inherent weaknesses in the bank's liquidity risk management and maturity transformation processes, the Basel Committee on Banking Supervision (BCBS) devised Basel III as a package of measures which included for the first time global harmonized liquidity management metrics including the development of two minimum liquidity standards being the Liquidity Coverage Ratio (LCR) and the complementary Net Stable Funding Ratio (NSFR). The NSFR looks to promote funding stability over a longer term timeframe by encouraging the funding of business activities with more stable sources of funding and discouraging over reliance on short-term wholesale funding.

The regulatory compliance requirement of NSFR, over and above the other regulatory and internal management requirements of liquidity risk management, once again emphasizes the importance of deploying and maintaining a single core liquidity engine that is able to effectively meet all the diverse needs of the banks under the same hood. While banks could still make do with "quick-fix" algorithms and connect it with the reporting templates in previous regimes, this approach is proving to be prohibitively cumbersome, inefficient, less accurate as well as costly in the "new-normal" world of liquidity management. Adding the pressures of multi-jurisdictional regulatory deadlines to the mix and the result is new compliance landscape where the traditionally siloed "Band-Aid" approach is no longer a feasible option. Banks are compelled to keep up with this new environment where functional richness needs to be combined with technological robustness to enable quicker, more efficient decision-making and compliance processes.

## KEY BENEFITS

Enterprise-wide platform approach unifies data models without forcing expensive data transformation into common data formats

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Strategic data-driven solution with full drill down capabilities ensuring consistency, Transparency and traceability

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Integrated modular calculation engine with full liquidity metrics including NSFR

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Advanced reporting templates that complies with the multi-jurisdiction and multi-faceted regulatory reporting requirements

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Proven and performance tested across multi-tiered banks of varying complexities in different geographies

### The challenges

▪ Meeting complex and evolving multi-jurisdictional reporting requirements

▪ Consolidation of data in multiple formats and differing sources

▪ Obtaining cashflow records for the complete lifetime of the instrument

▪ Maintaining a consistent and logical view of assets and liabilities in balance sheet

▪ Monitoring encumbrance profile of securities transactions

▪ Complete and transparent rules for computation and classification

▪ Holistic management of short term liquidity ratios with longer term stable funding and lending

▪ Reporting templates constantly updated to reflect changes in regulatory mandates

## AxiomSL's NSFR solution

The in-built logic required to specifically address NSFR reporting requirements and its related monitoring tools are housed in AxiomSL's award winning Liquidity solution suite. The solution handles the various complications of liquidity measurements such as, multiple netting, encumbrance maturity profile, consistency with LCR calculations, derivative transactions and margin requirements as well as balance sheet interdependence etc. AxiomSL's comprehensive Liquidity solution addresses all the above challenges while setting up a solid foundation to meet future regulatory changes.

Its data-driven multi-jurisdiction platform provides highly configurable and customizable capabilities (rule-based calculations, aggregations, etc.) and drill-down allowing for full audit-trail to data sources. The end-to-end solution provides a single unified framework to meet liquidity risk requirements with features such as data loading, movement (cash-flow) generation, classification and metrics calculations and reporting.

As a result, the solutions deliver data integrity, traceability and transparency throughout the entire process while addressing the complex demands of liquidity risk management and reporting by providing flexible and scalable frameworks.

## KEY FEATURES

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| **Strategic Data Driven Platform** | Mitigates data fragmentation through consolidation across multiple jurisdictions, sources, formats and departments |
| **Cash Flow Engine** | Life time cash flow generation fully integrated with AxiomSL's Liquidity Solution |
| **Full Basel Metrics Integration** | Consistent definition and interpretation of Basel Liquidity metrics within AxiomSL's Liquidity Solution modules including NSFR |
| **Integrated Modular NSFR Calculation Engine** | Core NSFR definitions<br>• Classificaiton Rules Engine<br>• Allocation & Encumbrance Rules<br>• Logical view of A&L |
| **Integrated Modular NSFR Reporting Engine** | Built-in reporting templates with coverage across multiple jurisdictions meeting both bank and regulator's reporting requirements |

Robust cashflow generation engine with scenario capabilities

Handles both regulator mandated and internal bank monitoring of NSFR requirements via client manageable business rule engine

Basel III NSFR workbook compliant for multi-jurisdiction calculation and reporting flexibility

Full drill down ability allows for in-depth analysis of liquidity risk exposures

Allows for ad-hoc variance, trend and liquidity gap analysis reporting

User-defined stress testing and forecasting abilities

Full integration with AxiomSL Liquidity