CHARTERED FINANCE & LEASING LTD. (CFL)

("NBFC/ B-13.02480")

. **SUMMARY OF POLICY**

Particular	Details
Policy Name	Liquidity Risk Management Policy / ALM Policy
Version	V2
Latest Approval/Review Date	20-May-2025
Review Cycle	Annually
Approver	Board of Directors of Chartered Finance & Leasing Ltd

. **VERSION HISTORY**

VERSION NO.	APPROVAL	VERSION DESCRIPTION	REGULATORY REFERENCE	REMARKS
I	07-Apr-2022	2022	RBI Regulation	Policy adopted by the Board
II	20-May-2025	2025	RBI Regulation	Reviewed by Board

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1. BACKGROUND

In order to strengthen and raise the standard of the Asset Liability Management (ALM) framework applicable to NBFCs, the Reserve Bank of India has revised the extant guidelines on liquidity risk management for NBFCs. All non-deposit-taking NBFCs with asset size of ₹ 100 crore and above, Systemically Important Core Investment Companies and all deposit-taking NBFCs irrespective of their asset size shall adhere to the liquidity risk management guidelines stipulated by RBI.

The primary and foremost objective is to manage the assets and liabilities of the company judiciously and prudently so as to minimize/avert any asset-liability mismatch which may arise during the normal course of business.

This Policy has been framed in accordance with the regulations, directions, notifications and circulars issued Reserve Bank of India (“RBI”).

These guidelines deal with the following aspects of the the Liquidity Risk Management framework:

a) Liquidity Risk Management Policy, Strategies and Practices
b) Management Information System (MIS)
c) Internal Controls
d) Maturity profiling
e) Liquidity Risk Measurement – Stock Approach
f) Currency Risk
g) Managing Interest Rate Risk
h) Liquidity Risk Monitoring Tools

2. LIQUIDITY RISK MANAGEMENT POLICY, STRATEGIES AND PRACTICES

Managing liquidity risk is one of the most important functions of a financial services entity. Liquidity risk management can reduce the chances of the origination of an adverse situation by assuring to meet liabilities when they become due. Liquidity risk also arises from the market-related variables which lead to a liquidity crunch in the market resulting in liquidity gaps. Liquidity risk can result in serious repercussions for CFL. This may lead to a) Loss in reputation of the CFL in the market b) Higher cost for additional borrowing c) Rating downgrade. Effective liquidity management can reduce the probability of serious repercussions as mentioned above. Therefore, analysis of liquidity not only requires the measurement of liquidity on an ongoing basis but also requires managing and monitoring the liquidity risk on a continuous basis. It would also involve examining the funding requirement under various stress scenarios. In order to ensure a sound and robust liquidity risk management system, the Board of the CFL has a liquidity risk management framework, which ensures that 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.

Entity-Level Liquidity Risk Tolerance

The Company has a sound process for identifying, measuring, monitoring and controlling liquidity risk and has adequate liquidity risk tolerance that is appropriate for its business strategy and its role in the financial system.

The Company has identified following liquidity risk management strategy:

1. <u>The degree of concentration of surplus funds</u> –
   Surplus funds of the company should be diversified into various market investment products like G-Sec/SDLs/T Bills and non-G-sec products like MF/FD/CD/CP/Bonds. The funds will be invested in different avenues as decided by the Board.

2. The size and composition of a liquidity reserve consisting of liquid assets which can be sold or used as collateral in times of stress – Company to maintain at least 15% of its NOF as on last audited financials of the company in the form of liquid assets Currently, surplus funds that are considered as liquid assets are invested in mutual funds, Fixed Deposits and Gsec/T-bill. The composition and maturity profiles of assets, liabilities and off-balance sheet positions – Company's short term negative ALM mismatch in individual bucket shall be maintained as per extant regulatory prescriptions.

3. Intraday liquidity management – Company 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. The company has robust framework for comprehensively projecting cashflows arising out of its assets and liabilities.

Key elements of the liquidity risk management framework are as under:

3. GOVERNANCE OF LIQUIDITY RISK MANAGEMENT

Successful implementation of any risk management process shall emanate from the top management with the demonstration of its strong commitment to integrate basic operations and strategic decision making with risk management. The Chief Risk Officer, shall be involved in the process of identification, measurement and mitigation of liquidity risks. The Company shall have the following set up for liquidity risk management:

a) Board of Directors

The Board shall have the overall responsibility for the management of liquidity risk. The Board shall decide the strategy, policies and procedures to manage liquidity risk in accordance with the liquidity risk tolerance/limits decided by the Board.

b) Risk Management Committee

The Risk Management Committee of the Board shall be responsible for evaluating the overall risks faced by the Company including liquidity risk.

c) Asset-Liability Management Committee (ALCO)

The liquidity risk management of the Company has been delegated to Asset & Liability Management Committee
(ALCO). ALCO has been constituted with the following Members with effect from 01.10.2025:

1. Managing Director, who shall be the Chairman
2. Chief Risk Officer,
3. Other members as approved by the Board

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. ALCO with respect to liquidity risk should include, inter alia, deciding on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions.

d) **Asset Liability Management (ALM) Support Group**

The ALM Support Group consisting of the operating staff headed by the CRO shall be responsible for analysing, monitoring, and reporting the liquidity risk profile to the ALCO. Such support groups will be constituted depending on the size and complexity of liquidity risk management in an NBFC.

4. LIQUIDITY RISK TOLERANCE / INTEREST RATE RISK TOLERANCE

The Company shall have a sound process for identifying, measuring, monitoring and controlling liquidity risk / Interest rate risk to clearly articulate a liquidity risk / Interest rate risk tolerance appropriate for its business strategy and its role in the financial system. ALCO shall develop and monitor the strategy to manage liquidity risk / Interest rate risk in accordance with such risk tolerance and ensure that the Company maintains sufficient liquidity.

Sl. No.	**Time Bucket**	**Cumulative Negative Gap as % of outflow**
1.	1-7 days	10%
2.	8-14 days	10%
3.	15-30/31 days	20%
4.	1 to 2 months	20%
5.	2 month to 1 year	20%
6.	1 year to 5 years	30%
7.	5 years onwards	40%

5. OFF-BALANCE SHEET EXPOSURES AND CONTINGENT LIABILITIES

Liquidity risks associated with Off-Balance Sheet exposures and contingent liabilities are identified, measured, monitored and controlled, on an ongoing basis, and suitable steps to be taken, from time to time, to align the same with normal business activities.

6. FUNDING STRATEGIES

The CRO shall prepare, discuss and review the Cash Flow Statement with the Board at regular intervals and prepare the Strategy to Fund the shortfall. The Funding Plan is to be updated regularly throughout the year to reflect changes in the Cash Flow requirements. The Company may raise Funds by intra-group fund transfers, new issues of short- and long-term debt instruments, Equity, sale of subsidiaries, joint ventures or lines of business, asset securitization etc. The ALCO should regularly measure the Company's capacity to raise funds quickly from various sources.

7. COLLATERAL POSITION MANAGEMENT

The collateral positions of the Company are to be differentiated, on an ongoing basis, between encumbered and unencumbered Receivables so as to ensure mobilization of additional resources against the unencumbered Receivables, in times of need. The Funding Plan is to be updated regularly throughout the year to reflect changes in the Cash Flow requirements.

8. STRESS TESTING

Stress testing shall form an integral part of the overall governance and liquidity risk management culture in the Company. The Company shall conduct stress tests on a quarterly basis for a variety of short-term and protracted NBFC-specific and market-wide stress scenarios (individually and in combination). In designing liquidity stress scenarios, the nature of the Company's business, activities and vulnerabilities will be taken into consideration so that the scenarios incorporate the major funding and market liquidity risks to which the Company is exposed. Some of the situations which can be simulated by the Company while conducting such stress test will include a) reduction in collection efficiency; b) Prematurity of ICD; c) increase in NPAs of the Company

9. INTRA GROUP TRANSFERS

Inter Group transfers are to be carried out, in line with the regulatory prescriptions, from time to time, to ensure and maintain liquidity management processes and funding programmes that are consistent with the complexity, risk profile, and scope of operations of the companies in the Group.

10. CONTINGENCY FUNDING PLAN

A contingency Funding Plan (CFP), containing the details oavailable/potentialal contingency funding sources and the amount / estimated amount which can be drawn from these sources, clear escalation/ prioritization procedures detailing when and how each of the actions can and should be activated, and the lead time needed to tap additional funds from each of the contingency sources, is to be put in place.

11. PUBLIC DISCLOSURE

Disclosures, as per regulatory prescriptions, are to be made from time to time to enable market participants to make an informed judgment about the soundness of its liquidity risk management framework and liquidity position.

12. MANAGEMENT INFORMATION SYSTEM (MIS)

A sound information system is the key to the ALM process. ALM has to be supported by the management clearly specifying the risk policies and tolerance limit. This framework needs to be built on a sound methodology with necessary information systems as backups. Thus, collecting information/ data in a timely manner is the key to the ALM process.

ALM data is prepared based on certain assumptions and is analyzed on the basis of the residual maturity of various assets & liabilities.

The ALM data is to be complied with timely based on forward-looking information on the liquidity position of the Company, both under normal and stress situations. It should 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.

13. INTERNAL CONTROLS

Appropriate internal controls, systems and procedures are to be put in place to ensure adherence to liquidity risk management policies and procedures and continue to review the same, from time to time, to evaluate the various components of the Company's liquidity risk management process.

14. MATURITY PROFILING

a. Identifying, measuring, monitoring and controlling the liquidity risk is very critical to ensure the Company's ability to meet its liabilities as they become due. Effective liquidity management ensures a reduction of the probability of developing an adverse situation. Liquidity management involves not only measuring liquidity position on an ongoing basis but also examining how liquidity requirements are likely to evolve under different assumptions. For measuring and managing net funding requirements, the use of a maturity profiling for both assets and liabilities and calculation of cumulative surplus or deficit of funds at selected maturity buckets is to be adopted as a standard tool, in line with RBI stipulations.

The Maturity Profile should be used for measuring the future cash flows of the Company in different time buckets as mentioned:

- 1 day to 7 days
- 8 days to 14 days
- 15 days to 30/31 days (One month)
- Over one month and up to 2 months
- Over two months 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

b. The Company being a Non-Deposit taking Core Investment Company, all investments in securities shall fall in the category of 'non-mandatory securities'. Alternatively, the Company may also follow the concept of Trading Book as per the extant prescriptions for NBFCs.

c. Within each time bucket, there could be mismatches depending on cash inflows and outflows. While the mismatches 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, viz., 1-30/31 days. The net cumulative negative mismatches in the Statement of Structural Liquidity in the maturity buckets 1-7 days, 8-14 days, and 15-30 days shall not exceed 10%,
10% and 20% of the cumulative cash outflows in the respective time buckets. The company is expected to monitor the cumulative mismatches (running total) across all other time buckets for up to 1 year by establishing internal prudential limits with the approval of the Board. The company shall also adopt the above cumulative mismatch limits for their structural liquidity statement for consolidated operations.

d. The Statement of Structural Liquidity may be prepared by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows. A maturing liability shall be a cash outflow while a maturing asset shall be a cash inflow.

e. In order to monitor the short-term liquidity on a dynamic basis over a time horizon spanning from 1 day to 6 months, the Company shall estimate its short-term liquidity profiles on the basis of business projections and other commitments for planning purposes.

f. Maturity profile of all the assets and liabilities have been specified in Annex I of this policy.

15. LIQUIDITY RISK MEASUREMENT – STOCK APPROACH

Appropriate critical ratios, like short-term liability to short-term assets, short-term liability to total assets; short-term liability to long-term assets; commercial papers / WCDL to total assets; ICDs (original maturity of less than one year) to total assets; short-term liabilities to total liabilities; long-term assets to total assets; etc., based on Company's liquidity risk management capabilities, experience and profile, to put in place to effectively measure the liquidity risk at regular intervals by ALCO.

The monitoring shall be by way of predefined internal limits as decided by the board for various above-critical ratios.

16. CURRENCY RISK

The Company is to put in place appropriate currency risk management tools as and when decided to opt for raising funds by way of External Commercial Borrowings

17. INTEREST RATE RISK ('IRR')

IRR management and reporting help identify potential risks to earnings and capital resulting from adverse fluctuations in market interest rates. It also identifies asset/funding balance and re-pricing mismatches. Proper identification of potential risks and mismatches assists management in devising asset/liability strategies to minimize these potential risks.

The Gap or Mismatch risk can be measured by calculating Gaps over different time intervals as at a given date. Gap analysis measures mismatches between rate-sensitive liabilities and rate-sensitive assets (including off balance sheet positions).

The Gaps may be identified in the following time buckets:

- 1 day to 7 days
- 8 days to 14 days
- 15 days to 30/31 days (One month)
- Over one month and up to 2 months
- Over two months 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

18. LIQUIDITY RISK MONITORING TOOLS

The Statement of Structural Liquidity is currently one of the prescribed monitoring tools to asset liquidity risk. In addition to this, the following tool shall be adopted by the Company for internal monitoring of liquidity requirements:

Concentration of Funding

This metric is meant to identify those significant sources of funding, the withdrawal of which could trigger liquidity problems. The metric thus encourages diversification of funding sources and monitoring of each of the significant counterparty, significant product/instrument.

Available Unencumbered Assets

This metric shall provide significant information on available unencumbered assets, which have the potential to be used as collateral to raise additional secured funding in secondary markets, capturing the details of the amount, type and location of available unencumbered assets that could serve as collateral for secured borrowing in secondary markets.

Market-related Monitoring Tools

i. This includes high-frequency market data that can serve as early warning indicators in monitoring potential liquidity difficulties at the NBFCs.

ii. The Board/committee set up for the purpose shall monitor on a monthly basis, the movements in their book-to-equity ratio for listed NBFCs and the coupon at which long-term and short-term debts are raised by them. This also includes information on breach/penalty in respect of regulatory liquidity requirements, if any.

19. LIQUIDITY COVERAGE RATIO ("LCR")

Reporting under LCR has been made mandatory for the Company since December 2020. The LCR shows the level of high-quality liquid assets available with the Company to effectively meet urgent needs in high-stress situations. LCR denotes the percentage of High-Quality Liquid Assets ("HQLA") to projected net cash outflow over the next 30 calendar days.

Guidelines related to the calculation of LCR have been specified in Annex II of this policy.

20. POLICY REVIEW

The Policy would ideally be reviewed at periodic intervals, preferably on an annual basis. However, the policy can be reviewed at short notice depending on the exigencies/extraordinary situations, which may emanate during the course of the Company's business.

Annexure I : ALM Guidelines for maturity profile of Assets and Liabilities

The following ALM guidelines have been laid down based on the policy issued by RBI through its circular DNBS (PD) CC. NO. 15/02.01/2000-01 dated June 27, 2001.

A. 1. Capital funds	
a) Equity capital, Non-redeemable or perpetual preference capital, Reserves, Funds and Surplus	In the 'over 5 years' time bucket.
b) Preference capital - redeemable/nonperpetual	As per the residual maturity of the shares.
2. Gifts, grants, donations and benefactions	The 'over 5 years' time-bucket. However, if such gifts, grants, etc. are tied to specific end-use, then these may be slotted in the time- bucket as per the purpose/end-use specified.
3. Notes, Bonds and debentures	
a) Plain vanilla bonds/debentures	As per the residual maturity of the instruments
b) Bonds/debentures with embedded call/put options (including zero-coupon/deep discount bonds)	As per the residual period for the earliest exercise date for the embedded option.
c) Fixed rate notes	As per the residual maturity
4. Deposits:	
a) Inter Corporate Deposits	These, being institutional/wholesale deposits, should be slotted as per their residual maturity
b) Certificates of Deposit	As per the residual maturity.
5. Borrowings	
a) Term money borrowings	As per the residual maturity
b) From RBI, Govt. & others	As per the residual maturity
c) Bank borrowings in the nature of WCDL, CC etc.	Over six months and up to one year
6) Current liabilities and provisions:	

a) Sundry creditors	As per the due date or likely timing of cash outflows. A behavioral analysis could also be made to assess the trend of outflows and the amounts slotted accordingly.
b) Expenses payable (other than interest)	As per the likely time of cash outflow.
c) Advance income received, receipts from borrowers pending adjustment	In the 'over 5 years' time-bucket as these do not involve any cash outflow.
d) Interest payable on bonds/deposits	In respective time buckets as per the due date of payment.
e) Provisions for NPAs	The amount of provision may be netted out from the gross amount of the NPA portfolio and the net amount of NPAs be shown as an item under inflows in stipulated time buckets.
f) Provision for Investments portfolio	The amount may be netted from the gross value of the investments portfolio and the net investments be shown as an inflow in the prescribed timeslots. In case provisions are not held security-wise, the provision may be shown on the "over 5 years" time bucket.
g) Other provisions	To be bucketed as per the purpose/nature of the underlying transaction.
B. Inflows	
1. Cash	In 1 to 30 /31 daytime bucket.
2. Remittance in transit	In 1 to 30 /31 daytime bucket.
3. Balances with banks (in India only)	
a) Current account	The stipulated minimum balance is shown in 6 months to 1-year bucket. The balance in excess of the minimum balance is shown in the 1 to 30-day time bucket.
b) Deposit accounts/short-term deposits	As per residual maturity.
4. Investments (net of provisions)	
a) Mandatory investments	As suitable to the NBFC
b) Non-Mandatory Listed	"1 day to 30/31 days (One month)" Over one month and up to 2 months" and "Over two months and up to 3 months" buckets depending upon the defeasance period proposed by the NBFCs
c) Non-Mandatory unlisted securities (e.g. shares, etc.)	"Over 5 years"
d) Non-mandatory unlisted securities having a fixed term maturity	As per residual maturity
e) Venture capital units	In the 'over 5 years' time bucket.
5. In case a Trading book is followed	
Equity shares, convertible preference shares, non-redeemable/perpetual preference shares, shares of subsidiaries/joint ventures and units in open-ended mutual funds and other investments.	(i) Shares classified as "current" investments representing the trading book of the NBFC may be shown in time buckets of "1 day to 30 days (One month)" Over one month and up to 2 months" and "Over two months and up to 3 months" buckets depending upon the defeasance period proposed by the NBFCs.

	(ii) Shares classified as "long term" investments may be kept in over "5 years" bucket. However, the shares of the assisted units/companies acquired as part of the initial financing package, may be slotted in the relative time bucket keeping in view the pace of project implementation/time-overrun, etc., and the resultant likely timeframe for divesting such shares.
6. Advances (performing)	
a) Bill of Exchange and promissory notes discounted and rediscounted	As per the residual usance of the underlying bills.
b) Term loans (rupee loans only)	The cash inflows on account of the interest and principal of the loan may be slotted in respective time buckets as per the timing of the cash flows as stipulated in the original/revised repayment schedule.
c) Corporate loans/short-term loans	As per the residual maturity
7. Non-performing loans	
(May be shown net of the provisions, interest suspense held)	
a) Sub-standard	
i) All over dues and instalments of principal falling due during the next three years	In the 3 to 5-year time bucket.
ii) Entire principal amount due beyond the next three years	In the over 5 years time-bucket
b) Doubtful and loss	
i) All instalments of principal falling due during the next five years as also all over dues	In the over 5-year time-bucket
ii) Entire principal amount due beyond the next five years	In the over 5-year time-bucket
8. Assets on lease	Cash flows from the lease transaction may be slotted in respective time buckets as per the timing of the cash flow.
9. Fixed assets (excluding leased assets)	In the 'over 5 years' time-bucket.
10. Other assets	
(a) Intangible assets and items not representing cash inflows.	In the 'over 5 years' time-bucket.

Annexe II : Liquidity Coverage Ratio

Liquidity Coverage Ratio (LCR)

The formula of LCR has been defined in the framework to mean:

$$= \frac{\text{Stock of High-Quality Liquid Assets (HQLAs)}}{\text{Total Net Cash Outflows over the next 30 calendar days}}$$

In simple terms, LCR represents the readily available cashflows/ cash equivalents as a proportion of the total net cash outflows over the next 30 calendar days. Ideally, the LCR should be more than 100%. The manner of computation of each of these has been elaborately discussed in the framework.

While calculating the stock of HQLA, certain items like cash, government securities and certain specified marketable securities are considered without any haircut. However, other assets, including corporate bonds, equity shares etc. are to be considered after considering haircuts ranging from 15% – 50%.

In the denominator, the net of cash outflows is to be considered, that is total cash outflows minus the specified cash inflows.

As per the RBI framework, "Liquidity Coverage Ratio (LCR) will promote resilience of NBFCs to potential liquidity disruptions by ensuring that they have sufficient High-Quality Liquid Asset (HQLA) to survive any acute liquidity stress scenario lasting for 30 days".

The stress scenario for LCR intends to cover a combined idiosyncratic and market-wide shock that would result in:

- a partial loss of unsecured wholesale funding capacity.
- a partial loss of secured, short-term financing with certain collateral and counterparties.
- additional contractual outflows that would arise from a downgrade in FSBFL's credit rating, including collateral posting requirements.
- increases in market volatilities that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts or additional collateral or lead to other liquidity needs.
- unscheduled draws on committed but unused credit and liquidity facilities that the company has provided to its clients; and,
- the potential need for the company to buy back debt or honour non-contractual obligations in the interest of mitigating reputational risk.

High-Quality Liquid Assets:

- Liquid assets comprise high-quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. They shall be unencumbered. The fundamental characteristics of HQLAs include low credit and market risk, ease and certainty of valuation, low correlation with risky assets and listing on a developed and recognized exchange market. The market-related characteristics of HQLAs include active and sizeable markets, presence of committed market makers, low market concentration and flight to quality (tendencies to move into these types of assets in a systemic crisis).
- Assets to be included in the computation of HQLAs are those that FSBFL is holding on the first day of the stress period. Such assets shall be valued at an amount no greater than their current market value to compute the LCR. Depending upon the nature of assets, they have been assigned different haircuts below, which are to be applied while calculating the HQLA for calculation of LCR. The assets and the haircuts are as under:

  (I) Assets to be included as HQLA **without any haircut:**

  i. ***Cash*** - Cash would mean cash on hand and demand deposits with Scheduled Commercial Banks.
  ii. ***Government securities***
  iii. Marketable securities issued or guaranteed by foreign sovereigns

(II) Assets to be considered for HQLA with a minimum **haircut of 15%:**

i. Marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks are assigned a 20% risk weight by banks under a standardized approach for credit risk and provided that they are not issued by a bank/financial institution/NBFC or any of its affiliated entities.

ii. Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an eligible credit rating agency.

iii. Commercial Papers not issued by a bank/PD/financial institution or any of its affiliated entities, which have a short-term rating equivalent to the long-term rating of AA- or above by an eligible credit rating agency.

(III) Assets to be considered for HQLA with a minimum **haircut of 50%:**

i. Marketable securities representing claims on or claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%, i.e., they should have a credit rating not lower than BBB as prescribed for banks in India.

ii. Common Equity Shares which satisfy all of the following conditions:

a) not issued by a bank/financial institution/NBFC or any of its affiliated entities.

b) included in NSE CNX Nifty index and/or S&P BSE Sensex index.

iii. Corporate debt securities (including commercial paper) and the securities having usual fundamental and market-related characteristics for HQLAs and meeting the following conditions:

a) not issued by a bank, financial institution, PD, NBFC or any of its affiliated entities.

b) have a long-term credit rating from an eligible credit rating agency between A+ and BBB- or in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating.

c) traded in large, deep and active repo or cash markets characterized by a low level of concentration; and

d) have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e. a maximum decline of price not exceeding 20% or increase in haircut over 30 days not exceeding 20 percentage points during a relevant period of significant liquidity stress.

iv. All assets in the stock of liquid assets must be managed as part of that pool by the CFL and shall be subject to the following operational requirements:

a) must be available at all times to be converted into cash.

b) shall be unencumbered.

c) shall not be co-mingled/ used as hedges on trading position; designated as collateral or credit enhancement in structured transactions or designated to cover operational costs.

d) shall be managed with sole intent for use as a source of contingent funds; and,

e) shall be under the control of specific function/s charged with managing the liquidity risk of the bank, e.g. ALCO.

(IV) CFL should periodically monetize a proportion of assets through repo or outright sale to test the salability of these assets and to minimize the risk of negative signalling during the distribution of their liquidity needs by currency.

(V) If an eligible liquid asset becomes ineligible (e.g. due to downgrade), CFL will be allowed to keep the asset in their stock of liquid assets for an additional 30 calendar days to have sufficient time to adjust the stock / replace the asset.

Total net cash outflows

A) Total net cash outflows are defined as the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Considering the unique nature of the balance sheet of the CFL, stressed cash flows are computed by assigning a predefined stress percentage to the overall cash inflows and cash outflows. Total expected cash outflows (stressed outflows) are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by 115% (15% being the rate at which they are expected to run off further or be drawn down). Total expected cash inflows (stressed inflows) are calculated by multiplying the outstanding balances of various categories of contractual receivables by 75% (25% being the rate at which they are expected to under-flow). However, total cash inflows will be subjected to an aggregate cap of 75% of total expected cash outflows.

In other words, total net cash outflows over the next 30 days = Stressed Outflows - Min (stressed inflows; 75% of stressed outflows).

Items of Cash Inflows	Items of Cash Outflows
a. Maturing secured lending transactions backed by HQLA b. Margin Lending backed by all other collateral c. All other assets d. Lines of credit – Credit or liquidity facilities or other contingent funding facilities that CFL holds at other institutions for its purpose e. Other inflows by counterparty f. Net derivatives cash inflows g. Other contractual cash inflows (please specify as footnotes)	a. Deposits b. Unsecured wholesale Funding c. Secured Funding d. Additional requirements [(i)+(ii)+(iii)+(iv)+(v) +(vi)+(vii)+(viii)]: (i) Net derivative cash outflows (ii) Liquidity needs (e.g. collateral calls) related to financing transactions, derivatives and other contracts where 'downgrade triggers' up to and including a 3-notch downgrade (iii) Market valuation changes on derivatives transactions (largest absolute net 30-day collateral flows realized during the preceding 24 months) based on a look-back approach (iv) Increased liquidity needs related to the potential for valuation changes in collateral securing derivatives. (v) Increased liquidity needs related to excess nonsegregated collateral held that could contractually be called at any time by the counterparty (vi) Increased liquidity needs related to contractually required collateral on transactions for which the counterparty has not yet demanded the collateral be posted. (vii) Increased liquidity needs related to derivative transactions that allow the collateral substitution to non-HQLA assets (viii) Currently undrawn committed credit and liquidity facilities (e) Other contingent funding liabilities (f) Any other contractual outflows not captured elsewhere in the template.

Computation of Net cash outflows:

S No.	Net Cash outflows over the 30 days	Amount
A	Total Cash Outflows	
B	Stressed Cash Outflows (A*115%)	
C	Total Cash Inflows	
D	Stressed Cash Inflows (C*75%)	

E Total net cash outflows over the next 30 days = Stressed Outflows (B) Less Minimum of (Stressed Inflows (D) and 75% of Stressed Outflows(B)).

CFL should take care not to double count items, i.e., if an asset is included as part of the "stock of HQLA" (i.e., the numerator), the associated cash inflows cannot also be counted as cash inflows (i.e., part of the denominator). Where there is potential that an item could be counted in multiple outflow categories (e.g., committed liquidity facilities granted to cover debt maturing within the 30 calendar day period), CFL has to assume up to the maximum contractual outflow for that product.