

**CENTRAL BANK OF THE RUSSIAN FEDERATION
(BANK OF RUSSIA)**

03 December 2015

No. 510-P

Moscow

REGULATION

**‘On the Calculation of the Liquidity Coverage Ratio (‘Basel III’) by
Systemically Important Credit Institutions’**

Pursuant to Federal Law No. 86-FZ dated 10 July 2002 ‘On the Central Bank of the Russian Federation (the Bank of Russia)’ (Collection of Legislation of the Russian Federation, 2002, No. 28, Art. 2790; 2003, No. 2, Art. 157; No. 52; Art. 5032; 2004, No. 27, Art. 2711; No. 31, Art. 3233; 2005, No. 25, Art. 2426; No. 30, Art. 3101; 2006, No. 19, Art. 2061; No. 25, Art. 2648; 2007, No. 1, Art. 9, Art. 10; No. 10, Art. 1151; No. 18, Art. 2117; 2008, No. 42, Art. 4696, Art. 4699; No. 44, Art. 4982; No. 52, Art. 6229, Art. 6231; 2009, No. 1, Art. 25; No. 29, Art. 3629; No. 48, Art. 5731; 2010, No. 45, Art. 5756; 2011, No. 7, Art. 907; No. 27, Art. 3873; No. 43, Art. 5973; No. 48, Art. 6728; 2012, No. 50, Art. 6954; No. 53, Art. 7591, Art. 7607; 2013, No. 11, Art. 1076; No. 14, Art. 1649; No. 19, Art. 2329; No. 27, Art. 3438, Art. 3476, Art. 3477; No. 30, Art. 4084;

No. 49, Art. 6336; No. 51, Art. 6695, Art. 6699; No. 52, Art. 6975; 2014, No. 19, Art. 2311, Art. 2317; No. 27, Art. 3634; No. 30, Art. 4219; No. 45, Art. 6154; No. 52, Art. 7543; 2015, No. 1, Art. 4, Art. 37; No. 27, Art. 3958, Art. 4001; No. 29 (part I), Art. 4348) and in compliance with the decision by the Bank of Russia Board of Directors (Minutes of the Bank of Russia Board of Directors, No. 35 of 27 November 2015), this Regulation establishes the procedure for calculating the liquidity coverage ratio for banking groups (credit institutions), its minimum requirement and the principles of liquidity risk management to supplement the calculation and compliance with the liquidity coverage ratio for banking groups (credit institutions) by systemically important credit institutions that are acknowledged as such in accordance with Bank of Russia Ordinance No. 3737-U, dated 22 July 2015, 'On the Methods for Defining Systemically Important Credit Institutions', registered with the Ministry of Justice under No. 38444 on 11 August 2015 (Bank of Russia Bulletin No. 71 dated 28 August 2015) taking into account international approaches towards the calculation of the liquidity coverage ratio and liquidity risk monitoring tools ('Basel III') and the document 'Principles for Sound Liquidity Risk Management and Supervision' by the Basel Committee on Banking Supervision.

Chapter 1. General Provisions

1.1. The liquidity coverage ratio (hereinafter, LCR) shall regulate (limit) the liquidity risk whereby liquidity is understood as the banking group's (credit institution's) ability to ensure the timely and complete performance of its monetary and other commitments, and the ability to continue its operations in case of liquidity stress caused by external and/or internal factors for the banking group (credit institution) for the next 30 calendar days after the LCR calculation

date. By complying with the LCR, the banking group (credit institution) will ensure that it has the minimum required amount of high quality liquid assets which can be used to immediately meet its obligations in cases of liquidity stress. The LCR level shall be sufficient to cover any possible liquidity gap over intervals within 30 days due to mismatches of expected cash inflow and outflow timelines based on an analysis in accordance with clause 5, Appendix 1 hereto.

LCR shall be calculated in accordance to the structure of assets and liabilities of the banking group (credit institution) taking into account dates of maturity, amounts and types of assets and liabilities, and other factors characterising asset liquidity and expected cash outflows in cases of the banking group (credit institution) specific or market-wide liquidity stress.

1.2. The LCR shall be calculated in one single currency (operations in roubles, foreign currencies, and precious metals) in accordance with the methodology for the calculation of the liquidity coverage ratio established by Bank of Russia Regulation No. 421-P, dated 30 May 2014, “On the Calculation of the Liquidity Coverage Ratio (“Basel III“)” registered with the Ministry of Justice of the Russian Federation under No. 32844 on 25 June 2014 and under No. 35134 dated 11 December 2014 (Bank of Russia Bulletin No. 60, dated 26 June 2014; No. 112, dated 22 December 2014) (hereinafter, Bank of Russia Regulation No. 421-P) with due regard for the methods of LCR calculation set in this Regulation, by the parent credit institution of the banking group on a consolidated basis (liquidity coverage ratio for a banking group N26) or a credit institution other than the parent credit institution of the banking group on a standalone basis (liquidity coverage ratio for a credit institution N27) (other than credit institutions that are members of a banking group where the credit institution calculates and complies with the N26 ratio in accordance with this Regulation).

1.3. Ratio N26 (N27) is calculated as a fraction of the amount of high-quality liquid assets, the amount of the contractual committed liquidity facility(es), and foreign currency high quality liquid assets, in part exceeding the expected net cash outflows in the same foreign currency, and reduced by the amount of the high quality liquid assets adjustment and the amount of the expected net cash outflows according to the following formula:

$$\text{Ratio N26 (N27)} = \frac{\text{HQLA} - \text{AA} + \text{LCCL} + \text{HQLAFC}}{\text{TNCO}}$$

where:

HQLA are high-quality liquid assets of the banking group (credit institution);

AA is the adjustment of high quality liquid assets of the banking group (credit institution);

LCCL are amount of the contractual committed liquidity facility(es) provided by the Bank of Russia to the parent credit institution (credit institution) and/or members of the banking group (Option 1);

HQLAFC are high quality liquid assets of the banking group (credit institution) denominated in foreign currencies in part exceeding the expected net cash outflows in the same foreign currency;

ENCO is the total net cash outflows of the banking group (credit institution).

ENCO is calculated by the following formula:

$$\text{TNCO} = \text{TECO} - \min(\text{TECI}; 0.75 \times \text{TECO})$$

TECO is the total expected cash outflows of the banking group (credit institution);

TECI is the total expected cash inflows of the banking group (credit institution).

1.4. The minimum requirements for the N26 and N27 ratios shall be set to equal:

- 70 percent effective 1 January 2016;
- 80 percent effective 1 January 2017;
- 90 percent effective 1 January 2018;
- 100 percent effective 1 January 2019.

1.5. The period of stress shall be defined as the time period from the moment of the announcement by the Bank of Russia of information about the level of countercyclical capital buffer equal to zero until the announcement by the Bank of Russia of information about the level of countercyclical capital buffer above zero. During periods of stress, it is appropriate to use high quality liquid assets to cover cash outflows thereby the level of the N26 (N27) falling below the minimum required level.

1.6. The N26 ratio shall be calculated on the consolidated basis including parent credit institution and banking group members data, those provide its reporting data for the calculation of equity (capital), obligatory ratios and levels (limits) of open FX positions in compliance with Bank of Russia Regulation No. 509-P dated 3 December 2015 “On the Calculation of Own Funds (Capital), Statutory Ratios and Open Currency Positions (Limits) of Banking Groups” (hereinafter, Bank of Russia Regulation No. 509-P), excluding for insurance companies that are members of the banking group (hereinafter, consolidation scope).

1.7. The calculation of the N26 ratio includes data from the banking group's parent credit institution and members of the banking group under paragraphs two to four, clause 1.4, Bank of Russia Regulation No. 509-P and any other data stated in the internal documents of the banking group in accordance with the requirements of this Regulation. Data of banking group

members shall be included in the calculation of the N26 ratio in accordance with clause 1.6 of this Regulation on the same reporting date and for the same period.

1.8. The assets and liabilities of banking group members within the consolidation scope shall be, for the calculation purposes of the N26 ratio, included in the calculated amount of the N26 ratio in accordance with clause 1.7 of Bank of Russia Ordinance No. 509-P. Intergroup deals shall be excluded from the N26 ratio calculation.

1.9. Additionally to the N26 (N27) ratio, in order to build an effective liquidity risk management system, the parent credit institution (credit institution) shall calculate liquidity coverage ratios for operations in roubles and in each significant foreign currency in accordance with clause 5.2 of Bank of Russia Regulation No. 421-P, taking into account requirements for the N26 (N27) ratio calculation set by this Regulation, except for the requirements under clause 2.4 hereof.

Chapter 2. Calculation Specifics of High Quality Liquid Assets for the LCR

2.1. In addition to the assets specified in clause 2.5 of Bank of Russia Regulation No. 421-P, Level 1 high-quality liquid assets shall include, for the purpose of calculating and complying with the N26 ratio, funds in correspondent and deposit accounts, claims for accrued (accumulated) interest on the above accounts with the central bank of a country where banking group members are registered as legal entities, on-demand and with one day to maturity or more than one day to maturity, if banks are allowed to request of the central bank of the host country early withdrawal of a term deposit in compliance with clause 2.1 of Bank of Russia Regulation No. 421-P.

2.2. In addition to the assets specified in clause 2.5 of Bank of Russia Regulation No. 421-P, Level 1 high-quality liquid assets shall include the following securities for the purpose of N26 ratio calculation and compliance, in full compliance with clauses 2.1 and 2.2 of Bank of Russia Regulation No. 421-P:

debt securities issued by governments and central banks of the countries that are not assigned a country score of '0' and '1' and unrelated to high-income countries that are OECD and/or the Eurozone members, denominated in the issuer country's currency and reported on the balance sheet of a banking group member that is registered as a legal entity in the relevant foreign jurisdiction;

debt securities issued by governments and central banks of countries that are not assigned a country score of '0' and '1' and also unrelated to high-income countries that are OECD and/or the Eurozone members, denominated in a currency other than the issuer country's currency and reported on the balance sheet of a banking group member registered as a legal entity in the relevant foreign jurisdiction, in an amount that does not exceed the net cash outflow of the banking group member in the relevant foreign currency, calculated in accordance with this Regulation.

2.3. In addition to the assets specified in clause 2.7 of Bank of Russia Regulation No. 421-P and for the purposes of N26 ratio calculation and compliance, Level 2B high quality liquid assets (HQLA-2B) shall include equities specified in subclause 2.7.3, clause 2.7 of Bank of Russia Regulation No. 421-P that meet the criteria established in clauses 2.1 and 2.2 of Bank of Russia Regulation No. 421-P and are reported on the balance sheet of the banking group member if the equities are denominated in the currency of the country where the banking group member is registered as a legal entity.

2.4. In addition to the amount of high quality liquid assets reduced by the adjustment value of high quality liquid assets in compliance with clauses 1.2

and 2.10–2.12 of Bank of Russia Regulation No. 421-P, the numerator of the N26 (N27) ratio may include the following:

the amount of the contractual committed liquidity facility provided by the Bank of Russia calculated by the parent credit institution (credit institution) and/or a credit institution that is a banking group member resident of the Russian Federation as of the N26 (N27) ratio calculation date in compliance with the terms of the agreement on opening the committed liquidity facility, and reduced by a part of the amount that is secured by assets included in the high quality-liquid assets (to avoid double counting of assets in the high quality liquid assets group and in the amount of the committed liquidity facility included in the numerator of the N26 (N27) ratio) provided that the residual maturity of the relevant facility exceeds 30 calendar days from the date of the N26 (N27) ratio reporting date, or provided that a new committed liquidity facility is opened (in cases of a reduction in the maximum possible limit provided to the parent credit institution (credit institution) and/or a credit institution that is a banking group member residing in the Russian Federation, the amount of the limit included in the calculated N26 (N27) ratio shall be equal to the smallest of the following two amounts: the amount of a committed liquidity facility as of the N26 (N27) ratio reporting date and the amount determined for the N26 (N27) ratio reporting date under the procedure for calculating the amount of a committed liquidity facility, using the maximum possible limit set forth for a new committed liquidity facility) (Option 1);

high quality liquid assets denominated in US dollars, euros, Japanese yen, British pounds and Swiss francs in part exceeding the expected net cash outflows in the same currency calculated by the parent credit institution (credit institution) in compliance with this Regulation (Option 2).

The parent credit institution (credit institution) may choose at its own to include the amount of committed liquidity facility specified under paragraph two

of this clause and/or assets specified under paragraph three of this clause in the N26 (N27) ratio numerator. This parent credit institution (credit institution) shall provide a hard copy of its decision(s) to the Bank of Russia's structural unit responsible for the supervision thereof within seven working days from the date this decision was made (reviewed).

2.5. A parent credit institution shall include the high-quality liquid assets of the banking group member including assets specified in clauses 2.1, 2.2 and 2.3 of this Regulation, with regard to clause 2.9 of Bank of Russia Regulation No. 421-P, excluding the adjustment value of high quality liquid assets calculated in accordance with clauses 1.2 and 2.10– 2.12 of Bank of Russia Regulation No. 421-P, and the amount of the committed liquidity facilities provided to the banking group member in the numerator of N26 ratio in the total amount that do not exceed the net cash outflows of the banking group member on a standalone basis. The amount more than the net cash outflow of a banking group member on an individual basis shall be included in the N26 ratio numerator if the assets of a banking group member are freely available to a parent credit institution.

The parent credit institution shall assess the absence of any legal limitations, including tax, accounting and any other limitation on the availability of banking group member assets with regard to each banking group member on an ongoing basis. The parent credit institution shall provide a hard copy of the review findings to the Bank of Russia's structural unit responsible for the supervision thereof within seven working days from the review date. The Bank of Russia's structural unit responsible for the supervision of a parent credit institution may request the parent credit institution to provide a statement by an entity (entities) authorised to render legal and/or audit services confirming the availability of a banking group participant's assets for a parent credit institution,

taking into account possible regulatory, legal, tax, accounting, and other restrictions.

The availability of a banking group member's assets to the parent credit institution means the ability of the parent credit institution to use a banking group member's assets, cash inflows from the assets of a banking group member, and to borrow funds secured by assets of a banking group member at N26 reporting date.

Deals of the actual assets transferring from a banking group member to a parent credit institution serve to confirm the availability of assets for transfer between the banking group member and the parent credit institution.

2.6. The parent credit institution shall calculate high-quality liquid assets as the sum of high-quality liquid assets of the parent credit institution and banking group members calculated with regard to clauses 2.10–2.12 of Bank of Russia Regulation No. 412-P, taking into account the restrictions specified in clause 2.5 of this Regulation.

The amount of high-quality liquid assets denominated in foreign currencies (after discounts are applied under clause 2.4 of Bank of Russia Regulation No. 421-P and before additional high quality liquid assets are included as specified in paragraph 3, clause 2.4 of this Regulation) that is included in the high quality liquid assets of the banking group (credit institution) shall not exceed the net cash outflows calculated for the banking group (credit institution) in the same foreign currency in compliance with this Regulation.

The structure of the high quality liquid assets of the banking group (credit institution) shall meet the requirements of clause 2.10–2.12 of Bank of Russia Regulation No. 421-P before and after the assets determined by clause 2.4 of this Regulation are included in the numerator of N26 ratio.

2.7. While adjusting high-quality liquid assets (eliminating some high quality liquid assets) in the calculated LCR numerator at the level of a separate

banking group participant and/or at the level of a banking group, owing to the effect of restrictions on the structure of high quality liquid assets under clauses 2.5 and 2.6 of this Regulation and clauses 2.9–2.12 of Bank of Russia Regulation No. 421-P, it is allowed to exclude, first of all, the assets related to the lower level of high-quality liquid assets, within one level of high quality liquid assets – assets with a higher discount rate per clause 2.4 of Bank of Russia Regulation No. 421-P, within the equal discount rate – assets denominated in foreign currency and/or common shares. The parent credit institution (credit institution) may specify another procedure for excluding high quality liquid assets in order to comply with its internal policies that can be changed not more than once a year.

2.8. High-quality liquid assets denominated in foreign currencies specified in paragraph three, clause 2.4 of this Regulation more than the net cash outflow in the same foreign currency calculated in compliance with this Regulation, shall be included in the N26 (N27) ratio numerator without applying additional haircuts except those established in clause 2.4 of Bank of Russia Regulation No. 421-P, in cases where these assets remain within 25 percent of the net cash outflow for a banking group (credit institution) calculated for operations in roubles, an additional 8 percent discount to these assets exceeding 25 percent of the net cash outflow calculated for operations in roubles shall be applied.

2.9. The amount of a committed liquidity facility indicated in paragraph two, clause 2.4 of this Regulation and/or assets stated in paragraph three, clause 2.4 of this Regulation, shall be included in the N26 (N27) ratio numerator in cases of simultaneous compliance with the following conditions:

if the level of the N26 (N27) ratio calculated without Option 1 and Option 2 is below the minimum required level of the N26 (N27) ratio in

accordance with the phased implementation schedule specified in clause 1.4 of this Regulation;

the ratio of rouble-denominated Level 1 high-quality liquid assets to the net cash outflows calculated for operations in roubles is not less than 20 percent.

The total amount of Option 1 and Option 2 that shall be included in the calculation of the N26 (N27) ratio does not exceed at once:

80 percent of the net cash outflows calculated for operations in roubles;

the amount required to LCR for operations in roubles to reach 100 percent level;

the amount required for the N26 (N27) ratio in all currencies, including roubles, to reach the minimum required level of the N26 (N27) ratio with due regard for the implementation schedule under clause 1.4 of this Regulation, increased by 10 percent.

2.10. A parent credit institution (credit institution) shall independently develop and approve the internal documents that include approaches to the asset portfolio management of the banking group (credit institution), including the introduction of respective limits of investments in each type, issue, issuer, the type of issue or denomination currency of the high quality liquid asset, and that also determine compliance controls due to the diversification of the portfolio of assets listed among high-quality liquid assets.

2.11. The parent credit institution (credit institution) shall regularly assess the availability of an active market for high-quality liquid assets and the possibility to use these high-quality liquid assets to raise funds (access to the market) in accordance with clauses 2.1 and 2.2 of Bank of Russia Regulation No. 421-P.

The parent credit institution (credit institution) shall submit an analysis of the possible immediate sale and/or use as a collateral under secured funding transactions of the assets included in the high-quality liquid assets, including the

availability of an active market and the access of the parent credit institution (credit institution) to this market (including the confirmation of transactions made with the representative share of these assets during the period preceding the N26 (N27) ratio reporting date without a material loss in their level) and information on the absence of any statutory, regulatory, contractual or any other restrictions on such transactions, shall be provided to the structural unit of the Bank of Russia responsible for the supervision of the parent credit institution (credit institution).

Chapter 3. Calculation Specifics of Expected Cash Outflow and Inflow for the LCR

3.1. Retail deposits raised by the banking group member that is a non-resident of the Russian Federation shall be included in the amount of expected cash outflows regardless of residual maturity, except when the laws of a host country, prohibits early deposit withdrawals and/or a notice of the early withdrawal must be given to bank more than 30 calendar days before the actual withdrawal date.

3.2. Debt securities issued by the banking group member in compliance with the laws of the host country shall be included in the retail deposits category in cases where the right to hold of these securities is assumed only by retail customers.

3.3. Retail deposits are divided into stable and less stable in compliance with clause 3.2 of Bank of Russia Regulation No. 421-P and the requirements of this Chapter, including cases that separate out additional categories of retail deposits as part of the category of less stable retail funds and apply the relevant cash outflow ratios, banking group members that are non-residents of the

Russian Federation shall apply the requirements of the host central bank and/or any other supervisory authority, except for the following cases:

the host central bank and/or any other supervisory authority did not set requirements for the calculation of and compliance with the LCR under the Basel III framework;

the host central bank and/or any other supervisory authority did not establish requirements of retail deposit classification for the calculation of and compliance with the LCR under the Basel III framework;

the Bank of Russia's structural unit responsible for supervision over the parent credit institution recognised the requirements of the host central bank and/or any other supervisory authority, to be less conservative than the requirements of the Bank of Russia for the classification of retail deposits as stable and less stable and applicable as cash outflow ratios for the calculation of the N26 ratio.

For the purposes of this Regulation, the requirements of the host central bank and/or any other supervisory authority shall be deemed less conservative than the requirements of the Bank of Russia for the classification of retail deposits as stable and less stable and applicable cash outflow ratios for the calculation of the N26 (N27) ratio, if the expected retail cash outflows calculated as a result of the application of the host requirements are below the corresponding outflows calculated in accordance with Bank of Russia Regulation No. 421-P and this Chapter.

The retail deposits raised by the banking group member that is a non-resident of the Russian Federation may be regarded as stable in the amount equal to or less than the maximum coverage amount allowed in the effective deposit insurance system (in the amount fully covered by the effective deposit insurance system). When compensation from the deposit insurance system covers a percentage of funds raised from retail customers but no more than the

established maximum amount, the full amount of retail deposits shall be classified as less stable.

For the purposes of this Regulation, the deposit insurance system of a foreign country shall be recognised as effective provided that the following conditions are met: the deposit insurance system is binding for banks and is regulated at the legislative level, insurance compensation is payable within a short period of time, the size of compensation is explicitly determined, deposit insurance system operations are transparent to depositors, and the deposit insurance institution is independent, transparent, and accountable to the government.

The Bank of Russia's structural unit responsible for supervision over the parent credit institution has the right to request the parent credit institution to provide a confirmation from the entity authorised to provide legal services to confirm that a deposit insurance system existing in the host country is effective.

3.4. Unsecured funding (current accounts, deposits, and other customer funds) raised by banking group members that are non-residents of the Russian Federation shall be classified as the funds of small business customers for the purpose of calculating the N26 ratio, provided that all of the following conditions are met:

the customer is classified for credit risk calculation purposes as a small business customers, where the average aggregate amount of loans provided to the customer (group of inter-connected borrowers) calculated 30 calendar days before the N26 ratio reporting date does not exceed 1 million euro or its equivalent (if loan (loans) to the customer (group of inter-connected borrowers) exist),

the average aggregate amount of a banking group's liabilities to the customer or group of inter-connected borrowers calculated 30 calendar days

before the N26 ratio reporting date calculation does not exceed 1 million euros or its equivalent;

funds are raised according to the standard conditions included in the bank's internal documents (for example, if contracts are concluded on the conditions established by public offers);

customer accounts (deposits and loans) are not managed on an individual basis.

The funds of small business customers attracted by banking group members that are non-residents of the Russian Federation shall be determined and classified as stable and unstable and cash outflow ratios shall be applied to the N26 ratio calculation taking into account the requirements of clause 3.3 of this Regulation.

3.5. The following funds raised by banking group members that are non-residents of the Russian Federation (if they meet the requirements of subclauses 3.3.7–3.3.9, clause 3.3 of Bank of Russia Regulation No. 421-P) are classified as operational deposits in addition to the funds under subclause 3.3.6, clause 3.3 of Bank of Russia Regulation No. 421-P with a 25 percent run-off rate:

as part of clearing services (settlement services) in accordance with the laws of a host country including the following transaction types: cash transfers, agreement and approval of payment orders, intraday overdraft, overnight loans on customer's account, and determining intraday and end-of-day balances on customer accounts;

as part of custody services, including the safe custody of assets, statement preparation, and making asset transactions on a customer's behalf (other than brokerage services), namely: payments on security transactions, transfer of contract payments, security maintenance and accounting, customer cash management, cash transfers, and escrow account management.

3.6. Unsecured funding raised by banking group members that are non-residents of the Russian Federation from the central bank of a host country are included in the expected cash outflows calculated in accordance with subclause 3.3.11, clause 3.3 of Bank of Russia Regulation No. 421-P with a 40 percent run-off rate.

3.7. Secured funding raised by banking group members that are non-residents of the Russian Federation is included in the expected cash outflows calculated in accordance with subclause 3.4.5, clause 3.4 with reference to the following:

funds from the central bank of a host country - at a 0 percent run-off rate;

funds from the government (government agency) of a host country (other than assets meeting the criteria of HQLA-1 or HQLA-2A, except for the requirements stated in clause 2.1 of Bank of Russia Regulation No. 421-P) - at a 25 percent run-off rate.

3.8. For the purpose of calculating estimated liabilities included in the calculation of the expected cash outflows in accordance with clause 3.5.21 of Bank of Russia Regulation No. 421-P, the parent credit institution shall define the list of investments in financial or any other entities that has its market sectors included in clause 1.2 of Bank of Russia Regulation No. 509-P (including joint ventures and entities where the parent credit institution and/or banking group members have minority (non-consolidated) interests), that are not consolidated for the N26 ratio calculation purposes, and the list of agreements with subject matter that covers the joint operations of legal entities performed as an unincorporated entity in order to generate profit or any other objective that might significantly affect the banking group's liquidity in an unstable environment. For the purpose of determining materiality guidelines, the banking group's parent credit institution based on the International Financial Reporting Standards shall build the assessment of effects on the liquidity coverage ratio

and the net expected cash outflows from the non-inclusion of reporting data of one banking group member or several banking group members separately and/or in aggregate.

The non-parent credit institution of the banking group shall define investments in entities under paragraph one hereof that do not affect banking group members and that may significantly affect the credit institutions' liquidity during period of stress.

The parent credit institution (credit institution) shall develop an internal policy to establish the procedure for defining materiality guidelines and expected cash outflows related to the provision of funds to entities included in paragraphs one and two hereof, including periods of stress, in accordance with subclause 3.5.21 clause 3.5 of Bank of Russia Regulation No. 421-P, and submit it to the Bank of Russia structural unit responsible for the supervision of the parent credit institution (credit institution) before the date when the obligation to comply with the N26 (N27) ratio arises. In the case of any amendments or supplements to the said document, the parent credit institution (credit institution) once again shall submit the said document to the Bank of Russia structural unit responsible for the supervision of the parent credit institution (credit institution) within a period not exceeding seven calendar days from the approval (amendment) date of the document.

Upon review of the internal policy under this clause, the Bank of Russia structural unit responsible for the supervision of the parent credit institution (credit institution) may provide its recommendations related to the improvement of the internal policy of the parent credit institution (credit institution).

3.9. The parent credit institution (credit institution) shall calculate its other estimated liabilities (outflows) defined in accordance with subclause 3.5.22, clause 3.5 of Bank of Russia Regulation No. 421-P relying on historical data and characteristics based on the forecast of customer behaviour according

to clause 5, Appendix 1 hereto. The parent credit institution (credit institution) shall provide information on the procedure for calculating other estimated liabilities with Bank of Russia's structural unit responsible for the supervision of the parent credit institution (credit institution) in seven business days since the procedure was approved.

3.10. The parent credit institution shall include the expected cash inflows from agreements (contracts) and assets (claims) of banking group members calculated in accordance with Chapter 4 of Bank of Russia Regulation No. 421-P and this Regulation in the calculation of the total amount of expected cash inflows for the banking group in an amount that do not to exceed 75 percent of the expected cash outflow of the banking group member on a standalone basis. Inflows from agreements (contracts) and assets (claims) of the banking group member that exceed 75 percent of the expected cash outflow of the banking group member on a standalone basis shall be included in the total expected cash inflows of the banking group in cases where the banking group member's assets are freely available to the parent credit institution in accordance with the procedure established in paragraphs two to four, clause 2.5 of this Regulation.

3.11. Cash inflows from the central bank of a host country are included in the expected cash inflows calculated in accordance with subclause 4.6.2, clause 4.6 of Bank of Russia Regulation No. 421-P at a 100 percent inflow rate.

3.12. In order to assess the expected cash inflow from legal entities, the parent credit institution (credit institution) shall monitor their concentration in accordance with clause 5, Appendix 1 hereto. The parent credit institution (credit institution) shall report the results of the concentration monitoring of the expected cash inflow to the Bank of Russia structural unit responsible for the supervision of the parent credit institution (credit institution) quarterly.

In order to determine the expected cash inflow from secured transfer transactions in accordance with clause 4.4 of Bank of Russia Regulation

No. 421-P, the parent credit institution (credit institution) under clause 9, Appendix 1 hereto shall assess the ability to perform obligations of the prompt and full repayment of the security whether or not the counterparty providing the security intends to renew the existing or conclude any new agreements (transactions) to raise funds, primarily related to assets other than high quality liquid assets under Chapter 2, Bank of Russia Regulation No. 421-P and Chapter 2 of this Regulation.

Chapter 4. Procedure for Applying this Regulation

4.1. The parent credit institution (credit institution) shall comply with the minimum required level of the N26 (N27) ratio as established by this Regulation with due regard for the implementation schedule under clause 1.4 of this Regulation on an ongoing basis in accordance with clause 1.5 of this Regulation that permits the usage of high-quality liquid assets to cover cash outflows thereby the level of the N26 (N27) falling below the minimum required level.

A decline in the level of the N26 (N27) ratio below the minimum required level stated in clause 1.5 shall not be classified as non-compliance with the N26 (N27) ratio requirements, unless the assessment made by the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) reveals that the level of the N26 (N27) ratio fell below the minimum required level due to reasons other than using high-quality liquid assets to cover cash outflows during period of stress in accordance with clause 5.3 of the current Regulation and in accordance with clause 1 of the Appendix 2.

The parent credit institution (credit institution) shall independently determine control methods for compliance with the minimum required level of the N26 (N27) ratio, taking into account the requirements of Bank of Russia

Regulation No. 242-P, dated 16 December 2003, ‘On Internal Control in Credit Institutions and Banking Groups’ registered with the Ministry of Justice of the Russian Federation under No. 5489 on 27 January 2004, No. 6222 dated 22 December 2004, No. 13547 dated 20 March 2009 (Bank of Russia Bulletin No. 7 dated 4 February 2004, No. 74 dated 31 December 2004, No. 21 dated 1 April 2009) (hereinafter, Bank of Russia Regulation No. 242-P).

4.2. The parent credit institution (credit institution) shall, on a monthly basis as of the first day of each month report to the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) information on the N26 (N27) ratio calculation including its level in accordance with Reporting Form 0409805 ‘Calculation of Own Funds (capital) and Values of Statutory Ratios of the Banking Group’ (Reporting Form 0409135 ‘Information on Statutory Ratios and Other Performance Indicators of a Credit Institution’) in accordance with the procedure and within the time limits established by Bank of Russia Ordinance No. 2332-U dated 12 November 2009 “On Reporting Forms and the Procedure for Presenting them by Credit Institutions to the Central Bank of the Russian Federation” registered with the Ministry of Justice of the Russian Federation under No. 15615 on 16 December 2009, No. 17590 on 18 June 2010, No. 19313 on 22 December 2010, No. 21060 on 20 June 2011, No. 22650 on 16 December 2011, No. 24863 on 10 July 2012, No. 25499 on 20 September 2012, No. 26203 on 20 December 2012, No. 27926 on 29 March 2013, No. 28809 on 14 June 2013, No. 30579 on 11 December 2013, No. 31760 on 28 March 2014, No. 32765 on 18 June 2014, No. 35313 on 22 December 2014, No. 36169 on 20 February 2015, No. 37564 on 8 June 2015, No. 38064 on 17 July 2015 (Bank of Russia Bulletin No. 75–76 dated 25 December 2009, No. 35 dated 25 June 2010, No. 72 dated 28 December 2010, No. 34 dated 28 June 2011, No. 73 dated 23 December 2011, No. 41 dated 19 July 2012, No. 58 dated 26 September 2012, No. 76 dated 27 December 2012,

No. 20 dated 30 March 2013, No. 34 of 25 June 2013, No. 79–80 dated 28 December 2013, No. 34 dated 31 March 2014, No. 61 dated 27 June 2014, No. 115–116 dated 30 December 2014, No. 20 dated 10 March 2015, No. 55 dated 25 June 2015, No. 61 dated 24 July 2015) (hereinafter, Bank of Russia Ordinance No. 2332-U).

During periods of stress and upon the request of the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution), the parent credit institution (credit institution) shall report information related to the calculation of the N26 (N27) ratio and its levels as of the intermonth date(s) in accordance with Reporting Form 0409805 ‘Calculation of Own Funds (Capital) and Values of Statutory Ratios of the Banking Group’ (Reporting Form 0409135 ‘Information on Statutory Ratios and Other Performance Indicators of a Credit Institution’).

4.3. The parent credit institution (credit institution) shall provide information related to a fall and/or potential fall of the actual level of the N26 (N27) ratio below the minimum required level with due regard for the implementation schedule under clause 1.4 of this Regulation, the review of the reasons for the decrease in the actual level of the N26 (N27) ratio, the list of activities realised or planned to be realised to comply with the minimum required level of the N26 (N27) ratio, the schedule of the phased increase in the actual level of the N26 (N27) ratio to the minimum requirements of the N26 (N27) ratio with due regard for the implementation schedule under clause 1.4 of this Regulation to the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution). Information should be provided within a period not exceeding one business day from the date when the fall and/or potential fall of the actual level of the N26 (N27) ratio below the minimum required level of the N26 (N27) ratio with due regard for the implementation schedule under clause 1.4 of this Regulation is identified.

4.4. The parent credit institution (credit institution) shall calculate the N26 (N27) ratio under this Regulation in percents with two digits after the decimal (the value shall be rounded according to mathematical rules).

4.5. The credit institution that the Bank of Russia recognises as a systemically important credit institution in accordance with Bank of Russia Ordinance No. 3737-U, dated 22 July 2015 'On the Methods for Defining Systemically Important Credit Institutions', registered with the Ministry of Justice under No. 38444 on 11 August 2015 (Bank of Russia Bulletin No. 71 dated 28 August 2015) shall ensure compliance with this Regulation since 1 January of the year following the year when the Bank of Russia recognises the credit institution as a s important credit institution.

4.6. In case of any changes in the methods of the N26 (N27) ratio calculation, the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) may establish the individual minimum required level of the N26 (N27) ratios for the parent credit institution (credit institution) upon its request, if there is a direct cause and effect relation between changes in the methods of the N26 (N27) ratio calculation made by the Bank of Russia and failure of the parent credit institution (credit institution) to comply with the minimum required level of the N26 (N27) ratio. Establishing the individual minimum required level of the N26 (N27) ratios shall mean establishing the N26 (N27) quarterly, which will make it possible to ensure the uniform adjustment of the N26 (N27) ratio to the required (statutory) level.

The Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) shall review the request of the parent credit institution (credit institution) and notify the bank of its decision within ten business days. In the case of a positive decision, the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) will notify the parent credit institution (credit institution) of the

individual minimum required levels of the N26 (N27) ratio and the length of time they are effective.

The period for which the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) establishes the individual minimum required levels of the N26 (N27) ratio for the parent credit institution (credit institution) shall not exceed one calendar year.

Chapter 5. Arrangements for Bank of Russia's Supervision of Compliance with the N26 (N27) Ratio

5.1. The parent credit institution (credit institution) shall on an ongoing basis analyse and report to the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) in seven business days after any change in the results of the analysis:

information on the requirements of the host jurisdiction for the calculation of and compliance with the LCR under the Basel III framework (or inform that there are no such requirements);

information on the requirements of the host jurisdiction for the classification of retail deposits for the calculation of and compliance with the LCR under the Basel III framework (or inform that there are no such requirements);

all relevant information that allows the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) to decide whether or not the requirements of the host jurisdiction regarding the classification of retail deposits as stable and less stable and the applicable run-off rates for the LCR calculation are less (more) conservative than the same the Bank of Russia requirements. The parent credit institution (credit institution) shall provide to the Bank of Russia its own opinion are the requirements of the

host jurisdiction regarding the classification of retail deposits as stable and less stable and the applicable run-off rates for the LCR calculation are less (more) conservative than the same the Bank of Russia requirements.

5.2. The Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) shall review the grounds for including Option 1 and Option 2 stated in clause 2.4 of this Regulation in the N26 (N27) ratio. In cases of unreasonable use (increased scope of use) of Option 1 and Option 2 stated in clause 2.4 of this Regulation in the N26 (N27) ratio is identified, the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) shall demand the parent credit institution (credit institution) to comply with the usage of Option 1 and Option 2 stated in clause 2.4 of this Regulation in line with the requirements of this Regulation. If unreasonable use (increased scope of use) of Option 1 and Option 2 stated in clause 2.4 of this Regulation are identified for the second time, the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) may forbid the usage of Option 1 and (or) Option 2 to the parent credit institution (credit institution).

5.3. If the actual level of the N26 (N27) ratio falls below the minimum required level of the N26 (N27) ratio under clause 1.5 of this Regulation, the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) shall analyse the reasons, amount, duration, and frequency of the moments when the actual level of the N26 (N27) ratio fell below the minimum required level of the N26 (N27) ratio. The business practices of the parent credit institution (credit institution) and the current market in general should be reviewed, including the following:

the reasons of the falling in the N26 (N27) ratio below the minimum required level, e.g. usage of high-quality liquid assets to cover actual cash outflows, inability to roll over the funding, withdrawals of funds under any

contingent credit commitments, and stressed market conditions including shares, FX and capital markets;

the impact of stress factors and any factors directly related to the business activities parent credit institution (credit institution) to a decrease of the N26 (N27) ratio;

the financial conditions and the risks appetite statement of the parent credit institution (credit institution), including liquidity risk, risk tolerance established in Appendix 1 to this Regulation, compliance of the parent credit institution (credit institution) with the obligatory ratios and other requirements of the Bank of Russia and compliance of the parent credit institution (credit institution) with the internal documents related to liquidity risk;

magnitude, duration, and frequency of the decline of high-quality liquid assets;

potential impact of any other activities made by the parent credit institution (credit institution) to increase in the actual level of the N26 (N27) ratio up to the minimum required level of the N26 (N27) ratio on other credit institutions and/or the financial system;

the possibility to provide funds to the parent credit institution (credit institution) by the Bank of Russia in accordance with Federal Law No. 86-FZ, and possible activities to prevent the insolvency (bankruptcy) of the parent credit institution (credit institution) in accordance with Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)'.

Upon an assessment made accordingly to this clause, the parent credit institution (credit institution) may be subject to steps under Article 74 of Federal Law No. 86-FZ.

5.4. The parent credit institution (credit institution) may decide to include the amount of the committed liquidity facility in the calculation of the N26 (N27) ratio numerator, in cases where:

the current or expected (within a three-year period) shortage in high-quality liquid assets required to comply with the minimum required level of the N26 (N27) ratio;

an action plan that will allow to comply with the minimum requirements of the N26 (N27) ratio within three years with no usage (decreased use) of the committed liquidity facility is available. An action plan shall be developed by the parent credit institution (credit institution) itself.

The parent credit institution (credit institution) may decide to include the high quality liquid assets denominated in US dollars, euros, Japanese yen, British pounds and Swiss francs in the calculation of the N26 (N27) ratio numerator to an extent that exceeds expected net cash outflows in the same foreign currency in order to cover cash outflows in roubles (Option 2) if it is consistent with the banking group's (credit institution's) policy on foreign currencies risk management, the banking group (credit institution) has the internal control procedures to measure the relevant foreign currencies risk that arises from a liquidity mismatch in terms of foreign exchanges, and stress testing of the foreign currencies risk inherent in assets included in the calculation of high quality liquid assets in accordance with Bank of Russia Ordinance No. 3624-U, dated 15 April 2015, "On the Requirements for the Risk and Capital Management System of a Credit Institution and a Banking Group" (hereinafter, Bank of Russia Ordinance No. 3624-U).

If the parent credit institution (credit institution) decided to use Option 1 and (or) Option 2, the parent credit institution (credit institution) shall provide information on the expected shortage of high-quality liquid assets, the forecasted levels of N26 (N27) ratio for a three-year period, the banking group's (credit institution's) liquidity management policy and action plan aimed to reduce the N26 (N27) ratio's dependency on Option 1 and (or) Option 2 to the Bank of Russia structural unit responsible for supervision over the parent credit

institution (credit institution) along with the information on its decision to use Option 1 and (or) Option 2.

5.5. Part of the Wholesale funding may be classified as operational deposits in accordance with subclauses 3.3.8–3.3.10, clause 3.3 of Bank of Russia Regulation No. 421-P and clause 3.5 of this Regulation, if the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) allow such classification of the wholesale funding.

To obtain the required permission, the parent credit institution (credit institution) will apply to the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) an application in order to classify a part of wholesale funding as operational deposits defined in accordance with subclauses 3.3.8–3.3.10, clause 3.3 of Bank of Russia Regulation No. 421-P and clause 3.5 of this Regulation, and submit an internal document that established the procedure for defining the operational deposit amount approved by the parent credit institution (credit institution).

The Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) shall review the application and the parent credit institution (credit institution) internal document mentioned in this clause within one month from the date of receipt.

The Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) may refuse an application to classify a part of the wholesale funds as operational deposits defined in accordance with subclauses 3.3.8–3.3.10, clause 3.3 Bank of Russia Regulation No. 421-P and clause 3.5 of this Regulation if the parent credit institution (credit institution) internal document is inconsistent with Bank of Russia Regulation No. 421-P and this Regulation.

The refusal of the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) must be reasonable and presented in hard copy.

5.6. The parent credit institution (credit institution) is supervised in accordance with Appendix 2 to this Regulation.

Chapter 6. **Final Provisions**

This Regulation shall be published in the Bank of Russia Bulletin and become effective since 1 January 2016.

Governor
of the Central Bank
of the Russian Federation

E. S. Nabiullina

Appendix 1
to Bank of Russia Regulation
No. 510-P, dated 03 December 2015,
'On the Calculation of the
Liquidity Coverage Ratio ('Basel III') by Systemically
Important Credit Institutions'

Principles of Liquidity Risk Management

1. The parent credit institution (credit institution) shall establish an efficient liquidity risk management system to maintain appropriate level of liquidity, including the available amount of unencumbered and high quality liquid assets. The liquidity risk management system shall ensure the ability of the parent credit institution and banking group members (of the credit institution) to fulfil their monetary and other obligations promptly and completely, and to continue normal operations during periods of stress, especially when losing access to funding sources or experiencing decreased funding (from both unsecured funding and funding secured by the assets of the parent credit institution and/or banking group members (credit institution)).

2. The parent credit institution (credit institution) shall determine the acceptable level of liquidity risk (risk tolerance) with regard to its business strategy and the nature and scope of business transactions (including banking group members) in accordance with Chapter 4, Bank of Russia Ordinance No. 3624-U.

3. The management of the parent credit institution (credit institution) shall develop the liquidity risk management strategy and policy, including the implementation procedure for the purpose of liquidity risk management in

accordance with risk appetite statement, as well as the maintenance of a sufficient level of liquidity. The management of the parent credit institution (credit institution) shall on an ongoing basis analyse information about the liquidity risk profile of the parent credit institution and banking group members (credit institution) and regularly (at least once each quarter) report the relevant information to the board of directors (supervisory board). The board of directors (supervisory board) shall approve and revise (update) the strategy, policy, and implementation procedure for liquidity risk management and assess the efficiency of liquidity risk management by the management of the parent credit institution (credit institution) at least once a year.

4. The parent credit institution and banking group members (credit institution) shall include the liquidity costs as indicators into the internal pricing system, into the process of the performance measurement, into the process of new products designing across all key business areas (reported both on the balance sheet and off-balance sheet accounts) so as to compare the impact of liquidity risk on the parent credit institution and banking group members (credit institution).

5. The parent credit institution (credit institution) shall develop and use procedures for identifying, assessing, monitoring, and controlling liquidity risk. The above procedure shall include detailed cash flow forecasting within assets, liabilities, and off-balance-sheet items during certain time bands, including the analysis of liquidity surplus (shortage) within the corresponding time bands, especially in regard to 'behavioural' assumptions that rely on expected customer behaviour, including that of retail customers, the behaviour of financial markets in a normal period and in periods of stress, with due regard for the strategic and business plans of the parent credit institution (credit institution).

During the cash flow analysis, it is necessary to monitor the concentration of expected cash inflows, primarily from the corporate customers, to mitigate

the dependency on expected cash inflows from one or a limited number of counterparties. The parent credit institution (credit institution) shall provide information on the results of this monitoring upon the request of the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution).

The parent credit institution (credit institution) shall report the cash flows forecast within assets, liabilities, and off-balance-sheet items at certain time bands, including the liquidity surplus (shortage) analysis at the corresponding time bands that was carried out in accordance with paragraph one of this clause to the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) if the parent credit institution (credit institution) decides to change its strategic and/or business plans.

6. The parent credit institution (credit institution) shall review and control liquidity risk, items relevant to liquidity risk, the funding requirements across branches (including those located in foreign countries) and banking group members or the total banking group (if any), market sectors, and currencies with regard to statutory, regulatory, operating and other restrictions on liquid asset redistribution.

7. The parent credit institution (credit institution) shall approve and update the funding strategy at least once a year to ensure the effective diversification of funding sources across types and terms. For this purpose, the parent credit institution (credit institution) shall maintain its continuous presence in the financial markets it selected for funding purposes, and also reliable relations with creditors and other entities that provide funds. The parent credit institution (credit institution) and banking group members (if any) shall regularly assess its ability to promptly raise funds from each funding source. The parent credit institution (credit institution) shall identify and properly control the main fund raising factors in order to maintain its own ability to raise funds.

8. In order to fulfil its payment obligations, both in normal and stress periods, the parent credit institution and banking group members (credit institution) shall manage their intraday liquidity and the associated risks to facilitate the continuous operation of payment and settlement systems.

9. The parent credit institution (credit institution) shall manage assets (including those recorded on the balance sheet of banking group members) that are used (may be used) as collateral for secured funding transactions; in addition, the amount of encumbered and unencumbered assets should be delineated. For this purpose, the parent credit institution (credit institution) shall develop and implement an internal policy to establish a procedure for the continuous identification and monitoring of:

legal entities holding (keeping) collateral;

the actual location of the assets under this clause, including depositaries responsible for the accounting (storage) of assets;

the structure of the assets under this clause regarding currencies;

the ability to promptly demand assets previously transferred as a collateral and transfer unencumbered assets as a collateral in order to raise funds.

Collateral management, inter alia, shall ensure the prompt and full performance of any obligations to return the received collateral, whether or not the counterparty provided the collateral intends to roll over the existing or conclude any new agreements (transactions) to raise funds that are primarily related to assets other than high quality liquid assets.

The parent credit institution (credit institution) shall provide the internal policy under this clause with the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) not later than seven business days from the time of its approval and/or amendment.

10. The parent credit institution (credit institution) regularly (at least once a year and more frequently during periods of stress) shall carry out stress tests

across different short and long-term scenarios, including crisis event scenarios that are related both to the firm-specific (the parent credit institution, the banking group members (credit institution)) and market-wide scenarios (individually or as a combination of scenarios) in accordance with Bank of Russia Ordinance No. 3624-U. The parent credit institution (credit institution) shall rely on the results of the stress tests to update its strategy, liquidity management policy, asset and liability management policy, and also to develop action plans aimed at ensuring business continuity and/or the business recovery of the parent credit institution (credit institution) and/or banking group members in cases where any non-standard or emergency situations arise.

The parent credit institution (credit institution) shall provide stress testing results to the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) not later than seven business days from the time the stress tests took place.

11. The parent credit institution (credit institution) shall approve the formal action plan aimed to ensure the ability to continue the business activities and/or the business recovery of the parent credit institution (credit institution) and/or banking group members if any non-standard or emergency situations arise; the plan shall be developed in accordance with Bank of Russia Regulation No. 242-P and in part clarify the liquidity risk management strategy in the case of any significant liquidity shortage or funding problems.

The action plan shall include the management policy for various crisis situations, the allocation of authority and responsibilities among employees, business units, and executive bodies of the parent credit institution (credit institution) and banking group members, and detailed implementation procedures. To ensure the sustainability of operations, the plan requires regular audits (testing) and review (at least annually).

12. The parent credit institution and banking group members (credit institution) shall maintain its stock of unencumbered high-quality liquid assets that can be used for fund raising under various crisis scenarios, including any events causing the loss of access to funding sources or a decrease in the standard amounts of available liquid assets provided by creditors, including those secured or deposited by investors. These assets shall be described by the lack of statutory, regulatory, operating, and other restrictions on their use for fund raising.

The parent credit institution and banking group members (credit institution) shall apply procedures to ensure the immediate sale of assets under paragraph one of this clause that are used only for bank liquidity management, and an automated information system to ensure access to all information required for making decisions on the sale of assets mentioned above.

For the purpose of diversifying the portfolio of assets listed as high quality liquid assets, the parent credit institution (credit institution) shall independently develop and approve the internal documents that include approaches to asset portfolio management, including the introduction of special investment limits according to the types of high quality liquid assets, security issuers, security issues, currencies of high quality liquid assets, and that also determine compliance controls.

13. The parent credit institution (credit institution) shall make disclosures that allow market participants to make reasonable judgements on the sustainability of internal liquidity risk management tools and the liquidity profile of the parent credit institution and banking group members (credit institution) in accordance with the procedure and requirements under Bank of Russia Ordinance No. 3876-U, dated 03 December 2015, 'On the Forms, Procedure, and Time for the Disclosure by the Parent Credit Institutions of Banking Groups of Information on the Assumed Risks and Procedures for their Assessment, and

Risk and Capital Management', registered with the Ministry of Justice of the Russian Federation under No. 40322 on 28 December 2015 (Bank of Russia Bulletin No. 122, dated 31 December 2015).

Appendix 2
to Bank of Russia Regulation
dated 03 December 2015 No. 510-P
'On the Calculation of the
Liquidity Coverage Ratio ('Basel III') by Systemically
Important Credit Institutions'

**On the Analysis, Monitoring, and Approval of the Separate Elements of
Calculating the N26 (N27) Ratio and Arrangements for Ensuring
Compliance**

1. The Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) shall review and monitor the following elements for the calculation of the N26 (N27) ratio:

the availability of banking group member assets to the parent credit institution in accordance with clause 2.5 of this Regulation;

the procedure for including Option 1 and Option 2 in the calculation of the N26 (N27) ratio in accordance with clauses 2.4 and 5.4 of this Regulation;

the level (grade) of diversification of the assets classified as high quality liquid assets in accordance with clause 2.10 of this Regulation;

the possibility of the immediate sale (using as a collateral) of high quality liquid assets and the restrictions on making these transactions (deals) in accordance with clause 2.11 of this Regulation;

the conservatism of regulatory requirements and the efficiency of deposit insurance systems applicable of host jurisdictions in accordance with clause 3.3

of this Regulation and subclause 3.2.3, clause 3.2 of Bank of Russia Regulation 421-P;

the procedure for identifying key banking group members not included in the scope of the consolidation and the calculation of other contingent funding obligations of these members in accordance with clause 3.8 of this Regulation;

the procedure and results of the monitoring results obtained by the parent credit institution (credit institution) related to the expected cash inflows and collateral used and/or may be used for funding transactions in accordance with clause 3.12 of this Regulation;

the efficiency of the liquidity risk management policy of the parent credit institution (credit institution) and the action plan of the parent credit institution (credit institution) to mitigate dependency on using Option 1 and (or) Option 2 per clause 2.4 of this Regulation and the action plan aimed at compliance with the minimum N26 (N27) ratio with due regard for the implementation schedule under clause 1.4 of this Regulation within a three-year period with no use (decreased use) of Option 1 and (or) Option 2 in accordance with clause 5.4 of this Regulation;

the reasons for a potential fall of the N26 (N27) ratio, the list of realised and planned to be realised activities aimed at compliance with the minimum required level of the N26 (N27) ratio in accordance with its implementation schedule under clause 1.4 of this Regulation and in accordance with clause 4.3 of this Regulation;

the performance of the foreign currency risk management policy of the parent credit institution (credit institution), the foreign currency risk internal control procedures, and the relevant stress testing procedures in accordance with clause 5.4 of this Regulation;

2. The Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) shall consider the application of the

parent credit institution (credit institution) for the classification of a part of its wholesale funding as operational deposits in accordance with subclauses 3.3.8–3.3.10, clause 3.3 of Bank of Russia Regulation No. 421-P and clause 3.5 of this Regulation under clause 5.5 of this Regulation.

3. In cases of a failure to provide the information required for the review and monitoring of the calculation elements of the N26 (N27) ratio, the providing of incomplete or invalid information, inconsistencies identified in the procedure for the calculation (identifying) of the elements of the N26 (N27) ratio in accordance with this Regulation, and in case of a fall of the N26 (N27) ratio below the minimum level in accordance with the implementation schedule under clause 1.4 of this Regulation for a total of six or more days within any 30 consecutive operating days (unless otherwise stated in clause 4 of this Appendix), the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) shall prepare its proposals to take enforcement activities in accordance with the relevant regulations of the Bank of Russia.

4. If the actual N26 (N27) ratio fell below the minimum required level in accordance with the implementation schedule under clause 1.4 of this Regulation during period of stress for six or more operating days within any 30 consecutive operating days, the Bank of Russia structural unit responsible for supervision over the parent credit institution (credit institution) shall prepare a proposal on the application (non-application) of enforcement measures for the parent credit institution (credit institution) in accordance with clauses 1.5, 4.1 and 5.3 of this Regulation.