



*DOMESTIC BANKS AND FINANCIAL INSTITUTIONS ACT*  
DBFIA Practice Direction No. 9

***Liquidity Coverage Ratio and Net Stable Funding Ratio***

**Authority**

This Practice Direction is made in exercise of the powers conferred on the Central Bank of Belize (Central Bank) by Section 9 of the Domestic Banks and Financial Institutions Act (DBFIA), Revised Edition 2020 and shall come into effect on 28 June 2024.

**Summary**

The Central Bank seeks to strengthen the liquidity framework of domestic banks by adopting the Basel Committee of Banking Supervision's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as standards for the measurement of liquidity.

The LCR aims to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid assets to survive a 30-calendar day stress scenario. The NSFR aims to reduce funding risk over a longer time horizon than the LCR by requiring banks to fund their activities with sufficiently stable sources of funding to mitigate the risk of future funding stress.

This DBFIA Practice Direction specifies the minimum requirements for the LCR and NSFR ratios that are applicable to all domestic banks licensed under the DBFIA. These requirements are in addition to the liquid asset requirements established by Section 40 of the DBFIA.

**A. Minimum Requirements**

The Central Bank requires all domestic banks to maintain LCR and NSFR ratios, at all times, of at least 100%. The components of the LCR and NSFR are expressed as follows:

$$i. \text{ Liquidity Coverage Ratio} = \frac{\text{Stock of High Quality Liquid Assets}}{\text{Total Net Cash Outflows over the next 30 calendar days}} \geq 100\%$$

$$ii. \text{ Net Stable Funding Ratio} = \frac{\text{Available Amount of Stable Funding}}{\text{Required Amount of Stable Funding}} \geq 100\%$$

The description and criteria for each component of the LCR and NSFR ratios are defined in the Central Bank's *Liquidity Coverage Ratio Guideline* and *Net Stable Funding Ratio Guideline*. Banks should notify the Central Bank immediately if their LCR or NSFR has fallen, or is expected to fall, below 100%.

**B. Transitional Arrangements**

To allow sufficient time for banks to fully comply with the LCR and NSFR requirements as specified in the corresponding Guidelines, its introduction is phased-in in accordance with the timeline as follows:

- i. a minimum of 70% effective 30 June 2024; and
- ii. a minimum of 100% effective 30 June 2025.

**C. Frequency of Reporting**

Banks are required to submit the BR3A (Liquidity Coverage Ratio) to the Central Bank monthly within fourteen (14) calendar days after the end of the reporting period, and BR3B (Net Stable Funding Ratio) quarterly within fourteen (14) calendar days after the end of the reporting period. The first reporting period is 30 June 2024.

**8 July 2024**