

Basel Committee Revises Basel III Liquidity Coverage Ratio

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The Basel Committee has made significant revisions to the Basel III Liquidity Coverage Ratio (“LCR”). The revised LCR standards allow banks to use a broader range of liquid assets to meet their liquidity buffer and relax some of the run-off assumptions that banks must make in calculating their net cash outflows. The revised standards also clarify that banks may dip below the minimum LCR requirement during periods of stress. The Basel Committee expects national regulators to implement the LCR on a phased-in basis beginning on January 1, 2015. The Basel Committee will also press ahead with its review of the Basel III Net Stable Funding Ratio (“NSFR”). While the Federal Reserve has expressed its intent to implement some version of the LCR and other Basel III liquidity standards in the United States, the scope, timing and nature of U.S. implementation is currently unclear. This memorandum and the accompanying tables explore key aspects of the revised LCR standards and issues relating to their implementation in the United States.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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