



Implementation Challenges, Outstanding Issues and Recommendations Regarding the Basel Committee Monitoring Tools for Intraday Liquidity Management

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Executive Summary: The global implementation of monitoring tools for intraday liquidity management is of crucial importance to the financial services industry and the international regulatory community. The Bankers Association for Finance and Trade (BAFT)¹ the Institute of International Finance (IIF)² and The Clearing House (TCH)³ believe, however, that there is a critical need for cross-border dialogue on implementation alongside standardization of data and definitions across the industry internationally, which BAFT, the IIF and TCH (collectively “the Associations”) hope can be accomplished in cooperation with the Basel Committee and national authorities. As such, this submission outlines challenges and outstanding issues relative to historical reporting and real-time management for direct and indirect clearing in this area and offers recommendations on ways to better ensure global transparency and consistency in implementation. In this vein, suggestions on standardizing definitional terms for the monitoring of intraday liquidity are also presented for consideration in order to help foster such consistency across jurisdictions and financial institutions.

¹ The Bankers Association for Finance and Trade (BAFT) is an international financial services trade association whose membership includes a broad range of financial institutions throughout the global community. As a worldwide forum for analysis, discussion, and advocacy in international financial services, BAFT member banks provide leadership to build consensus in preserving the safe and efficient conduct of the financial system worldwide. For more information, please visit www.baft.org.

² The Institute of International Finance (IIF) is the global association of the financial industry, with close to 500 members from 70 countries. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. Within its membership the IIF counts commercial and investment banks, asset managers, insurance companies, sovereign wealth funds, hedge funds, central banks and development banks. For more information, please visit www.iif.com.

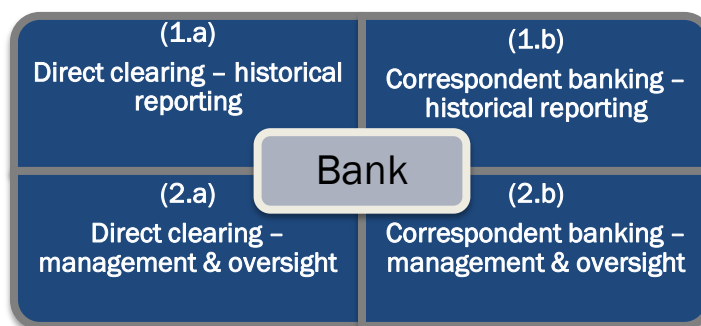
³ Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world’s largest commercial banks, which collectively hold more than half of all U.S. deposits and which employ over one million people in the United States and more than two million people worldwide. The Clearing House Association L.L.C. is a nonpartisan advocacy organization that represents the interests of its owner banks by developing and promoting policies to support a safe, sound and competitive banking system that serves customers and communities. Its affiliate, The Clearing House Payments Company L.L.C., which is regulated as a systemically important financial market utility, owns and operates payments technology infrastructure that provides safe and efficient payment, clearing and settlement services to financial institutions, and leads innovation and thought leadership activities for the next generation of payments. It clears almost \$2 trillion each day, representing nearly half of all automated clearing house, funds transfer and check-image payments made in the United States. See The Clearing House’s web page at www.theclearinghouse.org.

Introduction: In April 2013, the Basel Committee on Banking Supervision (“Basel Committee” or the “Committee”), in consultation with the Committee on Payment and Settlement Systems (CPSS)⁴, developed *Monitoring Tools for Intraday Liquidity Management* (“Monitoring Tools” or the “Tools”) to enable banking supervisors to monitor a bank’s management of intraday liquidity risk and its ability to meet payment and settlement obligations on a timely basis⁵ Owing to a number of open questions relative to national implementation of the Tools in some jurisdictions, alongside the desire on the part of internationally active banks subject to the oversight of various regulatory regimes to seek consistency in the application of these guidelines across regions, the Associations have jointly worked to raise a number of technical questions and points for clarification as banks handle their internal review of the Tools and regulators work through the process of transposing the Tools into a national supervisory construct.⁶

The industry agrees with the view that monitoring and management of intraday liquidity is essential to the overall management of liquidity risk. As such, the Monitoring Tools are generally useful in drawing attention to the various aspects of intraday liquidity management that would benefit from further enhancements. Whilst regulators consider how to implement these measures, however, there continues to be a number of areas where further dialogue between the Basel Committee, national regulators, and the industry would greatly benefit both the efficacy and efficiency of the Tools. As such, the Associations have worked to identify issues, concerns and risks for historical intraday liquidity reporting, along with the real-time management of intraday liquidity, from both the direct clearing and correspondent banking sides of the Monitoring Tools framework.

This paper, and a complimentary submission on recommendations to bring greater uniformity and understanding on the definitional aspects of the Monitoring Tools⁷, aims to foster enhanced dialogue on consistency in cross-border interpretation of the Tools and a greater level of transparency and coordination as implementation progresses.

Key Issues and Challenges: To explain the key issues and challenges in intraday liquidity management conceptually, it is most easily analyzed when viewed from the perspective of a quadrant with four key delineations that guide how banks operate. One axis shows historical reporting versus real-time liquidity management. The other axis shows direct clearing versus indirect clearing.



⁴ Now known as the Committee on Payments and Market Infrastructures (CPMI)

⁵ Basel Committee on Banking Supervision; *Monitoring Tools for Intraday Liquidity Management*, April 2013, available at: <http://www.bis.org/publ/bcbs248.pdf>.

⁶ In October 2013, BAFT and the IIF sent a letter on several technical and practical points in this regard to the Liquidity Working Group of the Basel Committee and to the CPSS. Please see: *IIF/BAFT Questions Regarding Monitoring Tools for Intraday Liquidity Management*; October 9, 2013. Copies of the letter and the response of the BCBS/CPSS can be found here for your ease of reference: www.baft.org/policy/library-of-documents/reply-letter-on-idl and www.baft.org/policy/library-of-documents/baft-iif-clarification-on-idl

In addition, BAFT and the IIF wrote in June 2014 to the individual central banks of the Basel Committee reiterating key issues raised centrally with the Basel Committee and asking for additional international coordination and transparency in implementation.

⁷ Please see Appendix 1

Banks typically are direct clearers in certain currencies and use correspondent banking service providers in other currencies. A bank's clearing role in a given situation is crucial in determining their strategy and their capabilities for either reporting or managing intraday positions. For example, a direct clearer will have access to information that a correspondent banking customer may not.

In addition, actively managing intraday liquidity and providing ex-post reporting on intraday positions are different functions with different requirements. As most globally active banks subject to the Tools operate in all four quadrants, the quadrant model is a useful way to illustrate the challenges facing banks, how a bank approaches a given situation, and the outstanding issues that require further dialogue, regulatory coordination and harmonization to facilitate implementation.

1. Historical Intraday Liquidity Reporting

- a. Direct Clearing: One of the main issues for banks reporting for direct clearing is obtaining access to the required information across different jurisdictions. The industry believes this data clarification requires the acquisition and mastering of data across previously siloed functions⁸ System enhancements are required to enable banks to gain access to and consume the required data, including counterparty reference data, time stamps, market transaction level information, legal entity identifiers, jurisdictional requirements, currency information, time-specific requirements, account balances, account debits and credits, collateral details (including haircuts), pledging details, credit lines extended, funding forecasts, daily peaks and troughs, and central bank information (including balances and pledging.) These data requirements present challenges as a result of the nuances of different Real Time Gross Settlement (RTGS) systems, and hybrid Large Value Transfer System (LVTS) that combine RTGS with a netting system.⁹

As a result of the above challenges, it would be helpful to have more certainty on the status of the implementation of these requirements. Banks around the world are in a mixed state of implementation readiness, and there is a lack of transparency in how each Basel Committee jurisdiction will apply the tools and a lack of cross-border dialogue with the industry in this regard.

There is a vital need to standardize the data requirements and implementation timeframes across the industry in coordination with the Basel Committee, national regulators and central banks/payment systems providers. Without this, challenges in implementation for global banks will continue to exist and the potential for unintended consequences will rise. While the investment in technology in this area continues, guidance and consistency from the Basel Committee is crucial to determine what data should be tracked, what positions need to be managed, how terms for data are defined, and where materiality arises.

- b. Correspondent Banking: Banks and regulators will also need to work collaboratively to develop greater understanding of the issues facing indirect historical reporting in the context of a correspondent banking relationship and ways to address outstanding challenges.¹⁰ As with direct clearing, banks today are looking at the type of intraday data needed to develop reporting and build

⁸ In day-to-day activities, payment and settlement groups need to ensure activities are functioning smoothly across Financial Market Infrastructures (FMI), such as central securities depositories (CSD) and central counterparties (CCP) and that there is adequate liquidity to ensure appropriate funding for these intraday activities. Liability management is required to raise funding if daylight overdrafts become overnight overdrafts and operations departments need to monitor wire transactions to ensure compliance with regulatory requirements.

⁹ This has also led to questions relative to the data requirements. For example, should every transaction be posted, tracked, recorded, stored and provide the reporting entity with the ability to analyze the data minute-by-minute or is hourly data acceptable in some cases? Do banks need underlying details behind every transaction to be able to truly assess intraday impacts or can banks simply "understand" and show the ability to explain their flows and report on "net" positions? The Associations believe questions such as these should form part of the international dialogue and could be clarified through FAQs or related guidance.

¹⁰ This includes analyzing the risks for indirect participants, including the fact that not all processing systems process transactions real time and, with changes in settlement processes, more and more transactions are being processed via CCPs and similar FMIs. This had led correspondent banks to begin to address these risks unilaterally, and not necessarily uniformly, and to define significant IT developments to implement the Tools.

regulatory reports. Data for every payment settlement impacting the intraday liquidity on a correspondent bank account is required to build the report and this data has to be provided by the correspondent bank to its respondent banks (correspondent banking customers). However, the definition of data is not always clear and the Monitoring Tools are in some cases open to interpretation, just as described for direct clearing. Indeed, it is likely that for indirect clearing reporting even more IT development is required, due to the number of different correspondent relationships.

This considerable technological enhancement is needed to consolidate and harmonize the required data and to deliver it to the correspondent bank customers. This will include building a database, sourcing and harmonizing data from a significant number of global processing and backend systems, and delivering data to customers in various channels (SWIFT and online tools, for example) and formats (MT900/MT910, among others). A data migration and harmonization tool will be needed to feed intraday liquidity information received from all correspondent banks in various formats into the database and to build a report manager to generate required reports.

In developing reporting data and building the systems for the data, banks will face greater difficulties without regulatory guidance on specific data requirements and the scope of the reporting, such as how to apply a materiality consideration.

Many banks currently have a decentralized global IT infrastructure and data sources.¹¹ Therefore, it is a challenge to consolidate and harmonize the data at a global level. Additionally, and depending on how national regulators define the scope of the data, (in the context of currencies and locations, among other terms) the data amount required can be significant and complex, with a large number of customer requirements to be covered. Without substantial international consistency, there is an increased risk that the data ultimately accumulated will have the potential to be highly inconsistent and will therefore not provide the necessary information to fulfill the goals of the Monitoring Tools for indirect participants.

In order to improve the quality and consistency of reporting in this area, the Committee should be focused on dialogue with national authorities and the industry on an internationally consistent materiality threshold for reporting to balance cost and risk. This threshold could potentially be considered in the range of 5 percent for total value of payments processed by an individual bank, including as a direct clearer.¹² The Committee should also ensure that reporting requirements for correspondent banking are phased in after reporting for direct clearing commences in order to allow time for system developments and sound practices to be developed across jurisdictions.¹³

2. Real Time Intraday Liquidity Management and Oversight

- a. **Direct Clearing:** As with historical reporting, banks are working through the interpretation of the Monitoring Tools to handle real-time management and oversight for intraday liquidity for direct clearing. One of the key issues to consider in this area relates to the type of intraday risk found by banks today. These include, but are not limited to, funding risks to meet required pay-in schedules and provide funding for overdrafts, client overdraft monitoring and approval, non-committed credit

¹¹ Banks are working through changes regarding this issue under the auspices of Basel 239 (Principles for effective risk data aggregation and risk reporting, January 2013); however, progress will still take considerable time and the issues for intraday reporting are taking place now under the current state of global infrastructure and data source readiness.

¹² The Associations believe that a materiality threshold based around total value of payments processed is ultimately a better indicator of intraday liquidity risk than defining de minimus criteria on a "significant" currency basis (defined under Footnote 23 of the Monitoring Tools as the aggregate liabilities denominated in a currency that amount to 5 percent or more of the bank's total liabilities) as it is a much more representative metric of intraday liquidity for global financial institutions.

¹³ The Associations note that the concept of phasing-in is allowable under Paragraph 55 of the Monitoring Tools and should be harmonized for clarity and consistency across jurisdictions.

lines, maximum cap considerations, operational failures and reputational risk, and cash flow derived from different FMs.¹⁴

In a RTGS system, payments are processed in a queue, which is managed and handled individually by each participant. All other things being equal, the scheduling strategy and operational execution of the payment queue by a given direct participant will impact the overall participants' intraday liquidity needs, the bilateral intraday credit exposure between participants, and the individual participant's intraday liquidity balance.

The main risks at participant level implied by the payment queue management include:

- operational risk: a payment is not executed in the expected time;
- liquidity risk: not enough liquidity is available at the cut-off of time-critical payment obligations;
- incoming payment risk: deferral, or failure, on incoming payments for whatever reason create additional liquidity need;
- outgoing payment risk: in case of an idiosyncratic stress, an unusual delay in the timing of execution of outgoing payments raises additional questions on the bank's ability to pay-back its deposits, aggravating further the idiosyncratic stress.

Banks that are direct participants in RTGS systems therefore need to manage their liquidity on a real time basis to ensure they mitigate the above-mentioned risks. Mitigating these risks requires direct participants to actively manage the payment queue, forecast intraday liquidity positions at different points within the business day and prioritize outgoing payments accordingly, and to maintain adequate levels of collateral to face foreseen or unforeseen intraday liquidity shortfall in normal or stressed circumstances. The complexities that arise from this real-time management can be attributed to an extent to the connectivity and points of access into a RTGS system that exist in addition to the monitoring and approval function required to take place at the same time.¹⁵

Robust intraday liquidity management in real-time requires a connection with internal back-office systems in order to keep a reliable and updated view on expected incoming and outgoing payments in order to implement rules for deciding when and how to prioritize and fund outgoing payments with available cash, other intraday liquidity sources, or incoming payments. Additionally, it requires

¹⁴ In a historical context, central banks and supervisors previously encouraged the introduction of RTGS into national LVPS to minimize settlement risk for high-value payments compared to the previously existing Deferral Netting Settlement. In a RTGS system, payments settle immediately and with finality in central bank money, provided the paying bank has sufficient liquidity to fund the outgoing payment. However, the aggregate amount of liquidity needed to fund payment obligations is typically much less than gross payment flows. Indeed, during the course of the day, each bank participating in the payment system typically makes and receives thousands of payments with a great variety of individual size and counterparty. Thus, outgoing payments are funded not only from liquidity made available from banks' own reserves, but also from liquidity obtained from incoming payments, which can be recycled to fund a bank's own outgoing payments. If banks were required to process payment requests as soon as they collect them, they would have little discretion over the liquidity they provide to the rest of the system. However, this is not usually the case as, except in rare instances, banks do not usually have to process payment requests as soon as they are received. Instead, banks may choose to delay processing payment in order to preserve liquidity and to make use of funds from recycled incoming payments. They may do this because preserving their own liquidity helps to mitigate the risk of liquidity shocks later in the day.

¹⁵ There are also additional systems requirements to implement the management process, including building on or enhancing requirements for client overdraft monitoring and approval and for non-committed credit lines, improving forecasting capabilities, finding options to better monitor and manage positions through an enhanced payment flow dashboard, and meeting throughput targets while balancing counterparty credit and collateral constraints. Two more granular levels of requirements are identified depending on the refinement of the intraday liquidity management in real time: standard setup, which is required to be able to measure intraday liquidity and prioritize payments; and advanced setup, which allows for more automated and optimal payments execution. Standard intraday liquidity management in real time requires the set-up of a data exchange interface with a RTGS system with read, write access and record functions (though we recognize that not all RTGS systems, such as Fedwire, operate in this distinct way). Read access functions are needed to be able to identify settled and unsettled payments in the queue and measure the available liquidity in the RTGS account, as well as counterbalancing value of collateral pre-pledged in the central bank and immediately available to secure an intraday overdraft. A write-access function is needed to be able to prioritize payments in the queue and a record function is required to be able to save historical data, notably for reporting purposes. The frequency of the read/write access cycles to the RTGS accounts is normally commensurate with the intraday risks incurred.

keeping a reliable and updated view of the counterbalancing value of any unencumbered assets that can be immediately monetized.

Varying regulatory requirements in other areas of oversight also contribute to difficulty in a global bank's ability to fully meet the requirements described in the Monitoring Tools. Significant IT costs are additionally required for implementing setup due to the number and heterogeneity of RTGS systems to communicate with and further to extend and integrate the straight-through processing from the front-office execution to the payment queue prioritization.

Different market and regulatory rules increase the need to rely on local teams to complete the payment execution functions. For example, IT tools fulfilling the payment execution function are tailored to local rules and specificities. Some market and regulatory rules will need to be adapted to international norms, depending on the location of the bank, including business hours extension; ancillary systems cut-offs, settlement procedures and interdependencies such as collateral eligibilities and pledging procedures, market practices, regulatory throughput ratios, RTGS system capabilities in terms of liquidity saving mechanism, and local regulation.

As working across FMs can create unintended consequences if not mitigated by greater consistency in application of the Monitoring Tools, there is a definitive need to have coordinated guidance in place to assist the real-time monitoring of intraday liquidity positions for direct clearing across the countries of the Basel Committee. Continued dialogue in this area between the Committee, national authorities and the industry will alleviate the possibility of conflicting national interpretations of real-time management and oversight for direct clearing, which could exacerbate the points outlined herein and cause unintentional negative effects for cross-border institutions supporting their clients. As part of such dialogue and guidance, consideration should be given to the adoption of sound practices across RTGS systems to support reporting and management, such as sharing minimum common standards for IT data communication.

- b. Correspondent Banking: The challenges in implementation and interpretation of the Monitoring Tools to handle real-time management and oversight for intraday liquidity for indirect participants are also considerable. Significantly, there are unique challenges that are specific to this area, as a correspondent bank customer usually uses multiple correspondent banking service providers in the same currency and/or multiple currencies. Each service provider may follow different standards and practice in offering services and reporting subject to their local regulations and/or system capabilities. This, and intraday risks in the correspondent banking area today, are crucial issues that need to be carefully considered and discussed between regulatory authorities and market participants in order to better harmonize official requirements.

As discussed for correspondent banking reporting, there is a need to consolidate and harmonize the required data and to deliver it real-time to correspondent bank customers and to build a database for such an exercise. Sourcing and harmonization of this data from a significant number of global processing and backend systems will be required, along with the delivery of the data to customers in various real-time channels and formats. As a result, correspondent banking customers face IT hurdles to build intraday liquidity dash boards and to build data migration and harmonization tools to feed real-time intraday liquidity information received from all correspondent banks in various formats into a database. Most banks manage their nostro accounts in advance (forecasting/planning) based on expected liquidity in-and-outflows and as such, account reconciliation is often done at the end of day or on the next business day, creating increased difficulty in the management of data and data collection. This is driven also to some extent by time zone differences which make it difficult to manage nostro accounts and data collection real time.

As each country of the Committee is tasked with defining implementation, there remains the possibility that the Tools will not be interpreted or applied consistently across multiple jurisdictions and they may not take into account the significant definitional, data, materiality, and IT issues outlined by the industry unless there is effective international guidance as a means to minimize national distinctions and allow for great efficiency in data accumulation and aggregation.

Recommendations: The need for greater consistency and transparency in the global implementation of the Monitoring Tools is becoming increasingly apparent. The goal of implementation should thus be to address management, market and regulatory rules in place today but also maintain the flexibility to address future guidance and requirements with limited adjustment based on jurisdiction. To facilitate this, the Associations recommend the following for consideration:

More consistency for data and definitions. A major theme of the issues covered by the industry in this submission relates to data accumulation and definitional requirements for application and adherence to the Tools. In order to meet the requirements of the Tools and to apply them in a more consistent manner, the Basel Committee, the industry and national regulators should consider a more transparent definition of the data and data channels required and establish a common standard. To that end, the Associations propose clarification to definitional terms in the Tools for both direct and indirect clearing, where appropriate, along with suggestions on definitions that are silent in the Tools but which the industry believes would benefit from greater specificity.¹⁶ The Associations encourage review of these terms by the Committee and national authorities, as common and clear definitions will aid in overcoming the data and transparency hurdles outlined in each identified quadrant for reporting and management. Adoption of changes or recommendations may be possible through a FAQ document published by the Committee, though this is considered an iterative process whereby definitions will continue to adapt as data, IT and infrastructure changes develop.

Phasing in. As many jurisdictions are still in the process of reviewing and publishing their interpretation of the Tools, there is scope for the Basel Committee to review and recommend a more precise phased-in approach to implementation, with phase one covering direct clearing (central bank money) and phase two covering correspondent banking (commercial bank money). Phase two should be implemented no earlier than two years after phase one, as this will allow the industry to leverage the lessons learned in phase one and implement accordingly. Without a phased-in approach, there is a greater likelihood that the disparate data accumulated across jurisdictions for indirect participants (due to the issues on clarity and consistency in this type of reporting noted above) will not fulfill the requirements of the Tools in an effective manner and will not be an adequate or accurate portrayal of intraday liquidity risk in this area.

Prioritization; Materiality. Initial focus for direct reporting should also be on the most significant intraday liquidity positions in the main currencies and main locations covered by global banks operating under the Tools to allow for adaptation in system requirements across institutions.¹⁷ Secondly, once indirect reporting is being addressed, materiality of that reporting should be considered, potentially in the range of 5 percent for total value of payments processed, including as direct clearer, to allow for an appropriate and representative picture of institutional intraday liquidity risk.

Sequencing; Sound Practices. Once the Tools are in place for direct and indirect reporting and management, regulatory oversight should also take a specific “Quadrant Approach”, whereby Direct/Reporting, Direct/Management, Indirect/Reporting, and Indirect/Management oversight is handled by discussions between banks and regulatory authorities in each individual quadrant to maintain clarity and consistency in review of the requirements in place, as each quadrant has specific functionality that would benefit from individual assessment. Greater emphasis should also be given to developing sound practices across RTGS systems to support reporting and management.

¹⁶ Please See Appendix 1. We note that questions remain on certain aspects of the Tools and definitions, For instance, under the definition of “Payment”, issues remain as to whether the cash leg of securities transactions are included and for correspondent banking services whether securities settlement services form part of the expected term. Such questions have a significant impact on practical implementation and the Associations welcome further dialogue with the Committee on these points going forward.

¹⁷ The Associations suggest that the Committee consider the top ten currencies processed by volume by SWIFT as an indicator for the initial direct reporting requirements.

Conclusion: Though banks are currently investing heavily to make reporting and management in this space increasingly rigorous and effective, the Associations emphasize that there are significant hurdles for global banks to apply and interpret the Tools as national distinctions, while appropriate in some areas, can have unintended consequences for cross-border institutions. Minimizing those areas of divergence and understanding their impact can only come from cross-border dialogue between the Basel Committee, the CPMI, national authorities and the industry. As such, it is an important opportunity to share greater insight on the industry's positions contained herein through a global colloquium on intraday liquidity with the above named participants, which the Associations would be very pleased to coordinate. The colloquium would also provide the industry and regulators the opportunity to further discuss issues related to the impact of the Tools on securities and heighten awareness of possible interaction between the Tools and the ongoing regulatory reform initiatives propagated globally and regionally.¹⁸

Such dialogue would enable better cross pollination in understanding of the main challenges for global banks in this area and would lead to more effective solutions via guidance or FAQs on an international basis to increase transparency and minimize the effects that a lack of coordination between regulatory authorities and the industry could have on the efficacy and efficiency of the Tools.

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¹⁸ For example, banks face numerous demands for data and IT improvements to meet the requirements of the Basel 239 Risk Data Aggregation, Financial Stability Board (FSB) Data Hub requirements, implementation of the Basel capital and liquidity requirements, Recovery and Resolution Planning, Expected Credit Loss impairment and provisioning, implementation of structural reforms such as the Volker Rule, the Vickers Report, and many others. While these are all worthy efforts, it must be recognized that they require extensive work, often including very large investments of money and human resources. Any inconsistency in the requirements for intraday liquidity reporting would unnecessarily compound the difficulty of integrating intraday liquidity requirements into the overall suite of IT developments, increasing risk of error and the need for manual intervention.

Appendix 1

Glossary of Terms for Direct and Indirect Clearing¹⁹

Direct/Indirect	Terms	Basel Committee (BCBS) Definition (Where Applicable)	Suggested Definition or Clarification (Where Applicable)
Direct	Large-value payment system (LVPS)	A Funds transfer system that typically handles large-value and high-priority payments. In contrast to retail payment systems, many LVPSs are operated by central banks, using an RTGS or equivalent mechanism.	<p>Clarification to BCBS Definition:</p> <p>Hybrid systems that have direct access to a RTGS system to draw or release liquidity (such as CHIPS and EURO1 or are part of a settlement system using commercial banks, such as RMB CHATS, USD CHATS) are considered ancillary systems for reporting systems and not in scope as a LVPS.</p> <p>Clarification to BCBS Definition:</p> <p>“Funds” Transfer System to be replaced with “Cash/Liquidity” Transfer System</p>
Indirect	Large-value payment system (LVPS)	Not Applicable (NA)	NA

¹⁹ The Glossary of Terms for Direct and Indirect Clearing was developed by a joint working group of the Associations' members with input from market infrastructures and clearing and settlement service providers. Terms listed match terms from the Intraday Liquidity Monitoring Tools framework document published by the Basel Committee in April 2013. Review was also undertaken to consider the structure of the definitions in light of other Basel standards (including the Basel III liquidity framework) alongside the FSB Data Gaps Initiative. The purpose of the glossary, as stated in the accompanying position paper, is to facilitate greater consistency and clarity in understanding of the terms outlined in the Monitoring Tools and to provide recommended definitions where terms are silent. The Associations encourage review of these terms by the Basel Committee and national authorities, as common and clear definitions will aid it overcoming the data and transparency hurdles for reporting and management of intraday liquidity for both direct and indirect participants. Adoption of changes or recommendations may be possible through a FAQ document published by the Committee, though this is considered an iterative process whereby definitions will continue to adapt as data, IT and infrastructure changes develop.

Direct	Direct participant	A participant in a large-value payment system that can settle transactions without using an intermediary. If not a direct participant, a participant will need to use the services of a direct participant (a correspondent bank) to perform particular settlements on its behalf. Banks can be a direct participant in a large-value payment system while using a correspondent bank to settle particular payments, for example, payments for an ancillary system	Clarification to BCBS Definition: Remove "If not a direct participant, a participant will need to use the services of a direct participant (a correspondent bank) to perform particular settlements on its behalf."
Indirect	Direct participant	NA	NA
Direct	Correspondent Bank	NA	NA
Indirect	Correspondent Bank	A Correspondent Bank provides an arrangement under which one bank (correspondent) holds deposits owned by other banks (respondents) and provides payment and other services to those respondent banks. Such arrangements may also be known as agency relationships in some domestic contexts. In	No Recommended Change

		international banking, balances held for a foreign respondent bank may be used to settle foreign exchange transactions.	
Direct	Correspondent Banking Customer	NA	NA
Indirect	Correspondent Banking Customer	NA	Suggested Definition: A client of a Correspondent Bank, otherwise known as respondent bank, and limited to a bank unless specified otherwise by individual jurisdictional regulatory bodies.
Direct	Intraday liquidity	Funds which can be accessed during the business day, usually to enable banks to make payments in real time	No Recommended Change
Indirect	Intraday liquidity	Funds which can be accessed during the business day, usually to enable banks to make payments in real time	No Recommended Change
Direct	Time-specific obligation	These obligations include, for example, those for which there is a time-specific intraday deadline, those required to settle positions in other payment and settlement systems, those	Suggested Definition: A payment which is due at a specific time (or before a specific cut-off) within the business day and where there would be a potential for

		<p>related to market activities (such as the delivery or return of money market transactions or margin payments), and other payments critical to a bank's business or reputation. Examples include the settlement of obligations in ancillary systems, CLS pay-ins or the return of overnight loans. Payments made to meet the throughput guidelines are not considered time-specific obligations for the purpose of the intraday liquidity management tool.</p>	<p>systemic impact or breach of contractual arrangement if the payment were not made on time, as opposed to payments which are due on a value date without further deadline within the business day. Types of payments which are in scope include, but are not limited to, CLS TIMED payments, settlement for ancillary systems that are paid at specific times in the day from an LVPS account, TIMED payments and margin calls. Variations on these types of payments may exist across markets and jurisdictions.</p>
Indirect	Time-specific obligation	<p>These obligations include, for example, those for which there is a time-specific intraday deadline, those required to settle positions in other payment and settlement systems, those related to market activities (such as the delivery or return of money market transactions or margin payments), and other payments critical to a bank's business or reputation.</p>	<p>Suggested Definition: A payment which is due at a specific time (or before a specific cut-off) within the business day and where there would be a potential for systemic impact or breach of contractual arrangement if the payment were not made on time, as opposed to payments which are due on value date without further deadline within the business</p>

		Examples include the settlement of obligations in ancillary systems, CLS pay-ins or the return of overnight loans. Payments made to meet the throughput guidelines are not considered time-specific obligations for the purpose of the intraday liquidity management tool.	day. Types of payments which are in scope include, but are not limited to, CLS TIMED payments, settlement for ancillary systems that are paid at specific times in the day from an LVPS account, TIMED payments and margin calls. Variations on these types of payments may exist across markets and jurisdictions.
Direct	Business Day	The opening hours of the LVPS or of correspondent banking services during which a bank can receive and make payments in a local jurisdiction	No Recommended Change
Indirect	Business Day	The opening hours of the LVPS or of correspondent banking services during which a bank can receive and make payments in a local jurisdiction	No Recommended Change
Direct	Intraday Liquidity Risk	The risk that a bank fails to manage its intraday liquidity effectively, which could leave it unable to meet a payment obligation at the time expected, thereby affecting its own liquidity position and that of other parties	No Recommended Change

Indirect	Intraday Liquidity Risk	The risk that a bank fails to manage its intraday liquidity effectively, which could leave it unable to meet a payment obligation at the time expected, thereby affecting its own liquidity position and that of other parties	Clarification to BCBS Definition: The risk is borne by both the Correspondent Bank in the context of meeting its obligations and those of its clients and by the Correspondent Banking Customer
Direct	Ancillary system	Ancillary systems include other payment systems such as retail payment systems, CLS, securities settlement systems and central counterparties.	Clarification to BCBS: Add “and can include hybrid payment systems and those using commercial banks for settlement (referencing the previous definition of LVPS)”
Indirect	Ancillary system	NA	NA
Direct	Collateral Pledged or Unencumbered Asset	Intraday liquidity sources and usage	Suggested Definition: Collateral that can be used to generate cash for intraday liquidity at any time intraday. For intraday purposes, any collateral pledged is separate from overnight collateral calculations. For reporting purposes, the same collateral shall only be listed once.
Indirect	Collateral Pledged or Unencumbered Asset	Intraday liquidity sources and usage	Suggested Definition: Collateral that can be used to generate cash for intraday liquidity at any time intraday.

			For intraday purposes, any collateral pledged is separate from overnight collateral calculations. Any collateral posted at a third party becomes de-facto encumbered. For reporting purposes, the same collateral shall only be listed once.
Direct	Intraday credit line and Total Credit Lines Available	This figure includes all available credit lines, including uncommitted and unsecured	<p>Suggested Definition:</p> <p>An intraday line of credit extended for the purposes of settling payments for a period of less than one business day. These intraday credit lines may be provided by central banks (committed and secured through central bank intraday liquidity facilities) or ancillary systems (committed or uncommitted, secured or unsecured). When collateral pledged (daily repo) is used to obtain intra-day credit, it should not be double counted as a liquidity source.</p>
Indirect	Intraday credit line and Total Credit Lines Available	This figure includes all available credit lines, including uncommitted and unsecured	<p>Suggested Definition:</p> <p>An intraday line of credit provided by a correspondent bank that is extended for the</p>

			purposes of settling payments
Direct	Internalized Payment	NA	NA
Indirect	Internalized Payment	NA	<p>Suggested Definition:</p> <p>A payment which is made between two customers' accounts within the same correspondent bank. (Otherwise known as a book transfer). These payments are relevant for intraday liquidity reporting from the perspective of the correspondent bank customer as they impact their available balance with the Correspondent Bank</p>
Direct	Net Cumulative Position	<p>The net balance of all payments made and received during the day over their settlement account, either with the central bank (if a direct participant) or over their account held with a correspondent bank (or accounts, if more than one correspondent bank is used to settle payments) The net position should be determined by settlement time stamps (or the equivalent) using transaction-by-transaction data over the</p>	<p>Clarifications to BCBS Definition:</p> <p>Add: The three daily peak positive and peak negative net cumulative positions are reported along with the average daily peaks positive and negative net cumulative positions. The average positions are calculated based on a mean average of daily peak positive and peak negative net cumulative positions. The range of business days considered in calculating the average should</p>

		account(s)	<p>only include business days.</p> <p>Add: “Net <u>running</u> balance of all payments...” to first line of BCBS Definition</p>
Indirect	Net Cumulative Position	<p>The net balance of all payments made and received during the day over their settlement account, either with the central bank (if a direct participant) or over their account held with a correspondent bank (or accounts, if more than one correspondent bank is used to settle payments)</p> <p>The net position should be determined using settlement time stamps (or the equivalent) for the transactions processed over the account(s)</p>	<p>Clarifications to BCBS Definition:</p> <p>Add: The three daily peak positive and peak negative net cumulative positions are reported along with the average daily peaks positive and negative net cumulative positions. The average positions are calculated based on a mean average of daily peak positive and peak negative net cumulative positions. The range of business days considered in calculating the average should only include business days.</p> <p>Add: “Net <u>running</u> balance of all payments...” to first line of BCBS Definition</p>
Direct	Gross Payments Sent/Received	<p>For each business day in a reporting period, banks should calculate the total of their gross payments sent and received in the LVPS and/or, where appropriate, across any</p>	No Recommended Change

		account(s) held with a correspondent bank(s)	
Indirect	Gross Payments Sent/Received	For each business day in a reporting period, banks should calculate the total of their gross payments sent and received in the LVPS and/or, where appropriate, across any account(s) held with a correspondent bank(s)	No Recommended Change
Direct	Intraday Throughput	Direct participants should report the daily average in the reporting period of the percentage of their outgoing payments (relative to total payments) that settle by specific times during the day, by value within each hour of the business day	Clarification to BCBS Definition: Total value of payments (debits only) processed on LVPS accounts by a certain time period, as a percent of total payments on that day. For a particular throughput bucket, total payments are up to but not including the specified time (e.g. throughput at 10:00 includes payments from 9:00 to 9:59).
Indirect	Intraday Throughput	NA	NA
Direct	Value of Payments Made on Behalf of Correspondent Banking Customers	Correspondent banks should calculate the total value of payments they make on behalf of all customers of their correspondent banking services each day and report the three	No Recommended Change

		largest daily total values and the daily average total value of these payments in the reporting period. The term 'customers' includes all entities for which the correspondent bank provides correspondent banking services.	
Indirect	Value of Payments Made on Behalf of Correspondent Banking Customers	NA	NA
Direct	Settlement time stamp	NA	Suggested Definition: The settlement time provided by a LVPS or the time a LVPS Participant receives confirmation of settlement of an amount of money from a LVPS
Indirect	Settlement time stamp	NA	Suggested Definition: A time where liquidity is made available or ceases to be available to a customer by a correspondent bank. ²⁰
Direct	Central Bank Reserves	NA	Suggested Definition: The cash balance available in an

²⁰ An Indirect Settlement Time Stamp is defined in further detail under ongoing work by the Liquidity Implementation Taskforce (LITF), an industry group facilitated by SWIFT, for the purposes of the ISO 20022 Definition and Usage. The Association's Definition Glossary references solely to reporting and implementation of the Basel Committee Monitoring Tools for Intraday Liquidity Management. Please see Appendix 2 for further information on ISO 20022 definitions for Value Date/Time, Booked Date/Time, Settlement Date/Time and Effective Settlement Date/Time.

			account at the start of the business day (central bank money from reserve balances at the central banks at the beginning of the day).
Indirect	Balance with Correspondent Bank	NA	Suggested Definition: The cash balance available at the start of the day in correspondent accounts (commercial money held in nostro accounts).
Direct	Balance	Balances with other banks	Suggested Definition: The cash balance available in a LVPS account at any given time. ²¹
Indirect	Balance	Balances with other banks	Suggested Definition: The balance is the cash balance available in correspondent bank account (commercial money held in nostro accounts). ²²
Direct	Direct intraday liquidity bridge	NA	Suggested Definition: A technical functionality built into two or more

²¹ Types of balances are defined in further detail under ongoing work by the LITF for the purposes of the ISO 20022 Definition and Usage. The Association's Definition Glossary references solely to reporting and implementation of the Basel Committee Monitoring Tools for Intraday Liquidity Management. Please see Appendix 2 for further information on ISO 20022 definitions for Opening Balance, Interim Booked Balance, Closing Booked Balance, Closing Available Balance, Opening Available Balance and Forward Available Balance.

²² IBID

			LVPS that allows banks to make transfers directly from one system to the other on an intraday basis.
Indirect	Direct intraday liquidity bridge	NA	NA
Direct	Payments	NA	Suggested Definition: A cash liquidity in- or outflow in a LVPS account
Indirect	Payments	NA	Suggested Definition: A cash liquidity in- or outflow in a correspondent bank account
Direct	Peak Credit Line Usage	NA	Suggested Definition: Largest credit line usage under intraday credit lines (secured, unsecured, committed or uncommitted) by a correspondent banking customer (subject to discussions with a bank's local regulator)
Indirect	Peak Credit Line Usage	NA	NA
Direct	De Minimis	Applies to intraday activities when those activities in a currency are less than 5% of a bank's total liabilities.	Suggested Definition: An internationally consistent materiality threshold of 5% of total value of payments processed (direct and indirect clearing in scope).

Indirect	De Minimis	Applies to intraday activities when those activities in a currency are less than 5% of a bank's total liabilities.	Suggested Definition: An internationally consistent materiality threshold of 5% of total value of payments processed (direct and indirect clearing in scope).
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Appendix 2

Liquidity Implementation Task Force (LITF) Intraday Liquidity Reporting Rule Book²³

Glossary of Terms

Terminology	MT Definition and Usage		ISO 20022 Definition and Usage	
Name	Definition	Used in	Definition	Used in
Opening Balance	This field specifies, for the (intermediate) opening balance, whether it is a debit or credit balance, the date, the currency and the amount of the balance.	MT940/MT950: - Field 60F: First - Field 60M: Intermediary	Book balance of the account at the beginning of the account reporting period. It always equals the closing book balance from the previous report.	camt.052/ camt.053: - Balance/Type=OPBD or ITBD
Interim Booked Balance	N/A	MT 941	Balance calculated in the course of the account servicer's business day, at the time specified, and subject to further changes during the business day. The interim balance is calculated on the basis of booked credit and debit items during the calculation time/period specified.	camt.052/ camt.053: - Balance/Type=ITBD
Closing Booked Balance (Booked Funds)	This field specifies, for the (intermediate) closing balance, whether it is a debit or credit balance, the date, the currency and the amount of the balance.	MT940/MT950: - Field 62F: Final - Field 62M: Intermediary	Balance of the account at the end of the pre-agreed account reporting period. It is the sum of the opening booked balance at the beginning of the period and all entries booked to the account during the pre-agreed	camt.052/ camt.053: - Balance/Type=CLBD or ITBD

²³ The Liquidity Implementation Task Force is an industry group facilitated by SWIFT. The rule book aims at providing financial institutions with a means to obtain the information requested by regulators in the different jurisdictions. The rule book aims at establishing the "by default" practice for the industry on the use of the SWIFT intraday reporting messages to be used as a reference document by financial institutions. The ISO 20022 Dictionary is available through the online Web Query Tool, under www.iso20022.org

			account reporting period.	
Closing Available Balance (Available Funds)	This field indicates the funds which are available to the account owner (if credit balance) or the balance which is subject to interest charges (if debit balance).	MT940/MT950: - Field 64	Closing balance of amount of money that is at the disposal of the account owner on the date specified.	camt.052/ camt.053: - Balance/Type=CLAV
Opening Available Balance	N/A	N/A	Opening balance of amount of money that is at the disposal of the account owner on the date specified.	camt.052/ camt.053: - Balance/Type=OPAV
Forward Available Balance	This field indicates the funds which are available to the account owner (if a credit or debit balance) for the specified forward value date.	MT940/MT950: - Field 65	Forward available balance of money that is at the disposal of the account owner on the date specified.	camt.052/ camt.053: - Balance/Type=FWAV
Value date/time	Value Date, is the date on which the debit/credit is effective.	MT940/MT942/MT950 : - Field 61 / Subfield 1 MT900/MT910 - Field 32A	Date and time at which assets become available to the account owner in case of a credit entry, or cease to be available to the account owner in case of a debit entry. Usage: If entry status is pending and value date is present, then the value date refers to an expected/requested value date. For entries subject	camt.052/ camt.053/ camt.054: - Entry/ValueDate

			to availability/float and for which availability information is provided, the value date must not be used. In this case the availability component identifies the number of availability days.	
Booked date/ time	Entry Date, is the date on which the transaction is booked to the account.	MT940/MT942/MT950 : - Field 61 / Subfield 2	Date and time when an entry is posted to an account on the account servicer's books. Usage: Booking date is the expected booking date, unless the status is booked, in which case it is the actual booking date.	camt.052/ camt.053/ camt.054: - Entry/BookingDate
Settlement date/time	Date/time at which the financial instruments are to be delivered or received.	MT545/MT547: - Field 98a:SETT	Cash: Date on which the amount of money ceases to be available to the agent that owes it and when the amount of money becomes available to the agent to which it is due. Securities: Date and time at which the securities are to be delivered or received.	camt.052/ camt.053/ camt.054: - Interbank Settlement Date sese.025: - TradeDetails/ SettlementDate
Effective Settlement date/time	Date/time at which a transaction effectively settled.	MT545/MT547: - Field 98a:ESET	Securities: Date and time at which a transaction is completed and cleared, ie, payment is effected and securities are delivered.	sese.025: - TradeDetails/ EffectiveSettlementDate