RBI Basel III: LCR Review of HQLA Haircuts and Deposit Run-off Rates

The Reserve Bank of India (RBI) vide its **Notification RBI/2025-26/27 DOR.LRG.REC.18/03.10.001/2025-26 dated April 21, 2025**, has revised its guidelines on liquidity standards, specifically the Liquidity Coverage Ratio (LCR), based on stakeholder feedback.

The changes, effective April 1, 2026, include an increased run-off factor of 2.5 percent for retail deposits with internet and mobile banking, treating unsecured wholesale funding from non-financial small businesses similar to retail deposits, and valuing Level 1 High Quality Liquid Assets (HQLA) based on current market value with haircuts aligned to LAF/MSF margin requirements.

Additionally, deposits contractually pledged as collateral will be considered callable for LCR.

The RBI has also reclassified certain entities; deposits from non-financial entities like trusts and partnerships will now attract a lower run-off rate of 40 percent, instead of 100 percent, unless categorized as small business customers.

These amendments aim to enhance banks' liquidity resilience and align with global standards without causing disruption.

Link - **https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12836&Mode=0**