EBF responds to Basel III consultation on the Net Stable Funding Ratio

- **Revised NSFR requires careful scrutiny to guarantee optimal calibration**

The European Banking Federation on Friday submitted comments to the Bank for International Settlements in Basel in a consultation on the Net Stable Funding Ratio, or NSFR. The EBF appreciates the potential of the NSFR to contribute to enhancing the resilience of the banking sector by limiting the risks associated with excessive maturity mismatches on banks' balance sheets.

European banks nevertheless will need to carefully assess the revised NSFR in order to ensure that it does not overly restrict individual business models and the fundamental maturity transformation role that they perform for society – enabling the efficient allocation of capital resources and supporting the engine for economic growth, citizens' needs, and prosperity.

Banks typically attract shorter term deposits and use them to fund longer term loans. Managing this maturity mismatch has been the essence of banking for hundreds of years and is an activity that creates value to the real economy. The economic impact of the NSFR will vary depending on the degree of financial intermediation and the role of banks to provide credit to the economy.

The revised NSFR should therefore be placed under careful scrutiny to guarantee its optimal calibration by a comprehensive quantitative impact study which also considers the NSFR's interplay with other prudential measures, and if necessary be finetuned before it is implemented in 2018.

The full EBF response to the Basel Committee's consultation on the Basel III Net Stable Funding Ratio can be found here.

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