



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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Feedback Statement

Updating the Liquidity Framework for Banks

Implementation of a Liquidity Coverage Ratio

FS25-01

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Glossary

Authority	Isle of Man Financial Services Authority
Basel Committee	The Basel Committee on Banking Supervision (“BCBS”) being the primary global standard setter for the prudential regulation of banks, which provides a forum for regular cooperation on banking supervisory matters.
Bank / reporting bank	In the context of the LCR Reporting Form and the LCR by Significant Currency, this is the Isle of Man incorporated entity that has been issued with a Class 1(1) or Class 1(2) (Deposit Taking) licence under the Financial Services Act 2008 and includes branches of that entity.
FSA08	Isle of Man Financial Services Act 2008
Liquidity Coverage Ratio (“LCR”) Standard / LCR Standard	<p>The Liquidity Coverage Ratio Standard, also referred to as the LCR Standard, means the LCR Standard as it was incorporated into the consolidated Basel Framework and which contains frequently asked questions and responses, effective 15 December 2019.</p> <p>The LCR Standard can be found at: https://www.bis.org/basel_framework/standard/LCR.htm</p>
Multilateral Development Bank (“MDB”)	An institution created by a group of countries that provides financing and professional advice for economic and social development projects. MDBs have large sovereign membership and may include both developed and/or developing countries. Each MDB has its own independent legal and operational status, but with a similar mandate and a considerable number of joint owners.
Net Stable Funding Ratio (“NSFR”)	A measure developed by the Basel Committee to promote resilience over a longer time horizon of one year.
Significant Currency	A currency is considered to be “significant” if the aggregate liabilities denominated in that currency amount to 5% or more of the bank’s total liabilities.

1. Background

This Feedback Statement is issued by the Isle of Man Financial Services Authority following Discussion Paper DP25-01¹.

The purpose of the Discussion Paper was to seek views on proposals to implement a Liquidity Coverage Ratio (“**LCR**”) requirement (including reporting forms, guidance, and core regulatory requirements) for banks incorporated in the Isle of Man, in line with the Basel III LCR Standard. It established proposals for the implementation of an LCR requirement, together with suggestions for how to incorporate monitoring and reporting of the LCR by significant currency in respect of banks incorporated in the Island.

The consultation period ran for a 6-week period, until 11 July 2025.

The Authority has contacted the recipients listed in [Appendix A](#) directly to provide a link to this Feedback Statement.

2. Summary of Responses

Responses were received from all five banks incorporated in the Island. No other responses to the consultation were received.

2.1 Proposed Core Regulatory Requirements for the LCR

Question 1

Do you agree with the proposed core regulatory requirements in respect of the LCR? If not, please provide additional information.

Four banks confirmed agreement to the proposed core regulatory requirements, noting one wished to receive clarity on “other liquidity monitoring metrics” (which will form part of a further discussion paper).

One bank raised a number of questions (also relevant to questions 2 and 3 below) and wished to receive additional clarity on a range of matters contained in the proposed requirements and associated reporting forms and guidance. The Authority is addressing these separately with the bank.

Question 2

Do you have any other observations to make in relation to these proposals?

Four banks did not raise any other observations regarding the core regulatory requirements, noting one of these suggested it may be helpful to provide further granular definitions for corporate deposit flows (e.g. trusts).

¹ See [DP25-01](#)

2.2 Proposed Reporting Forms and Guidance

Question 3

Do you have any comments / observations in relation to the proposed LCR Reporting Form and guidance? If so, please provide further information, including identification of any errors.

*Except for the bank referenced in question 1 above, of the other four banks, only two general observations were made which are outlined and addressed in **Appendix B**.*

2.3 LCR Proposed Frequency of Reporting

Question 4

Do you agree with the proposal to implement quarterly reporting as standard (with submissions due within one month), rather than monthly reporting (with submissions due within 2 weeks)?

All five banks confirmed agreement to the proposed approach.

Question 5

Would you be able to increase the frequency of reporting, for example to monthly, weekly, or even daily, if required to do so by the Authority (on an exceptional basis)?

All banks confirmed they would be able to increase the frequency of reporting (by exception) to monthly, noting reporting weekly or daily may have to be on a simplified basis.

2.4 LCR by Significant Currency (Foreign Currency LCR)

Question 6

Despite the specific definition of significant currency, are you supportive of the Authority's proposal to agree with each bank whether it is required to calculate (and thus potentially report) foreign currency LCR (rather than the requirement being a "must" for any bank that has a significant foreign currency)?

*Four banks agreed with the broad proposal (enabling a flexible approach to discuss and agree reporting requirements of LCR by significant currency). One bank disagreed with the overall proposals and suggested that liquid foreign currencies (such as USD and EU) should be treated differently and be excluded. This is addressed in **Appendix B**.*

Question 7

For banks that will be required to calculate foreign currency LCRs, do you agree with the proposal that reporting to the Authority should be in a summary report (rather than providing the detailed calculations for each foreign currency LCR)?

Four banks agreed with the proposed summary reporting format. As specified in question 6 above, one bank disagreed with the overall proposed approach to LCR by significant currency.

Question 8

In terms of the proposed summary report, would you prefer to report each foreign currency LCR: (a) in its foreign currency only? (b) in sterling equivalent only? Or (c) in the foreign currency together with a sterling equivalent using the exchange rate at the reporting date? (as per the draft template).

Three banks preferred option (b) (sterling equivalent only), and one bank had no preference. One bank preferred option (c).

Question 9

Do you agree with the proposal that the Authority may put in place notification requirements on banks in respect of foreign currency LCRs under certain circumstances (including with reference to a 100% requirement)?

Four banks agreed with, or had no objection to, the proposed approach. As specified in question 6 above, one bank disagreed with the overall proposed approach to LCR by significant currency.

2.5 Transition and Implementation

Question 10

Do you agree with the proposal to start reporting LCR information to the Authority for submissions due by 31 October 2025? If this proposed date would cause you difficulties, please provide an alternative date for commencing reporting and summarise the reasons why.

The general consensus was to delay reporting until 2026, such that it would commence for June 2026 at the latest. This would enable banks to understand the wider suite of reporting requirements (not just LCR) and put in place the necessary internal changes to facilitate such reporting.

Question 11

Do you agree with the proposal to introduce the proposed regulatory requirements for LCR from 1 January 2026? If this proposed date would cause you difficulties, please provide an alternative date and summarise the reasons why.

The general consensus was to align the introduction of the regulatory requirements with the reporting requirement (per question 10).

3. Changes to the Proposals

3.1 Proposed Core Regulatory Requirements for the LCR (Q1 & 2)

No changes are proposed to the core regulatory requirements for the LCR, noting that the Authority will remain flexible in respect of the implementation date (**see section 3.5 below**), including any transition that may be required on a specific bank basis. The specific questions raised by one bank are being addressed separately on an individual bank basis.

3.2 Proposed Reporting Forms and Guidance (Q3)

No material changes are proposed to the reporting forms and guidance for the LCR (**see section 3.4 for LCR by significant currency**). As part of introducing one integrated reporting template and guidance for banks incorporated in the Island (i.e. covering LCR, NSFR², and other liquidity monitoring metrics³), some minor changes may be made to the reporting forms and guidance. Any changes from the original versions will be made clear to banks.

The specific questions raised by one bank are being addressed separately on an individual bank basis.

3.3 LCR Proposed Frequency of Reporting (Q4 & 5)

No changes are proposed to the frequency of reporting (quarterly, due within one month). The guidance will be updated to make it clear that reporting on a more frequent basis (by exception), may be made on a simplified basis.

3.4 LCR by Significant Currency (Foreign Currency LCR) (Q6-9)

Based on the feedback, the Authority proposes to implement reporting for LCR by Significant Currency utilising option (b) (summary report showing the LCR by Significant Currency in sterling equivalent). The Authority may also ask banks to reference the exchange rates used at the reporting date.

² Currently being consulted on, see [DP25-02](#)

³ To be consulted on.

As part of introducing one integrated reporting template and guidance for banks incorporated in the Island (i.e. covering LCR, NSFR, and other liquidity monitoring metrics), an updated LCR by Significant Currency template will be provided. Any changes from the original version will be made clear to banks.

As set out in the Discussion Paper, the Authority will engage with each bank to agree whether reporting of LCR by Significant Currency will be required. As part of this engagement the Authority intends to provide further clarity in the guidance as to the circumstances that would always trigger such reporting to be necessary; for example, this may include the situation where a currency other than sterling is the most material exposure.

3.5 Transition and Implementation (Q10 & 11)

It was clear that the timeline to introduce the regulatory and reporting requirements needs to be extended. The Authority wishes to aim for implementation by end June 2026 (at least for reporting), but notes that it may need to be flexible as to when the regulatory requirements come into force.

The Authority will also be able to “switch on” the regulatory requirements at various times for different banks if absolutely necessary.

The Authority expects the position to become clear once the NSFR and other liquidity monitoring metrics reports are near finalised.

4. Next Steps

The Authority will prepare final reporting forms and guidance for the LCR (including the LCR by significant currency) and will clearly set out any changes from the versions issued with the Discussion Paper. These changes will not be material.

The Authority will embed the final LCR reporting forms into one integrated reporting template and guidance for banks incorporated in the Island (i.e. covering LCR, NSFR, and other liquidity monitoring metrics). The Authority will also continue its work in enhancing its guidance in relation to the internal liquidity adequacy assessment process. This is likely to be incorporated into the existing ICAAP guidance with the document to be renamed ‘internal capital and liquidity adequacy assessment process’ (“ICLAAP”).

The Authority will also continue to remain flexible in the implementation date of the regulatory and reporting requirements.

5. Questions

In case of any query on this Feedback Statement please contact —

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If you have a query in relation to how the related consultation was carried out, please contact the Authority's Policy & Risk Division by email at Policy@iomfsa.im or by telephone on +44 1624 646000.

Appendix A – List of Specific Recipients

- Isle of Man Bankers' Association
- Individual Class 1(1) and Class 1(2) Deposit Takers (Banks) incorporated in the Isle of Man

Appendix B – Additional queries and responses

1. Q3 - reporting of overseas branch business

- (A) One bank asked for further clarity around the treatment of branch deposits or ‘upstreaming.’ For example, if the IOM had a £100m deposit from a Branch in respect of the upstreaming of client deposits, will this be reflected as client deposits or on a see-through basis in the IOM (which we would expect) or is it an institutional deposit?

Authority response: *the LCR return is for a bank, including its business in overseas branches. The Authority would not expect the LCR to include any “inter-branch upstreaming.” The client deposits in the branches will be reflected in the applicable client outflow categories (retail, corporate etc). Assets will be those external to the bank. The return has been designed to clearly show assets and liabilities (inflows and outflows) based on location to capture overseas branch business. No changes to the reporting form or guidance are proposed.*

- (B) One bank noted that outflows and inflows tabs of the form require a split of balances to IOM, CI, UK, and EU but the run-off factor/inflow factor does not change irrespective of the jurisdiction and therefore the location does not affect overall calculation of LCR. The banks asked if the Authority would consider limiting the report to a single aggregated figure per section /level.

Authority response: the Discussion Paper explained the rationale for this reporting “in the calculation of outflows (Sheet 2) and inflows (Sheet 3); the forms are designed so that banks incorporated in the Island which operate overseas branches should report categories of outflows and inflows by the relevant jurisdiction. For example, deposits taken in a UK branch should be shown under “UK,” whereas deposits taken in the Isle of Man office should be shown as “IOM.” Banks which do not operate overseas branches will report figures only in “IOM.” This reporting is designed to assist the Authority understand the liquidity profile of a bank, including in respect of its overseas branches, and to remove the requirement for any “IOM office specific” liquidity reporting forms.

2. Q6 – LCR by Significant Currency

- (A) One bank queried whether reporting LCR at an individual significant currency level (rather than just the consolidated level) was necessary, and whether it would enhance liquidity risk management, in the scenario where the significant currencies are “liquid currencies⁴.”

Authority response: the LCR must always be reported at a consolidated level (all currencies combined). The monitoring and reporting of LCR by Significant Currency is a key component of the “other liquidity monitoring metrics” of the Basel III framework.

⁴ e.g. GBP, USD, EUR, etc based on the Bank of International Settlements Triennial Central Banks Survey on Foreign Exchange Turnover, and there is an active foreign currency swap market between these currencies.

Other elements of liquidity monitoring metrics are still to be consulted on, some of which may also include reference to significant currencies (the Authority front loaded the work on LCR by Significant Currency). As set out in the consultation, the Authority is proposing to agree requirements with each bank, rather than specify mandatory reporting, however, the Authority cannot find any reference in the Basel standards to “carve out” reporting for major currencies such as USD and EUR.