

BANK OF JAMAICA



Consultation on the Standard of Sound Practice on Liquidity Risk Management and Internal Liquidity Adequacy Assessments

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**Standard of Sound Practice on Liquidity Risk Management and Internal Liquidity Adequacy Assessments
(for DTIs under the Banking Services Act)**

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GLOSSARY

The terms and expressions used in this Standard will have the same meanings as defined in the Banking Services Act, 2014 (BSA), and companion regulations applicable to deposit-taking institutions and financial holding companies. For the purpose of this Standard, the following definitions are also provided:

“Contingency funding plan” refers to a documented strategy outlining steps a DTI will take to address potential liquidity shortfalls during periods of financial stress. The Contingency Funding Plan includes available funding options, escalation procedures, and roles and responsibilities.

“Deposit-taking institution” has the meaning assigned to it under section 2(1) of the Banking Services Act (BSA), 2014.

“Financial holding company” has the meaning assigned to it under section 2(1) of the Banking Services Act (BSA), 2014.

“Financial institution” has the meaning assigned to it under section 2(1) of the Banking Services Act (BSA), 2014.

“High-quality liquid assets (HQLA)” has the meaning assigned to it in the Bank’s Liquidity Coverage Ratio (LCR) framework.

“Internal audit” is an independent function within a DTI and for the purpose of this Standard is responsible for evaluating the adequacy and effectiveness of the DTI’s liquidity risk management framework, policies, and controls.

“Licensee” has the meaning assigned under section 2(1) of the Banking Services Act.

“Liquidity buffer” refers to a reserve of high-quality liquid assets maintained by a DTI to ensure sufficient liquidity is available to meet obligations during periods of financial stress.

“Liquidity Coverage Ratio (LCR)” is the ratio of the stock of HQLA to Total Net Cash Outflows over the next 30-calendar days for an institution.

“Liquidity gap” is the difference between a DTI’s inflows and outflows over specific time horizons, used to assess potential liquidity mismatches.

“Liquidity risk” refers to the risk that a DTI will be unable to meet its financial obligations as these obligations come due without incurring material losses.

“Liquidity stress” refers to market-wide and idiosyncratic conditions that result in stressed liquidity outcomes for financial institutions. Liquidity stress conditions are tied to the liquidity stress scenario contemplated in the Bank’s Standard of Sound Practice on the LCR (LCR SSP) which incorporates but is not limited to, many of the shocks experienced during the global financial crisis that started in 2007.

“Scenario analysis” is the process of evaluating the potential impact of adverse events on a DTI’s liquidity position.

“Significant currency” has the meaning assigned to it in the Bank’s LCR framework.

“Stress testing” is a simulation technique used to assess a DTI’s ability to withstand financial stress.

“Unencumbered” means free of legal, regulatory, contractual, or other restrictions on the ability of the relevant financial institution to liquidate, sell, transfer, or assign the asset.

SECTION 1: EXECUTIVE SUMMARY

1. Bank of Jamaica (“the Bank”) has developed this *Standard of Sound Practice on Liquidity Risk Management and Internal Liquidity Adequacy Assessments* (the Standard) as part of continued efforts to strengthen the resilience of Jamaica’s financial system. The Standard is designed to support DTIs in maintaining adequate liquidity under both normal and stressed conditions and aligns with international best practice while considering the specific characteristics and challenges of the Jamaican financial sector.
2. Effective governance is the foundation of this draft Standard and the basis on which DTIs should ground their liquidity risk management practices. The Standard emphasises that liquidity risk management should be conducted with a clear focus on the adequacy of liquidity resources relative to each DTI’s risk profile and operating environment. Accordingly, DTIs are expected to form and maintain an internal, forward-looking assessment of whether available liquidity resources are sufficient under both normal and stressed conditions. Boards of Directors hold ultimate accountability for liquidity risk oversight, including approval of risk appetite and policies, and receipt of timely, relevant reporting. Senior management is expected to operationalise the principles and policies contained in this Standard.
3. Under this Standard, DTIs are required to:
 - (a) Identify liquidity risks across all funding structures, market exposures, and off-balance sheet commitments, using forward-looking and dynamic approaches that support an assessment of liquidity adequacy;
 - (b) Implement tools such as cash flow analysis, regular liquidity stress testing, and scenario analysis across short-, medium-, and long-term horizons to evaluate the resilience and sufficiency of liquidity resources under adverse conditions;
 - (c) Maintain diversified high-quality liquid asset (HQLA) portfolios that exceed minimum Liquidity Coverage Ratio (LCR) requirements, where appropriate to the DTI’s risk profile;
 - (d) Develop robust Contingency Funding Plans (CFPs), supported by playbooks approved by senior management, and conduct periodic actual testing to evaluate preparedness and the ability to preserve or restore liquidity adequacy during stress events;
 - (e) Monitor intra-day liquidity exposures and maintain systems capable of tracking real-time liquidity flows and settlement risks so as to ensure continuity of liquidity throughout the business day;
 - (f) Ensure independent internal audits and model validations are in place to assess the integrity of liquidity risk frameworks and the reliability of the information used to form judgements on liquidity adequacy, and remediate deficiencies; and
 - (g) Establish internal pricing mechanisms for liquidity cost allocation to align business unit incentives with sound liquidity practices and prudent management of liquidity resources.
4. The Bank sets the foundation for enhanced supervisory and market disclosures, including key liquidity metrics, governance arrangements, and contingency preparedness, to promote transparency and informed supervisory dialogue on liquidity risk and resilience ahead of the implementation of Basel III Pillar III.
5. Throughout the Standard, the principle of proportionality is applied, allowing liquidity risk frameworks and internal assessments of liquidity adequacy to be scaled to each DTI’s size, complexity, and risk profile. This ensures the Standard remains practical, effective, and aligned with the evolving nature of Jamaica’s financial sector.

SECTION 2: INTRODUCTION

A. BACKGROUND AND MOTIVATION

6. The Bank issued the most recent *Standard of Sound Practice (SSP) on Liquidity Risk Management* in 1995. Subsequently, the Bank has embarked on a comprehensive reform of the prudential framework for licensees under the *Banking Services Act (BSA), 2014*. A cornerstone of these reforms is the ongoing implementation of the Basel III Framework, which encompasses prudential, supervisory, and regulatory requirements and standards for both capital and liquidity.
7. As part of these ongoing reforms, the Bank is committed to aligning the liquidity risk management standards applicable to licensees under the BSA with international best practice. In line with this commitment, this draft Standard aligns the Bank's framework for liquidity risk management applicable to deposit taking institutions (DTIs) with the Basel Committee on Banking Supervision's (BCBS) *Principles for Sound Liquidity Risk Management and Supervision*.
8. This draft Standard is designed to provide guidance to each DTI on effective liquidity risk management practices that are tailored to the nuances of the local financial system and will replace the *SSP on Liquidity Risk Management* that was published in 1995. DTIs will be guided on the principles for developing and maintaining robust liquidity risk management frameworks capable of withstanding a range of adverse conditions, including both domestic and external shocks. The specific characteristics of Jamaica's financial markets are carefully considered, where liquidity risks can arise from vulnerabilities such as limited access to international capital markets, foreign exchange volatility, and funding source concentration.
9. In addition to the proposed framework for liquidity risk management, this Standard will introduce an explicit requirement for DTIs to conduct periodic internal liquidity adequacy assessments, recognising that compliance with minimum liquidity requirements alone may not fully capture the range of risks to which a DTI is exposed. These assessments are intended to support a structured and forward-looking evaluation of whether a DTI's liquidity position and risk management framework are adequate relative to the risk profile, business model, and operating environment of the DTI.
10. The internal liquidity adequacy assessments introduced under this Standard are a proportionate and principles-based application of the *Internal Liquidity Adequacy Assessment Process (ILAAP)* frameworks applied in certain jurisdictions. However, the Bank's approach does not replicate the full ILAAP regimes or associated supervisory processes and instead focuses on preserving the core elements of sound liquidity adequacy assessment, including stress testing, governance, and Board oversight, in a manner proportionate to the Jamaican financial system.
11. Bank of Jamaica's overarching goal is to enhance the resilience of Jamaica's financial sector by promoting sound liquidity risk management practices. The draft Standard establishes minimum expectations for strengthening the operational soundness of DTIs by enhancing their ability to navigate liquidity challenges, mitigate risks associated with financial instability, and protect the interests of stakeholders, including depositors, investors, and the broader society. This approach promotes confidence within the financial sector through enhancing the resilience of DTIs in Jamaica. Additionally, the framework will contribute to protecting the broader economy from systemic implications arising from liquidity risk, particularly during periods of financial stress or market disruption.
12. On the proposals set out in this draft Standard, the Bank invites feedback from DTIs by or before 28 August 2026. The feedback received will be used to inform the Bank's final approach. Further, the Bank will publish a set of frequently asked questions arising from the consultation feedback.

13. Consistent with the Bank's practice of implementing policies on a phased basis, DTIs will have a transitional period of twelve (12) months from the date of finalisation of this Standard for full compliance with the framework set out herein. At such time during this 12-month period that a DTI has achieved full operational compliance with the Standard, the DTI should formally communicate same to the Bank.

B. LIQUIDITY AND LIQUIDITY RISK DEFINED

14. Liquidity refers to the availability of funds, or the assurance that funds will be available, to meet all cash outflow commitments, whether on- or off-balance sheet, as these commitments fall due. These commitments are typically met through cash inflows from ongoing operations, supplemented by the ability to convert assets to cash or to access borrowing facilities in a timely and cost-effective manner. For DTIs, liquidity takes two main forms:
 - (a) Funding liquidity, which is the ability to meet obligations as these obligations become due using available cash or funding sources; and
 - (b) Market liquidity, which is the ability to sell assets quickly without incurring significant losses due to price discounts or market illiquidity.
15. Liquidity risk arises when a financial institution faces potential difficulty in meeting short-term financial obligations when these obligations become due, without incurring material losses or costs. This risk may result from mismatches in the timing of cash flows associated with assets, liabilities, off-balance sheet items, and other operational obligations. Another common source of liquidity risk is the inability of financial institutions to manage unplanned changes in funding sources or to address market conditions that affect the DTI's ability to liquidate assets promptly and without material loss.
16. Liquidity risk often intersects with other financial risks, such as credit and market risks. For example, a deterioration in asset quality could erode investor confidence, limiting the institution's ability to raise funds. Additionally, macroeconomic factors such as currency depreciation or interest rate volatility can compound liquidity challenges in developing markets like Jamaica.
17. Accordingly, liquidity risk is assessed holistically, incorporating an evaluation of compliance with minimum liquidity requirements, as well as an assessment of the DTI's capacity to remain liquid under stressed conditions, which is supported by the conduct of internal liquidity adequacy assessments.

C. LEGAL REQUIREMENT

18. The *Standard of Sound Practice on Liquidity Risk Management and Internal Liquidity Adequacy Assessments* will be issued pursuant to section 34FL(b)(ii) of the Bank of Jamaica Act, 2020, which accords the Financial Policy Committee (FPC) with the authority to make determinations on Standards of Sound Practice for licensees under the Banking Services Act including in relation to liquidity risk management.

D. SCOPE OF APPLICATION

19. The guidelines outlined in this document will be applied to each DTI licensed under the BSA, on a standalone basis.

A. ROLE OF THE BOARD OF DIRECTORS

20. The Board of Directors of each DTI is ultimately responsible for overseeing the institution's liquidity risk management framework. For DTIs, this includes managing liquidity risks specific to their operations. While delegating the day-to-day management of liquidity to senior management, the Board retains overall accountability for ensuring that the DTI operates within sound and prudent liquidity parameters and is able to form an informed view on the adequacy of its liquidity position relative to its risk profile, business model, and operating environment.
21. To discharge its responsibilities effectively, the Board must actively engage in the oversight of the DTI's liquidity risk management programme as a basis for assessing liquidity adequacy. This includes setting expectations for the quality, frequency, and content of information received to evaluate the effectiveness of liquidity risk controls and governance. The Board should ensure that regular, comprehensive reports are received from senior management, as well as independent assessments from the risk and compliance functions on the DTI's adherence to internal liquidity policies, risk appetite, and regulatory requirements. Internal audit is required to conduct periodic reviews of the liquidity risk framework, including the effectiveness of monitoring tools, stress testing practices, and policy implementation. Taken together, these inputs should enable the Board to assess whether liquidity risks are being identified, measured, and managed in a manner consistent with maintaining adequate liquidity under stressed conditions, and to challenge assumptions, identify emerging risks, and direct corrective actions where necessary.
22. At a minimum, the Board should:
- (a) **Approve Liquidity Risk Appetite, Policies, and Tolerance:** The Bank expects Boards to first define and formally approve the DTI's liquidity risk appetite, setting clear boundaries for acceptable risk exposure based on the funding profile, business model, and strategic objectives of the DTI. This includes approving detailed liquidity and funding risk policies that specify internal limits, contingency funding strategies, stress testing frameworks, and acceptable sources and concentrations of funding. These policies must be tailored to the DTI's size, operational complexity, and market context. In doing so, the Board affirms that the DTI's liquidity risk framework supports its business goals and provides a sound basis for maintaining liquidity adequacy under a range of conditions, while preserving financial resilience under both normal and stressed conditions.
 - (b) **Review and Approve the Internal Liquidity Adequacy Assessment:** The Board must review and approve, at least annually, the DTI's internal assessment of liquidity adequacy. This review should consider whether the assessment provides a reasonable and well-supported conclusion on the adequacy of the DTI's liquidity position, having regard to its risk profile, business model, stress testing results, and operating environment. In doing so, the Board should satisfy itself that the assessment appropriately reflects material risks and the capacity of the liquidity risk management framework to support an adequate liquidity position.
 - (c) **Review the Liquidity Management Programme:** Boards will be required to periodically assess the effectiveness and continued relevance of the DTI's liquidity risk management framework. This review should ensure that the framework adequately addresses key liquidity risk drivers, including funding concentrations, maturity mismatches, off-balance sheet exposures, and the DTI's operational and market environment. The Bank will require that such reviews be conducted at least annually. However, the frequency should increase in response to significant changes in market conditions, business strategy, or the DTI's overall risk profile. This ongoing review process should promote the ongoing robustness and responsiveness of the framework to evolving liquidity risks.
 - (d) **Ensure Compliance:** The Bank underscores the importance of independent oversight mechanisms. Boards should ensure that the DTI's internal audit functions rigorously evaluate the liquidity management programme. This involves identifying any

weaknesses that could compromise the DTI's ability to manage liquidity effectively or undermine the reliability of assessments of liquidity adequacy.

- (e) **Ensure Competent Leadership:** Boards are responsible for appointing and retaining senior management with the requisite skills, experience, expertise, and integrity to manage the DTI's liquidity risk effectively. The Board must comprise members with the necessary competencies, industry knowledge, and risk oversight capabilities to effectively discharge its responsibilities related to liquidity risk management and to exercise sound judgement on matters affecting liquidity adequacy. The Bank expects Boards to ensure that the DTI's leadership demonstrates a strong understanding of liquidity risk principles and a commitment to upholding risk tolerance and governance standards.
 - (f) **Define Reporting Requirements:** Boards should clearly define the reporting framework for liquidity risk management. This includes specifying the content, format, and frequency of liquidity reports provided to the Board by senior management. Reporting should be sufficient to enable the Board to form an overall view on the adequacy of the DTI's liquidity position, including under stressed conditions.
 - (g) **Formally Approve an Annual Conclusion on Liquidity Adequacy:** Based on information provided through the liquidity risk management framework, including stress testing outcomes and contingency funding arrangements, the Board must approve, at least annually, management's conclusion on whether the DTI maintains adequate liquidity relative to its risk profile and operating environment, as set out in the internal assessment of liquidity adequacy.
23. At a minimum, Boards are expected to adhere to this Standard to meet their fiduciary responsibilities and support the DTI's ability to manage liquidity risk effectively.

B. ROLE OF SENIOR MANAGEMENT

24. Senior management is responsible for the implementation and ongoing control of the DTI's liquidity risk management framework with a view to maintaining liquidity adequacy under both normal and stressed conditions. This includes developing strategies, policies, and procedures that align with the Board's risk tolerance and ensuring these are effectively operationalised throughout the DTI.
25. The specific responsibilities of senior management include:
- (a) **Implementing policies consistent with defined Risk Appetite:** Senior management should implement policies consistent with the Board-approved liquidity risk appetite. These policies must be tailored to the DTI's size, business model, and operational complexity, and address both immediate and longer-term liquidity needs. Senior management is responsible for ensuring that the approved policies are effectively operationalised through the establishment of effective systems, procedures, and internal controls that guide day-to-day liquidity risk management, and support the maintenance of adequate liquidity and ensure adherence to the approved risk parameters.
 - (b) **Measuring and Monitoring Liquidity:** Senior management is required to implement reliable and forward-looking methods to measure and monitor liquidity across intraday, short-, medium-, and long-term time horizons. This includes cash flow projections, liquidity dashboards, scenario analysis, and real-time monitoring tools. Liquidity indicators should be reviewed regularly and actively assessed against the approved risk appetite. These analyses should enable senior management to evaluate the resilience and adequacy of the DTI's liquidity position under a range of conditions and ensure that any breaches or emerging pressures trigger timely escalation and corrective action based on predefined protocols.

- (c) **Developing and Maintaining a Contingency Funding Plan (CFP):** Senior management should develop, maintain, and actively manage a comprehensive CFP that outlines governance arrangements, stress triggers, escalation procedures, funding sources, and communication strategies. The CFP must be periodically tested through drills or simulations, with outcomes used to refine the plan. During periods of liquidity stress, senior management is expected to take the lead in executing the CFP, maintaining investor and depositor confidence, coordinating internal and external communications, and ensuring continued access to funding. The CFP should support management's assessment of whether liquidity adequacy can be preserved or restored under severe but plausible stress conditions.
- (d) **Monitoring the Liquidity Environment:** Senior management must continuously and proactively monitor internal and external factors that could affect the DTI's liquidity position. This includes macroeconomic trends, market developments, interest rate shifts, geopolitical events, funding market volatility, and institution-specific events. Internal risk indicators and early warning signals must be tracked to allow for timely strategy adjustments and mitigation actions where emerging risks may threaten liquidity adequacy before risks materialise.
- (e) **Establishing Robust Reporting Systems:** Senior management must implement reporting systems that provide accurate, timely, and relevant liquidity information to support decision-making at both operational and strategic levels. Reports to the Board should include trend analyses, risk indicator performance, funding concentrations, and stress testing results. These systems should also support the preparation of an annual internal liquidity adequacy assessment.
- (f) **Supporting Internal Review and Audit:** Senior management must ensure that an independent internal audit or inspection function periodically evaluates the effectiveness of the liquidity risk framework, including the accuracy of models and compliance with policy requirements. Findings must inform continuous improvement, with clear follow-up actions, roles, and timelines.
- (g) **Communicating Policies Across the DTI:** Senior management must establish clear communication channels to ensure that all relevant staff are aware of, and understand, their responsibilities under the liquidity risk framework. Policies must be embedded in day-to-day operations and reflected in staff training, product development, and business unit performance management.
- (h) **Reporting to the Board:** Senior management must provide the Board with regular, comprehensive reports on the DTI's liquidity position, including risk exposures, policy compliance, stress test results, CFP readiness, and emerging risks. Reports should be submitted at least annually, or more frequently in response to material changes in market conditions or institutional risk profile.

C. DELEGATION OF LIQUIDITY MANAGEMENT

26. Liquidity management responsibilities may be delegated by the DTI to a formally established Asset-Liability committee (ALCO). This committee must be established by senior management as a dedicated management committee, with a Board-approved Terms of Reference that clearly sets out its mandate, authority, composition, responsibilities, and reporting lines. The delegation to the ALCO supports focused oversight and effective execution of the DTI's liquidity strategies. However, the delegation of responsibilities does not absolve the Board of Directors or senior management from their overall accountability for sound liquidity risk management or for the approval of the internal liquidity adequacy assessment and related conclusions. The designated body will be expected to:
- (a) **Operate at a Senior Level:** The ALCO should function at a senior level within the organisation with appropriate authority and access to decision-makers. This ensures that the committee can oversee liquidity risk comprehensively and take timely action,

especially during periods of stress. The ALCO should report directly to senior management or the Board, as appropriate, to ensure that those charged with governance remain informed and engaged in critical liquidity matters.

- (b) **Include Cross-Functional Expertise:** The ALCO should include representatives from key functional areas that are providers or users of liquidity, such as treasury, risk management, finance, and operations. This cross-functional composition supports a comprehensive understanding of liquidity risks and enables informed decision-making. Each functional area is expected to provide regular, relevant reports and analyses to the committee, such as cash flow forecasts, funding projections, risk assessments, and operational considerations to support proactive and forward-looking liquidity management.
- (c) **Maintain Clear Communication:** The ALCO is responsible for ensuring that decisions related to liquidity risk are effectively implemented across the DTI. Operational units represented on the committee are expected to directly translate strategic liquidity decisions into actionable steps within their respective functions. The committee structure promotes timely coordination, clear delineation of responsibilities, and responsiveness to changing liquidity conditions.

D. LIQUIDITY COST ALLOCATION

- 27. Effective liquidity risk management requires that liquidity costs, benefits, and risks are allocated fairly across business lines, aligning decision-making with the DTI's overall liquidity strategy and risk tolerance. This involves allocating costs based on their operational requirements and risk profile.
- 28. DTIs should implement an internal pricing mechanism to allocate liquidity costs across business lines, ensuring that liquidity is properly valued and incentivising efficient management of liquidity. The internal pricing mechanism may be informed by models such as transfer pricing, risk-adjusted pricing, or similar models or methodologies that allow the DTI to determine the liquidity consumption of each business unit. An alternative to these approaches is a basic cost allocation model, which could allocate costs according to business unit size, funding requirements, or usage of the DTI's available liquidity. The aim is to encourage responsible liquidity usage across the group and within individual DTIs, integrating this process into business unit performance evaluations to increase accountability.
- 29. Liquidity cost allocation should also be incorporated into the new product approval process. In the case of DTIs, this involves assessing the liquidity impact of products on the institution's standalone profile. Off-balance sheet activities, such as contingent liabilities and guarantees, should also be considered to fully capture potential liquidity risks.
- 30. DTIs may consider approaches such as charging each business unit based on its liquidity consumption, with those units contributing to stable funding rewarded and those increasing liquidity risk penalised. Such an approach aligns business unit incentives with the DTI's liquidity strategy and encourages sound risk management. Regardless, transparent reporting of liquidity allocations is essential for effective oversight by senior management and the Board. Regular reports should track liquidity consumption by business units, allowing management to monitor and address any risks to the DTI's overall liquidity position.
- 31. By adopting liquidity cost allocation, DTIs ensure that liquidity risks are actively managed across all business lines. This approach fosters a culture of accountability and ensures alignment with the DTI's liquidity strategy and risk tolerance, ultimately promoting sound liquidity management practices across the organisation.

SECTION 4: CONDUCT OF INTERNAL LIQUIDITY ADEQUACY ASSESSMENTS

A. CORE EXPECTATION

32. Under this Standard, each DTI will be required to conduct an internal assessment of liquidity adequacy at least annually, and more frequently where warranted by material changes in the institution's risk profile, business model, funding structure, or operating environment. This requirement reflects the Bank's expectation that DTIs actively evaluate whether their liquidity resources remain sufficient to meet obligations as they fall due under both normal and stressed conditions.
33. The DTI's internal assessment of liquidity adequacy will not replace the minimum liquidity requirements or metrics prescribed by the Bank. The purpose of the assessment is to provide a consolidated and reasoned view of the DTI's overall liquidity position, culminating in a clear conclusion on liquidity adequacy, informed by the principles and expectations set out in the liquidity risk management framework established under this Standard. Accordingly, the assessment should reflect the interaction between liquidity risks, stress testing outcomes, available liquidity buffers, and contingency funding arrangements, accounting for the specific characteristics of the Jamaican financial system and the DTI's operating environment.

B. SCOPE, CONTENT, AND STRUCTURE OF THE ASSESSMENT

34. The DTI's internal assessment of liquidity adequacy should be documented in a clear and structured manner that enables a coherent evaluation of the DTI's overall liquidity position. In this regard, the assessment is intended to consolidate and synthesise existing liquidity risk information in a manner that supports an informed judgement on liquidity adequacy.
35. DTIs may determine the most appropriate format for documenting the assessment, commensurate with the size, complexity, and risk profile of the institution. Notwithstanding this, DTIs may find it useful to structure the assessment around key components of the liquidity risk management framework, in order to present a clear and integrated narrative.
36. Accordingly, the documented assessment would ordinarily address, at a minimum, the following elements:
 - (a) an overview of the DTI's liquidity risk profile, including key funding characteristics, material sources of liquidity risk, and relevant structural features of the balance sheet;
 - (b) a summary of liquidity stress testing and scenario analysis, including the principal scenarios considered, key assumptions applied, vulnerabilities identified, and the implications for liquidity adequacy;
 - (c) an assessment of available liquidity buffers, including the composition, availability, and usability of high-quality liquid assets under stressed conditions; and
 - (d) a consideration of contingency funding arrangements, including the credibility and feasibility of planned management actions under adverse conditions.

C. FREQUENCY OF THE ASSESSMENT

37. The internal liquidity adequacy assessment should be embedded within the DTI's established governance and risk management processes for liquidity risk. In this regard, the assessment should be subject to appropriate review and challenge, consistent with the institution's internal arrangements for oversight and decision-making.

38. The assessment should be considered by the Board of Directors as part of its broader oversight of liquidity risk. Accordingly, Board consideration should focus on whether the conclusions reached provide a credible and well-supported view of liquidity adequacy, having regard to the institution's risk profile, stress testing outcomes, and contingency funding arrangements. Where material vulnerabilities are identified, the Board should ensure that these are understood and addressed through appropriate management actions.
39. The internal liquidity adequacy assessment should be kept under review and updated where material changes arise that could affect liquidity adequacy. In applying this expectation, the Bank expects DTIs to exercise informed judgement in determining when updates are necessary to ensure that conclusions on liquidity adequacy remain current, relevant, and reflective of prevailing risks.

SECTION 5: THE RISK MANAGEMENT PROCESS

40. DTIs should establish a comprehensive framework for the identification, measurement, and ongoing monitoring of liquidity risk, tailored to the realities of Jamaica's financial markets. This framework is crucial for ensuring that DTIs maintain sufficient liquidity to meet their obligations under both normal and stressed conditions, and to support an ongoing assessment of whether the DTI's liquidity position remains adequate relative to its risk profile and operating environment, thereby contributing to the resilience of the financial system and protecting the wider society.

A. IDENTIFICATION OF LIQUIDITY RISK

41. Identifying liquidity risks requires a comprehensive, forward-looking approach that considers both internal and external sources of potential strain. As a starting point for forming an informed view on liquidity adequacy under normal and stressed conditions, Bank of Jamaica expects DTIs to systematically assess their vulnerability to liquidity risk across all material business activities and funding structures. This assessment should encompass risks arising from asset-liability mismatches, the inability to monetise assets without significant loss in value, exposure to off-balance sheet commitments, and reliance on unstable or concentrated funding sources.
42. At a minimum, DTIs are expected to employ tools such as daily and weekly cash flow projections, liquidity coverage ratios, and funding concentration metrics to support the identification of liquidity risk. These tools should assist in identifying near-term funding gaps, monitoring maturity mismatches, and evaluating the DTI's ability to meet obligations in a timely manner under both normal and stressed conditions.
43. DTIs must also consider risks specific to their operational environment, considering factors such as access to international capital markets, access to foreign exchange liquidity, and concentrations of funding by product, counterparty, or market segment. The identification process should therefore be dynamic, with regular updates to reflect changes in the DTI's business model, funding profile, market conditions, or broader macroeconomic developments, particularly where such changes may materially affect the adequacy of the DTI's liquidity position.

B. MEASUREMENT AND MONITORING OF LIQUIDITY RISK

44. Building on the identification of liquidity risk, DTIs should implement methodologies for measuring and managing liquidity risk across different time horizons and under various operational scenarios, as appropriate. Short-term liquidity, referring to funding obligations falling due within one month, should be tracked daily or weekly using forward-looking cash flow projections and intraday liquidity monitoring. Medium-term liquidity, covering the one-to-three-

month horizon, and long-term liquidity, referring to exposures beyond three months, should be assessed through tools such as stress testing and scenario analysis that account for adverse market conditions and potential disruptions to funding sources. Collectively, these methodologies should enable DTIs to assess whether liquidity remains adequate across time horizons under both baseline and stressed conditions.

45. These methodologies should be capable of capturing liquidity needs across all time horizons and should incorporate, at a minimum, the following:
- (a) **Cash Flow Analyses:** DTIs are expected to perform detailed cash flow analyses, identifying potential mismatches between inflows and outflows over various time horizons, from intraday to beyond one year. These analyses must act as forward-looking cash budgeting tools, capturing all sources and uses of cash, including operational items and upcoming obligations such as debt maturities and contractual payments. Analyses should also incorporate behavioural assumptions where relevant, especially for products without fixed maturities such as demand deposits and undrawn credit lines. Assumptions must be supported by internal data, reviewed regularly, and may include run-off rates, early withdrawals, and customer behaviour under stress. Cash flow analyses should support management's evaluation of whether available liquidity buffers and funding sources are sufficient to meet obligations as they fall due under both normal and stressed conditions.
 - (b) **Stress Testing:** Stress testing is a critical tool for measuring the resilience of a DTI's liquidity position. Accordingly, the Bank expects DTIs to conduct regular stress tests under business-as-usual and stressed conditions, simulating the impact of both institution-specific and macroeconomic stress scenarios on the DTI's performance. Scenarios should reflect plausible but severe events, such as foreign exchange volatility, sharp deposit or capital outflows, natural disasters, and counterparty defaults or funding disruptions. DTIs should articulate clear response strategies to address the outcomes of stress tests. These may include activating contingency funding plans, adjusting asset-liability structures, or enhancing monitoring and controls. Stress testing results should be interpreted to assess whether the DTI would remain liquid under stressed conditions and to inform management and the Board's view on liquidity adequacy. Furthermore, these results should inform decision-making and be integrated into broader liquidity risk management and decision-making processes.
 - (c) **Liquidity Ratios:** DTIs must track key liquidity indicators, including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), where applicable. These should be supplemented with other internal measures, such as cash flow coverage ratios, liquidity gaps, and funding concentration metrics, to provide a more comprehensive basis for assessing liquidity adequacy.
 - (d) **Monitoring and Reporting Systems:** DTIs must develop robust monitoring and reporting systems capable of generating timely, accurate, and comprehensive liquidity information for internal stakeholders, including senior management and the Board. Monitoring should focus on key risk indicators and compliance with both internal and regulatory limits. Reporting should, in turn, be sufficient to enable senior management and the Board to assess trends, identify emerging risks, and evaluate the adequacy of the DTI's liquidity position under normal and stressed conditions. At a minimum, regular reporting should cover:
 - (i) Amounts and composition of liquid assets;
 - (ii) Liquidity mismatches by time bucket;
 - (iii) Concentrations in funding sources;
 - (iv) Results of stress testing; and
 - (v) Compliance with internal and regulatory liquidity limits.

SECTION 6: LIQUIDITY BUFFERS AND RESERVE REQUIREMENTS

46. DTIs will be required to implement a robust framework for liquidity buffers and reserve management to ensure their ability to proactively manage liquidity risks. This framework should emphasise maintaining adequate levels of HQLA, adhering to regulatory liquidity ratio requirements, and establishing comprehensive CFPs, all of which collectively support an assessment of whether the DTI maintains adequate liquidity under both normal and stressed conditions.

A. MINIMUM LIQUIDITY RATIOS AND LIQUIDITY BUFFERS

47. Under the Bank's LCR framework set out in the Standard of Sound Practice on the Liquidity Coverage Ratio (LCR SSP), DTIs are required to meet the minimum liquidity ratios on an ongoing basis. In addition to the minimum LCR requirement of 100%, DTIs will observe an early warning threshold of 120% for the total Jamaican Dollar (JMD) equivalent LCR measure only, which serves as a supervisory trigger for enhanced monitoring. Where a DTI's LCR falls below this threshold, the Bank will require a plan for restoring the DTI's LCR to an acceptable level within a mutually agreed timeframe. In cases where the LCR level of a DTI falls below 115%, the Bank will automatically require prompt corrective action pursuant to section 109 of the BSA and paragraph 2(b)(ii) of Part A of the Fifth Schedule thereto, which includes enhanced monitoring and possible restrictions such as limits on dividend payments, share buybacks, and discretionary bonuses for senior management and executives. The specifics of the supervisory response will be determined on a case-by-case basis, and as such, the actions to be taken where the LCR falls below 115% may be taken at higher LCR levels.
48. Beyond regulatory thresholds, DTIs are encouraged to maintain buffers above the minimum liquidity requirement set by Bank of Jamaica. Holding excess liquidity buffers demonstrates prudent risk management and provides an additional cushion during periods of market stress or uncertainty. Accordingly, the determination of buffer levels should be informed by the DTI's stress testing outcomes and internal liquidity adequacy assessment, including identified vulnerabilities and potential funding gaps under severe but plausible stress scenarios.
49. In addition to meeting overall LCR requirements, DTIs are expected to manage currency-specific liquidity risk. DTIs should maintain adequate liquidity buffers for each significant currency in which the DTI operates, as defined at paragraph 34 of the LCR SSP, in order to retain the ability to meet obligations in both domestic and foreign currencies. This approach allows for DTIs to meet liquidity needs without compromising the DTI's overall financial soundness or market standing. Currency-specific buffers should be considered in assessing whether liquidity remains adequate across material currencies under stressed conditions.
50. The Bank will assess DTIs' compliance with liquidity requirements and recommends the adoption of forward-looking strategies and enhanced early warning systems to continuously strengthen liquidity positions and reduce the likelihood of regulatory breaches. These strategies should also support early identification of conditions under which liquidity adequacy may be threatened. Where stress testing or internal assessments indicate that available liquidity buffers may be insufficient under stressed conditions, the DTI should consider whether additional buffers, funding diversification measures, or risk mitigants are warranted.

B. DIVERSIFIED POOL OF HIGH-QUALITY LIQUID ASSETS

51. High-quality liquid assets are central to the resilience of a DTI's liquidity risk management framework. Bank of Jamaica expects DTIs to maintain a diversified portfolio of HQLA in accordance with the Bank's LCR framework to reduce concentration risk and ensure readiness to meet liquidity needs across a range of stress scenarios. The composition and availability of HQLA should enable DTIs to demonstrate the sufficiency of their liquidity buffers under stressed conditions.
52. HQLA should consist of unencumbered assets that can be readily converted to cash with minimal loss in value. These assets are classified into levels, with Level 1 assets, such as

government securities and central bank reserves, offering the highest liquidity. Level 2 assets, including certain corporate bonds and shares, are ascribed haircuts to account for their lower liquidity profile. DTIs should be able to identify which HQLA are expected to remain available under stress and the extent to which asset encumbrance or market conditions may constrain their use.

53. DTIs are encouraged to explore holding HQLA in multiple currencies, where appropriate, while carefully managing foreign exchange risks. This approach ensures a balanced liquidity position that can withstand both domestic and external liquidity pressures and supports the assessment of liquidity adequacy across currencies.

C. CONTINGENCY FUNDING PLANS

54. Given the intricacies of funding sources in Jamaica, DTIs are required to develop and maintain comprehensive contingency funding plans. These plans should clearly outline strategies and governance arrangements for managing liquidity during periods of stress. CFPs must be tailored to the institution's specific funding profile, business model, and market exposure, and should demonstrate how liquidity adequacy would be preserved or restored under severe but plausible stress scenarios.
55. Additionally, the DTI's contingency funding plan must consider the role of the financial holding company (FHC) for the DTI in providing liquidity support when necessary. In this context, the FHC should ensure that the group-wide CFP adequately reflects the liquidity needs of each DTI in the group, including the interdependence of subsidiaries, cross-border funding flows, and internal liquidity arrangements. FHCs are expected to maintain sufficient unencumbered assets to serve as collateral for access to Bank of Jamaica's Emergency Liquidity Facility (ELF), where applicable. The credibility and feasibility of group support should be considered when assessing liquidity adequacy.
56. DTIs should consolidate identified liquidity stress triggers, and the corresponding response strategies into a CFP playbook. This CFP playbook should be formally approved by senior management. The playbook should detail roles, escalation protocols, communication strategies, and decision-making authorities to ensure clarity and readiness during stress events. Triggers and escalation processes should be aligned with early warning indicators that signal potential threats to liquidity adequacy.
57. CFPs should include a clear mapping of funding options available to the DTI, such as secured and unsecured borrowing, sale or repo of liquid assets, drawdown on committed lines, and access to central bank facilities. Attention should be given to maintaining relationships with diverse funding sources, both domestic and international, to reduce reliance on any single funding stream and enhance funding flexibility. Funding options should be assessed for feasibility, timeliness, and capacity under stressed conditions.
58. To ensure the robustness and operational readiness of contingency funding strategies, DTIs are expected to test their CFPs on a periodic basis. This may include simulation exercises, liquidity drills, or activation of specific CFP components under controlled conditions. Test outcomes should be documented, assessed for effectiveness, and used to refine the CFP and playbook. This approach promotes preparedness, strengthens governance, and enables continuous improvement in liquidity crisis response frameworks. Testing should support the confidence of senior management and the Board that liquidity adequacy can be maintained or restored during stress events.

SECTION 7: STRESS TESTING AND SCENARIO ANALYSIS

59. DTIs should incorporate comprehensive stress testing and scenario analysis into their liquidity risk management frameworks. Stress testing and scenario analysis are central to assessing whether a DTI's liquidity resources remain adequate under severe but plausible adverse conditions. Accordingly, DTIs are expected to conduct liquidity stress testing on a regular basis as an integral component of liquidity risk management and as a core input into the internal liquidity adequacy assessment required under this Standard.

A. PURPOSE AND SCOPE

60. Stress testing and scenario analysis serve to evaluate the impact of various stressed events on a DTI's liquidity position and to support an informed assessment of liquidity adequacy under stress. Bank of Jamaica expects these exercises to cover a broad range of potential stressors, including:
- (a) Market-wide disruptions, such as reduced investor confidence, adverse movements in rollover rates for maturing obligations, or volatility in financial markets;
 - (b) Institution-specific events, such as credit downgrades, cyber incidents, or operational failures; and
 - (c) Macroeconomic factors, such as sudden shifts in foreign exchange markets, in the yield curve or disruptions to remittance inflows.
61. These three categories of stressors must be summarised in a liquidity risk scenario playbook, which is to be formally approved by senior management in accordance with the contingency funding plan ("CFP") requirements as in Section 5C. The abovementioned tests are critical for identifying vulnerabilities, understanding the interplay of different risk factors, and forming a reasoned view on whether existing liquidity buffers and contingency arrangements are sufficient to withstand stress.

B. FREQUENCY AND DEPTH

62. Stress testing and scenario analysis should be conducted regularly and on an ad hoc basis when market conditions or the DTI's risk profile changes significantly, so as to ensure that assessments of liquidity adequacy remain current and forward-looking, as follows:
- (a) Regular Testing:
 - (i) DTIs should aim to perform stress tests at least quarterly, covering short-term liquidity needs and longer-term funding resilience;
 - (b) Event-Driven Testing:
 - (i) DTIs will be expected to conduct stress tests in response to emerging risks, such as geopolitical tensions, natural disasters, potential contagion risk during periods of heightened liquidity stress at either the entity or system level, or significant policy changes;

C. DESIGN OF SCENARIOS

63. Bank of Jamaica emphasises the importance of designing stress scenarios that reflect both historical events and hypothetical situations, particularly those scenarios that are relevant to the Jamaican financial system and macroeconomic environment. Scenarios should reflect a

range of institution-specific, market-wide, and systemic risks that could impair liquidity positions and challenge the adequacy of available liquidity resources. These scenarios should include, at a minimum:

- (a) Sudden deposit withdrawals, simulating a loss of depositor or market confidence;
 - (b) Disruptions in wholesale funding markets, impacting the availability of secured and unsecured funding;
 - (c) Volatility in foreign exchange markets, impairing the convertibility of foreign currency assets and affecting obligations in foreign currencies;
 - (d) Natural disasters or climate events, which could lead to economic disruption and liquidity pressures; and
 - (e) Adverse movements in interest rates and market prices, including interest rate risk in the banking book ("IRRBB") and the impact of yield curve shifts on funding costs, asset valuations, and market liquidity.
64. These scenarios should be periodically reviewed and updated to remain relevant and reflective of current and emerging risks, particularly where changes in the operating environment may materially affect liquidity adequacy.

D. KEY METRICS AND OUTPUTS

65. The Bank expects stress testing to produce quantitative metrics and qualitative insights that aid in decision-making and support conclusions on liquidity adequacy under stress. Key outputs include:
- (a) LCR under stress: Assessing the sufficiency of HQLA buffers to withstand cash outflows during a 30-day stress period.
 - (b) Cash flow projections: Identifying liquidity gaps and mismatches across various time horizons.
 - (c) Funding concentration risks: Highlighting over-reliance on specific funding sources or instruments.
 - (d) Contingency funding requirements: Estimating the additional liquidity needed to cover outflows in severe stress scenarios.

E. INTEGRATION WITH RISK MANAGEMENT

66. Stress testing results should be fully integrated into the DTI's liquidity risk management framework and must be used to inform management and Board decision making, including judgements on liquidity resilience and the adequacy of liquidity resources under stressed conditions. Bank of Jamaica expects DTIs to use these insights to:
- (a) Adjust liquidity risk tolerance and internal limits;
 - (b) Enhance contingency funding plans to address identified gaps;
 - (c) Strengthen liquidity buffers, ensuring coverage for a wide range of stress events;
 - (d) Develop and refine recovery plans that outline clear procedures for orderly recovery in cases of financial distress; and

- (e) Inform strategic decisions, such as diversification of funding sources or changes in asset composition;
67. Where stress testing results reveal material vulnerabilities, significant funding shortfalls, or deterioration in key liquidity metrics under stress, senior management should evaluate and document appropriate remedial actions. Such actions may include strengthening liquidity buffers, revising funding strategies, adjusting risk appetite limits, or enhancing contingency measures. These considerations should be reflected in the DTI's documented internal liquidity adequacy assessment.

F. REPORTING AND SUPERVISORY REVIEW

68. DTIs should report the results of liquidity stress testing and scenario analysis to senior management and the Board of Directors on a regular basis and in a manner that supports effective oversight and challenge. Reporting should clearly articulate key assumptions, identified vulnerabilities, potential liquidity shortfalls under stress, and proposed or implemented management actions.
69. Stress testing results should be available to the Bank as part of supervisory reviews or upon request. Using this information, the Bank will assess the robustness of the DTI's stress testing framework and the extent to which stress testing outcomes are credibly reflected in internal liquidity adequacy assessments and in management actions taken. Where stress testing results reveal material weaknesses or emerging vulnerabilities, the Bank will expect evidence that appropriate remedial actions have been considered, documented, and, where necessary, implemented.

SECTION 8: INTRA-DAY LIQUIDITY RISK MANAGEMENT

70. Intraday liquidity risk management promotes the smooth functioning of payment systems and the timely settlement of obligations throughout the business day. DTIs should develop comprehensive frameworks to identify, monitor, mitigate, and manage intraday liquidity risks as an integral component of maintaining sufficient liquidity on a continuous basis. Effective management of intraday liquidity is particularly important in Jamaica's financial system, where delays in settlement or payment failures can have significant systemic implications.
71. Bank of Jamaica expects these frameworks to be fit-for-purpose and designed in such a way as to meet payment and settlement obligations, maintain market confidence, and minimise operational and financial risks that could otherwise undermine the DTI's overall liquidity position.
72. DTIs should contemplate the following for integration into their intra-day liquidity risk management framework:
- (a) **Monitoring Intraday Liquidity Flows:** DTIs should implement robust systems for real-time monitoring of intraday liquidity positions. These systems should track inflows and outflows from payment systems, clearinghouses, and other critical financial infrastructure. The systems should provide visibility into liquidity demands at different points during the day, enabling early identification of potential shortfalls that may require intraday intervention to preserve liquidity continuity. FHCs should be able to have sight of intra-group liquidity demands and settlement processes across institutions within the financial group.
 - (b) **Liquidity Buffers for Intraday Use:** DTIs should maintain dedicated liquidity buffers specifically for intraday use. These buffers should consist of HQLA that can be readily mobilised to address unexpected intraday liquidity needs. The size of the buffer should reflect the DTI's payment volumes, operational complexity, and historical peak liquidity

demands, and should be sufficient to support uninterrupted settlement under stressed intraday conditions.

- (c) **Intraday Stress Testing:** Stress testing for intraday liquidity risks should ideally be integrated into the broader liquidity risk management framework. DTIs should test scenarios that include operational disruptions, payment delays, or system outages that could impact intraday liquidity flows. Results from these tests should inform contingency strategies and support management's assessment of whether intraday liquidity arrangements remain adequate under stress, ensuring the DTI is prepared for adverse conditions.
 - (d) **Coordination with Payment Systems:** The intraday liquidity risk management framework should emphasise collaboration with payment system operators and counterparties. This includes understanding the timing of payment obligations, managing queueing processes, and optimising settlement schedules to ensure alignment with available liquidity throughout the business day.
 - (e) **Contingency Measures:** DTIs should establish contingency measures for intraday liquidity disruptions. For FHCs, plans will be expected to account for cross-border coordination and delays in global payment systems. These measures should include pre-agreed credit lines, access to central bank facilities, and predefined escalation procedures to promptly address unexpected liquidity shortfalls that could otherwise escalate into broader liquidity stress.
73. DTIs should develop and implement an intraday liquidity risk management framework that supports the smooth functioning of payment and settlement systems, enabling obligations to be met in a timely manner under both normal and stressed conditions. Accordingly, intraday liquidity risk exposures, stress testing outcomes, and contingency arrangements should be considered in forming the DTI's overall judgement on liquidity adequacy, and the effectiveness of intraday arrangements should be reflected in the internal liquidity adequacy assessment described in Section 4.

SECTION 9: INTERNAL CONTROLS AND INDEPENDENT REVIEWS

74. A robust system of internal controls and independent reviews is a requirement for effective liquidity risk management and enhancing the credibility of the DTI's internal assessment of liquidity adequacy. These mechanisms are a safeguard that encourage DTIs to maintain sound liquidity practices, adhere to regulatory requirements, and proactively address vulnerabilities in their liquidity frameworks that could undermine the reliability of assessments of liquidity adequacy. Internal audit and model validation functions are expected to operate independently of the liquidity risk management function and be supported by structured and documented remediation processes.
75. DTIs must maintain an independent internal audit function that provides an objective assessment of the effectiveness and robustness of the liquidity risk management framework. This includes periodic reviews of compliance with internal policies, regulatory standards, and the design and application of stress testing methodologies, liquidity measurement tools, and contingency funding plans that underpin the conclusions of senior management and the Board on liquidity adequacy.
76. Audits must be conducted on a regular cycle, at least once every three years, and more frequently in the event of significant operational, market, or risk profile changes. All findings must be reported to senior management and the Board, with defined timelines and accountability for remediation. Where audit findings relate to weaknesses in liquidity measurement, stress testing, data integrity, stress testing assumptions, or governance processes, these weaknesses must be reflected in any reassessment of the DTI's liquidity position and internal liquidity adequacy assessment. Lessons learnt from audit findings should be incorporated into continuous improvements to the liquidity risk management framework.

77. In addition, DTIs should subject liquidity risk models, including those used for behavioural assumptions, stress testing, and scenario analysis to independent validation that assess the accuracy, appropriateness, conceptual soundness, and ongoing relevance of model inputs and assumptions, including asset liquidity characteristics and funding stability assumptions. Validation should confirm that model outputs provide a reliable basis for liquidity risk measurement and for forming judgements on liquidity adequacy.
78. Model documentation should clearly outline assumptions, limitations, and design logic to facilitate effective validation. In doing so, DTIs should explicitly consider model risk, defined as the risk of decision-making based on inaccurate or flawed models. This risk may be mitigated through regular reviews, appropriate controls, and periodic updates following material changes in products, risks, or market conditions. Effective management of model risk will increase the likelihood that liquidity adequacy assessments are based on reliable and credible analytical foundations.

SECTION 10: DISCLOSURE REQUIREMENTS

79. Prior to the full implementation of Basel III Pillar III, which will establish comprehensive market discipline and disclosure requirements, Bank of Jamaica expects DTIs to increase transparency regarding their liquidity risk management practices. While some metrics such as the LCR are currently being reported to the Bank, additional liquidity related information may be required for supervisory purposes. These disclosures are intended to provide context on how DTIs manage liquidity risk and maintain sufficient liquidity, without requiring public disclosure of internal supervisory assessments or detailed internal liquidity adequacy conclusions.
80. The internal liquidity adequacy assessment conducted under this Standard is intended primarily to support internal governance and supervisory dialogue. Accordingly, DTIs will not be required to publicly disclose detailed internal conclusions or supervisory assessments arising from that process.
81. Notwithstanding the above, DTIs must make key liquidity metrics and qualitative information related to their liquidity risk management frameworks available to Bank of Jamaica upon request and as part of supervisory reviews. Such information may include:
 - (a) Liquidity Ratios and Supporting Metrics: Metrics including, but not limited to, the LCR, together with information on liquidity buffers, funding concentrations, material maturity mismatches, and key cash flow maturity profiles, should be disclosed to the Bank to provide a comprehensive view of the quantitative basis for assessing liquidity adequacy; and
 - (b) Liquidity Risk Management Practices: An overview of the governance arrangements, stress testing practices and scenarios, contingency funding plans, intraday liquidity management arrangements, and how these elements are brought together internally to form the DTI's internal assessment of liquidity adequacy under normal and stressed conditions.
82. The information described above should be provided in a timely and structured manner that supports effective supervisory dialogue. DTIs must maintain sufficient internal documentation and reporting capability to demonstrate how liquidity risk management practices and stress testing outcomes inform conclusions on liquidity adequacy and management actions taken.
83. Regarding public disclosure, Bank of Jamaica will not require full public disclosure of the LCR at this stage. Public disclosure requirements will be addressed during the consultation phase of Basel III Pillar III. However, DTIs should provide high-level commentary on their liquidity risk management practices, governance, and general liquidity resilience in their annual reports

or equivalent public disclosures, without disclosing internal assessments or supervisory conclusions on liquidity adequacy.

84. In line with evolving best practices for transparency and market discipline, DTIs are encouraged to consider additional public disclosures that enhance confidence in liquidity risk management. Such disclosures may include:
- (a) A high-level overview of liquidity management practices, including governance and strategic liquidity objectives;
 - (b) A description of the composition and quality of liquid assets, including the diversity and sufficiency of buffers; and
 - (c) A general description of contingency funding planning, and preparedness for liquidity stress events.
85. All relevant liquidity metrics and details about liquidity risk management practices must be made available to Bank of Jamaica during periodic on-site and off-site supervisory reviews, as well as upon request. The Bank will use this information to assess the robustness of the DTI's liquidity risk management framework and the credibility of the internal liquidity adequacy assessment as part of its ongoing supervisory review process.

APPENDIX A: ILLUSTRATIVE STRUCTURE OF AN INTERNAL LIQUIDITY ADEQUACY ASSESSMENT

1. This Appendix provides an illustrative overview of how a DTI may structure its internal liquidity adequacy assessment in accordance with this Standard. The overview is intended to support clarity and consistency of understanding. However, this Appendix should not be interpreted as a prescription of a mandatory format, level of detail, or documentation template.
2. The internal liquidity adequacy assessment is expected to be a synthesis of existing liquidity risk management information produced under this Standard, rather than a standalone analytical exercise or a new report to be submitted to the Bank.
3. Accordingly, and for illustrative purposes only, an internal liquidity adequacy assessment may be structured to address the following elements.
 - i. **Overview of Liquidity Risk Profile:** A concise overview of the DTI's liquidity risk profile, including key characteristics of its funding structure, material sources of liquidity risk, and relevant features of its balance sheet and business model. This section may highlight significant changes since the previous assessment and contextual factors affecting liquidity risk.
 - ii. **Summary of Liquidity Stress Testing and Scenario Analysis:** A summary of the liquidity stress testing and scenario analysis conducted by the DTI, including the principal stress scenarios considered, key assumptions applied, vulnerabilities identified, and the implications for liquidity resilience. The focus should be on how stress testing outcomes inform understanding of liquidity adequacy, instead of reproducing detailed model outputs.
 - iii. **Assessment of Liquidity Buffers and Usability:** An assessment of available liquidity buffers, including the composition, availability, encumbrance status, and usability of high-quality liquid assets under stressed conditions. Where relevant, this section may address material currencies, concentration risks, and constraints that could affect the timely mobilisation of liquidity resources.
 - iv. **Contingency Funding and Management Actions:** A structured consideration of contingency funding arrangements and management actions available to address liquidity stress, including the feasibility, timeliness, and capacity of identified funding options. Where relevant, this section may include consideration of group support arrangements and access to central bank facilities.
 - v. **Overall Conclusion on Liquidity Adequacy:** A clear statement setting out management's overall view on whether the DTI's liquidity resources are adequate relative to its risk profile, funding structure, and operating environment, supported by reference to the analysis above. This conclusion should articulate key judgements and assumptions and may identify areas requiring ongoing monitoring or enhancement.
4. The form, presentation, and level of documentation of the internal liquidity adequacy assessment should remain commensurate with the size, complexity, and risk profile of the DTI. Nevertheless, the assessment must be sufficiently documented to allow effective internal challenge, Board oversight, and supervisory review.