Abstract

New liquidity rules introduced under the Basel III framework define the Net Stable Funding Ratio (NSFR) that requires banks to possess an adequate long-term liquidity. The NSFR will enter into force on January 1, 2018 and banks are concerned that this regulation will lower their profitability. In this thesis the Basel III liquidity rules are analysed. The research seeks to define characteristics and triggers of the NSFR, using a sample of 500 EU banks. We find that smaller banks (by asset size) are more likely to fulfil the NSFR requirements, so are the banks with higher non-interest share of income and lower capital ratio, among other characteristics. Further, the NSFR's impact on the banks' performance is assessed. It is found that a higher NSFR negatively impacts the return on average equity, although it does not seem to translate into lower returns on average assets nor net interest margin.

JEL Classification	E58, G21, G28, G32
Keywords	NSFR, Basel III, liquidity, banks, EU, profitability, capital rules, regulation
Author’s e-mail	45724231@fsv.cuni.cz
Supervisor’s e-mail	boril.sopov@gmail.com