

From Regulatory Text to Bank Behaviour: The Institutional Logic of the Basel NSFR Framework and Its Manifestation in HSBC

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Abstract

This paper examines the Basel III Net Stable Funding Ratio (NSFR) not simply as a technical liquidity requirement, but as a regulatory text that reflects an institutional logic of funding stability. Using qualitative policy text analysis, the study explores how the NSFR framework constructs behavioural expectations through its classifications, weighting system, and regulatory language, especially through the concepts of Available Stable Funding (ASF) and Required Stable Funding (RSF). To connect regulatory design with organisational response, the paper also uses HSBC as a case study and analyses its public disclosures on liquidity, funding, and balance sheet management. The findings suggest that the NSFR promotes a prudential banking model that prioritises stable liabilities, maturity alignment, and structural resilience. HSBC's disclosures largely reflect this logic in its funding strategy, risk governance, and liquidity reporting. The paper argues that the NSFR should be understood not only as a compliance ratio, but also as a governance mechanism that shapes legitimate banking behaviour.

Keywords

Net Stable Funding Ratio (NSFR), Basel III liquidity regulation, institutional logic

1. Introduction

The global financial crisis of 2008 exposed major shortcomings in the structure of bank financing. Many banks relied heavily on short-term wholesale financing. At the same time, they held long-term assets with poor liquidity. When market liquidity suddenly tightened, this mismatch made banks extremely vulnerable. This aggravated systemic instability (Basel Committee on Banking Supervision [BCBS], 2021) [1]. Basel III reforms were implemented by the Basel Committee in reaction to the crisis. Bank resilience was the goal of these efforts. Liquidity control is crucial among these reform initiatives. The committee developed two main tools. They are liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The former focusses on short-term liquidity pressure. While the latter focusses on the long-term stability of bank financing structures [1,2].

Compared with the LCR, the NSFR focuses on more structural issues. It requires banks to maintain sufficient and stable funding. It may adjust to their assets' liquidity and term structure and off-balance sheet exposures. NSFR intends to decrease banks' vulnerability to short-term funding. And it encourages banks to

establish a more sustainable financing structure within a one-year horizon [1]. This makes NSFR more than just a technical ratio. It is also a regulatory mechanism. It helps banks organize liabilities, manage assets, and strengthen the resilience of balance sheets.

Nevertheless, the majority of the current research considers the NSFR to be a prudential or technological need. Many studies have examined the impact of NSFR on profitability, lending, or compliance results, especially through quantitative analysis of bank-level data [3,4]. These studies are certainly valuable. However, less attention is paid to the regulatory text itself. In particular, they do not fully explore how the NSFR framework reflects a range of policy priorities and behavioural expectations through its language, categories, and weighting rules. This is an important research gap. Because regulation affects banks beyond formal restrictions. It defines prudential behavior and promotes particular strategic reactions.

In order to fill this research gap, this paper examines the NSFR from the perspective of institutional logic. Institutional logic refers to a broader system of values, assumptions and rules that guide organisational behaviour. As far as NSFR is concerned, its key logic lies in the stability of funding. It encourages banks to prioritize stable obligations to match long-term assets with stable cash. Also, it reduces structural dependency on short-term market funding. This logic is reflected not only in the overall policy objectives, but also in detailed classifications such as available stable funding (ASF) and required stable funding (RSF). These classifications give different weights to different types of liabilities and assets [1]. These classifications not only measure bank liquidity. They also show which financing methods are favoured and which are discouraged.

Therefore, this paper aims to explore how the institutional logic of funding stability is constructed in the framework of the NSFR of the Basel Accord. And how HSBC's strategic adjustment reflects this logic. To answer this question, this paper combines the qualitative text analysis of the Basel Committee documents and the case study of HSBC. HSBC is an ideal case. It is a globally active and systemically important bank. And it has a wide range of publicly disclosed information, including the annual report and the Pillar 3 report. This information enables this study to examine how the priorities contained in the NSFR framework are reflected in the bank's own discourse on financing strategies, balance sheet management and liquidity risk management [5,6].

This paper is expected to make three contributions. First of all, it enriches the literature in the fields of Basel III and liquidity regulation. It emphasizes that the NSFR is more than a technical regulatory tool. Instead, it should be regarded as a policy text with a unique institutional logic. Secondly, it contributes to the methodology. It combines regulatory text analysis with case-based interpretation of bank information disclosure. This allows this paper to link rule design with organisational response in a more interpretive way. Third, it provides an empirical perspective. It reveals how a large international bank openly explains its strategic adjustment in a language that is basically consistent with the logic of funding stability supervision.

2. Literature Review

2.1 Net Stable Funding Ratio and Basel III Liquidity Supervision

After the global financial crisis in 2008, liquidity regulation became the core content of Basel III. The Basel Committee introduced the LCR to cope with short-term pressure. And it introduced the NSFR to enhance the resilience of long-term structural funding. NSFR aims to reduce banks' dependence on unstable short-term financing and promote a better match between asset maturity and financing maturity [1,2]. Early academic studies also believe that NSFR is an important change in the field of prudential regulation. Because it directly addresses the problem of maturity transformation. And maturity transformation was a major weak link in the banking system during the crisis [7,8].

A large number of literature focusses on the economic impact of the NSFR. For example, King (2013) made one of the earliest detailed evaluations of NSFR [7]. He also pointed out that NSFR may improve the resilience of banks, but also affect their net interest margins. Research by Dietrich et al. (2014) shows that the business model of banks is crucial to their ability to meet new liquidity requirements [9]. This shows that the costs and benefits of NSFR vary between different institutions. Giordana and Schumacher (2017) also found that the Basel III standard, including liquidity rules, will change the behaviour and risk status of banks [10]. In

summary, these studies show that NSFR is not a neutral measurement tool. It has an important impact on the structure and performance of the banking sector.

At the same time, most literatures mainly regard the NSFR as a technical or prudential rule. The main question is usually whether the ratio can improve stability, affect profitability or change the lending capacity. Although this research idea is useful, it often pays less attention to the text of the regulations itself. In particular, it pays less attention to how the rule defines "stable" funding, and how its categories and weights guide the choices of banks [1,2].

2.2 Banks' Response to Liquidity Supervision

The second type of literature discusses how banks should respond to the liquidity and capital rules of Basel III. Some studies focus on balance sheet adjustment. For example, Wei et al. (2017) theoretically proved that the requirement of the NSFR will affect the bank's choice of debt maturity and asset structure [11]. Their research is of great significance. Because it shows that liquidity regulation can shape banking strategies by encouraging more stable liabilities and changing asset composition.

Other studies focus on the impact on performance. Le (2020) found that there is a nonlinear relationship between the NSFR and the profitability of banks [12]. This shows that a moderate increase in stable funding can improve efficiency. While excessive liquidity adjustment may reduce efficiency. Pak (2020) also shows that funding stability is crucial to profitability, especially when considering systemic importance [13]. These studies show that compliance with NSFR is not costless. It boosts bank risk resilience. But it will also bring about trade-offs in terms of profitability and business strategy.

Recent research has expanded this discussion to the field of lending and risk-taking. Veeramoothoo et al. (2022) found that the impact of Basel III liquidity regulation on the performance of U.S. banks varies according to the profitability of banks [14]. Sharma et al. (2023) believe that the liquidity and capital rules of Basel III can jointly affect lending, profitability and risk-taking [15]. They do not influence independently. Agnese et al. (2025) further pointed out that the NSFR constraint has an impact on the profitability and lending behaviour of EU banks [3]. In short, these documents show that banks do not simply "comply with" liquidity regulations. On the contrary, they will adjust the financing structure, loan behaviour and risk management according to regulatory pressure.

However, most of the existing literature is still result-oriented. They usually discuss the actions taken by banks after supervision, rather than how regulation itself defines the standard for prudential behaviour. In other words, the existing literature focusses more on behavioural effects than on the meaning structure of the rules themselves. And this is where the perspective based on the text and the system can play a role.

2.3 Institutional Logic and Regulatory Discourse

In order to make up for this research gap, this paper draws on the perspective of institutional logic. Institutional logic includes assumptions, values, and regulations. Organisations perceive situations and take decisions based on these systems [16,17]. Later evaluation studies found that institutional logic well explains how the system influences organizational stability and change [18](Wu et al., 2023).

This study will use this perspective. Because NSFR is more than a statistic. ASF and RSF classifications assume which obligations are more reliable and which assets need more solid support. The rule assesses more than liquidity risk. The ideal banking behavior model is also defined. Institutional logic links regulatory design with organizational reaction.

The study of discourse and institutional change also supports this view. Brown et al. (2012) believe that institutional change is often promoted through rhetorical techniques in key texts [19]. A recent study by Zilber (2024) shows that institutional logic is not only an abstract concept [20]. It can also be realised through narrative language, so as to establish coherence and legitimacy. These studies show that the policy text defines what is rational, legitimate and ideal. Applied to banking supervision, this means that the text of the Basel Accord can not only be studied as a legal rule. It can also be studied as a governance text that conveys priorities and expected goals.

2.4 Research Gaps and Contributions

The existing literature has laid a solid foundation, but there are still gaps in research. The research on the NSFR mainly focusses on its technical design and its impact on profitability, loans and financial stability [3,7,9,12]. The study on the response of banks to prudential supervision mainly focusses on the measurable adjustment of financing structure, asset allocation and risk-taking behaviour [11,14,15]. At the same time, institutional logic literature shows that text, categories and classification rules can shape organisational behaviour by defining what is legal and appropriate behaviour [16,17,21]. However, this view is rarely applied to Basel liquidity regulation, especially the NSFR.

This paper aims to fill this research gap and explore how the NSFR framework of the Basel Accord builds the institutional logic of financing stability. And explore how this logic is reflected in HSBC's strategic disclosure. In this way, this paper shifts the focus of discussion from NSFR as merely a technical compliance ratio to understanding it as a regulatory text. This contains policy priorities and encourages specific banking behaviour patterns [2,22]. This method is a supplement to the existing empirical research. And it provides a more interpretive way. This links the rule design of the Basel Accords with the strategic adjustment at the banking level.

3. Methodology

3.1 Research Problems and Method Selection

The problems of this study include two interrelated parts. The first part discusses how the NSFR is constructed as a regulatory text. How does it define stable funding? How does it classify assets and liabilities? And what behaviours does it encourage. The second part discusses how this logic is reflected in the public disclosure of a large international bank. Since this study focusses on meaning, classification and behavioural expectations, qualitative research design is the most appropriate choice [23,24].

More specifically, this paper adopts policy text analysis as the main method. And this paper takes the case study of HSBC as an example. Policy text analysis helps to explain how the Basel Committee conveys regulatory priorities through definitions, weights, and normative language. The case of HSBC provides a practical situation. It is used to examine whether and how this regulatory logic is reflected in the bank's strategy and information disclosure. The case study is not used to derive a broad statistical generalisation. It provides an example of analytical value. This example shows how regulatory logic may become organizational practice [25].

3.2 Using Policy Text Analysis as the Main Method

The core approach of this study is to conduct a qualitative document analysis of the Basel Committee texts. Literature analysis is widely applied in qualitative research. The policy document not only lists the rules. Moreover, it also expresses the definitions of assumptions, priorities and appropriate actions [23]. This is particularly important for NSFR. Because this framework is built on ASF and RSF classifications. It also explains flexibility, prudent financing and structural liquidity risk [1].

This paper not only regards the NSFR as a technical ratio. It also regards the NSFR as a policy text that carries the logic of a specific system. From the perspective of institutional logic, rules are not just formal constraints. They also reflect values and shape the organization's perception of legitimate and rational behaviour [16,17]. Therefore, the analysis of this paper focusses on the three dimensions of the NSFR framework:

- (i) How to define and prioritise funding stability
- (ii) How ASF and RSF classifications reflect behavioural preferences
- (iii) How can normative language and technical language convey regulatory expectations?

The purpose of this paper is not to count the number of words mechanically. Instead, it explains how the regulatory categories and language build a coherent understanding of prudential banking behaviour. This

interpretive method is consistent with the previous research results. These studies show that policy texts and institutional discourse play an important role in shaping organisational behaviour and legitimacy [21,24].

3.3 Data Sources

The main data of text analysis comes from the official documents of the Basel Committee. In particular, documents directly related to Basel III liquidity reform and the NSFR. These documents include the implementation and evaluation report of the Basel Committee, which elaborates on the purpose, structure and expected effect of the reform [1,2]. These documents not only show the formal regulatory design, but also explain the broader policy considerations behind it.

This case study uses the public information of HSBC. This includes annual reports, strategic reports and Pillar 3 disclosure documents. These documents show how HSBC presents its financing situation, liquidity management, balance sheet strategy and risk governance to regulators and investors [5,6]. Because this study explores how the regulatory logic is reflected in the strategic adjustment. Therefore, these disclosing documents are an appropriate source of evidence.

There are three reasons for choosing HSBC Bank as a case for analysis. First of all, HSBC is a large-scale bank with global business. It has long been regarded as a systemically important organisation in the global banking industry. This makes it an ideal case for studying the impact of the Basel III liquidity standard. Secondly, HSBC has extensive and detailed public disclosure information, especially in its annual report and Pillar 3 report. This makes document-based analysis possible. Third, HSBC's business model integrates retail banking, commercial banking and global market business. This enables this study to observe how the logic of structural funding is reflected in different areas of banking strategy.

Taking HSBC as an example, it is not intended to show that all banks have the same response. On the contrary, the case aims to clarify how the institutional logic explained in the text of the Basel Accord can be translated into specific organisational practices. This is in line with the logic of case studies, that is, the role of cases is to deepen analytical understanding, rather than to pursue statistical representativeness [25].

3.4 Analysis Procedure

3.4.1 Text Analysis of the Basel Accord

At this stage, this paper will carefully study the Basel Committee document to identify key concepts, classifications and recurring topics. Focus on the terms such as “stable funding”, “resilience”, “maturity profile” and “structural liquidity risk”, as well as the logic of ASF and RSF weights. The purpose is to clarify how the NSFR can build a prudential banking model. And what types of financing and asset structures it tends to favour.

3.4.2 HSBC Information Disclosure Analysis

At this stage, this paper will examine the public documents of HSBC. This study will identify the alignment with the institutional logic stipulated in the text of the Basel Accord in terms of wording and strategic discussion. The analysis focusses on three aspects: financing structure, asset and liability management and liquidity/risk governance. The purpose is to examine whether HSBC's information disclosure also emphasises financing stability, maturity matching and structural resilience.

This two-stage design ensures that the case analysis is always closely related to the main research issues. The paper does not assume from the beginning that HSBC's change is simply due to the adjustment of the NSFR. On the contrary, the paper first clarifies the logic of the regulatory text. Then examines whether similar priorities have emerged in the case materials.

3.5 Scope and Limitation

The advantages of this method are obvious. But at the same time, there are some limitations. Its main advantage is that it can link regulatory design with organisational response in an interpretive and theoretical way. It is especially suitable for revealing that banking supervision not only works through rigid constraints. It also plays a role through various categories, expectations and legitimising language.

At the same time, this study does not try to measure the causal effect of the NSFR on all banks. This study also does not claim that HSBC can represent all global systemically important banks (G-SIBs). This research relies on public documents, which reflect strategic communication and organisational practice. Therefore, the research results should be understood as analytical and interpretive. The results of this study are not statistically universal.

4. The Institutional Logic of the Framework of the Net Stable Funding Ratio

4.1 NSFR as a Rule to Measure “Stable” Banking Business

The Basel Committee regards the NSFR as a core component of the post-crisis Basel III reform. According to the BCBS (2014) [22], the NSFR requires banks to maintain a stable funding profile that matches their on- and off-balance-sheet business composition. The aim is to reduce the possibility of interruptions in the source of regular funds leading to a deterioration of bank liquidity and an increase in the risk of bankruptcy. This expression proves NSFR is more than a technical ratio. It also shows regulatory inclinations. Thus, banks should use a stable, predictable, and market-resistant funding structure.

This language expresses institutional reasoning to protect finances. Therefore, the NSFR is more than a liquidity metric. The definition of “good” banking is also promoted. Resilience and structural robustness are prioritized over short-term financial flexibility and opportunistic wholesale market dependency. The follow-up assessment of the Basel Committee also confirmed this broader goal [2]. BCBS explained that liquidity reforms, including NSFR, are aimed at improving the resilience of the banking industry. It also aims to reduce the transmission of financial shocks to the real economy. The recent monitoring of the Basel Committee also shows that the NSFR level of large international active banks remains stable. This shows that the standard has become a regular component of prudential regulation [26].

4.2 How ASF Factors Generate Priority Liabilities

This logic is reflected in the ASF framework of the NSFR. The standard allocates different ASF coefficients for different liabilities and capital instruments. Regulatory capital and liabilities with a residual maturity of one year or more obtain a 100% ASF coefficient. “Stable” retail and small business deposits with a term of less than one year get a 95% ASF coefficient. And “less stable” retail deposits get 90% of the ASF coefficient. In contrast, some short-term non-retail financing projects only get 50% of the ASF coefficient. Some liabilities that do not belong to the priority category receive an ASF coefficient of 0% [22]. Funding sources are sorted instead of being equal in importance. Long-term financing and stable deposits will be rewarded. Under prudential supervision, mobile and unpredictable funds are considered less ideal.

This rating is not neutral. It has a behavior preference. The NSFR does not require banks to raise retail deposits or long-term debt. Instead, it gives certain liabilities a higher value within the regulatory framework. In this way, the rule plays the role of an indirect governance mechanism. Through its classification and weight, it encourages banks to build a prudent financing structure that regulators consider appropriate. In other words, NSFR is governed through classification. It transforms the overall goal of stability into a set of practical hierarchies of preferred liabilities [16,22].

4.3 How RSF Factors Create Priority Assets

A similar logic is also reflected in the “required stable funding” (RSF) coefficient on the asset side. According to the Basel Accord, cash, central bank reserves and some very short-term central bank claims are subject to an RSF coefficient of 0%. The RSF coefficient of 5% applies to unencumbered Level 1 assets. And some short-term secured lending transactions attract a 10% or 15% RSF coefficient. In contrast, the RSF coefficient of non-high-quality assets, long-term loans, residential mortgages, other performing loans, stocks, commodities and certain encumbered or derivatives-related assets is much higher, usually between 50% and 100% [22]. In short, the less liquid, the longer the maturity or the higher the structural requirements of the asset, the more stable funds the bank needs to hold for it.

This structure gives rise to a second institutional logic: maturity alignment. The NSFR assumes that assets with longer maturities and poorer liquidity should be supported by more stable and longer-term liabilities. This

assumption directly challenges the financing model before the crisis. Before the crisis, banks relied heavily on short-term wholesale funding to support their long-term positions. Therefore, NSFR not only identifies liquidity risks after the fact, but also defines the form that a better balance sheet should have. It encourages banks to reduce structural maturity mismatches. And it regards financing options as part of risk management, rather than just cost-based financial decision-making [7,22].

4.4 Technical Rules as a Form of Behaviour Guidance

A prominent feature of the NSFR is that its behavioural message is conveyed through highly technical language. The standard is constructed with the concepts of categories, maturity, percentage and collateral handling. However, this technical form does not make its value neutral. On the contrary, it gives normative selection a scientific and objective appearance. For example, allocate 95% or 90% of asset stabilisation funds (ASF) to retail deposits. And only 50% or 0% are allocated to certain short-term non-retail liabilities. This reflects the judgement of which sources of funds are more reliable under pressure. Similarly, the higher RSF coefficient of long-term and non-high-quality liquid assets (non-HQLA) also reflects this view. That is, these assets need stronger structural support [22].

This means that the mechanism of action of the NSFR is guided by behaviour rather than direct instruction. It does not stipulate every treasury decision. Instead, it changes the incentive environment for balance sheet management. Therefore, it is very useful to analyse NSFR as a policy text. The rule is technical in form, but its effect is normative. It informs banks which financing methods are prudential financing, which liabilities are prioritised, and which asset structures need to be more strictly constrained. According to institutional logic, NSFR is a regulatory document that sets values and guides organizational behavior [17,21].

5. HSBC Case: How is the Regulatory Logic Reflected in Practice?

5.1 Why HSBC is a Useful Verification Case

HSBC is an ideal case for studying how this regulatory logic is reflected in practice. Because it is a large-scale bank with business all over the world. And it has made detailed public disclosures in terms of liquidity, financing and risk governance. In its 2024 annual report and accounts, HSBC pointed out that the average liquidity and financing positions of all its major operating entities are higher than the minimum level required by the regulatory authorities. And each entity has maintained a sufficient and stable financing situation. This situation is evaluated by the NSFR or other appropriate indicators [5]. This statement is highly consistent with the statement on stability, adequacy and structural financing discipline in the Basel Accord.

5.2 Evidence of the Logic of “Stability First” in HSBC’s Financing Model

The clearest evidence is reflected in the NSFR data disclosed by HSBC. HSBC reported that it manages financing risks in accordance with the NSFR rules of the Prudential Regulation Authority (PRA), and the average NSFR in 2024 is 143%. As of June 30, 2024 and December 31, 2023, the ratio is 138% [5]. HSBC also reported that by the end of 2024, its available stable funding is US\$1,523 billion, and the required stable funding is US\$1,064 billion. These data show that HSBC not only meets the standards, but also has a considerable buffer space above the minimum requirement of 100%. This is in line with the logic of “stability first”. Funding stability is not considered a secondary compliance issue. Instead, it is regarded as the core goal of the balance sheet.

HSBC’s liability structure also helps to explain this result. In the 2024 annual report, the total amount of customer accounts was US\$1,654.955 billion, while in 2023 it was US\$1,611.647 billion, and the total deposits were US\$1,728.952 billion [5]. In the Pillar 3 disclosures of the group, the total amount of customer accounts in the regulatory balance sheet is US\$1,680.704 billion. The issuance of debt securities is US\$104.434 billion [6]. The NSFR gives special preferential Available Stable Funding factor (ASF) treatment for stable retail and small business deposits. And long-term liabilities are given full ASF treatment [22]. Therefore, HSBC’s huge deposit base is very suitable for the liability-side preferences built into NSFR. In this sense, the bank's financing structure seems to be roughly consistent with the regulator's preference for stable deposit financing rather than more fragile short-term market financing.

5.3 Evidence of Term Matching in HSBC's Balance Sheet Management

The balance sheet disclosed by HSBC also reflects the term matching logic of the NSFR. In its 2024 annual report, HSBC explained that part of the growth of NSFR in 2024 was offset by the increase in required stable funding, which mainly came from the increase in financial investments and derivatives activities [5]. It directly reflects the structure of the Basel Accord. When banks increase their business activities in areas that require more stable structural funding, regulatory indicators will respond by increasing the ratio of RSF. Therefore, HSBC's explanation shows that the bank understands and uses categories similar to NSFR itself to present its balance sheet.

More broadly, HSBC said that it has adopted a wide range of liquidity and financing measures, and each major operating entity maintains sufficient unrestricted current assets and a stable financing situation [5]. This way of expression is very important. It shows that liquidity management is not limited to maintaining short-term survival under pressure. This also includes long-term structural balance sheet management. This view is consistent with the basic logic of the NSFR. The rule encourages banks to regard assets and liabilities as interrelated through long-term financing discipline. HSBC's disclosure wording also reflects the same perspective [5,22].

5.4 Behavioural Guidance Evidence in Governance and Disclosure

The third area where regulatory logic can be reflected is corporate governance. HSBC pointed out in its Risk Review 2024 that its risk management framework supports the identification, evaluation, management and reporting of risks in a consistent manner, and the clarification of responsibility. The report also points out that the Group's risk and compliance department provides challenge, oversight and appropriate balances in risk/return decision-making. At the same time, it helps employees' behaviour and risk preferences to be consistent [27]. These statements do not refer to the NSFR in isolation, but show how prudential regulatory expectations can be integrated into the bank's internal governance system. Regulatory logic has become a part of management reasoning. It is not just a part of external compliance.

The disclosure of the Pillar 3 report further reinforces this point. HSBC clearly links its liquidity report to regulatory requirements. And it points out that it has strengthened the liquidity integration process in 2024 and revised the relevant provisions previously aimed at addressing historical limitations. The bank also said that the strengthened process also affected the reporting of the LCR and the NSFR [6]. This is a powerful example of behaviour guidance. Once the rules are established, banks will not only adjust their financing structure, but also adjust their internal systems, reporting processes and disclosure structures around regulatory categories. In this sense, NSFR does not only constrain HSBC from the outside. Instead, it becomes integrated into the way banks monitor themselves and present the soundness of their balance sheets.

5.5 Summary

The third area where regulatory logic can be reflected is corporate governance. HSBC pointed out in its Risk Review 2024 that its risk management framework supports the identification, evaluation, management and reporting of risks in a consistent manner, and the clarification of responsibility. The report also points out that the Group's risk and compliance department provides challenge, oversight and appropriate balances in risk/return decision-making. At the same time, it helps employees' behaviour and risk preferences to be consistent [27]. These statements do not refer to the NSFR in isolation, but show how prudential regulatory expectations can be integrated into the bank's internal governance system. Regulatory logic has become a part of management reasoning. It is not just a part of external compliance. As summarised in Table 1, this pattern is also consistent with the wider links between NSFR institutional logic and HSBC's disclosed funding structure, balance-sheet management, and governance practices.

Table 1. From NSFR Institutional Logic to HSBC's Strategic Response

NSFR Organisational Logic	The way it is presented in the text of the Basel Agreement	How does HSBC realise this?
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Stability-first logic	NSFR requires a “stable funding profile” and a “sustainable funding structure” to reduce the risk of failure[22].	HSBC said that all important entities maintained sufficient stable funding and reported that the average net stable funding ratio in 2024 was 143%, higher than the regulatory minimum standard [5].
Prefer to stabilise liabilities	Stable retail and small business deposits can get 95% ASF; less stable retail deposits can get 90% ASF; some short-term non-retail funding sources can only get 50% or 0% ASF [22].	HSBC has several deposits. The annual report estimates 1.655 trillion US dollars in client accounts. The regulatory balance sheet shows 1.681 trillion US dollars in client accounts [5,6].
Maturity alignment logic	The RSF coefficient of long-term, poor liquidity and non-HQLA assets is relatively high, usually as high as 85% or 100% [22].	HSBC explained that higher financial investment and derivatives activities have increased the demand for stable funds. This indicates that its own report follows the same structure as the NSFR logic [5].
Behaviour guidance through governance	NSFR operates through classification, weighting and technical rules instead of direct operational commands [22].	HSBC links liquidity management, risk appetite, reporting and internal process improvement with prudential supervision and regulatory disclosure [6,27].

The HSBC case validates this paper’s key points. The NSFR goes beyond a technical ratio certified at the conclusion of the reporting period. This has apparent institutional logic. It tends to favour stable liabilities, closer term matching, and stronger liquidity and financing risk management. HSBC’s statement does not indicate NSFR drives all strategic modifications. Business models, market conditions, and domestic regulatory expectations also matter. However, the case does show that HSBC’s public statements, indicators and reporting focuses are basically consistent with the logic contained in the text of the Basel Accord. Therefore, the case of HSBC can very well verify the text-centred analysis method of this paper [5,6,22].

6. Conclusion

In general, the analysis of this study shows that NSFR should not only be regarded as a technical liquidity rule. It should be regarded as a regulatory text aimed at promoting a specific prudential banking model. In the Basel Accord, funding stability is regarded as an ideal and reasonable cornerstone of bank resilience. And it classifies liabilities and assets through the ASF factor and the RSF factor. This gives this logic practical effectiveness. In other words, NSFR does not only measure the balance sheet status. It more actively defines the form that a better financing structure should have.

Therefore, the main contribution of this paper lies at the theoretical level. Most of the existing literature regards the NSFR as a prudential regulatory indicator. And they focus on issues such as compliance, profitability or lending effects. This paper starts from different perspectives and points out that NSFR also contains institutional logic. Its rules reflect the banking industry’s concept of putting stability first, its preference for maturity matching, and the indirect behaviour guidance achieved through classification and weighting. It shifts the focus from the mechanical effect of the rules to how the rules define prudent and legitimate banking behaviour. This helps to link banking regulation with broader institutional and organisational theories.

The second contribution of this paper is at the methodological level. It does not rely solely on quantitative indicators. Instead, it takes policy text analysis as the main method, and takes HSBC as an example for explanation. Through a detailed interpretation of the Basel Committee document, this paper reveals how the language and classification of the NSFR construct a regulatory logic. This paper explains how this approach is applied in the actual organization by evaluating HSBC’s public disclosure information. This technique is useful. It connects how banks respond to regulations with how those regulations are designed. This is something that most traditional compliance research often ignores.

The case of HSBC clearly supports this argument. HSBC’s disclosure information repeatedly uses words such as “sufficient stable funds”, “structural liquidity strength” and “stable balance sheet management”. With its massive deposit base and explanation that financial investment and derivatives trading demand dependable

finance, its average NSFR in 2024 is 143%. All of them demonstrate the bank's Basel Framework-compliant reporting rationale. HSBC does not base every strategy decision purely on NSFR. Many variables will impact banks. This encompasses macroeconomics, corporate models, domestic regulation, and market expectations. Even yet, the instance indicates that a big global bank's funding and liquidity discussions and management are strongly rooted in Basel Accord funding stability rationale.

These findings also have broader implications for regulatory research. They show that the role of prudential regulation is not only reflected in rigid requirements and numerical thresholds. Its role is also reflected in the classification, definition and legitimising language. This is especially evident in the NSFR. The rule does not clearly stipulate which liabilities should be issued or what assets should be held by the bank. Instead, it has established a hierarchical structure of prioritised sources of financing. And it has built a disciplined asset-liability structure. In this sense, NSFR realises regulation by shaping the acceptable range of choices. For researchers, this means that the regulatory text itself should be regarded as an independent governance mechanism, not just as a background rule in the empirical model.

At the same time, this paper also has obvious limitations. It only focusses on the case of HSBC. Therefore, it cannot be claimed that its conclusion is statistically universal for all G-SIBs. In addition, this paper relies on publicly disclosed information, which is partly a strategic communication document. This may favour the image of the bank. In addition, this paper does not try to distinguish the NSFR from other Basel III reforms (such as the LCR or capital requirements). These limitations should be clearly pointed out. However, they do not affect the main purpose of this paper. This paper aims to show how regulatory logic is constructed in the text and how this logic is reflected in the strategy disclosed by large banks.

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Conflicts of Interest

The authors declare no conflict of interest.

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