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The Office of the Superintendent of Financial Institutions published its draft guideline Liquidity Adequacy Requirements

December 1, 2013

On November 28, 2013, the Office of the Superintendent of Financial Institutions (**OSFI**) published its draft guideline entitled *Liquidity Adequacy Requirements*[1] which set out the new liquidity requirements that may eventually apply to federal deposit-taking institutions, that is, the banks, bank holding companies and trust and loan companies.

This draft guideline is a direct follow-up to the most recent work of the Basel Committee on Banking Supervision (the "**Committee**") in the context of Basel III. As a member of the Committee, the OSFI participated in the development of the international liquidity framework[2]. The draft guideline aims to integrate these new requirements to the Canadian prudential regulatory framework. It also formalizes the use of the net cumulative cash flow (**NCCF**) monitoring tool, which has been developed in Canada.

Divided into six chapters, the draft guideline is mostly based on the documents of the Committee. It proposes various quantitative and qualitative liquidity metrics, including the Liquidity Coverage Ratio (**LCR**) and the Net Stable Funding Ratio (**NSFR**), the NCCF monitoring tool, a series of additional liquidity monitoring tools and Intraday Liquidity Monitoring Tools. These various requirements aim to give an overview of the overall perspective of the liquidity adequacy of an institution, which a single measurement would not achieve.

The OSFI anticipates that the work on the draft guideline should be completed in 2014. The LCR, NCCF and the liquidity monitoring tools should come into force on January 1, 2015. The dates of coming into force of the Intraday Liquidity Monitoring Tools will be communicated later on.

To be taken into consideration at the time of the final drafting of the guideline, comments must be sent to the OSFI no later than Friday, January 24, 2014.

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1 The draft guideline is available by clicking here.

2 The international liquidity framework is comprised of: *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* (January 2013), *Basel III: International framework for liquidity risk measurement, standards and monitoring* (December 2010) (section II.2, *Net Stable Funding Ratio*) and *Monitoring tools for intraday liquidity management* (April 2013).

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