Guideline

Title	Public Disclosure Requirements for Domestic Systemically Important Banks on Liquidity Coverage Ratio
Category	Accounting and Disclosure
Date	July 31, 2014
Sector	Banks
No	D-11

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Guidance to be rescinded

As a result of OSFI's policy review, this guidance was identified as outdated, redundant, or no longer fit-for-purpose. It will be rescinded and removed from the website by April 1, 2025.

In January 2014, the Basel Committee on Banking Supervision (BCBS) issued its final rules on information that internationally active banks must publically disclose on its Liquidity Coverage Ratio (LCR). Entitled, *Liquidity Coverage Ratio Disclosure Standards*<p>BCBS January 2014: http://www.bis.org/publ/bcbs272.pdf. </p> ("Basel LCR Disclosure Standards"), the publication sets out a common disclosure framework to ensure that LCR information is publically disclosed in standardized formats across and within jurisdictions to help users consistently assess a bank's liquidity risk position specific to the LCR. The publication includes a LCR common disclosure template and qualitative disclosures to help users understand the LCR data. It also includes guidance on broader qualitative and quantitative disclosures on liquidity risk.

This guideline sets out the public disclosure requirements on the LCR **for Domestic Systemically Important Banks (D-SIBs).**

1. Scope of Application

The disclosure requirements described in Part 4(I) (LCR disclosure requirements) of this guideline are mandatory disclosures for internationally active banks and thus, apply to Canada's D-SIBs.

2. Implementation date and frequency of reporting

D-SIBs are required to implement the Basel LCR Disclosure Standards beginning with the Q2, 2015 reporting period.

As liquidity positions can be subject to rapid change, disclosures are most relevant and useful if published frequently. As such, the Basel LCR Disclosure Standards require disclosures to be made at the same frequency as, and concurrently with, the publication of the financial statements. This would mean D-SIBs should be providing disclosures on a quarterly basis and at the same time as the publication of the financial statements.

3. Availability of disclosures

Disclosures should be included in published financial reports or, at a minimum, provide a direct and prominent link to the completed disclosure on the bank's website. D-SIBs may choose where to provide the disclosures in their financial reports (e.g. management discussion and analysis, financial statement notes, supplemental information or Pillar 3 report).

D-SIBs must also make available on their websites an archive of disclosures for a minimum of 12 months; where investor information is available for longer periods, the same archive period should also be used for disclosures.

4. Disclosure requirements

OSFI is implementing the disclosure requirements in the Basel LCR Disclosure Standards with no changes. There are two parts to the Basel LCR Disclosure StandardsThe Basel LCR Disclosure Standards provide extensive discussion regarding these disclosures and should be read in conjunction with this guideline. which include quantitative and qualitative disclosures as follows:

1. LCR disclosure requirementsSection 2, Basel LCR Disclosure Standards.
2. Other broad liquidity risk disclosuresSection 3, Basel LCR Disclosure Standards.

The Basel LCR Disclosure Standards for each of these two parts are described.

I. LCR disclosure requirements

D-SIBs should provide the following Basel mandatory disclosures as provided below.

A. **Basel LCR common disclosure template:** This template captures key quantitative information about the LCR and is calculated on a regulatory consolidated basis and presented in Canadian dollars. This template should be disclosed on a quarterly basis, starting with the Q2, 2015 reporting period. D-SIBs can initially disclose the average LCR data based on use of month-end positions but are required to disclose their average LCR based on use of daily positions by Q1, 2017 reporting periods. D-SIBs must disclose the number of data points used in calculating the average figures in the template. Refer to the **Appendix** for the Basel instructions on the completion of the Basel LCR common disclosure template.

Basel LCR common disclosure templatePage 4, Basel LCR Disclosure Standards.

(In Canadian Dollars)		TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers, of which:**		
3	*Stable deposits*		
4	*Less stable deposits*		
5	**Unsecured wholesale funding, of which:**		
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*		
7	*Non-operational deposits (all counterparties)*		
8	*Unsecured debt*		
9	Secured wholesale funding		
10	**Additional requirements, of which:**		
11	*Outflows related to derivative exposures and other collateral requirements*		
12	*Outflows related to loss of funding on debt products*		
13	*Credit and liquidity facilities*		
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	**TOTAL CASH OUTFLOWS**		

Dark grey row CASH INFLOWS			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures		
19	Other cash inflows		
20	**TOTAL CASH INFLOWS**		
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		
22	**TOTAL NET CASH OUTFLOWS**		
23	**LIQUIDITY COVERAGE RATIO (%)**		

See table legend below

To calculate the average LCR based on use of daily positions, the LCR should be measured on a business day basis for each quarterly reporting period. Business days are defined to include all weekdays except federal and provincial statutory holidays based upon the domicile of the bank.

B. The Basel LCR Disclosure Standards also requires banks to provide **sufficient qualitative disclosures around the LCR** to facilitate understanding of the results and data disclosed. This Basel disclosure requirement would be provided on a quarterly basis to supplement the Basel LCR common disclosure template. Specifically, where *significant* to the LCR, D-SIBs could discloseParagraph 15, Basel LCR Disclosure Standards. :

1. the main drivers of their LCR results and the evolution of the contribution of inputs to the LCR's calculation over time;
2. intra-period changes as well as changes over time;
3. the composition of high quality liquid assets (HQLA);
4. concentration of funding sources;
5. derivative exposures and potential collateral calls;

6. currency mismatch in the LCR;
7. a description of the degree of centralisation of liquidity management and interaction between the group's units; and
8. other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.

II. Broad liquidity risk disclosures

As noted in paragraph 16 of the Basel LCR Disclosure Standards, given that there is no single metric that can comprehensively quantify the liquidity risk of a bank, the Basel LCR Disclosure Standards provide guidance on other liquidity information that will provide users a broader understanding of a bank's liquidity risk position and management and promote market discipline. It builds on the BCBS's *Principles for Sound Liquidity Risk Management and Supervision*<p>BCBS September 2008: http://www.bis.org/publ/bcbs144.pdf.</p> Principle 13, which is incorporated into OSFI's B-6 *Liquidity Principles Guideline*<p>OSFI February 2012: http://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b6.aspx Note, Principle 13 in OSFI's B-6 Guideline should be read in conjunction with Principle 13 in BCBS's Principles for Sound Liquidity Risk Management and Supervision.</p> ("B-6 Guideline"). Principle 13 states:

"*A bank should publicly disclose information on a regular basis that enables market participants to make an informed judgement about the soundness of its liquidity risk management framework and liquidity position."*

The broader qualitative and quantitative disclosures on liquidity risk in the Basel LCR Disclosure Standards are provided below. As these are optional disclosures, D-SIBs can use discretion on what disclosures to provide based on disclosures most relevant while also ensuring compliance with Principle 13. The frequency of broad **qualitative disclosures** on liquidity risk can be disclosed on an annual basis if there are no significant changes between each quarter.

Quantitative DisclosuresParagraph 18, Basel LCR Disclosure Standards.

1. concentration limits on collateral pools and sources of funding (both products and counterparties);

2. liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity; and
3. balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

Qualitative disclosuresParagraph 19, Basel LCR Disclosure Standards.

1. governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors;
2. funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised;
3. liquidity risk mitigation techniques;
4. an explanation of how stress testing is used; and
5. an outline of contingency funding plans.

Appendix: Instructions for completion of LCR common disclosure template

- Instructions have been extracted from and should be read in conjunction with the Basel LCR Disclosure Standards.

- The table following the instructions has been extracted from Annex 1 of the Basel LCR Disclosure Standards, which provide an explanation of each line with references to relevant paragraphs from the BCBS's *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*<p>BCBS Jan 2013: http://www.bis.org/publ/bcbs238.pdf. </p> and has been further supplemented with references to relevant paragraphs from OSFI's *Liquidity Adequacy Requirements Guideline ("LAR Guideline")*<p>OSFI LAR Guideline: http://www.osfi-bsif.gc.ca/Eng/wn-qn/Pages/LAR.aspx</p> .

  Extracted instructions from Section 2 and Annex 2 of the Basel LCR Disclosure Standards

- The rows of the template are fixed and compulsory for D-SIBs to populate and publically disclose. The categories in the rows and columns in the template should not be altered. More specifically:
    - each dark grey is the major heading of each section (e.g. HQLA, cash outflows and cash inflows) and does not require any value to be reported.
    - each light grey row represents major categories of the LCR and requires total values to be reported.
    - each unshaded row represents subcomponents of major categories under cash outflows and requires values to be reported.
    - no data should be entered in the cross-hatched cells.
- Values entered in the template must be based on simple averages of the observation of individual line items over the previous quarter. The averages are calculated after the application of any haircuts, inflow and outflow rates and caps where applicable. For example:

$$Total\,\boldsymbol{unweighted}\ stable\ deposits_{Qi} = \frac{1}{T} \times \sum_{t=1}^{T} (Total\ \boldsymbol{unweighted\ stable\ deposits})_t$$

$$Total\,\boldsymbol{weighted}\ stable\ deposits_{Qi} = \frac{1}{T} \times \sum_{t=1}^{T} (Total\ [\![\boldsymbol{weighted\ stable\ deposits})]\!]_t$$

where *T* equals the number of observations in period *Qi*.

- Unweighted inflows and outflows values (lines 2–8, 10–15 and 17–20, second column) must be calculated as outstanding balances maturing or callable within 30 days of various categories or types of liabilities, off balance sheet items or contractual receivables.
- Weighted value of HQLA (line 1, third column) must be calculated after the application of the respective haircuts but before the application of any caps on Level 2B and Level 2 assets. Weighted inflows and outflows values (lines 2–20, third column) must be calculated after the application of the inflow and outflow rates.
- The total adjusted HQLA value (line 21, third column) must be calculated after the application of both (i) haircuts and (ii) any applicable caps (i.e. cap on Level 2B and Level 2 assets). Total adjusted net cash outflows

value (line 22, third column) must be calculated after the application of both (i) inflow and outflow rates and (ii) any applicable cap (i.e. cap on inflows).

- The LCR (line 23) must be calculated as the average of observations of the LCR:

$$LCR_{Qi} = \frac{1}{T} \times \sum_{t=1}^{T} LCR_t$$

- Not all reported figures will sum exactly, particularly in the denominator of the LCR. For example, “total net cash outflows” (line 22) may not be exactly equal to “total cash outflows” minus “total cash inflows” (line 16 minus line 20) if the cap on inflows is binding. Similarly, the disclosed LCR may not be equal to an LCR computed on the basis on the average values of the set of line items disclosed in the template.

*Table explaining line items in the Basel LCR common disclosure template*Annex 1, Basel LCR Disclosures Standard.

Row number	Explanation	Relevant paragraph(s) of Basel LCR standards BCBS January 2013: www.bis.org/publ/bcbs238.pdf.	Relevant paragraph(s) of OSFI's LAR Guideline OSFI LAR Guideline: http://www.osfi-bsif.gc.ca/Eng/wn-qn/Pages/LAR.aspx
1	Sum of all eligible high-quality liquid assets(HQLA), as defined in the standard, before the application of any limits, excluding assets that do not meet the operational requirements, and including, where applicable, assets qualifying under alternative liquidity approaches	28–68	16-36, 42-49
2	Retail deposits and deposits from small business customers are the sum of stable deposits, less stable deposits and any other funding sourced from (i) natural persons and/or (ii) small business customers (as defined by paragraph 231 of the Basel II framework)	73–84, 89–92, 110	53-64, 69-72, 90
3	Stable deposits include deposits placed with a bank by a natural person and unsecured wholesale funding provided by small business customers, defined as "stable" in the standard	73–78, 89–91	53-58, 69-71

4	Less stable deposits include deposits placed with a bank by a natural person and unsecured wholesale funding provided by small business customers, not defined as "stable" in the standard	73–74, 79–81, 89–91	53-54, 59-61, 69-71
5	Unsecured wholesale funding is defined as those liabilities and general obligations from customers other than natural persons and small business customers that are not collateralised	93–111	73-91
6	Operational deposits include deposits from bank clients with a substantive dependency on the bank where deposits are required for certain activities (ie clearing, custody or cash management activities). Deposits in institutional networks of cooperative banks include deposits of member institutions with the central institution or specialised central service providers.	93–106	73-86
7	Non-operational deposits are all other unsecured wholesale deposits, both insured and uninsured	107–109	87-89

8	Unsecured debt includes all notes, bonds and other debt securities issued by the bank, regardless of the holder, unless the bond is sold exclusively in the retail market and held in retail accounts	110	90
9	Secured wholesale funding is defined as all collateralised liabilities and general obligations	112–115	92-95
10	Additional requirements include other off-balance sheet liabilities or obligations	116–131	96-111

11	Outflows related to derivative exposures and other collateral requirements include expected contractual derivatives cash flows on a net basis. These outflows also include increased liquidity needs related to: downgrade triggers embedded in financing transactions, derivative and other contracts; the potential for valuation changes on posted collateral securing derivatives and other transactions; excess non-segregated collateral held at the bank that could contractually be called at any time; contractually required collateral on transactions for which the counterparty has not yet demanded that the collateral be posted; contracts that allow collateral substitution to non-HQLA assets; and market valuation changes on derivatives or other transactions.	116–123	96-103

12	Outflows related to loss of funding on secured debt products include loss of funding on: asset-backed securities, covered bonds and other structured financing instruments; and asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	124–125	104-105
13	Credit and liquidity facilities include drawdowns on committed (contractually irrevocable) or conditionally revocable credit and liquidity facilities. The currently undrawn portion of these facilities is calculated net of any eligible HQLA if the HQLA have already been posted as collateral to secure the facilities or that are contractually obliged to be posted when the counterparty draws down the facility.	126–131	106-111
14	Other contractual funding obligations include contractual obligations to extend funds within a 30-day period and other contractual cash outflows not previously captured under the standard	132–133, 141	112-113, 121

15	Other contingent funding obligations, as defined in the standard	134–140	114-120
16	Total cash outflows: sum of lines 2–15		
17	Secured lending includes all maturing reverse repurchase and securities borrowing agreements	145–147	125-127
18	Inflows from fully performing exposures include both secured and unsecured loans or other payments that are fully performing and contractually due within 30 calendar days from retail and small business customers, other wholesale customers, operational deposits and deposits held at the centralised institution in a cooperative banking network	153–154, 156–157	133-134, 136-137
19	Other cash inflows include derivatives cash inflows and other contractual cash inflows.	155, 158–160	135, 138-140
20	Total cash inflows: sum of lines 17–19		
21	Total HQLA (after the application of any cap on Level 2B and Level 2 assets)	28–54, Annex 1 in the standard	16-47

22	Total net cash outflows (after the application of any cap on cash inflows)	69	50
23	Liquidity Coverage Ratio (after the application of any cap on Level 2B and Level 2 assets and caps on cash inflows)	22	10