

# Liquidity Coverage Ratio Template and Reporting Instructions

## Summary of Changes – 2021 Revision

This document outlines the changes made to the Liquidity Coverage Ratio (“LCR”) template and reporting instructions during the 2021 revision. The revised LCR is effective October 2021.

### Liquidity Coverage Ratio (“LCR”) Template and Reporting Instructions

#### Requirements

- **Changed** reporting frequency to monthly for credit unions with more than \$500 million in assets
- **Added note** that credit unions reporting the LCR quarterly must develop the capability to produce the LCR report on a monthly basis, if requested by BCFSa
- **Clarified** that when a credit union crosses the \$500 million in assets threshold, the credit union has one year to implement the requirements of its new category and submit the LCR monthly

#### Introduction

- **Added note** that the credit union should notify BCFSa if its LCR is, or is expected to be, below the 100% minimum requirement
- **Clarified** that LCR assumptions are based on a combined idiosyncratic and systemic stressed liquidity scenario
- **Deleted** reference to stress testing, as details about stress testing are included in the Liquidity Management Guideline (“LMG”)

#### Section 5100 – Liquidity Coverage Ratio

- **Added new section** to help with the LCR % calculation

#### Section 5110 – Stock of High Quality Liquid Assets (HQLA)

##### Definition of High Quality Liquid Assets (“HQLA”)

- **Replaced** Unencumbered Quality Liquid Assets (“UQLA”) with HQLA and clarified HQLA characteristics are included in the LMG
- **Clarified** HQLA operational requirements
- **Included** in the appropriate HQLA Level 1, Level 2A or 2B lines, statutory liquid assets held in trust with Central 1 that meet the HQLA requirements
- **Added note** that bankers’ acceptances held in trust with Central 1 are not included in HQLA

## Liquidity Coverage Ratio (“LCR”) Template and Reporting Instructions

- **Clarified** that HQLA assets should be reported in accordance with the International Financial Reporting Standards (“IFRS”) but at no greater than their current market value and securities issued by financial institutions do not qualify as HQLA

### Stock of HQLA

- **Removed** Central 1 deposits from Level 1 and Level 2A assets, as these deposits do not qualify as HQLA, but included Central 1 non-operational demand deposits and term deposits maturing within 30 days in cash inflows
- **Included** *National Housing Act* Mortgage Backed Securities (“NHA MBS”) that have been issued by the credit union but not yet sold to third parties and meet the HQLA requirements as Level 1 HQLA
- **Added note** that credit union own issued but unsold NHA MBS should be reported at the current market value of the MBS and cash inflows from the underlying mortgages should not be included in the LCR inflows, to avoid double counting
- **Removed** “callable within 1 year” criteria from Securities from Sovereigns lines
- **Added** clarifications to several HQLA lines and small changes to HQLA line descriptions

## Section 5120 – Cash Outflows

### Net Cash Outflows

- **Clarified** that cash inflows and outflows may include interest that is expected to be received or paid during the 30-day time horizon
- **Added note** that the credit union should not double count items in the LCR
- **Added** small changes to line descriptions

### Retail and Brokered Deposits

- **Clarified** (in the Stable Retail Deposits section) that hardship considerations include situations such as death, catastrophic illness, loss of employment, or bankruptcy of the depositor
- **Added note** that if the credit union is not able to identify which retail deposits would qualify as stable deposits, it should report the full amount as less stable deposits
- **Removed line** Other Retail Deposits
- **Increased run-off rate** from 10% to 30% for Brokered Deposits to recognize higher risk of withdrawal of these deposits, including retail, small business, and wholesale brokered deposits

### Wholesale Funding

- **Added note** to the Non-Financial Corporation - Operational Deposits line that excess balances not required to fulfill clearing, custody or cash management activities should not be included
- **Clarified** if the credit union is unable to determine the amount of the excess balance, the entire deposit account balance should be reported as non-operational with the appropriate run-off rate
- **Increased run-off rate** from 10% to 20% for Non-Financial Corporation – Non-Operational Deposits to recognize higher risk of withdrawal of wholesale deposits
- **Added** definition for small business, as deposits that are managed by the credit union as retail deposits and the aggregate balance by a small business depositor is less than \$1.5 million

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- **Clarified** that small business deposits are categorized into “stable” and “less stable” lines
- **Separated line** Secured Funding Transactions with Central 1
- **Separated line** Secured Funding Transactions Backed by Level 2B RMBS

### Other Cash Outflows

- **Clarified** to include standby letters of credit and guarantees unrelated to trade finance obligations in the Guarantees and Letters of Credit line
- **Added new** 50% of cash inflows roll-over calculation to the Other Contractual Obligations to Extend Funds line
- **Added new line** Other Contractual Cash Outflows [within a 30-day period] that includes contractual cash outflows related to secured and unsecured borrowings that are callable or have the earliest possible contractual maturity within 30 days

### Section 5130 – Cash Inflows

- **Added note** (in the Loans by Counterparty section) that balances at maturity from loans maturing within 30 days that are expected to renew should not be included in the LCR cash inflows (nor in the cash outflows for renewals) to simplify reporting
- **Added new line** for Operational Deposits at Central 1 and Other Financial Institutions that are demand deposits for clearing, custody or cash management activities and assumed to stay at those institutions, so receive 0% inflow rate
- **Added note** that excess balances on the operational accounts not required to fulfill clearing, custody or cash management activities may be reported as non-operational deposits
- **Added new line** for Non-Operational Deposits at Central 1 and Other Financial Institutions that are maturing or callable  $\leq$  30 days and receive 100% inflow rate
- **Added note** that the credit union may include demand deposits balances, in excess of balances required to fulfill clearing, custody or cash management activities
- **Clarified** if the credit union is not able to determine reliably the amount of excess balances, the entire demand deposit should be reported as operational deposits and receive 0% inflow rate
- **Clarified** that bankers’ acceptances maturing within 30 days are included in the Maturing Securities line with 100% cash inflow rate