Autorité des marchés financiers

January ~~2026~~2027

Liquidity Adequacy Guideline

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List of abbreviations

Abbreviations used	Expressions
ABCP	Asset-Backed Commercial Paper
ALA	Alternative Liquidity Approach
ASF	Available Stable Funding
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
CCF	Credit conversion factor
CDF	Credit default swap
CED	Capital Equivalency Deposit
CFS	Cash Flow Statements
CICA	Canadian Institute of Chartered Accountants
CLF	Committed Liquidity Facility
CMB	Canada Mortgage Bonds
CPSS	Committee on Payments and Settlement Systems
DIDPA	Deposit Institutions and Deposit Protection Act
D-SIFI	Domestic systemically important financial institution
ECAI	External Credit Assessment Institution
ECB	European Central Bank
FSCA	Act respecting financial services cooperatives
GAAP	Generally Accepted Accounting Principles
HQLA	High-Quality Liquid Assets
IFRS	International Financial Reporting Standards
ILMT	Intraday liquidity monitoring tools
IOSCO	International Organization of Securities Commissions
LCR	Liquidity Coverage Ratio
LTV	Loan-to-Value ratio
LVTS	Large Value Transfer System
NCCF	Net Cumulative Cash Flow
NHA	National Housing Act
NBFI	Non-bank financial intermediary
NSFR	Net Stable Funding Ratio
RCLF	Restricted-use Committed Liquidity Facility
RMBS	Residential Mortgage-Backed Securities
RSD	Rate Sensitive Deposit
RSF	Required Stable Funding
SMDI	Small and medium-sized deposit institutions
SME	Small and medium-sized enterprises
TCSCA	Act respecting trust companies and savings companies
TRS	Total Return Swap

Introduction

~~The Trust Companies and Savings Companies Act (TCSCA),[1] the Deposit Institutions and Deposit Protection Act (DIDPA)[2] and the Act respecting financial services cooperatives (FSCA)[3] empower the~~ The Autorité des marchés financiers (~~the "~~AMF~~")~~) is empowered to establish liquidity adequacy guidelines for financial services cooperatives, authorized trust companies and authorized financial institutions~~.[4]~~

~~These statutes therefore impose financial management requirements pursuant~~ informing them of measures that may be established to ~~which financial services cooperatives,[5] authorized trust companies and authorized deposit institutions must, in particular, maintain adequate liquidity~~satisfy their obligations, including the obligation to adhere to practices that provide to the maintenance of adequate capital to ensure their sustainability and adequate assets to meet their liabilities~~,~~ as and when they become due.~~[6] More broadly, they are required to follow sound and prudent management practices, including by complying with this *Liquidity Adequacy Guideline*[7] (Guideline).~~

Pursuant to the AMF's enabling powers,[8] the *Liquidity Adequacy Guideline* (Guideline) applies to financial services cooperatives, authorized trust companies and authorized deposit institutions.

This Guideline is derived from the provisions introduced by the Basel Committee on Banking Supervision (BCBS) and the measurement framework set up by the AMF to assess the liquidity adequacy requirements of financial institutions. It also allows the AMF to provide financial institutions with prudential oversight standards based on internationally established standards for liquidity risk.

The following publications of the Bank for International Settlements (BIS) issued by the BCBS were used and incorporated into this Guideline:

- BCBS (2019), *Liquidity Coverage Ratio*, Basel Framework, *Basel Committee on Banking Supervision, Bank for International Settlements*
- BCBS (2019), *Net stable funding ratio*, Basel Framework, *Basel Committee on Banking Supervision, Bank for International Settlements*
- BCBS (2017), *Basel III - The Net Stable Funding Ratio: frequently asked questions*, *Basel Committee on Banking Supervision, Bank for International Settlements*
- BCBS (2014), *Basel III - The Net Stable Funding Ratio*, Basel Committee on Banking Supervision, Bank for International Settlements
- BCBS (2017), *Basel III - The Liquidity Coverage Ratio framework: frequently asked questions*, *Basel Committee on Banking Supervision, Bank for International Settlements*

~~[1] CQLR, c. S-29.02~~

~~[2] CQLR, c. I-13.2.2~~

~~[3] CQLR, c. C-67.3~~

~~[4] Sections 565.1 FSCA, 254 TCSCA and 42.2 DIDPA.~~

~~[5] Pursuant to section 1 FSCA, for purposes of the FSCA, credit unions are financial services cooperatives.~~

~~[6] Sections 451 FSCA, 46 TCSCA and 28.21 DIDPA.~~

~~[7] Sections 66 FSCA, 46 TCSCA and 28.21 DIDPA.~~

[8] *Act respecting financial services cooperatives*, CQLR, c. C-67.3, s. 565.1, *Trust Companies and Savings Companies Act*, CQLR, c. S-29.02, s. 254, *Deposit Institutions and Deposit Protection Act*, CQLR, c. I-13.2.2., s. 42.2.

- BCBS (2013), *Basel III - The Liquidity Coverage Ratio and liquidity risk monitoring tools*, *Basel Committee on Banking Supervision, Bank for International Settlements*
- BCBS (2013), *Monitoring tools for intraday liquidity management*, Basel III, *Basel Committee on Banking Supervision, Bank for International Settlements*
- BCBS (2010), *Basel III - International framework for liquidity risk measurement, standards and monitoring*, Basel III, *Basel Committee on Banking Supervision, Bank for International Settlements*

This Guideline presents the liquidity standards that must be respected by all financial institutions (see the scope of application). It is divided into six chapters, as follows:

Chapter 1: Overview;

Chapter 2: Liquidity Coverage Ratio (LCR);

Chapter 3: Monitoring tools;

Chapter 4: Monitoring tools for intraday liquidity management;

Chapter 5: Net Cumulative Cash Flow (NCCF);

Chapter 6: Net Stable Funding Ratio (NSFR).

Scope of application

The Guideline applies to financial services cooperatives, authorized trust companies and authorized deposit institutions governed by the following statutes:

- *Act respecting financial services cooperatives, CQLR, c. C-67.3*;
- *Deposit Institutions and Deposit Protection Act, CQLR, c. I-13.2.2*;
- *Trust Companies and Savings Companies Act, CQLR, c. S-29.02*.

In the case of financial services cooperatives, it applies to the "~~entity~~financial institution" as defined in the scope of application set out in ~~Chapter 1 of~~ the Ligne directrice sur les normes relatives à la suffisance du capital[9] (Capital Adequacy Guideline (in French only)). As regards the other institutions concerned, this Guideline applies to financial institutions operating independently as well as to those operating as members of a financial group.[10]

The generic expressions "financial institution" and "institution" are used to refer to all entities covered by the scope of application. ~~For the purposes of this~~ The expression "Capital Guideline~~,~~" refers to the Capital Adequacy Guideline ~~is referred to as the "Capital Guideline".~~.

AMF Note

This Guideline applies to all the financial institutions concerned, which fall into two broad groups: domestic systemically important financial institutions and small and medium-sized deposit institutions (SMDIs). SMDIs are then segmented into three categories. The categorization of SMDIs, along with the liquidity requirements applicable to the various financial institutions concerned, are presented in Chapter 1.

9 Autorité des marchés financiers, *Capital Adequacy Guideline*, ~~February 2025.~~January 2026.

10 For the purposes of this Guideline, "financial group" refers to any group of legal persons composed of a parent company (financial institution or holding company) and legal persons affiliated therewith.

For the purposes of this Guideline, SMDIs are financial institutions that have not been designated by the AMF as systemically important institutions. This includes subsidiaries of SMDIs or D-SIFIs that are financial institutions.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards ("IFRS") have replaced Canadian Generally Accepted Accounting Principles ("GAAP") for the preparation of financial statements of Canadian publicly accountable enterprises. Therefore, IFRS standards apply for the purposes of this Guideline.

Effective date and updates

The Guideline is effective January 1, ~~2026~~2027.

This Guideline will be updated based on national and international developments in liquidity requirements and observations noted during liquidity monitoring of financial institutions.

Chapter 1. Overview

1.1. Objective

1. Outlined below is an overview of the liquidity adequacy requirements for financial institutions.

2. The work undertaken by the BCBS to improve liquidity requirements for financial institutions resulted in the publication of several documents, as mentioned earlier.

3. In order to provide financial institutions with consistent oversight standards that are comparable with international standards established in respect of liquidity requirements, the AMF incorporates the provisions of the BCBS in this Guideline.

4. These provisions contain the methodologies underpinning a series of liquidity metrics that will be used by the AMF to assess a financial institution's liquidity adequacy.

1.2. Scope

5. In keeping with Principle 6 of the BCBS Principles for Sound Liquidity Risk Management and Supervision (Sound Principles)[11] and sections 3 and 4 of the AMF's Liquidity Risk Management Guideline,[12] a financial institution should actively monitor and control liquidity risk exposures.

6. However, this management should take into account individual legal entities, foreign branches and subsidiaries, and the group as a whole, taking into account legal, regulatory and operational limitations to the transferability of liquidity.

1.3. Individual liquidity metrics and definitions

7. This Guideline covers multiple quantitative liquidity measures including the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the Net Cumulative Cash Flow (NCCF) and the Cash Flow Statement (CFS) metric supervisory tools, liquidity risk monitoring tools and intraday liquidity monitoring tools.

8. Each of these liquidity measures offers a different perspective on the liquidity adequacy of a financial institution as no one measure can, on its own, present a comprehensive picture (see Annex ~~1~~2 for combining the tools).

9. The **Liquidity Coverage Ratio (LCR)** aims to ensure that an institution has an adequate stock of unencumbered high-quality liquid assets (HQLA) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30-day liquidity stress scenario. At a minimum, the stock of HQLA should enable the institution to survive until Day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken by management and supervisors, or that the institution can be resolved in an orderly way. Furthermore, it gives the central bank additional time to take appropriate measures, should they be regarded as necessary.

10. While the LCR is required to be met in one single currency, in order to better capture potential currency mismatches, financial institutions and supervisors should also monitor the LCR in significant currencies. This will allow the financial institution and the supervisor to track potential currency mismatch issues that could arise.

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[11] Bank for International Settlements. Basel Committee on Banking Supervision, Principles for Sound Liquidity Risk Management and Supervision, September 2008.

[12] Autorité des marchés financiers. *Liquidity Risk Management Guideline*~~, March 2019.~~.

11. The definition of the stock of high-quality foreign exchange assets and total net foreign exchange cash outflows should mirror those of the LCR for common currencies.[13]

12. A currency is considered **"significant"** if the aggregate liabilities denominated in that currency amount to 5% or more of the financial institution's total liabilities.

13. The **Net Stable Funding Ratio (NSFR)** is a standard that will require institutions to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to an institution's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress.

14. The NSFR limits overreliance on short-term wholesale funding and encourages better assessment of funding risk across all on- and off-balance sheet items while promoting funding stability.

15. In addition, the NSFR approach offsets incentives for institutions to fund their stock of liquid assets with short-term funds that mature just outside the LCR's 30-day horizon.

16. The **Net Cumulative Cash Flow (NCCF)** is a tool that measures an institution's cash flows beyond the 30-day horizon in order to capture the risk posed by funding mismatches between assets and liabilities, after the application of assumptions around the functioning of assets and modified liabilities (i.e., where rollover of certain liabilities is permitted). The NCCF measures an institution's cash flow horizon both on the basis of the consolidated balance sheet as well as by major individual balance sheets and components. The metric helps identify gaps between contractual inflows and outflows for various time bands over and up to a 12-month time horizon, which indicate potential liquidity shortfalls an institution may need to address.

17. Two NCCF metrics are developed in this Guideline: a **Comprehensive NCCF**, which factors in more granularity for systemically important financial institutions, and a **Streamlined NCCF**, which includes an aggregation of subclasses of assets and liabilities that are adaptable to the activities of SMDIs.

18. The **Cash Flow Statement (CFS)** is a cash flow forecasting metric that factors in limited behavioural aspects captured by prescribed inflow and outflow rates. The metric provides data on a financial institution's stock of assets, contractual cash inflows, and contractual cash outflows over a period of one year.

19. The **liquidity monitoring tools** include the concentration of funding metrics, the contractual maturity mismatch profile, metrics related to available unencumbered assets, the LCR by significant currency metric and market-related monitoring tools. These tools are utilized to capture specific information related to a financial institution's cash flows, balance sheet structure, available unencumbered collateral, and certain market indicators as well as a financial institution's intraday liquidity positions.

20. The **contractual maturity mismatch** profile identifies the gaps between the contractual inflows and outflows of liquidity for defined time bands. These maturity gaps indicate how much liquidity an institution would potentially need to raise in each of these time bands if all outflows occurred at the earliest possible date. The NCCF, as described above and outlined

[13] Cash flows from assets, liabilities and off-balance sheet items will be computed in the currency that the counterparties are obliged to deliver to settle the contract, independent from the currency to which the contract is indexed (or "linked"), or the currency whose fluctuation it is intended to hedge.

in Chapter 5, provides such a maturity mismatch metric. This metric provides insight into the extent to which the institution relies on maturity transformation under its current contracts.

21. The **concentration of funding metrics** are meant to identify the sources of wholesale funding that are of such significance that withdrawal of this funding could trigger liquidity problems. The metrics thus encourage the diversification of funding sources recommended by the BCBS[14] and in the AMF's *Liquidity Risk Management Guideline*.

22. **Metrics related to available unencumbered assets** provide the AMF with data on the quantity and key characteristics, including currency denomination and location, of institutions' available unencumbered assets. These assets have the potential to be used as collateral to raise additional HQLA or secured funding in secondary markets or are eligible at central banks and as such may potentially be additional sources of liquidity for the institution.

23. **The LCR by significant currency** metric allows both the institution and the AMF to track potential currency mismatch issues that could arise. A currency is considered "significant" if the aggregate liabilities denominated in that currency amount to 5% or more of the institution's total liabilities.

24. **The market-related monitoring tools** provide the AMF with high frequency market data with little or no time lag which can be used as early warning indicators in monitoring potential liquidity difficulties at institutions.

25. **While** there are many types of data available in the market, supervisors can monitor data at the following levels to focus on potential liquidity difficulties:

    - market-wide information;
    - information on the financial sector;
    - institution-specific information.

26. **Forecast of operational expenses and non-interest income** will supplement other liquidity monitoring tools of SMDIs and help anticipate cash flows that may become relevant in a stress environment due to contractual maturity mismatches. Operational expenses and non-interest income forecasts do not flow into the calculation of the liquidity metrics (i.e., will be reported "below the line") and as such will not impact the calculation of the LCR's net outflows or the NCCF's survival horizon. Nonetheless, the AMF expects SMDIs to build up their forecasting capabilities such that a fair estimate of these amounts and their timing of occurrence can be projected for various time bands.

27. **The intraday liquidity monitoring tools (ILMT)** enable the AMF (see Chapter 4) to better monitor an institution's management of intraday liquidity risk and its ability to meet payment and settlement obligations on a timely basis. Over time, the tools will also provide the AMF with a better understanding of institutions' payment and settlement behaviour. Many of these tools apply to all institutions. Under the ILMT disclosure requirements, institutions are categorized based on whether or not they are direct clearers in the Bank of Canada's Lynx—Canada's high value payment system. Only direct clearers are required to submit regulatory reporting for intraday liquidity risk.

28. Domestic systemically important financial institutions (D-SIFIs) must meet all the requirements of this Guideline.

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[14] Bank for International Settlements, Basel Committee on Banking Supervision, *Principles for Sound Liquidity Risk Management and Supervision*, September 2008.

1.4. Small and medium-sized deposit institutions (SMDIs)

29. This Guideline is drawn and adapted from the international provisions proposed by BCBS. The international provisions are written and calibrated for deposit institutions involved in a broad range of complex activities and are therefore less suited to SMDIs. The size, nature and complexity of the operations of SMDIs must be considered in determining their capital and liquidity adequacy requirements.

30. The treatments proposed by the AMF in this section are therefore intended to reduce the regulatory burden of SMDIs and adapt the liquidity requirements to their size, nature, complexity and activities. Table 1.1 below presents the categories of SMDIs based on the discriminators deemed relevant by the AMF~~, namely size of on-balance sheet assets and total loans on balance sheet~~.

Table 1.1: Categorization of SMDIs

Categories of SMDIs	Criteria
Category I	Total assets > $10B
Category II	Total assets < $10B and meets any of the following criteria: (i) The institution reports total loans > $100M (ii) The institution completes an interest rate or foreign exchange derivatives trade with a combined notional amount greater than 100% of total capital (iii) The institution has any other type of derivative exposure (iv) The institution has exposure to other off-balance sheet items[15] greater than 100% of total capital
Category III	Total assets < $10B and does not meet any of the criteria in Category II.

31. The categorization, as well as the liquidity requirements indicated in this Guideline, applies to all SMDIs on a consolidated basis.

Operationalization of the categorization

32. In order to operationalize the above categorization process, a financial institution's total assets and total loans are calculated based on the average of the amounts reported in the institution's quarterly statements from the previous fiscal year. If an institution crosses a threshold, it will be given one year to implement the requirements of its new category. For the initial implementation in Q1 2023, the threshold will be calculated based on total assets and total loans from fiscal 2021. For example, if the average total loans of a Category III SMDI crosses the threshold (i.e., total loans on balance sheet goes above $100 million), the institution will be expected to meet the requirements of Category II SMDIs effective Q1 of the following year.

[15] For the purposes of this criterion, other off-balance sheet items and credit conversion factors are defined in Annex 1-II (pars. 50-64) of the *Capital Adequacy Guideline*, ~~February 2025.~~January 2026.

33. New SMDIs will be categorized based on the planned activities and balance sheet in the institution's business plan. The categorization will be confirmed at the time the AMF issues an authorization.

34. After implementation, a comparison of a financial institution's total assets and, where applicable, total loans against the threshold criteria will be required on an annual basis. If an institution crosses either the total assets or total loans thresholds, the institution must notify the AMF within 60 days of its fiscal year end. After written confirmation by the AMF, the institution would be subject to the requirements of its new category the following fiscal year. Once an institution migrates to a new category, it will be expected to remain in the category for a minimum of two years. This will provide reasonable assurance regarding the level of liquidity. If after two years an institution once again crosses one of the categorization criteria thresholds, it will be given a year to implement the requirements of its new category.

35. The following illustrates how the threshold for categorization would operate. The example focuses on the migration between the Category II SMDI category and Category III SMDI category (however, the process would be the same with the total asset threshold to move between Categories II and I).

- For Q1 2023, the total loans threshold is assessed using fiscal 2021 data. If the average total loans using fiscal 2021 data is above $100 million, the institution has crossed the Category III SMDI category criteria threshold and will need to meet the liquidity requirements for the Category II SMDI category for fiscal years 2023 and 2024.
- In Q1 2024, the calculation will be performed again using fiscal 2023 data. If the average total loans using fiscal 2023 data is below the $100 million threshold, the institution has fallen below the Category II SMDI category criteria threshold and will need to meet the liquidity requirements for the Category III SMDI category for fiscal years 2025 and 2026.

36. A Category III SMDI must notify the AMF in writing within 60 days of a fiscal quarter end if it crosses the derivative or other off-balance sheet exposure thresholds in criteria (ii), (iii) and (iv) of Table 1.1. After written confirmation ~~from~~by the AMF, the institution would then be subject to the liquidity requirements of Category II SMDIs after four fiscal quarters. During this period, the AMF may request an institution that has crossed the derivative and/or other off-balance sheet thresholds to track and regularly report on the notional amount and exposures from these activities. An institution that has crossed the derivative or other off-balance sheet thresholds must remain in Category II for a minimum of two years. The institution that remains below the thresholds in criteria (ii), (iii) and (iv) of Table 1.1 for a minimum of two years must notify the AMF and would, after written confirmation by the AMF, be subject to the liquidity requirements of Category III SMDIs after four fiscal quarters.

37. The following example illustrates how the derivative and other off-balance sheet exposure thresholds would operate in practice:

- An institution with a December 2024 fiscal year end initially has no derivative exposure and must therefore meet the liquidity requirements of Category III SMDIs.
- In February 2025, the institution completes a foreign exchange derivatives trade with a notional value greater than the amount of the institution's total capital. The institution must inform the AMF in writing no later than May 31, 2025 (60 days after the fiscal quarter end). The institution would, subject to AMF written confirmation, be subject to the Category II liquidity requirements starting in fiscal Q2 2026~~ and remain~~. The institution remains in Category II until at least Q2 2028.

- The institution closes all of its derivative exposure in Q4 2026. For the next two years, the institution has no derivative or other off-balance sheet exposures. In Q1 2029, the institution informs the AMF in writing that it has remained below the thresholds in Table 1.1 for two years. After written confirmation ~~from~~by the AMF, the institution becomes subject to the Category III liquidity requirements again starting in fiscal 2030.

38. Notwithstanding the general criteria in the previous paragraphs, the AMF has the discretion to move an institution into a different category. Factors the AMF may consider include:

- Changes in an institution's activities that may not yet be reflected in its balance sheet; and;
- An institution's business model, where its category, based on the general criteria above, would result in liquidity requirements that do not appropriately reflect the nature of its activities and risks.

39. SMDIs must apply the requirements for their category, as shown in Table 1.2 below.

Table 1.2: Applicable liquidity requirements

Categories of SMDIs	Applicable requirements
Category I SMDIs	LCR, Streamlined NCCF, NSFR,[16] ILMT[17]
Category II SMDIs	LCR, Streamlined NCCF, no NSFR, ILMT[18]
Category III SMDIs	CFS, no LCR, no NSFR, ILMT[19]

Category I SMDIs – Liquidity requirements

40. Category I SMDIs must file the relevant statements and comply with the regulatory requirements applicable to the following liquidity metrics:

- Liquidity Coverage Ratio (Chapter 2)
- Intraday liquidity monitoring tools (Chapter 4)
- Streamlined Net Cumulative Cash Flow (Chapter 5)
- Net Stable Funding Ratio (Chapter 6)

Category II SMDIs – Liquidity requirements

41. Category II SMDIs must file the relevant statements and comply with the regulatory requirements applicable to the following liquidity metrics:

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16 With respect to the NSFR requirement, the AMF may exempt a Category I SMDI based on the risk, nature and complexity of the institution's activities. To be exempted, an institution must operate strictly in Canada and such operations must be primarily Canadian dollar-related. In addition, the AMF may consider the institution's wholesale funding reliance and long-term funding stability for the purposes of the exemption.

17 Intraday liquidity monitoring tools (Chapter 4) apply to Category I SMDIs. In accordance with paragraph 6 of Chapter 4, only Category I SMDIs that are direct clearers of Lynx must report their ILMT to the AMF monthly.

18 Intraday liquidity monitoring tools (Chapter 4) apply to Category II SMDIs. In accordance with paragraph 6 of Chapter 4, only Category II SMDIs that are direct clearers of Lynx must report their ILMT to the AMF monthly.

19 Intraday liquidity monitoring tools (Chapter 4) apply to Category III SMDIs. In accordance with paragraph 6 of Chapter 4, only Category III SMDIs that are direct clearers of Lynx must report their ILMT to the AMF monthly.

- Liquidity Coverage Ratio (Chapter 2)
- Intraday Liquidity Monitoring Tools (Chapter 4)
- Streamlined Net Cumulative Cash Flow (Chapter 5)
- No Net Stable Funding Ratio (Chapter 6)

Category III SMDIs – Liquidity requirements

42. Category III SMDIs must file the relevant statements and comply with the regulatory requirements applicable to the following liquidity metrics:
    - Cash Flow Statement metric (Chapter 5, section 5.7)
    - No Liquidity Coverage Ratio (Chapter 2)
    - Intraday liquidity monitoring tools (Chapter 4)
    - No Net Stable Funding Ratio (Chapter 6)

1.5. Requirements associated with the metrics

43. The Liquidity Coverage Ratio (LCR) requires that, absent a situation of financial stress, the value of the ratio be no lower than 100% (i.e., the stock of High-Quality Liquid Assets (HQLA) should at least equal total net cash outflows over a 30-day horizon). Institutions are expected to meet this requirement on an ongoing basis and hold a stock of unencumbered HQLA as a defence against the potential onset of liquidity stress.

44. However, the AMF adheres to the position of the BCBS stating that institutions may, during periods of financial stress, use their stock of HQLA, thereby falling below 100%, as maintaining the LCR at 100% under such circumstances could produce undue negative effects on the institution and other market participants. The AMF will subsequently assess this situation and will adjust its response flexibly according to the circumstances, as mentioned in paragraph 18 of Chapter 2 of this Guideline.

45. As the foreign currency LCR is not a standard but a monitoring tool, it does not have an internationally defined minimum threshold.

46. The Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding relative to the amount of required stable funding. The minimum standard for NSFR is set at a level of 100%. Until further notice, it will apply only to systemically important financial institutions and Category I SMDIs.

47. However, the AMF could, as required by the BCBS, set minimum monitoring ratios for any of the suite of liquidity metrics below which it should be alerted.

48. In this case, the ratio at which the AMF should be alerted would depend on the financial institution's ability to raise funds in foreign currency markets and the ability to transfer a liquidity surplus from one currency to another and across jurisdictions and legal entities.

1.6. Frequency of calculation and regulatory reporting timeline

49. All applicable metrics presented in this Guideline should be used by the financial institution on an ongoing basis to help monitor and control its liquidity risk. The time lag in reporting for each metric, as outlined below, should be considered the maximum time lag[20] under normal

[20] Where the last day of the maximum time lag falls on a weekend or statutory holiday, the AMF expects reports to be sent the following business day.

conditions. The AMF might accelerate the time lag in reporting where circumstances warrant (e.g., in market-wide or idiosyncratic stress~~).~~)[21] The ability to report on an accelerated timeline should be routinely tested alongside the liquidity contingency plan. Operational capacity may also be tested periodically by the AMF.

50. The LCR should be used on an ongoing basis to help monitor and control liquidity risk. The LCR should be reported[22] to the AMF at least monthly. The D-SIFI should have the operational capacity to increase the LCR reporting frequency to weekly or even daily in stressed situations at the discretion of the AMF; whereas SMDIs should have the operational capacity to increase the reporting frequency to weekly. The time lag in reporting should be as short as feasible and ~~ideally~~ should not surpass 14 days and should be three business days in stressed situations.

51. Moreover, a financial institution must notify the AMF immediately if its LCR has fallen or is expected to fall below 100%.

AMF Note

The AMF acknowledges that intra-period reporting may not be subject to the same rigour and control infrastructure as that of month-end and quarter-end reporting. Institutions must nonetheless have a framework in place that outlines their process to report intra-period LCRs. That process must be regularly tested to ensure it produces reasonable estimates in the three business day reporting time lag.

52. Institutions subject to the NSFR must submit the NSFR form to the AMF at least quarterly. The time lag in reporting should not surpass 30 days.

53. An institution must notify the AMF immediately if its NSFR has fallen or is expected to fall below 100%.

54. The NCCF[23] must be reported to the AMF monthly, with the operational capacity to increase the frequency to weekly or even daily in stressed situations at the AMF's discretion. Forecast of operational expenses and non-interest income described in paragraph 26 are to be reported together with the NCCF form.[24] The time lag in reporting should not surpass 14 days for regular monthly reporting and should be three business days for reporting in stressed situations.

AMF Note

The AMF acknowledges that intra-period reporting may not be subject to the same rigour and control infrastructure as that of month-end and quarter-end reporting. Institutions should nonetheless have a framework in place that outlines their process to report intra-period NCCF. That process should regularly be tested to ensure it produces reasonable estimates in the three business day reporting time lag.

55. Institutions must also notify the AMF immediately if their NCCF has fallen, or is expected to fall, below the supervisory-communicated level.

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21 "Idiosyncratic" means specific to the financial institution.

22 For the disclosure, the AMF will provide financial institutions with a reporting template that will include related instructions.

23 For the disclosure, the AMF will provide financial institutions with a reporting template that will include related instructions.

24 In the "memo items" section of the NCCF form.

56. The Cash Flow Statement (CFS) metric must be reported to the AMF monthly. The time lag in reporting should not surpass 14 days.

57. Financial institutions subject to the CFS metric must notify the AMF immediately if their CFS level has fallen, or is expected to fall, below the supervisory-communicated level.

58. The concentration of funding, available unencumbered assets and LCR by significant currency monitoring metrics must be reported to the AMF monthly. The time lag in reporting must not surpass 14 days.

AMF Note

The AMF will not require separate reporting of data related to the concentration of funding and available unencumbered assets monitoring tools. Instead, it will utilize the information submitted as part of other aspects of regulatory reporting (e.g., NCCF) to assess the information elements requested under these monitoring tools or through requests for additional information made directly to the financial institution.

59. Institution-specific information related to the market-related monitoring tools must be provided to the AMF on a weekly basis. The time lag in reporting must not surpass three business days.

60. Institutions that are direct clearers of Lynx must report to the AMF information contained in the ILMT on a monthly basis. The time lag in reporting should not surpass 14 days. These institutions should have the operational capacity to increase the frequency to weekly or even daily in stressed situations, at the discretion of the AMF.

1.7. General assurance requirements for liquidity returns

Audit

External audit

D-SIFIs and Category I SMDIs

61. The AMF expects external auditors to evaluate and opine on whether the numerator and denominator of the ratios listed on the LCR and NSFR forms at the year-end reporting date have been prepared, in all material respects, in accordance with the requirements of this Guideline.

62. External auditors are expected to provide their opinion to the AMF annually within 90 days of fiscal year-end.

Category II SMDIs

63. The AMF expects external auditors to evaluate and opine on whether the numerator and denominator of the ratios listed on the LCR form at the year-end reporting date have been prepared, in all material respects, in accordance with the requirements of this Guideline.

64. External auditors are expected to provide their opinion to the AMF at least once every two years within 90 days of fiscal year-end.

Category III SMDIs

65. As Category III SMDIs are only subject to the requirements related to the CFS and are not subject to those of the LCR and NSFR, they are exempt from the AMF's external audit requirements related to quality assurance for liquidity returns.

Table 1.3: Summary of assurance expectations – External audit

Category	Form	Filing requirement	Frequency
D-SIFIs	LCR, NSFR	Within 90 days of fiscal year-end	Annual, effective beginning in fiscal 2025
Category I SMDIs	LCR, NSFR	Within 90 days of fiscal year-end	Annual, effective beginning in fiscal 2025
Category II SMDIs	LCR	Within 90 days of fiscal year-end	Biennial, effective beginning in fiscal 2025
Category III SMDIs	Not applicable	Not applicable	Not applicable

Internal audit

D-SIFIs

66. The AMF expects internal auditors to evaluate and opine on the effectiveness of the processes and internal controls in place for the LCR, NSFR and Comprehensive NCCF forms, including related systems, and the monitoring of compliance with the financial institution's applicable models.

67. Internal auditors are expected to provide their opinion to the AMF within 90 days of the fiscal year-end at a minimum once every three years based on the financial institution's internal risk-based frequency of review.

68. The internal audit may be completed at any time during the fiscal year. If the internal audit opinion does not include testing of controls at year-end, the financial institution must attest to the AMF that the processes and controls continue to be in place and no material changes occurred at year-end.

69. The financial institution may appoint any independent qualified party to perform such an audit.

Category I SMDIs

70. The AMF expects internal auditors to evaluate and opine on the effectiveness of the processes and internal controls in place for the LCR, NSFR and Streamlined NCCF form, including related systems, and the monitoring of compliance with the financial institution's applicable models.

71. Internal auditors are expected to provide their opinion to the AMF within 90 days of the fiscal year-end at a minimum once every three years based on the financial institution's internal risk-based frequency of review.

72. The internal audit may be completed at any time during the fiscal year. If the internal audit opinion does not include testing of controls at year-end, the financial institution must attest to the AMF that the processes and controls continue to be in place and no material changes occurred at year-end.

73. The financial institution may appoint any independent qualified party to perform such an audit.

Category II SMDIs

74. The AMF expects internal auditors to evaluate and opine on the effectiveness of the processes and internal controls in place for the LCR and Streamlined NCCF forms, including related systems, and the monitoring of compliance with the financial institution's applicable models.

75. Internal auditors are expected to provide their opinion to the AMF within 90 days of the fiscal year-end at a minimum once every three years based on the financial institution's internal risk-based frequency of review.

76. The internal audit may be completed at any time during the fiscal year. If the internal audit opinion does not include testing of controls at year-end, the financial institution must attest to the AMF that the processes and controls continue to be in place and no material changes occurred at year-end.

77. The financial institution may appoint any independent qualified party to perform such an audit.

Category III SMDIs

78. The AMF expects internal auditors to evaluate and opine on the effectiveness of the processes and internal controls in place for the CFS form, including related systems, and the monitoring of compliance with the financial institution's applicable models.

79. Internal auditors are expected to provide their opinion to the AMF within 90 days of the fiscal year-end at a minimum once every three years based on the financial institution's internal risk-based frequency of review.

80. The internal audit may be completed at any time during the fiscal year. If the internal audit opinion does not include testing of controls at year-end, the financial institution must attest to the AMF that the processes and controls continue to be in place and no material changes occurred at year-end.

81. The financial institution may appoint any independent qualified party to perform such an audit.

Table 1.4: Summary of assurance expectations – Internal audit

Category	Form	Filing requirement	Frequency
D-SIFIs	LCR, NSFR, Comprehensive NCCF	Within 90 days of fiscal year-end	At a minimum once every three years
Category I SMDIs	LCR, NSFR, Streamlined NCCF	Within 90 days of fiscal year-end	At a minimum once every three years
Category II SMDIs	LCR, Streamlined NCCF	Within 90 days of fiscal year-end	At a minimum once every three years
Category III SMDIs	CFS	Within 90 days of fiscal year-end	At a minimum once every three years

Attestation of the representative designated by senior management

D-SIFIs

82. The senior management attestation on the LCR, NSFR and Comprehensive NCCF forms must be signed by a representative designated by the financial institution's senior

management (the "designated representative"). The designated representative must not be directly involved in the preparation of the LCR, NSFR and Comprehensive NCCF forms and must have the knowledge and expertise required to interpret the requirements under this Guideline.

The AMF expects senior management attestations to be submitted to it quarterly and based on the filing requirements for each form.

83. The AMF expects the designated representative to perform a review of the LCR, NSFR and Comprehensive forms to inform the senior management attestations, and to provide an attestation on the accuracy and completeness of the LCR, NSFR and Comprehensive NCCF forms by inserting their signature in the space provided in the Attestation tab of each form.

84. The designated ~~representative's annual attestation submission is~~representative must provide annually to ~~be accompanied by~~the AMF, within 90 days of fiscal year-end, a summary of unadjusted errors[25] identified by the external auditor. Submission of unadjusted errors is limited to those impacting the calculation of the ratios in this Guideline.

Category I SMDIs

85. The senior management attestation on the LCR, NSFR and Streamlined NCCF forms must be signed by a representative designated by the financial institution's senior management (the "designated representative"). The designated representative must not be directly involved in the preparation of the LCR, NSFR and Streamlined NCCF forms and must have the knowledge and expertise required to interpret the requirements in this Guideline.

The AMF expects senior management attestations to be submitted to it quarterly and based on the filing requirements for each form.

86. The AMF expects the designated representative to perform a review of the LCR, NSFR and Streamlined NCCF forms to inform the senior management attestations, and to provide an attestation on the accuracy and completeness of the LCR, NSFR and Streamlined NCCF forms by inserting their signature in the space provided in the Attestation tab of each form.

87. The designated ~~representative's annual attestation submission is~~representative must provide annually to ~~be accompanied by~~the AMF, within 90 days of fiscal year-end, a summary of unadjusted errors identified by the external auditor. Submission of unadjusted errors is limited to those impacting the calculation of the ratios under this Guideline.

Category II SMDIs

88. The senior management attestation on the LCR and Streamlined NCCF forms must be signed by a representative designated by the financial institution's senior management (the "designated representative"). The designated representative must not be directly involved in the preparation of the LCR and Streamlined NCCF forms and must have the knowledge and expertise required to interpret the requirements in this Guideline.

In consideration of their size, nature, complexity and activities, Category II SMDIs may provide the review and attestation biennially.

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25 Unadjusted errors below misstatement ~~posting~~ thresholds identified by external auditors in the performance of their work can aid the AMF in understanding where errors reside in regulatory ratio calculations, which can support their effective supervision.

89. The AMF expects the designated representative to perform a review of the LCR and Streamlined NCCF forms to inform the senior management attestations, and to provide an attestation on the accuracy and completeness of the LCR and Streamlined NCCF forms by inserting their signature in the space provided in the Attestation tab of each form.

90. The designated ~~representative's annual attestation submission is~~representative must provide annually to ~~be accompanied by~~the AMF, within 90 days of fiscal year-end, a summary of unadjusted errors identified by the external auditor. Submission of unadjusted errors is limited to those impacting the calculation of the ratios under this Guideline.

Category III SMDIs

91. The senior management attestation on the CFS form must be signed by a representative designated by the financial institution's senior management (the "designated representative"). The designated representative must not be directly involved in the preparation of the CFS form and must have the knowledge and expertise required to interpret the requirements under this Guideline.

    In consideration their size, nature, complexity and activities, Category III SMDIs may provide the review and attestation biennially.

92. The AMF expects the designated representative to perform a review of the CFS form to inform the senior management attestation, and to provide an attestation on the accuracy and completeness of the CFS form by inserting their signature in the space provided in the Attestation tab of this form.

Table 1.5: Summary of assurance expectations – Designated representative

Category	Form	Frequency
D-SIFIs	LCR, NSFR, Comprehensive NCCF	According to the filing requirements applicable to each form, quarterly
Category I SMDIs	LCR, NSFR, Streamlined NCCF	According to the filing requirements applicable to each form, quarterly
Category II SMDIs	LCR, Streamlined NCCF	According to the filing requirements applicable to each form, at a minimum once every two years
Category III SMDIs	CFS	According to the filing requirements applicable to this form, at a minimum once every two years

Chapter 2. Liquidity Coverage Ratio

AMF Note

The following paragraphs are drawn from *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* and *Basel III: The Liquidity Coverage Ratio Framework: frequently asked questions*.

Certain paragraphs have been taken and adapted from these documents. To facilitate comparability with national and international standards, the paragraph numbering from *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* has been retained.

For reference, the Basel Framework text paragraph numbers that are associated with the text appearing in these paragraphs are indicated in square brackets at the end of each paragraph.

14. The BCBS has developed the Liquidity Coverage Ratio (LCR) to promote the short-term resilience of the liquidity risk profile of financial institutions by ensuring that they have sufficient High-Quality Liquidity Assets (HQLA) to survive a significant stress scenario lasting 30 days.

    [BCBS LCR20.1]

15. The Liquidity Coverage Ratio should be a key component of the prudential supervisory approach to liquidity risk, but must be supplemented by detailed supervisory assessments of other aspects of the institution's liquidity risk management framework in line with the Sound Principles and the AMF's Liquidity Risk Management Guideline,[26] the use of the monitoring tools, and, in due course, the NSFR. In addition, the AMF may require an individual institution to adopt more stringent standards or parameters to reflect its liquidity risk profile and AMF's assessment of its compliance with the BCBS Sound Principles.

AMF Note

The LCR standard applies to systemically important financial institutions and Category I and II SMDIs (see section 1.4 of Chapter 1). Furthermore, in accordance with section 3.3 of Chapter 3, some institutions may have to monitor and report an LCR by significant currency.

2.1. Objective of the Liquidity Coverage Ratio and use of High-Quality Liquidity Assets

16. This standard aims to ensure that a financial institution has an adequate stock of unencumbered HQLA that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30-day liquidity stress scenario.

    At a minimum, the stock of unencumbered HQLA should enable the institution to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken by management and/or the AMF, or that the institution can be resolved in an orderly way.

    Furthermore, it gives the central bank additional time to take appropriate measures, should they be regarded as necessary.

    As noted in the BCBS Sound Principles, given the uncertain timing of outflows and inflows, financial institutions are also expected to be aware of any potential mismatches within the

[26] Autorité des Marchés Financiers, *Liquidity Risk Management Guideline*~~, 2019~~.

30-day period and ensure that sufficient HQLA are available to meet any cash flow gaps throughout the period.

17. The LCR builds on traditional liquidity "coverage ratio" methodologies used internally by institutions to assess exposure to contingent liquidity events. The total net cash outflows for the scenario are to be calculated for 30 days into the future.

    The standard requires that, absent a situation of financial stress, the value of the ratio be no lower than 100% (e.g., the stock of HQLA should at least equal total net cash outflows) on an ongoing basis because the stock of unencumbered HQLA is intended to serve as a defence against the potential onset of liquidity stress.

    During a period of financial stress, however, financial institutions may use their stock of HQLA, potentially falling below 100%, as maintaining the LCR at 100% under such circumstances could produce undue negative effects on the institution and other market participants.

    The AMF will subsequently assess this situation and will adjust its response flexibly according to the circumstances.

    [BCBS LCR20.5]

18. The AMF's decisions regarding a financial institution's use of its HQLA will be guided by consideration of the core objective and definition of the LCR.

    The AMF, in its assessment, will account not only for prevailing macro-financial conditions, but also consider forward-looking assessments of macroeconomic and financial conditions.

    In determining a response, the AMF will be aware that some could be procyclical if applied in circumstances of market-wide stress

    It will take into account the ability of the financial institution to manage the following considerations:

    (a) assess market- and institution-specific conditions at an early stage, and take actions if deemed necessary, to address potential liquidity risk;

    (b) allow for differentiated metrics for a reported LCR below 100%, which will be proportionate with the drivers, magnitude, duration and frequency of the reported shortfall;

    (c) assess a number of institution- and market-specific factors in determining the appropriate response as well as other considerations related to both domestic and global frameworks and conditions.

    Potential considerations include, but are not limited to:

    i. the reason(s) that the LCR fell below 100%. This includes use of the stock of HQLA, an inability to roll over funding or large, unexpected draws on contingent obligations. In addition, the reasons may relate to overall credit, funding and market conditions, including liquidity in credit, asset and funding markets, affecting an individual institution or all institutions, regardless of their own condition;

    ii. the extent to which the reported decline in the LCR is due to an institution-specific or market-wide shock;

iii. a financial institution's overall health and risk profile, including activities, positions with respect to other supervisory requirements, internal risk systems, controls and other management processes, among others;

iv. the magnitude, duration and frequency of the reported decline of HQLA;

v. the potential for contagion to the financial system and additional restricted flow of credit or reduced market liquidity due to actions to maintain an LCR of 100%;

vi. the availability of other sources of contingent funding such as central bank[27] funding, or other actions by prudential authorities.

(d) The AMF will have a range of tools at its disposal to address a reported LCR below 100%. Financial institutions may use their stock of HQLA in both idiosyncratic and systemic stress events, although the AMF response may differ between the two.

i. At a minimum, an institution should present an assessment of its liquidity position, including the factors that contributed to its LCR falling below 100%, the measures that have been and will be taken and the expectations on the potential length of the situation. Enhanced reporting to the AMF should be commensurate with the duration of the shortfall.

ii. If appropriate, the AMF may also require actions by an institution to reduce its exposure to liquidity risk, strengthen its overall liquidity risk management, or improve its contingency plan.

iii. However, in a situation of sufficiently severe systemwide stress, effects on the entire financial system should be considered. Potential measures to restore liquidity levels should be discussed and should be executed over a period ~~of time~~ considered appropriate to prevent additional stress on the institution and on the financial system as a whole.

(e) The AMF's responses will be consistent with the overall approach to the prudential framework.

[BCBS LCR20.6]

2.2. Definition of the Liquidity Coverage Ratio

19. The scenario for the LCR standard entails a combined idiosyncratic and market-wide shock that would result in:

(a) the run-off of a proportion of retail deposits;

(b) a partial loss of unsecured wholesale funding capacity;

(c) a partial loss of secured, short-term financing with certain collateral and counterparties;

[27] The BCBS Sound Principles and the AMF's Liquidity Risk Management Guideline require that an institution develop a Contingency Funding Plan enabling the identification and documentation of the various processes to be put in place and actions to be taken to manage a liquidity crisis in an effective and efficient manner~~.~~ (whether it is an idiosyncratic or a market-wide liquidity crisis). This plan should, among other things, reflect Bank of Canada lending programs and collateral requirements, including facilities that form part of normal liquidity management operations (e.g., the availability of seasonal credit).

(d) additional contractual outflows that would arise from a downgrade in the financial institution's public credit rating by up to and including three notches, including collateral posting requirements;

(e) increases in market volatilities that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts or additional collateral, or lead to other liquidity needs;

(f) unscheduled draws on committed but unused credit and liquidity facilities that the institution has provided to its clients; and

(g) potential need for the institution to buy back debt or honour non-contractual obligations in the interest of mitigating reputational risk.

[BCBS LCR20.2]

20. In summary, the stress scenario specified incorporates many of the shocks experienced during the crisis that started in 2007 into one significant stress scenario for which a financial institution would need sufficient liquidity on hand to survive for up to 30 days.

21. This stress test should be viewed as a minimum supervisory requirement for financial institutions.

Institutions are expected to conduct their own stress tests to assess the level of liquidity they should hold beyond this minimum and construct their own scenarios that could cause difficulties for their specific business activities.

Such internal stress tests28 should incorporate longer time horizons than the one mandated by this standard. Institutions are expected to share the results of these additional stress tests with the AMF.

[BCBS LCR20.3]

22. The LCR has two components:

(a) value of the stock of HQLA in stressed conditions plus eligible non-operational demand and overnight deposits; and

(b) total net cash outflows calculated according to the scenario parameters outlined below.

[BCBS LCR20.4]

$$\text{LCR} = \frac{\text{Stock of HQLA + Eligible non-operational demand and overnight deposits}}{\text{Total net cash outflows over the next 30 days}} \geq 100\%$$

AMF Note

When calculating the LCR, financial institutions must maintain a consistent categorization of a given entity/counterparty across all HQLA, outflow and inflows categories.

28 Financial institutions should consider material climate-related financial risks in their internal liquidity stress tests to assess their potential impact on net cash outflows or the value of liquidity buffer assets. These assessments may inform the level of liquidity the financial institution should hold beyond the LCR minimum. Material climate-related financial risks may be incorporated into the internal liquidity adequacy assessment processes iteratively and progressively as the methodologies and the data used to analyze these risks mature over time and the analytical gaps are addressed. Refer also to the *Climate Risk Management Guideline*, July 2024.

2.2.1. Stock of High-Quality Liquidity Assets (HQLA)

23. One of the two components of the numerator of the LCR is the "stock of HQLA".

    Under the standard, financial institutions must hold a stock of unencumbered HQLA to cover the total net cash outflows (as defined below) over a 30-day period under the prescribed stress scenario.

    In order to qualify as "HQLA", assets should be liquid in markets during a time of stress and, ideally, be Bank of Canada eligible.

    The following sets out the characteristics that such assets should generally possess and the operational requirements that they should satisfy.[29,30]

    [BCBS LCR30.1]

2.2.1.1. Characteristics of High-Quality Liquidity Assets

24. Assets are considered to be HQLA if they can be easily and immediately converted into cash at little or no loss of value.

    The liquidity of an asset depends on the underlying stress scenario, the volume to be monetized and the timeframe considered. Nevertheless, there are certain assets that are more likely to generate funds without incurring large discounts in sale or repurchase agreement (repo) markets due to fire sales even in times of stress.

    This section outlines the factors that influence whether or not the market for an asset can be relied upon to raise liquidity when considered in the context of possible stresses.

    These factors should assist the AMF in determining which assets, despite meeting the criteria of paragraphs 49 to 53, are not sufficiently liquid in private markets to be included in the stock of HQLA.

    [BCBS LCR30.2]

    Fundamental characteristics

    - **Low risk:** assets that are less risky tend to have higher liquidity. High credit standing of the issuer and a low degree of subordination increase an asset's liquidity. Low duration,[31] low legal risk, low inflation risk and denomination in a convertible currency with low foreign exchange risk all enhance an asset's liquidity.

      [BCBS LCR30.6]

    - **Ease and certainty of valuation:** an asset's liquidity increases if market participants are more likely to agree on its valuation. Assets with more standardized, homogenous and simple structures tend to be more fungible, promoting liquidity. The pricing formula

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29 Refer to the sections entitled "Definition of High-Quality Liquidity Assets" and "Operational requirements" for the characteristics that an asset must meet to be part of the stock of HQLA and the definition of "unencumbered", respectively.

30 Solely for the purpose of implementing benchmark rate reforms, when a type of instrument that references an interbank offered rate and has historically qualified as eligible HQLA, is being replaced with an equivalent type of instrument that references an alternative reference rate, the AMF can take into account anticipated increases in the liquidity of the replacement instrument during the transition period when determining whether it qualifies as HQLA.

31 Duration measures the price sensitivity of a fixed income security to changes in interest rate.

of a high-quality liquid asset must be easy to calculate and not depend on strong assumptions. The inputs into the pricing formula must also be publicly available. In practice, this should rule out the inclusion of most structured or exotic products.

[BCBS LCR30.7]

- **Low correlation with risky assets:** the stock of HQLA should not be subject to wrong way (highly) correlated risk. For example, assets issued by financial institutions are more likely to be illiquid in times of liquidity stress in the banking sector.

[BCBS LCR30.8]

- **Listed on a developed and recognized exchange**[32]: being listed increases an asset's transparency.

[BCBS LCR30.9]

Market-related characteristics

- **Active and sizable market:** the asset should have active outright sale or repo markets at all times. This means that:

(a) there should be historical evidence of market breadth and market depth. This could be demonstrated by low bid-ask spreads, high trading volumes, and a large and diverse number of market participants. Diversity of market participants reduces market concentration and increases the reliability of the liquidity in the market;

(b) there should be robust market infrastructures in place. The presence of multiple committed market makers increases liquidity as quotes will most likely be available for buying or selling HQLA.

[BCBS LCR30.10]

- **Low volatility:** Assets whose prices remain relatively stable and are less prone to sharp price declines over time will have a lower probability of triggering forced sales to meet liquidity requirements. Volatility of traded prices and spreads are simple proxy measures of market volatility. There should be historical evidence of relative stability of market terms (e.g., prices and haircuts) and volumes during stressed periods.

[BCBS LCR30.11]

- **Flight to quality:** Historically, the market has shown tendencies to move into these types of assets in a systemic crisis. The correlation between proxies of market liquidity and banking system stress is one simple measure that could be used.

[BCBS LCR30.12]

25. As outlined by these characteristics, the test of whether liquid assets are of "high quality" is that, by way of sale or repo, their liquidity-generating capacity is assumed to remain intact even in periods of severe idiosyncratic and market stress.

    Lower quality assets typically fail to meet that test. An attempt by a financial institution to raise liquidity from lower-quality assets under conditions of severe market stress would entail acceptance of a large fire-sale discount or haircut to compensate for high market risk.

[32] "Exchange" is used to refer, for example, to the TSX, NASDAQ, etc.

That may not only erode the market's confidence in the institution, but it would also generate mark-to-market losses for banks holding similar instruments and add to the pressure on their liquidity position, thus encouraging further fire sales and declines in prices and market liquidity. In these circumstances, private market liquidity for such instruments is likely to disappear quickly.

[BCBS LCR30.3]

26. HQLA (except Level 2B assets as defined below) should ideally be eligible at the Bank of Canada[33] for intraday liquidity needs and overnight liquidity facilities.

In the past, the Bank of Canada has provided a further backstop to the supply of banking system liquidity under conditions of severe stress.

Bank of Canada eligibility should thus provide additional confidence that financial institutions are holding assets that could be used in events of severe stress without damaging the broader financial system. That in turn would raise confidence in the safety and soundness of liquidity risk management in the banking system.

[BCBS LCR30.4]

27. It should be noted, however, that Bank of Canada eligibility does not by itself constitute the basis for the categorization of an asset as "high quality".

[BCBS LCR30.5]

2.2.1.2. Operational requirements

28. All assets in the stock of HQLA are subject to the following operational requirements. The purpose of the operational requirements is to recognize that not all assets outlined in paragraphs 49 to 53 that meet the asset class, risk-weighting and credit-rating criteria should be eligible for the stock as there are other operational restrictions on the availability of HQLA that can prevent timely monetization during a stress period.

[BCBS LCR30.13]

29. These operational requirements are designed to ensure that the stock of HQLA is managed in such a way that the financial institution can, and is able to demonstrate that it can, immediately use the stock of assets as a source of contingent funds that is available for the institution to convert into cash through outright sale or repo, to fill funding gaps between cash inflows and outflows at any time during the 30-day stress period, with no restriction on the use of the liquidity generated.

[BCBS LCR30.14]

AMF Note

HQLA collateral held by a financial institution on the first day of the LCR horizon may count toward the stock of HQLA even if it is sold or repoed forward.

[BCBS LCR40.74] and [BCBS, LCR-FAQ 25]

[33] In most jurisdictions, HQLA should be central bank eligible in addition to being liquid in markets during stressed periods. In jurisdictions where central bank eligibility is limited to an extremely narrow list of assets, a supervisor may allow unencumbered, non-central bank eligible assets that meet the qualifying criteria for Level 1 or Level 2 assets to count as part of the stock (see Definition of High-Quality Liquidity Assets beginning from paragraph 45).

30. An institution should periodically monetize a representative proportion of the assets in the stock through repo or outright sale, in order to test its access to the market, the effectiveness of its processes for monetization, the availability of the assets, and to minimize the risk of negative signalling during a period of actual stress.

[BCBS LCR30.15]

AMF Note

The extent, subject and frequency of HQLA monetization necessary to comply with paragraph 30 should be assessed on a case-by-case basis. It is the responsibility of institutions to incorporate the intent of paragraph 30 in their management of liquid assets and be able to demonstrate to the AMF an approach which is appropriate rather than ex ante stipulations. Financial institutions need not monetize HQLA specifically for test purposes; this requirement can be met through transactions in the course of the institution's normal business.

[BCBS LCR30.15] and [BCBS LCR-FAQ 2(a),(b)]

31. All assets in the stock should be unencumbered.

"Unencumbered" means free of legal, regulatory, contractual or other restrictions on the ability of the financial institution to liquidate, sell, transfer, or assign the asset.

An asset in the stock should not be pledged (either explicitly or implicitly) to secure, collateralize or credit enhance any transaction, nor be designated to cover operational costs (such as rents and salaries).

However, assets received in reverse repo and securities financing transactions that are held at the institution, have not been rehypothecated, and are legally and contractually available for the institution's use can be considered as part of the stock of HQLA.

In addition, assets which qualify for the stock of HQLA that have been pre-positioned or deposited with, or pledged to, the Bank of Canada or a public sector entity (PSE) but have not been used to generate liquidity may be included in the stock.[34]

[BCBS LCR30.16]

AMF Note

Assets received in collateral swap transactions or other securities financing transactions can be considered part of the stock of HQLA if they are held at the financial institution, have not been rehypothecated, and are legally and contractually available for the institution's use.

Institutions may count the unused portion of HQLA-eligible collateral pledged with a clearing entity such as a central counterparty against secured funding transactions towards its stock of HQLA (with associated haircuts). If the institution cannot determine which specific assets remain unused, it may assume that assets are encumbered in order

[34] If an institution has deposited, pre-positioned or pledged Level 1, Level 2 and other assets in a collateral pool and no specific securities are assigned as collateral for any transactions, it may assume that assets are encumbered in order of increasing liquidity value in the LCR, i.e., assets ineligible for the stock of HQLA are assigned first, followed by Level 2B assets, then Level 2A and finally Level 1. This determination must be made in compliance with any requirements, such as concentration or diversification, of the Bank of Canada or a public sector entity.

of increasing liquidity value, consistent with the methodology[35] set out in the footnote below.

[BCBS LCR30.16]

The assessment of whether a collateral is "unused" is to be performed at the end of the day of the reporting date in the respective jurisdiction.

[BCBS LCR40.47] and [BCBS LCR-FAQ 1(e)]

HQLA that is borrowed without any further offsetting transaction (i.e., no repo/reverse repo or collateral swap) where the assets will be returned or can be recalled during the next 30 days, should not be included in the stock of HQLA for either the lender or the borrower. As such, on the side of the borrower, these assets do not enter the LCR calculation. On the lender's side, these assets count towards the "other contractual inflows" amounting to their market value in the case of Level 2 assets after haircut.

[BCBS LCR40.74] and [BCBS LCR-FAQ 25]

32. A financial institution should exclude from the stock those assets that, although meeting the definition of "unencumbered" specified in paragraph 31, the institution would not have the operational capability to monetize to meet outflows during the stress period. Operational capability to monetize assets requires having procedures and appropriate systems in place, including providing the function identified in paragraph 33 with access to all necessary information to execute monetization of any asset at any time. Monetization of the asset must be executable, from an operational perspective, in the standard settlement period for the asset class in the relevant jurisdiction.

[BCBS LCR30.17]

AMF Note

An HQLA-eligible asset received as a component of a pool of collateral for a secured transaction (e.g., reverse repo) can be included in the stock of HQLA (with associated haircuts) to the extent that it can be monetized separately.

[BCBS LCR30.16] and [BCBS LCR-FAQ 1(a)]

33. The stock should be under the control of the functions charged with managing the liquidity of the financial institution (e.g., the treasurer), meaning the function has the continuous authority, and legal and operational capability, to monetize any asset in the stock. Control must be evidenced either by maintaining assets in a separate pool managed by the function with the sole intent for use as a source of contingent funds, or by demonstrating that the function can monetize the asset at any point in the 30-day stress period.

The asset proceeds are therefore available for the function throughout this period without directly conflicting with a business strategy or a risk management strategy.

[35] If an institution has deposited, pre-positioned or pledged Level 1, Level 2 and other assets in a collateral pool and no specific securities are assigned as collateral for any transactions, it may assume that assets are encumbered in order of increasing liquidity value in the LCR , i.e., assets ineligible for the stock of HQLA are assigned first, followed by Level 2B assets, then Level 2A and finally Level 1. This determination must be made in compliance with any requirements, such as concentration or diversification, of the Bank of Canada or PSE.

For example, an asset should not be included in the stock if the sale of that asset, without replacement throughout the 30-day period, would remove a hedge that would create an open risk position in excess of internal limits.

[BCBS LCR30.18]

AMF Note

To meet the requirements set out in paragraph 33, the AMF will recognize liquidity contingency plans where the function charged with managing the liquidity of the financial institution (e.g., the treasurer) has continuous delegated authority to invoke the plan at any time.

34. A financial institution is permitted to hedge the market risk associated with ownership of the stock of HQLA and still includes the assets in the stock. If it chooses to hedge the market risk, the institution should take into account (in the market value applied to each asset) the cash outflow that would arise if the hedge were to be closed out early (in the event of the asset being sold).

    [BCBS LCR30.19]

35. In accordance with Principle 9 of the BCBS Sound Principles a financial institution "should monitor the legal entity and physical location where collateral is held and how it may be mobilized in a timely manner".

    Specifically, it should have a policy in place that identifies legal entities, geographical locations, currencies and specific custodial or bank accounts where HQLA are held.

    In addition, the institution should determine whether any such assets should be excluded for operational reasons and therefore, have the ability to determine the composition of its stock on a daily basis.

    [BCBS LCR30.20]

36. As noted in paragraphs 171 and 172 below, qualifying HQLA that are held to meet statutory liquidity requirements at the legal entity or sub-consolidated level (where applicable) may only be included in the stock at the consolidated level to the extent that the related risks (as measured by the legal entity's or sub-consolidated group's net cash outflows in the LCR) are also reflected in the consolidated LCR.

    Any surplus of HQLA held at the legal entity can only be included in the consolidated stock if those assets would also be freely available to the consolidated (parent) entity in times of stress.

    [BCBS LCR30.21]

37. In assessing whether assets are freely transferable for regulatory purposes, financial institutions should be aware that assets may not be freely available to the consolidated entity due to regulatory, legal, tax, accounting or other impediments. Assets held in legal entities without market access should only be included to the extent that they can be freely transferred to other entities that could monetize the assets.

    [BCBS LCR30.22]

38. In certain jurisdictions, large, deep and active repo markets do not exist for eligible asset classes, and therefore such assets are likely to be monetized through outright sale.

In these circumstances, an institution should exclude from the stock of HQLA those assets where there are impediments to sale, such as large fire-sale discounts which would cause it to breach minimum solvency requirements, or requirements to hold such assets, including, but not limited to, statutory minimum inventory requirements for market making.

[BCBS LCR30.23]

39. Financial institutions should not include in the stock of HQLA any assets, or liquidity generated from assets, they have received under the right of rehypothecation, if the beneficial owner has the contractual right to withdraw those assets during the 30-day stress period.[36]

[BCBS LCR30.24]

40. Assets received as collateral for derivatives transactions that are not segregated and are legally able to be rehypothecated may be included in the stock of HQLA provided that the institution records appropriate outflow for the associated risks as set out in paragraph 116.

[BCBS LCR30.25]

41. As stated in Principle 8 of the BCBS Sound Principles, a financial institution should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contributes to the smooth functioning of payment and settlement systems. Institutions and the AMF should be aware that the LCR stress scenario does not cover expected or unexpected intraday liquidity needs.

[BCBS LCR30.26]

42. While the LCR is expected to be met and reported in a single currency, institutions are expected to be able to meet their liquidity needs in each currency and maintain HQLA consistent with the distribution of their liquidity needs by currency. The institution should be able to use the stock to generate liquidity in the currency and jurisdiction in which the net cash outflows arise.

As such, the LCR by currency is expected to be monitored and reported to allow the institution and the AMF to track any potential currency mismatch issues that could arise. In managing foreign exchange liquidity risk, the institution should take into account the risk that its ability to swap currencies and access the relevant foreign exchange markets may erode rapidly under stressed conditions. It should be aware that sudden, adverse exchange rate movements could sharply widen existing mismatched positions and alter the effectiveness of any foreign exchange hedges in place.

[BCBS LCR30.27]

43. In order to mitigate cliff effects that could arise, if an eligible liquid asset became ineligible (e.g., due to rating downgrade), a financial institution is permitted to keep such assets in its stock of liquid assets for an additional 30 days. This would allow the institution additional time to adjust its stock as needed or replace the asset.

[BCBS LCR30.28]

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[36] Refer to paragraph 147 for the appropriate treatment if the contractual withdrawal of such assets would lead to a short position (e.g., because the institution had used the assets in longer-term securities financing transactions).

2.2.1.3. Diversification of the stock of High-Quality Liquidity Assets

44. The stock of HQLA should be well diversified within the asset classes themselves (except for sovereign debt of the financial institution's home jurisdiction or from the jurisdiction in which the institution operates; central bank reserves; central bank debt securities; and cash).

    Although some asset classes are more likely to remain liquid irrespective of circumstances, ex-ante it is not possible to know with certainty which specific assets within each asset class might be subject to shocks ex-post.

    Institutions should therefore have policies and limits in place in order to avoid concentration with respect to asset types, issue and issuer types, and currency (consistent with the distribution of net cash outflows by currency) within asset classes.

    [BCBS LCR30.29]

2.2.1.4. Definition of High-Quality Liquidity Assets

45. The stock of HQLA should comprise assets with the characteristics outlined in paragraphs 24 to 27. This section describes the type of assets that meet these characteristics and can therefore be included in the stock.[37]

    [BCBS LCR30.30]

46. There are two categories of assets that can be included in the stock. Assets to be included in each category are those that the institution is holding on the first day of the stress period, irrespective of their residual maturity.

    "Level 1" assets can be included without limit, while "Level 2" assets can only comprise up to 40% of the stock.

    [BCBS LCR30.31]

    47. The AMF may also choose to include within Level 2 an additional class of assets (Level 2B assets - see paragraph 53 below). If included, these assets should comprise no more than 15% of the total stock of HQLA. They must also be included within the overall 40% cap on Level 2 assets.

    [BCBS LCR30.33]

48. The 40% cap on Level 2 assets and the 15% cap on Level 2B assets should be determined after the application of required haircuts, and after taking into account the unwind of short-term securities financing transactions and collateral swap transactions maturing within 30 days that involve the exchange of HQLA. In this context, short-term transactions are transactions with a maturity date up to and including 30 days.

    [BCBS LCR30.34]

    48A. As stated in paragraph 48, the calculation of the 40% cap on Level 2 assets should take into account the impact on the stock of HQLA of the amounts of Level 1 and Level

[37] For the treatment of cryptoasset exposures, including tokenized traditional assets, for the purpose of determining eligible HQLA, financial institutions should refer to the AMF's *Guideline on capital and liquidity treatment of cryptoasset exposures*, which provides additional requirements.

2 assets involved in secured funding,[38] secured lending[39] and collateral swap transactions maturing within 30 days.

The maximum amount of adjusted Level 2 assets in the stock of HQLA is equal to two thirds of the adjusted amount of Level 1 assets after haircuts have been applied. The calculation of the 40% cap on Level 2 assets will take into account any reduction in eligible Level 2B assets on account of the 15% cap on Level 2B assets.[40,41]

[BCBS LCR30.35]

AMF Note

For purposes of the LCR calculation, the AMF will only require the size of an individual institution's pool of Level 2 and Level 2B assets to be calculated on an adjusted basis as noted in paragraph 48A. The AMF will, however, monitor the size of an institution's pool of Level 2 and Level 2B assets on an unadjusted basis as discussed in paragraphs 39 and 147.

48B. Further, the calculation of the 15% cap on Level 2B assets should take into account the impact on the stock of HQLA of the amounts of HQLA assets involved in secured funding, secured lending and collateral swap transactions maturing within 30 days. The maximum amount of adjusted Level 2B assets in the stock of HQLA is equal to 15/85 of the sum of the adjusted amounts of Level 1 and Level 2 assets, or, in cases where the 40% cap is binding, up to a maximum of 1/4 of the adjusted amount of Level 1 assets, both after haircuts[42] have been applied.

[BCBS LCR30.36]

48C. The adjusted amount of Level 1 assets is defined as the amount of Level 1 assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 1 assets (including cash) that meet, or would meet if held unencumbered, the operational requirements for HQLA set out in paragraphs 28 to 40.

The adjusted amount of Level 2A assets is defined as the amount of Level 2A assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level 2A assets that meet, or would meet if held unencumbered, the operational requirements for HQLA set out in paragraphs 28 to 40.

The adjusted amount of Level 2B assets is defined as the amount of Level 2B assets that would result after unwinding those short-term secured funding, secured lending and collateral swap transactions involving the exchange of any HQLA for any Level

38 See definition in paragraph 112.

39 See definition in paragraph 145.

40 Bank for International Settlements, Basel Committee on Banking Supervision, *Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013, Annex 1, paragraph 2.

41 When determining the calculation of the 15% and 40% caps, supervisors may, as an additional requirement, separately consider the size of the pool of Level 2 and Level 2B assets on an unadjusted basis.

42 Bank for International Settlements, Basel Committee on Banking Supervision, *Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013, Annex 1, paragraph 3.

2B assets that meet, or would meet if held unencumbered, the operational requirements for HQLA set out in paragraphs 28 to 40.[43]

[BCBS LCR30.37]

The formula for the calculation of the stock of HQLA is as follows[44]:

$$\begin{aligned}\text{Stock of HQLA} = \quad & \text{Level 1} + \text{Level 2A} + \text{Level 2B} \\ & -\text{Adjustment for 15\% cap} \\ & -\text{Adjustment for 40\% cap}\end{aligned}$$

Where:

$$\begin{aligned}\text{Adjustment for 15\% cap} = \quad & Max[\text{Adjusted Level 2B} \\ & -\frac{15}{85}x(\text{Adjusted Level 1} + \text{Adjusted Level 2A}); \\ & \text{Adjusted Level 2B} - \frac{15}{60}x\text{Adjusted Level 1}; 0]\end{aligned}$$

And:

$$\begin{aligned}\text{Adjustment for 40\% cap} = \quad & Max[(\text{Adjusted Level 2A} + \text{Adjusted Level 2B} \\ & -\text{Adjustment for 15\% cap} \\ & -\frac{2}{3}x\text{Adjusted Level 1 Assets}); 0]\end{aligned}$$

Alternatively, the formula can be expressed as[45]:

$$\begin{aligned}\text{Stock of HQLA} = \quad & \text{Level 1} + \text{Level 2A} + \text{Level 2B} \\ & -Max[\text{Adjusted Level 2A} + \text{Adjusted Level 2B} - \frac{2}{3}x(\text{Adjusted Level 1}); \\ & \text{Adjusted Level 2B} - \frac{15}{85}x(\text{Adjusted Level 1} + \text{Adjusted Level 2A}); 0]\end{aligned}$$

[BCBS LCR30.38] and [BCBS LCR30.39]

i. Level 1 assets

49. Level 1 assets can comprise an unlimited share of the pool and are not subject to a haircut under the LCR.[46] However, the AMF may wish to require haircuts for Level 1 securities based on, among other things, their duration, credit and liquidity risk, and typical repo haircuts.

[BCBS LCR30.40]

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43 Bank for International Settlements, Basel Committee on Banking Supervision, *Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013, Annex 1, paragraph 4.

44 Bank for International Settlements, Basel Committee on Banking Supervision, *Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013, Annex 1, paragraph 5.

45 Bank for International Settlements, Basel Committee on Banking Supervision, *Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013, Annex 1, paragraph 6.

46 For purposes of calculating the LCR, Level 1 assets in the stock of HQLA should be measured at an amount no greater than their current market value.

AMF Note

Level 1 assets will not be subject to a haircut. They could be included in HQLA at 100% of their market value.

50. Level 1 assets are limited to:

(a) coins and banknotes;

(b) central bank reserves (including required reserves),[47] to the extent that the central bank policies allow them to be drawn down in times of stress;[48]

(c) marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs, the Bank for International Settlements, the International Monetary Fund, the European Central Bank and European Community, or ~~multilateral development banks~~MDBs,[49] and satisfying all of the following conditions~~[50]~~:

- assigned a 0% risk weight under the ~~Basel II~~ Standardized Approach for credit risk (section 3.~~1~~2 of Chapter 3 of the Capital Adequacy Guideline);[51]
- traded in large, deep and active repo or cash markets characterized by a low level of concentration;
- have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions; and
- not an obligation of a financial institution[52] or any of its affiliated entities.[53]

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47 In this context, central bank reserves would include institutions' overnight deposits with the central bank, and term deposits with the central bank that: (i) are explicitly and contractually repayable on notice from the depositing institution; or (ii) constitute a loan against which the institutions can borrow on a term basis or on an overnight but automatically renewable basis (only where the institution has an existing deposit with the relevant central bank). Other term deposits with central banks are not eligible for the stock of HQLA; however, if the term expires within 30 days, the term deposit could be considered as an inflow per paragraph 154.

48 Local supervisors should discuss and agree with the relevant central bank the extent to which central bank reserves should count towards the stock of liquid assets, i.e., the extent to which reserves are able to be drawn down in times of stress.

49 The Basel III liquidity framework follows the categorization of market participants applied in the Basel ~~II~~ Framework, unless otherwise specified.

~~50 The Basel III liquidity framework follows the categorization of market participants applied in the Basel Framework, unless otherwise specified.~~

51 Paragraph 50(c) includes only marketable securities that qualify for CRE 20.4 of the Basel Framework. When a 0% risk-weight has been assigned at national discretion according to the provision in CRE 20.5 of the Basel Framework, the treatment should follow paragraph 50(d) or 50(e).

52 This includes deposit-taking entities, insurance companies, securities firms as well as other financial institutions that are involved in financial leasing, issuing credit cards, portfolio management, investment advisory, custodial and safekeeping services and other similar activities that are ancillary to the business of banking.

53 This requires that the holder of the security must not have recourse to the financial institution or any of the financial institution's affiliated entities. In practice, this means that securities, such as government-guaranteed issuance during the financial crisis, which remain liabilities of the financial institution, would not qualify for the stock of HQLA. The only exception is when the financial institution also qualifies as a PSE under paragraph CRE 20.11 of the Basel Framework where securities issued by the institution could qualify for Level 1 assets if all necessary conditions are satisfied.

(d) where the sovereign has a non-0% risk weight, sovereign or central bank debt securities issued in domestic currencies by the sovereign or central bank in the country in which the liquidity risk is being taken or in the institution's home country; and

(e) where the sovereign has a non-0% risk weight, domestic sovereign or central bank debt securities issued in foreign currencies are eligible up to the amount of the institution's stressed net cash outflows in that specific foreign currency stemming from the institution's operations in the jurisdiction where the institution's liquidity risk is being taken.

[BCBS LCR30.41]

AMF Note

Claims on all provincial and territorial governments and agents of the federal, provincial or territorial governments whose ~~debt~~debts are, by virtue of their enabling legislation, obligations of the parent government, will receive the same risk weight as the Government of Canada under the ~~Basel II Framework~~Standardized Approach for credit risk set out in the Capital Guideline.

Securities issued under the National Housing Act Mortgage Backed Securities[54] (NHA MBS) program may be included as Level 1 assets.

For non-foreign non-D-SIFI institutions, holdings of NHA mortgage-backed securities and Canada Mortgage Bonds (CMBs) where the minimum pool size is less than $25 million may be included as Level 1 assets.

Sovereign and central bank debt securities, even with a rating below AA–, should be considered eligible as Level 1 assets only when these assets are issued by the sovereign or central bank in the institution's home country or in host countries where the institution has a presence via a subsidiary or branch. Therefore, paragraphs 50(d) and 50(e) do not apply to a country in which the institution's only presence is liquidity risk exposures denominated in the currency of that country.

[BCBS LCR30.41] and [BCBS FAQ 3(b)]

In paragraph 50(e), the amount of non-0% risk-weighted sovereign/central bank debt issued in foreign currencies included in Level 1 assets is strictly limited to the foreign currency exposure in the jurisdiction of the issuing sovereign/central bank.

[BCBS LCR30.41] and [BCBS FAQ 3(c)]

ii. Level 2 assets

51. Level 2 assets (comprising Level 2A assets and any Level 2B assets permitted by the AMF) can be included in the stock of HQLA, subject to the requirement that they comprise no more than 40% of the overall stock after haircuts have been applied. The method for calculating the cap on Level 2A assets and the cap on Level 2B assets is set out in paragraphs 48A, 48B and 48C.

[BCBS LCR30.42]

[54] R.S.C., 1985, c. N-11.

iii. Level 2A assets

52. A 15% haircut is applied to the current market value of each Level 2A asset held in the stock of HQLA. Level 2A assets are limited to the following:

(a) Marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs or multilateral development banks that satisfy all of the following conditions[55]:

- assigned a 20% risk weight under the ~~Basel II~~ Standardized Approach for credit risk (section 3.2 of the AMF's *Capital Guideline*);
- traded in large, deep and active repo or cash markets characterized by a low level of concentration;
- have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (e.g., maximum decline of price not exceeding 10% or increase in haircut not exceeding 10 percentage points over a 30-day period during a relevant period of significant liquidity stress); and
- not an obligation of a financial institution or any of its affiliated entities.[56,57]

(b) Corporate debt securities (including commercial paper[58]) and covered bonds[59] that satisfy all of the following conditions:

- in the case of corporate debt securities: not issued by a financial institution or any of its affiliated entities;
- in the case of covered bonds: not issued by the institution itself or any of its affiliated entities;

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55 Paragraphs 50(d) and (e) may overlap with paragraph 52(a) in terms of sovereign and central bank securities with a 20% risk weight. In such a case, the assets can be assigned to the Level 1 category according to paragraph 50(d) or (e), as appropriate.

56 This includes deposit institutions, insurance companies, securities firms and other financial institutions that are involved in financial leasing, credit card issuance, portfolio management, investment advisory, custodial and safekeeping services and other similar activities that are ancillary to the business of banking.

57 This requires that the holder of the security must not have recourse to the financial institution or any of the financial institution's affiliated entities. In practice, this means that securities, such as government-guaranteed issuance during the financial crisis, which remain liabilities of the financial institution, would not qualify for the stock of HQLA. The only exception is when the financial institution also qualifies as a PSE under the ~~Basel II Framework~~Standardized Approach for credit risk set out in Chapter 3 of the Capital Guideline where securities issued by the institution could qualify for Level 1 assets if all necessary conditions are satisfied.

58 Corporate debt securities (including commercial paper) in this respect include only plain-vanilla assets whose valuation is readily available based on standard methods and does not depend on private knowledge, i.e., these do not include complex structured products or subordinated debt.

59 Covered bonds are bonds issued and owned by a financial institution or lending institution and are subject by law to special public supervision designed to protect bond holders. Proceeds deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of the validity of the bonds, are capable of covering claims attached to the bonds and which, in the event of the failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

- either (i) Level 1 assets have a long-term credit rating from a recognized external credit assessment institution (ECAI) of at least AA-[60] or in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating; or (ii) Level 2 assets do not have a credit assessment by a recognized ECAI but are internally rated as having a probability of default (PD) corresponding to a credit rating of at least AA-;
- traded in large, deep and active repo or cash markets characterized by a low level of concentration; and
- have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions: e.g., a maximum decline of price or increase in haircut over a 30-day period during a relevant period of significant liquidity stress not exceeding 10%.

[BCBS LCR30.43]

AMF Note

Covered bonds that were issued by Canadian financial institutions prior to the Canadian covered bond legislation coming into force on July 6, 2012, may be included as Level 2A assets if the other requirements outlined in paragraph 52(b) are met (e.g., those unrelated to footnote ~~57~~58).

iv. Level 2B assets

53. Certain additional assets (Level 2B assets) may be included in Level 2 at the discretion of national authorities. In choosing to include these assets in Level 2 for the purpose of the LCR, supervisors are expected to ensure that such assets fully comply with the qualifying criteria.[61] Supervisors are also expected to ensure that financial institutions have appropriate systems and measures to monitor and control the potential risks (e.g., credit and market risks) that institutions could be exposed to in holding these assets.

[BCBS LCR30.44]

AMF Note

The AMF will allow financial institutions to include Level 2B assets as eligible HQLA, up to the 15% composition limit of total HQLA noted in paragraph 47, provided the assets and meet all of the eligibility criteria noted in paragraph 54 for the individual asset type.

54. A larger haircut is applied to the current market value of each Level 2B asset held in the stock of HQLA. Level 2B assets are limited to the following:

(a) Residential mortgage-backed securities (RMBS) that satisfy all of the following conditions may be included in Level 2B, subject to a 25% haircut:

60 In the event of split ratings, the applicable rating should be determined according to the method used in Basel II's Standardized Approach for credit risk. Local rating scales (rather than international ratings) of a supervisor-approved ECAI that meet the eligibility criteria outlined in CRE21.2 of the Basel Framework can be recognized if corporate debt securities or covered bonds are held by a financial institution for local currency liquidity needs arising from its operations in that local jurisdiction. This also applies to Level 2B assets.

61 As with all aspects of the framework, compliance with these criteria will be assessed as part of peer reviews made under the *Basel III regulatory consistency assessment programme*.

- not issued by, and the underlying assets have not been originated by the institution itself or any of its affiliated entities;
- have a long-term credit rating from a recognized ECAI of AA or higher, or in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating;
- traded in large, deep and active repo or cash markets characterized by a low level of concentration;
- have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e., a maximum decline of price not exceeding 20% or increase in haircut over a 30-day period not exceeding 20 percentage points during a relevant period of significant liquidity stress;
- the underlying asset pool is restricted to residential mortgages and cannot contain structured products;
- the underlying mortgages are "full recourse" loans (e.g., in the case of foreclosure the mortgage owner remains liable for any shortfall in sales proceeds from the property) and have a maximum loan-to-value ratio (LTV) of 80% on average at issuance; and
- securitizations are subject to "risk retention" regulations which require issuers to retain an interest in the assets they securitize.

AMF Note

In Canada, authorities have not prescribed specific "risk retention" regulations. Enhanced disclosure and the requirement to deduct first loss in securitizations are examples where the principles of risk retention are met. For holdings of RMBS from foreign jurisdictions, financial institutions should follow the respective "risk retention" regulations in that jurisdiction.

The LTV requirement in paragraph 54(a) refers to the weighted average (by loan balance) LTV of the portfolio of underlying mortgages, not to any individual mortgage, i.e., mortgages that have an LTV greater than 80% are not excluded per se.

[BCBS LCR30.45] and [BCBS LCR-FAQ 2(a)]

The "at issuance" reference in paragraph 54(a), refers to the time when the RMBS is issued, i.e., the average LTV of the underlying mortgages at the time of the issuance of the RMBS must not be higher than 80%.

[BCBS LCR30.45] and [BCBS LCR-FAQ 2(a)]

(b) Corporate debt securities (including commercial paper)[62] that satisfy all of the following conditions may be included in Level 2B, subject to a 50% haircut:

- not issued by, and the underlying assets have not been originated by, a financial institution or any of its affiliated entities;
- either Level 1 assets have a long-term credit rating from a recognized ECAI between A+ and BBB- or in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating; or Level 2A assets do not have a credit

[62] Corporate debt securities (including commercial paper) in this respect include only plain-vanilla assets whose valuation is readily available based on standard methods and does not depend on private knowledge, i.e., these do not include complex structured products or subordinated debt.

assessment by a recognized ECAI and are internally rated as having a PD corresponding to a credit rating of between A+ and BBB-;

- traded in large, deep and active repo or cash markets characterized by a low level of concentration;
- have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e., a maximum decline of price not exceeding 20% or increase in haircut over a 30-day period not exceeding 20 percentage points during a relevant period of significant liquidity stress.

AMF Note

Sovereign and central bank debt securities rated BBB+ to BBB– that are not included in the definition of Level 1 assets according to paragraph 50(d) or 50(e) may be included in the definition of Level 2B assets with a 50% haircut within the 15% cap for all Level 2B assets.

[BCBS LCR30.45] and [BCBS LCR-FAQ 3(a)]

Corporate debt securities with a rating of at least AA- whose maximum decline of price or increase in haircut over a 30-day period of significant liquidity stress is between 10% and 20% may count towards Level 2B assets provided that they meet all other requirements stated in paragraph 54(b).

[BCBS LCR30.45] and [BCBS LCR-FAQ 5(a)]

Securities representing claims on PSEs with a rating of at least BBB- whose maximum decline of price or increase in haircut over a 30-day period of significant liquidity stress does not exceed 20% may count towards Level 2B assets provided that they meet all other requirements stated in paragraph 54(b).

[BCBS LCR30.45] and [BCBS LCR-FAQ 5(b)]

(c) Common equity shares that satisfy all of the following conditions may be included in Level 2B, subject to a 50% haircut:

- not issued by a financial institution or any of its affiliated entities;
- exchange traded and centrally cleared;
- a constituent of the major stock index in the home jurisdiction or where the liquidity risk is taken, as decided by the supervisor in the jurisdiction where the index is located;
- denominated in the domestic currency of an institution's home jurisdiction or in the currency of the jurisdiction where an institution's liquidity risk is taken;
- traded in large, deep and active repo or cash markets characterized by a low level of concentration; and
- have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e., a maximum decline of share price not exceeding 40% or increase in haircut not exceeding 40 percentage points over a 30-day period during a relevant period of significant liquidity.

[BCBS LCR30.45]

AMF Note

For purposes of paragraph 54(c) the S&P/TSX 60 Index should be recognized as the major stock index in Canada. Financial institutions should consult with the supervisor in jurisdictions outside Canada where both (i) Tier 1A capital instruments are held by the institution and (ii) where liquidity risk is being taken by the institution, for a determination of the major stock index in that jurisdiction. [BCBS LCR30.45] and [BCBS LCR-FAQ 6(a)]

Institutions are permitted to include long cash non-financial equity positions held against synthetic short positions as eligible Level 2B assets provided the operational requirements outlined in section 2.2.1.2 are met.

In the case of equity total return swap (TRS) transactions, for example, this means that provisions must be included in the TRS contracts that give the institution the unfettered right to terminate the TRS with settlement of cash flows (on both the equities and the TRS) occurring within the LCR's 30-day time horizon. In addition, the process of unwinding such transactions must not create an open risk position in excess of internal limits, in line with paragraph 33.

Equities that are a constituent of a major stock index can only be assigned to the stock of HQLA if the stock index is located within the home jurisdiction of the institution or if the institution has liquidity risk exposure through a branch or other legal entity in that jurisdiction.

[BCBS LCR30.45] and [BCBS LCR-FAQ 4(b)]

54.A. In addition, the AMF may choose to include within Level 2B assets the undrawn value of any contractual committed liquidity facility (CLF) provided by a central bank, where this has not already been included in HQLA.

When including such facilities within Level 2B assets, the following conditions apply:

(a) The facility (termed a restricted-use committed liquidity facility (RCLF)) must, in normal times, be subject to a commitment fee on the total (drawn and undrawn) facility amount that is at least the greater of:

- 75 basis points per annum; or
- at least 25 basis points per annum above the difference in yield on the assets used to secure the RCLF and the yield on a representative portfolio of HQLA, after adjusting for any material differences in credit risk.

In periods of market-wide stress the commitment fee on the RCLF (drawn and undrawn amount) may be reduced but remain subject to the minimum requirements applicable to CLFs used by countries with insufficient HQLA.

(b) The RCLF must be supported by unencumbered collateral of a type specified by the Bank of Canada. The collateral must be held in a form which supports immediate transfer to the Bank of Canada should the facility need to be drawn and sufficient (post haircut) to cover the total size of the facility. Collateral used to support a RCLF cannot simultaneously be used as part of HQLA.

(c) Conditional on the financial institution being assessed to be solvent, the RCLF contract must otherwise be irrevocable prior to maturity and involve no other ex-post credit decision by the Bank of Canada. The commitment period must exceed the 30-day stress period stipulated by the LCR framework.

(d) Central banks that offer RCLFs to banks in their jurisdiction should disclose their intention to do so and, to the extent that facilities are not available to all banks in the jurisdiction, to which classes) of banks they may be offered.

The AMF will also disclose whether RCLFs (offered by the Bank of Canada or by central banks in other jurisdictions) are able to be included within the HQLA of financial institutions within its jurisdiction. The AMF will publish a notice when it considers there to be a market-wide stress that justifies an easing of the RCLF terms.

[BCBS LCR30.46]

v. Treatment for jurisdictions with insufficient HQLA

Assessment of eligibility for alternative liquidity approaches (ALA)

55-68 Paragraphs not selected

[BCBS LCR31]

AMF Note

The AMF does not consider that Canada as a jurisdiction, nor the Canadian dollar (CAN) as a currency, meet the qualifying criteria for eligibility for the alternative liquidity approaches mentioned in paragraphs 55 and 56. Accordingly, the AMF has not incorporated the guidance featured in paragraphs 55 to 68, Annex 2 and Annex 3 of the BCBS into this Guideline.

2.2.1.5. Eligible non-operational demand and overnight deposits

The AMF will recognize non-operational demand and overnight deposits placed by an indirect clearer (that is not a subsidiary of a direct clearer[63]) with ~~the institution~~a direct clearer in the numerator of the indirect clearer's LCR, although not as HQLA. As such, these eligible deposits should not be considered as inflows from financial institutions under paragraph 154 and will be eligible for inclusion in the LCR at the 100% rate that they would have received if they had otherwise been captured under paragraph 154.

2.2.2. Total net cash outflows

69. The term "total net cash outflows"[64] is defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 days.

    Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down.

    Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in under the scenario up to an aggregate cap of 75% of total expected cash outflows.[65]

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63 A "direct participant" (referred to here as a "direct clearer") means a participant in a large-value payment system that can settle transactions without using an intermediary. If not a direct participant, a participant (referred to here as an "indirect clearer") will need to use the services of a direct participant (a correspondent bank) to perform particular settlements on its behalf. Institutions can be a direct participant in a large-value payment system while using a correspondent bank to settle particular payments, for example, payments for an ancillary system.

64 Where applicable, cash inflows and outflows should include interest that is expected to be received and paid during the 30-day time horizon.

65 When determining LCR cash inflows and outflows for cryptoasset exposures, financial institution should refer to the AMF's *Guideline on capital and liquidity treatment of cryptoasset exposures*, which provides additional requirements.

[BCBS LCR40.1]

$$\text{Total net cash outflows over the next 30 days} = \text{Total expected cash outflows} - \text{Min}[\text{Total expected cash inflows}\ ;\ 75\%\ \text{of total expected cash outflows}]$$

70. While most roll-off rates, draw-down rates and similar factors are harmonized across jurisdictions as outlined in this standard, a few parameters are to be determined by supervisory authorities at the national level. Where this is the case, the parameters should be transparent and made publicly available.

[BCBS LCR40.2]

71. Annex ~~2-I~~1 of this Guideline provides a summary of the factors that are applied to each category.

[BCBS LCR40.3]

72. Financial institutions are not permitted to double-count items, e.g., if an asset is included as part of the "stock of HQLA" (i.e., the numerator), the associated cash inflows cannot also be counted as cash inflows (i.e., part of the denominator). Where there is potential that an item could be counted in multiple outflow categories (e.g., committed liquidity facilities granted to cover debt maturing within the 30-day period), an institution has only to assume up to the maximum contractual outflow for that product. Residual maturity of finance instruments with market-based maturity triggers, such as autocallable notes, should either reflect the earliest possible maturity or the expected life calculated based on a prudent and appropriate analysis.

[BCBS LCR40.4]

2.2.2.1. Cash outflows

AMF Note

If a deposit is contractually pledged to an institution as collateral to secure a credit facility or loan granted by the institution that will not mature or be settled in the next 30 days, the pledged deposit may be excluded from the LCR calculation only if the following conditions are met:

- the loan will not mature or be settled in the next 30 days;
- the pledge arrangement is subject to a legally enforceable contract disallowing withdrawal of the deposit before the loan is fully settled or repaid; and
- the amount of deposit to be excluded cannot exceed the outstanding balance of the loan (which may be the drawn portion of a credit facility).

The above treatment does not apply to a deposit which is pledged against an undrawn facility, in which case the higher of the outflow rate applicable to the undrawn facility or the pledged deposit applies.

[BCBS LCR40.5] and [BCBS LCR-FAQ 7]

i. Retail Deposit Run-off

73. Retail deposits are defined as deposits placed with a financial institution by a natural person. Deposits from legal entities, sole proprietorships or partnerships are captured in wholesale

deposit categories,[66] including funding provided by small business customers which receive retail treatment, set out in paragraphs 89 to **Erreur ! Source du renvoi introuvable.**. [67].

Retail deposits subject to the LCR include demand deposits and term deposits, including structured notes, unless otherwise excluded under the criteria set out in paragraphs 82 and 83.

To be treated as a retail deposit, it is not sufficient that the instrument is specifically designed and marketed to retail or small business customers. Rather there should be controls put in place by the financial institution to identify and exclude any instrument that is beneficially owned by a corporation or other financial institution.

[BCBS LCR40.5]

74. These retail deposits are divided into "stable" and "less stable" portions of funds as described below, with minimum run-off rates listed for each category. Financial institutions must discuss with the AMF the classification of new products offered. The run-off rates for retail deposits are minimum floors, with higher run-off rates established by individual jurisdictions as appropriate to capture depositor behaviour in a period of stress in each jurisdiction.

[BCBS LCR40.6]

AMF Note

For purposes of determining a retail deposit run-off rate:

- An established relationship between a financial institution and a retail depositor exists where there is evidence of a dependency or reliance of the depositor on the financial institution that makes deposit withdrawal highly unlikely in a stress environment. There is a general presumption that an established relationship has been developed where the depositor holds complementary banking services with the financial institution. This presumption holds if any of the following are met:
  - the depositor holds a demand or term deposit in addition to:
    - term investment(s) or instalment loan(s) maturing outside the LCR window; or
    - a revolving credit facility with an outstanding balance (excluding credit cards); or
    - a transactional account; or
    - a brokerage/discount brokerage/wealth management account with the institution or its direct subsidiaries;

[66] Deposits in precious metals received by a financial institution should be treated as retail deposits or as unsecured wholesale funding depending on the type of counterparty. A financial institution may assume no outflow if: (i) the deposit physically settles and the institution is able to supply the precious metals from its own inventories; or (ii) contractual arrangements give the institution the choice between cash settlement and physical delivery and there are no market practices or reputational factors that may limit the institution's discretion to exercise the option in a way that would minimise the LCR-effective outflow (i.e., to opt for physical delivery if the institution is able to supply the precious metals from its own inventories). This provision is strictly limited in scope to precious metal deposits and does not extend to derivatives or other products that have similar economic features as precious metal deposits.

[67] ~~Deposits in precious metals received by a financial institution should be treated as retail deposits or as unsecured wholesale funding depending on the type of counterparty. A financial institution may assume no outflow if: (i) the deposit physically settles and the institution is able to supply the precious metals from its own inventories; or (ii) contractual arrangements give the institution the choice between cash settlement and physical delivery and there are no market practices or reputational factors that may limit the institution's discretion to exercise the option in a way that would minimise the LCR-effective outflow (i.e., to opt for physical delivery if the institution is able to supply the precious metals from its own inventories). This provision is strictly limited in scope to precious metal deposits and does not extend to derivatives or other products that have similar economic features as precious metal deposits.~~

- the depositor holds investments in a registered account (e.g., Registered Retirement Savings Plans, Registered Education Savings Plans, Tax-Free Savings Accounts) with the institution;
- other combinations of banking services and products demonstrated to increase the resilience of the depositor-institution relationship, as agreed with the AMF.[68]

- an account is transactional if it meets any of these criteria:
  - the depositor's source of income is automatically deposited into the account;
  - bill payments are regularly withdrawn from the account; or
  - the account is routinely used for client-driven transactions.
- an unaffiliated third party is an entity that is not branded with the institution or that is not branded as a subsidiary of the institution, and that is acting on behalf of the retail client in an advisory role (e.g., ability to direct or influence the institution where the funds are placed);
- rate sensitive deposits (RSD) are demand deposits where the interest rate paid ~~significantly exceeds the average rate for similar retail products, or where the interest rate paid~~ is a temporary promotional[69] rate, and where the funds deposited are free from material constraints on withdrawal~~.~~;
- A partnership agreement sources retail deposits under an effective contract between the deposit-taking institution and an unaffiliated third party such as a non-bank financial intermediary (NBFI). The unaffiliated third party should guarantee the retail nature of these deposits and the contract between the deposit-taking institution and the unaffiliated third party should meet the following three conditions:
  - Existence of a withdrawal notice period, where the third party should provide a longer withdrawal period to terminate the relationship;
  - Ability of the deposit-taking institution to refuse withdrawal by the unaffiliated third party without evidence of retail client activity or without a proper notice;
  - Transparent distribution of withdrawal activity among all deposit-taking institutions receiving funds from the same NBFI product.

(a) Stable deposits (run-off rate = 3% and higher)

75. Stable deposits, which usually receive a run-off factor of 5%, are the amount of the deposits that are fully insured[70] by an effective deposit insurance scheme or by a public guarantee that provides equivalent protection and where:

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68 Requests seeking the AMF's agreement should be addressed to the financial institution's Lead Supervisor and should include a business case that, at a minimum, sets out the following elements: (i) the reason why the agreement is being requested, (ii) rationale and supporting evidence for the proposed combination qualifying for relationship status, and (iii) financial projections, including expected impact of the reclassification on liquidity position and related metrics (internal and regulatory).

69 In the case of promotional offers on new accounts, institutions can migrate accounts to a lower run-off rate category once the stability of the deposit has been confirmed, i.e., where the deposits are still present after the promotional period ends. In the case of a promotional rate offered on new balances only, only the new balances attracting the promotional rate should be allocated to the RSD category (rather than the entire balance of the deposit).

70 "Fully insured" means that 100% of the deposit amount, up to the deposit insurance limit, is covered by an effective deposit insurance scheme. Deposit balances up to the deposit insurance limit can be treated as "fully insured" even if a depositor has a balance in excess of the deposit insurance limit. However, any amount in excess of the deposit insurance limit is to be treated as "less stable". For example, if a depositor has a deposit of $150 that is covered by a deposit insurance scheme, which has a limit of $100, where the depositor would receive at least $100 from the deposit insurance scheme if the financial

- the depositors have an established relationship with the institution that makes deposit withdrawal highly unlikely; or
- deposits are in transactional accounts.

[BCBS LCR40.7]

76. For the purposes of this standard, an "effective deposit insurance scheme" refers to a scheme (i) that guarantees that it has the ability to make prompt payouts, (ii) for which the coverage is clearly defined and (iii) of which public awareness is high.

The deposit insurer in an effective deposit insurance scheme has formal legal powers to fulfil its mandate and is operationally independent, transparent and accountable. A jurisdiction with an explicit and legally binding sovereign deposit guarantee that effectively functions as deposit insurance can be regarded as having an effective deposit insurance scheme.

[BCBS LCR40.8] and [BCBS LCR40.9]

77. The presence of deposit insurance alone is not sufficient to consider a deposit "stable".

[BCBS LCR40.10]

78. Jurisdictions may choose to apply a run-off rate of 3% to stable deposits in their jurisdictions if they meet the above stable deposit criteria and the following additional criteria for deposit insurance schemes:

- insurance scheme is based on a system of prefunding via the periodic collection of levies on institutions with insured deposits;[71]
- scheme has adequate means of ensuring ready access to additional funding in the event of a large call on its reserves, e.g., an explicit and legally binding guarantee from the government, or a standing authority to borrow from the government; and
- access to insured deposits is available to depositors in a short period of time once the deposit insurance scheme is triggered.[72]

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institution were unable to pay, then $100 would be considered "fully insured" and treated as stable deposits while $50 would be treated as less stable deposits. However, if the deposit insurance scheme only covered a percentage of the funds from the first currency unit (e.g., 90% of the deposit amount up to a limit of $100) then the entire $150 deposit would be less stable. In addition, where a depositor's balance includes deposits maturing in the next 30 days (demand and/or term) and term deposits with a maturity greater than 30 days that, in aggregate, exceed the deposit category's insurance coverage limit, the insured portion should be allocated on a pro rata basis between the deposit portion maturing in the next 30 days (demand and/or term) and the greater than 30 days term deposit portion. For example, if a depositor has $65 in a checking account (i.e., demand deposit), $25 in a term deposit maturing in 20 days, and $60 in a term deposit maturing in 2 years – and assuming all these deposits are aggregated under the same deposit insurance category and where the deposit insurance scheme limit is $100 – the institution would classify 60 of the checking account and 20-day term deposit as insured (i.e., 65 + 25 = $90 total deposits maturing in the next 30 days; 90/150 = 60% of the total depositor's deposits which will mature in the next 30 days; 60%*100 deposit insurance limit = 60 in insured deposits), 40 of the 2-year term deposit as insured (i.e., 60/150=40% of the total depositor's deposits which will mature outside the LCR's 30-day window; 40%*100 deposit insurance limit = 40 in insured deposits), and the remaining 50 across all deposits as uninsured.

[71] The requirement for periodic collection of levies from institutions does not preclude that deposit insurance schemes may, on occasion, provide for contribution holidays due to the scheme being well-funded at a given point in time.

[72] This period of time would typically be expected to be no more than seven business days.

Jurisdictions applying the 3% run-off rate to stable deposits with deposit insurance arrangements that meet the above criteria should be able to provide evidence of run-off rates for stable deposits within the banking system below 3% during any periods of stress experienced that are consistent with the conditions within the LCR.

[BCBS LCR40.11] and [BCBS LCR40.12]

AMF Note

Financial institutions may recognize the 3% run-off rate for retail deposits that meet the stable deposit criteria in paragraph 75 that are fully insured by a deposit insurer~~.~~, such as the Québec deposit insurer.

Institutions may also recognize the 3% run-off rate for retail deposits located outside Canada that meet the stable deposit criteria in paragraph 75 that are fully insured by a deposit insurer that meets the criteria outlined in paragraph 78 as approved by the relevant prudential supervisor in that jurisdiction.

(b) Less stable deposits (run-off rates = 10% and higher)

79. Supervisory authorities are expected to develop additional buckets with higher runoff rates as necessary to apply to buckets of potentially less stable retail deposits in their jurisdictions, with a minimum run-off rate of 10%.

These jurisdiction-specific run-off rates should be clearly outlined and publicly transparent. Buckets of less stable deposits could include deposits that are not fully covered by an effective deposit insurance scheme or sovereign deposit guarantee, high-value deposits, deposits from sophisticated or high net worth individuals, deposits that can be withdrawn quickly and foreign currency deposits, as determined by each jurisdiction. Financial institutions must allocate each less stable deposit to one of the categories below. Where a deposit could be categorized in more than one category, the highest run-off rate should be assigned.

i. insured retail deposits where:

a. the depositor does not have an established relationship with the institution or the deposit is not in a transactional account; or

b. the deposits are received from funds and trusts where the balance is controlled solely by the underlying retail customer (i.e., the intermediary does not influence the balance placed or the institution where such balances are placed at after initial placement);

are assigned a 10% run-off rate;

ii. deposits sourced in the home jurisdiction but denominated[73] in a foreign currency that do not qualify as stable within the meaning of paragraph 75 are assigned a 10% run-off rate;

iii. ~~rate sensitive deposits (RSD)~~RSDs where the client directly manages the funds and:

a. the client has an established relationship with the institution; or

b. the deposit is in a transactional account;

are assigned a 10% run-off rate;

[73] Refer to paragraph 169 for the treatment of retail deposits sourced in host jurisdictions.

iv. uninsured deposits are assigned a 10% run-off rate, including the portion of a deposit in excess of the deposit insurance coverage limit and deposits not meeting the deposit insurance coverage criteria;

v. deposits sourced through a partnership (or partnership deposits) where

a. the full amount of the deposit is insured,

b. the client has an established relationship with the unaffiliated third party, and

c. the client's account is transactional

are classified as stable partnership deposits and are assigned a 15% run-off rate;

~~v.~~vi. RSDs where the client directly manages the funds and where:

a. the client does not have an established relationship with the institution ~~and~~or

b. the deposit is not in a transactional account;

are assigned a 20% run-off rate;

vii. retail structured notes that are not exchange tradeable are assigned a 30% run-off rate;[74]

~~vi.~~viii. term deposits directly managed by an unaffiliated third party that are maturing or that are cashable in the next 30 days are assigned a 30% run-off rate;

ix. retail structured notes that are exchange tradeable are assigned a 40% run-off rate;[75]

x. deposits sourced through a partnership agreement where either

a. the full amount of the deposit is not fully insured, or

b. the client does not have an established relationship with the unaffiliated third party, or

c. the client's account is not transactional

are classified as less stable partnership deposits and are assigned a 40% run-off rate;

~~vii.~~xi. demand deposits where an unaffiliated third party directly manages the funds are assigned a 40% run-off rate.

[BCBS LCR40.13]

80. Paragraph deleted

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[74] Where client information is not directly available, institutions may rely on the platform's documented classification framework to determine retail eligibility provided that all of the following conditions are met: (i) the platform provides investor protection safeguards consistent with retail distributions (e.g., suitability assessments, disclosure of risks and regulatory oversight); (ii) the platform does not allow, under the same product classification, direct participation by institutional or corporate clients without clear segregation from retail channels; (iii) the platform maintains registers sufficient to demonstrate the retail nature of the client base.

[75] Retail funding may also include exchange-traded structured notes where the instrument is issued and held within the same institution's platform or affiliated brokerage account, provided that all of the following conditions are met: (i) the end holder is a retail client, (ii) retail ownership can be demonstrated and monitored on a daily basis. Only the portion of exchange-traded structured notes that meet these conditions may be treated as retail funding; the remaining portion should be classified as wholesale.

81. Foreign currency retail deposits are deposits denominated in any other currency than the domestic currency in a jurisdiction in which the institution operates.

The AMF will determine the run-off factor that institutions in their jurisdiction should use for foreign currency deposits. Foreign currency deposits will be considered as "less stable" if there is a reason to believe that such deposits are more volatile than domestic currency deposits.

Factors affecting the volatility of foreign currency deposits include the type and sophistication of the depositors, and the nature of such deposits (e.g., whether the deposits are linked to business needs in the same currency, or whether the deposits are placed in a search for yield).

[BCBS LCR40.15]

82. Cash outflows related to retail term deposits with a residual maturity or withdrawal notice period of greater than 30 days will be excluded from total expected cash outflows if the depositor has no legal right to withdraw deposits within the 30-day horizon of the LCR, or if early withdrawal results in a significant penalty that is materially greater than the loss of interest.[76]

[BCBS LCR40.16]

83. If an institution allows a depositor to withdraw such deposits without applying the corresponding penalty, or despite a clause that says the depositor has no legal right to withdraw, the entire category of these funds would then have to be treated as demand deposits (i.e., regardless of the remaining term, the deposits would be subject to the deposit run-off rates as specified in paragraphs 74 to 81).

The AMF may choose to outline exceptional circumstances that would qualify as hardship, under which the exceptional term deposit could be withdrawn by the depositor without changing the treatment of the entire pool of deposits.

[BCBS LCR40.17]

AMF Note

For purposes of paragraph 83, the AMF defines "hardship" to include pre-defined and documented situations such as death, catastrophic illness, loss of employment, or bankruptcy of the depositor.

84. Notwithstanding the above, supervisors may also opt to treat retail term deposits that meet the qualifications set out in paragraph 82 with a higher than 0% run-off rate, if they clearly state the treatment that applies for their jurisdiction and apply this treatment in a similar fashion across financial institutions in their jurisdiction.

Such reasons could include, but are not limited to:

- supervisory concerns that depositors would withdraw term deposits in a similar fashion as retail demand deposits during either normal or stress times;
- concern that financial institutions may repay such deposits early in stressed times for reputational reasons; or

[76] If a portion of the term deposit can be withdrawn without incurring such a penalty, only that portion should be treated as a demand deposit. The remaining balance of the deposit should be treated as a term deposit.

- the presence of unintended incentives on institutions to impose material penalties on consumers if deposits are withdrawn early.

In these cases, supervisors would assess a higher run-off against all or some of such deposits.

[BCBS LCR40.18]

AMF Note

The AMF will treat all retail term deposits that meet the qualifications set out in paragraph 84 with a 0% run-off rate. The AMF will monitor financial institutions' practices regarding retail term deposits to ensure this treatment remains appropriate.

(ii) Unsecured wholesale funding run-off

85. For the purposes of the LCR, "unsecured wholesale funding" is defined as those liabilities and general obligations that are raised from non-natural persons (i.e., legal entities, including sole proprietorships and partnerships) and are not collateralized by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution. Obligations related to derivative contracts are explicitly excluded from this definition.

[BCBS LCR40.19]

86. The wholesale funding included in the LCR is defined as all funding that is callable within the LCR's horizon of 30 days or that has its earliest possible contractual maturity date situated within this horizon (such as maturing term deposits and unsecured debt securities) as well as funding with an undetermined maturity.

This should include all funding with options that are exercisable at the investor's discretion within the 30 days horizon. For funding with options exercisable at the institution's discretion, supervisors should take into account reputational factors that may limit an institution's ability not to exercise the option.[77] In particular, where the market expects certain liabilities to be redeemed before their final legal maturity date, institutions and supervisors should assume such behaviour for the purpose of the LCR and include these liabilities as outflows.

Residual maturity of funding instruments with market-based maturity triggers, such as autocallable notes, must receive treatment consistent with retail instruments described in paragraph 72.

[BCBS LCR40.20]

87. Wholesale funding that is callable[78] by the funds provider subject to a contractually defined and binding notice period surpassing the 30-day horizon is not included.

[BCBS LCR40.21]

88. For the purposes of the LCR, unsecured wholesale funding is to be categorized as detailed below (paragraphs 89 to 111), based on the assumed sensitivity of the funds providers to the rate offered and the credit quality and solvency of the borrowing institution. This is determined

[77] This could reflect a case where an institution may imply that it is under liquidity stress if it did not exercise an option on its own funding.

[78] This takes into account any embedded options linked to the funds provider's ability to call the funding before contractual maturity.

by the type of fund providers and their level of sophistication, as well as their operational relationships with the institution. The run-off rates for the scenario are listed for each category.

(a) Unsecured wholesale funding provided by retail (small business) customers: 5%, 10% and higher

89. Unsecured wholesale funding provided by retail (small business) customers is treated the same way as retail deposits (i.e., from retail customers (individuals)) for the purposes of this standard, effectively distinguishing between a "stable" portion of funding provided by retail customers and different buckets of less stable funding defined by each jurisdiction. The same bucket definitions and associated run-off factors apply as for retail deposits.

[BCBS LCR40.22]

90. This category consists of deposits and other extensions of funds made by non-financial retail customers. “Retail customers” are defined in line with the definition of loans extended to retail customers in paragraph 21 of Chapter 5 of the Capital Guideline[79] that are managed as retail exposures and are generally considered as having similar liquidity risk characteristics to retail accounts provided the total aggregated funding[80] raised from one retail customer is less than CAN$1.5 million (on a consolidated basis where applicable).

[BCBS LCR40.23]

91. Where a financial institution does not have any exposure to a small business customer that would enable it to use the definition under paragraph 21 of Chapter 5 of the Capital Guideline,[81] the institution may include such a deposit in this category provided that the total aggregate funding raised from the customer is less than CAN$1.5 million (on a consolidated basis where applicable) and the deposit is managed as a retail deposit.

This means that the institution treats such deposits in its internal risk management systems consistently over time and in the same manner as other retail deposits, and that the deposits are not individually managed in a way comparable to larger corporate deposits.

[BCBS LCR40.24]

92. Term deposits from retail customers should be treated in accordance with the treatment for term retail deposits as outlined in paragraphs 82, 83 and 84.

[BCBS LCR40.25]

(b) Operational deposits generated by clearing, custody and cash management activities: 25%

93. Certain activities lead to financial and non-financial customers needing to place, or leave, deposits with a financial institution in order to facilitate their access and ability to use payment and settlement systems and otherwise make payments.

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[79] ~~Paragraph 21, Chapter 5~~ Autorité des marchés financiers, *Capital Adequacy Guideline*, ~~February 2025.~~January 2026.

[80] “Aggregated funding” means the gross amount (i.e., not netting any form of credit extended to the small business) of all forms of funding (e.g., deposits or debt securities or similar derivative exposure for which the counterparty is known to be a small business customer). In addition, applying the limit on a consolidated basis means that where one or more small business customers are affiliated with each other, they may be considered as a single creditor such that the limit is applied to the total funding received by the institution from this group of customers.

[81] ~~Paragraph 21, Chapter 5~~ Autorité des marchés financiers, *Capital Adequacy Guideline*, ~~February 2025.~~January 2026.

These funds may receive a 25% run-off factor only if the customer has a substantive dependency with the institution and the deposit is required for such activities.

Supervisory approval would have to be given to ensure that financial institutions utilizing this treatment are actually conducting these operational activities at the level indicated. Supervisors may choose not to permit institutions to utilize the operational deposit runoff rates in cases where, for example, a significant portion of operational deposits are provided by a small proportion of customers (i.e., concentration risk).

[BCBS LCR40.26]

94. Qualifying activities in this context refer to clearing, custody or cash management activities that meet the following criteria:

- The customer is reliant on the financial institution to perform these services as an independent third-party intermediary in order to fulfil its normal banking activities over the next 30 days. For example, this condition would not be met if the institution is aware that the customer has adequate back-up arrangements.
- These services must be provided under a legally binding agreement to institutional customers.
- The termination of such agreements shall be subject either to a notice period of at least 30 days or significant switching costs (such as those related to transaction, information technology, early termination or legal costs) to be borne by the customer if the operational deposits are moved before 30 days.

[BCBS LCR40.27]

95. Qualifying operational deposits generated by such activity are ones where:

- The deposits are by-products of the underlying services provided by the financial institution and not sought out in the wholesale market in the sole interest of offering interest income.
- The deposits are held in specifically designated accounts and priced without giving an economic incentive to the customer (not limited to paying market interest rates) to leave any excess funds on these accounts. In the case that interest rates in a jurisdiction are close to zero, it would be expected that such accounts are non-interest bearing. Institutions should be particularly aware that during prolonged periods of low interest rates, excess balances (as defined below) could be significant.

[BCBS LCR40.28]

96. Any excess balances that could be withdrawn and would still leave enough funds to fulfil these clearings, custody and cash management activities do not qualify for the 25% factor.

In other words, only that part of the deposit balance with a financial institution that is proven to serve a customer's operational needs can qualify as stable. Excess balances should be treated in the appropriate category for non-operational deposits.

If institutions are unable to determine the amount of excess balance, then the entire deposit should be assumed to be excess to requirements and, therefore, considered non-operational.

[BCBS LCR40.29]

97. Financial institutions must determine the methodology for identifying excess deposits that are excluded from this treatment. This assessment should be conducted at a sufficiently granular level to adequately assess the risk of withdrawal in an idiosyncratic stress. The methodology should take into account relevant factors such as the likelihood that wholesale customers have above average balances in advance of specific payment needs, and consider appropriate indicators (e.g., ratios of account balances to payment or settlement volumes or to assets under custody) to identify those customers that are not actively managing account balances efficiently.

[BCBS LCR40.30]

98. Operational deposits would receive a 0% inflow assumption for the depositing institution given that these deposits are required for operational reasons, and are therefore not available to the depositing institution to repay other outflows.

[BCBS LCR40.31]

99. Notwithstanding the allocation to these operational categories, if the deposit under consideration arises out of correspondent banking[82] or from the provision of prime brokerage,[83] it will be treated as if there were no operational activity for the purpose of determining run-off factors.

[BCBS LCR40.32]

100. The following paragraphs describe the types of activities that may generate operational deposits. A financial institution should assess whether the presence of such an activity does indeed generate an operational deposit as not all such activities may qualify due to differences in customer dependency, activity and practices.

[BCBS LCR40.33]

101. A clearing relationship, in this context, refers to a service arrangement that enables customers to transfer funds (or securities) indirectly through direct participants in domestic settlement systems to final recipients. Such services are limited to the following activities: transmission, reconciliation and confirmation of payment orders; daylight overdraft, overnight financing and maintenance of post-settlement balances; and determination of intraday and final settlement positions.

[BCBS LCR40.33]

102. A custody relationship, in this context, refers to the provision of safekeeping, reporting, processing of assets or the facilitation of the operational and administrative elements of related activities on behalf of customers in the process of their transacting and retaining financial assets.

Such services are limited to the settlement of securities transactions, the transfer of contractual payments, the processing of collateral, and the provision of custody related cash

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82 Correspondent banking refers to arrangements under which one institution (correspondent) holds deposits owned by other institutions (respondents) and provides payment and other services in order to settle foreign currency transactions (e.g., so-called nostro and vostro accounts used to settle transactions in a currency other than the domestic currency of the respondent institution for the provision of clearing and settlement of payments).

83 Prime brokerage is a package of services offered to large active investors, particularly institutional hedge funds. These services usually include: clearing, settlement and custody, consolidated reporting, financing (margin, repo or synthetic), securities lending, capital introduction, and risk analytics.

management services. Also included are the receipt of dividends and other income, client subscriptions and redemptions. Custodial services can, furthermore, extend to asset and corporate trust servicing, treasury, escrow, funds transfer, stock transfer and agency services, including payment and settlement services (excluding correspondent banking), and depository receipts.

[BCBS LCR40.34]

103. A cash management relationship, in this context, refers to the provision of cash management and related services to customers. Cash management services, in this context, refers to those products and services provided to a customer to manage its cash flows, assets and liabilities, and conduct financial transactions necessary to the customer's ongoing operations. Such services are limited to payment remittance, collection and aggregation of funds, payroll administration, and control over the disbursement of funds.

[BCBS LCR40.35]

104. The portion of the operational deposits generated by clearing, custody and cash. Management activities that are fully covered by deposit insurance can receive the same treatment as "stable" retail deposits.

[BCBS LCR40.36]

(c) Treatment of deposits in institutional networks of cooperative institutions: 25% or 100%

105. An institutional network of cooperative (or otherwise named) institutions is a group of legally autonomous institutions with a statutory framework of cooperation with common strategic focus and brand where specific functions are performed by central institutions or specialized service providers.

A 25% run-off rate can be given to the amount of deposits of member institutions with the central institution or specialized central service providers that are placed (a) due to statutory minimum deposit requirements, which are registered at regulators or (b) in the context of common task sharing and legal, statutory or contractual arrangements so long as both the institution that has received the monies and the institution that has deposited participate in the same institutional network's mutual protection scheme against illiquidity and insolvency of its members.

As with other operational deposits, these deposits would receive a 0% inflow assumption for the depositing institution, as these funds are considered to remain with the centralized institution.

[BCBS LCR40.37] and [BCBS LCR40.38]

106. Supervisory approval would have to be given to ensure that financial institutions utilizing this treatment actually are the central institution or a central service provider of such a cooperative (or otherwise named) network. Correspondent banking activities would not be included in this treatment and would receive a 100% outflow treatment, as would funds placed at the central institutions or specialized service providers for any other reason other than those outlined in (a) and (b) in paragraph 105, or for operational functions of clearing, custody, or cash management as outlined in paragraphs 101 to 103.

[BCBS LCR40.39]

(d) Unsecured wholesale funding provided by non-financial corporates and sovereigns, central banks, ~~multilateral development banks~~MDBs, and PSEs: 20% or 40%

107. This category comprises all deposits and other extensions of unsecured funding from non-financial corporate customers (that are not categorized as retail customers) and (both domestic and foreign) sovereign, central bank, multilateral development bank, and PSE customers that are not specifically held for operational purposes (as defined above). The run-off factor for these funds is 40%, unless the criteria in paragraph 108 are met.

[BCBS LCR40.40]

108. Unsecured wholesale funding provided by non-financial corporate customers, sovereigns, central banks, ~~multilateral development banks~~MDBs, and PSEs without operational relationships can receive a 20% run-off factor if the entire amount of the deposit is fully covered by an effective deposit insurance scheme or by a public guarantee that provides equivalent protection.

[BCBS LCR40.41]

(e) Unsecured wholesale funding provided by other legal entity customers: 100%

109. This category consists of all deposits and other funding from other institutions (including banks, securities firms, insurance companies, etc.), fiduciaries,[84] beneficiaries,[85] conduits and special purpose vehicles, affiliated entities of the institution[86] and other entities that are not specifically held for operational purposes (as defined above) and not included in the prior three categories. The run-off factor for these funds ~~is 100~~is100%.

[BCBS LCR40.42]

110. All notes, bonds and other debt securities issued by the financial institution are included in this category regardless of the holder, unless the bond is sold ~~exclusively~~ in the retail market and held in retail accounts as described in paragraph 73 (including retail customer accounts treated as retail per paragraphs 89 to 91), in which case the instruments can be treated in the appropriate retail customer deposit category (retail or small business customers). Deposits from NBFIs that have underlying retail characteristics and are driven by retail activities, but without an effective agreement as defined in paragraphs 73 to 84~~. To be treated in this manner, it is not sufficient that the debt instruments are specifically designed and marketed to retail customers. Rather there should be limitations placed such that those instruments cannot be bought and held by parties other than retail customers~~ on withdrawals of retails deposits, are assigned a 100% run-off rate. The financial institution should monitor the portion of these deposits that are demonstrably held by the NBFI's retail clients.

[BCBS LCR40.43]

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84 Fiduciary is defined in this context as a legal entity that is authorized to manage assets on behalf of a third party. Fiduciaries include asset management entities such as pension funds and other collective investment vehicles.

85 Beneficiary is defined in this context as a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract.

86 Outflows on unsecured wholesale funding from affiliated entities of the institution are included in this category unless the funding is part of an operational relationship, a deposit in an institutional network of cooperative institutions or the affiliated entity of a non-financial corporate.

~~**AMF Note**~~

~~Stamped bankers acceptance (BA) liabilities issued by the financial institution that mature within 30 days should be included under paragraph 110.~~

111. Customer cash balances arising from the provision of prime brokerage services, including but not limited to the cash arising from prime brokerage services as identified in paragraph 99, should be considered separate from any required segregated balances related to client protection regimes imposed by national regulations, and should not be netted against other customer exposures included in this standard. These offsetting balances held in segregated accounts are treated as inflows in paragraph 154 and should be excluded from the stock of HQLA.

[BCBS LCR40.44]

iii. Secured funding run-off

112. For the purposes of this standard, "secured funding" is defined as those liabilities and general obligations that are collateralized by legal rights to specifically designated assets owned by the borrowing financial institution in the case of bankruptcy, insolvency, liquidation or resolution.

[BCBS LCR40.45]

113. Loss of secured funding on short-term financing transactions: In this scenario, the ability to continue to transact repurchase, reverse repurchase and other securities financing transactions is limited to transactions backed by HQLA or with the institution's domestic sovereign, PSE or central bank.[87]

Collateral swaps should be treated as repurchase or reverse repurchase agreements, as should any other transaction with a similar form. Additionally, collateral lent to the institution's customers to affect short positions[88] should be treated as a form of secured funding. For the scenario, an institution should apply the following factors to all outstanding secured funding transactions with maturities within the 30-day stress horizon, including customer short positions that do not have a specified contractual maturity. The amount of outflow is calculated based on the amount of funds raised through the transaction, and not the value of the underlying collateral.

[BCBS LCR40.46]

AMF Note

Cash outflows associated with collateral swaps occur where the collateral borrowed is of higher quality within the LCR framework than the collateral lent. Such cash outflow amounts are to be calculated as the difference between the outflow rate prescribed in Table 2.1 in paragraph 115 for the collateral lent and the inflow rate prescribed for non-rehypothecated collateral in Table 2.3 in paragraph 146 for the collateral borrowed.

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87 In this context, PSEs that receive this treatment should be limited to those that are 20% risk weighted or better, and "domestic" can be defined as a jurisdiction where an institution is legally incorporated.

88 A customer short position in this context describes a transaction where an institution's customer sells a security it does not own, and the institution subsequently obtains the same security from internal or external sources to make delivery into the sale. Internal sources include the institution's own inventory of collateral as well as rehypothecatable collateral held in other customer margin accounts. External sources include collateral obtained through a securities borrowing, reverse repo, or like transaction.

For example, where Level 2A assets are lent and Level 1 assets are borrowed, a 15% outflow rate should be allocated. Similarly, where non-HQLA assets are lent and Level 2A assets are borrowed, an 85% outflow rate should be allocated. Note that no outflow should be allocated when the collateral lent and collateral borrowed are of the same LCR type.

Forward repos and forward collateral swaps that start prior to and mature within the LCR's 30 day horizon should be treated like repos and collateral swaps according to paragraphs 113 to 115.

[BCBS LCR40.74]

114. Due to the high-quality of Level 1 assets, no reduction in funding availability against these assets is assumed to occur. Moreover, no reduction in funding availability is expected for any maturing secured funding transactions with the institution's domestic central bank.

A reduction in funding availability will be assigned to maturing transactions backed by Level 2 assets equivalent to the required haircuts. A 25% factor is applied for maturing secured funding transactions with the financial institution's domestic sovereign, ~~multilateral development banks~~MDBs, or domestic PSEs that have a 20% or lower risk weight, when the transactions are backed by assets other than Level 1 or Level 2A assets, in recognition that these entities are unlikely to withdraw secured funding from institutions in a time of market-wide stress. This, however, gives credit only for outstanding secured funding transactions, and not for unused collateral or merely the capacity to borrow.

[BCBS LCR40.47]

115. For all other maturing transactions, the run-off factor is 100%, including transactions where an institution has satisfied customers' short positions with its own long inventory. Table 2.1 below summarizes the applicable standards.

[BCBS LCR40.48]

Table 2.1: Applicable standards

Categories for outstanding maturing secured funding transactions	Amount to add to cash outflows
Backed by Level 1 assets or with central banks	0%
Backed by Level 2A assets	15%
Secured funding transactions with domestic sovereign, public sector entities or multilateral development banks that are not backed by Level 1 or 2A assets. Public sector entities that receive this treatment are limited to those that have a risk weight of 20% or lower	25%
Backed by residential mortgage-backed securities eligible for inclusion in Level 2B	25%
Backed by other Level 2B assets	50%
All others	100%

AMF Note

All secured transactions maturing within 30 days should be reported according to the collateral actually pledged, as of close of business on the LCR measurement date, applying the outflow assumptions in paragraph 115. If the institution cannot determine which specific assets in the collateral pool (HQLA and non-HQLA) are used to collateralize the transactions with a residual maturity greater than 30 days, it may assume that assets are encumbered to

these transactions in order of increasing liquidity value, consistent with the methodology set out in the footnote of paragraph 26; in such a way that assets with the lowest liquidity value in the LCR are assigned to the transactions with the longest residual maturities first.

[BCBS LCR40.48]

iv. Additional requirements

116. **Derivatives cash outflows:** the sum of all net cash outflows should receive a 100% factor. Financial institutions should calculate, in accordance with their existing valuation methodologies, expected contractual derivative cash inflows and outflows. Cash flows may be calculated on a net basis (i.e., inflows can offset outflows) by counterparty, only where a valid master netting agreement exists. Institutions should exclude from such calculations those liquidity requirements that would result from increased collateral needs due to market value movements or falls in value of collateral posted.[89] Options should be assumed to be exercised when they are "in the money" to the option buyer.

[BCBS LCR40.49]

AMF Note

For purposes of paragraph 116, financial institutions should consider any option that expires or can be exercised within the next 30 days and that is "in the money" to the option buyer. The cash flow should reflect the state of the transaction as of the reporting date.

Options with delivery settlement should be considered according to the liquidity value of the delivered assets, i.e., the assets are subject to the haircuts that would be applied if these assets were collateral in secured transactions or collateral swaps. If contractual arrangements allow for both physical delivery and cash settlement, cash settlement may be assumed.

If the delivery obligation can be fulfilled with a variety of security classes, i.e., the party liable has the choice between different securities; delivery of the least valuable security possible ("cheapest to deliver") can be assumed. This applies symmetrically to both the inflow and outflow perspective, such that the obligor is assumed to deliver the security with the lowest liquidity value.

Cash flows arising from foreign exchange derivative transactions that involve a full exchange of principal amounts on a simultaneous basis (or within the same day) may be reflected in the LCR as a net cash flow figure, even where those deals are not covered by a master netting agreement.

[BCBS LCR40.49]

117. Where derivative payments are collateralized by HQLA, cash outflows should be calculated net of any corresponding cash or collateral inflows that would result, all other things being equal, from contractual obligations for cash or collateral to be provided to the institution, if the institution is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the collateral is received. This is in line with the principle that institutions should not double count liquidity inflows and outflows.

[BCBS LCR40.50]

118. Increased liquidity needs related to downgrade triggers **embedded in financing transactions, derivatives and other contracts:** (100% of the amount of collateral that would be posted for, or contractual cash outflows associated with, any downgrade up to and

[89] These risks are captured in paragraphs 119 and 123, respectively.

including a 3-notch downgrade). Often, contracts governing derivatives and other transactions have clauses that require the posting of additional collateral, drawdown of contingent facilities, or early repayment of existing liabilities upon the institution's downgrade by a recognized credit rating organization. The scenario therefore requires that for each contract in which "downgrade triggers" exist, the institution assumes that 100% of this additional collateral or cash outflow will have to be posted for any downgrade up to and including a 3-notch downgrade of the institution's long-term credit rating. Triggers linked to an institution's short-term rating should be assumed to be triggered at the corresponding long-term rating in accordance with published ratings criteria. The impact of the downgrade should consider impacts on all types of margin collateral and contractual triggers which change rehypothecation rights for non-segregated collateral.

[BCBS LCR40.51]

AMF Note

Unless specified otherwise, the provisions outlined in paragraphs 118 à 122 apply to all derivative instruments, i.e., whether OTC or on exchange; whether cleared or not.

[BCBS LCR40.53]

119. **Increased liquidity needs related to the potential for valuation changes on posted collateral securing derivative and other transactions:** (20% of the value of non-Level 1 posted collateral). Observation of market practices indicates that most counterparties to derivatives transactions typically are required to secure the mark-to-market valuation of their positions and that this is predominantly done using cash or sovereign, central bank, ~~multilateral development banks~~MDBs, or PSE debt securities with a 0% risk weight under the ~~Basel II Framework~~ Standardized Approach for credit risk as per the Capital Guideline.

When these Level 1 liquid asset securities are posted as collateral, the framework will not require that an additional stock of HQLA be maintained for potential valuation changes. If, however, counterparties are securing mark-to-market exposures with other forms of collateral, to cover the potential loss of market value on those securities, 20% of the value of all such posted collateral, net of collateral received on a counterparty basis (provided that the collateral received is not subject to restrictions on reuse or rehypothecation) will be added to the stock of required HQLA by the institution posting such collateral. This 20% will be calculated based on the notional amount required to be posted as collateral after any other haircuts have been applied that may be applicable to the collateral category. Any collateral that is in a segregated margin account can only be used to offset outflows that are associated with payments that are eligible to be offset from that same account.

[BCBS LCR40.52]

AMF Note

The notional amount to be collateralized in paragraph 119 is based on contractual terms (e.g., collateral agreements) that regularly include the methodology of calculating the amount to be covered ("notional amount").

Netting of collateral inflows and outflows across counterparties is not permitted under paragraph 119 as the impacts of valuation changes (even of identical collateral) may be asymmetric across different counterparties.

The net outflows under paragraph 119 may not be calculated taking into account any additional eligible non-Level 1 collateral that is unencumbered as of the date of the LCR or that would become unencumbered as a result of the stresses, i.e., the LCR provides no

basis for separate sub-pools of (non-Level 1) HQLA dedicated to specific liquidity needs or for considering contingent inflows of collateral.

[BCBS LCR40.52]

120. Increased liquidity needs related to excess non-segregated collateral held by the financial institution that could contractually be called at any time by the counterparty: 100% of the non-segregated collateral that could contractually be recalled by the counterparty because the collateral is in excess of the counterparty's current collateral requirements.

[BCBS LCR40.53]

AMF Note

Paragraph 120 refers to excess collateral that is not subject to segregation requirements and that can count towards HQLA (i.e., where a recall by the counterparty would reduce the stock of HQLA) or where a recall by the counterparty would need to use additional funding.

[BCBS LCR40.53]

121. Increased liquidity needs related to contractually required collateral on transactions for which the counterparty has not yet demanded the collateral be posted: 100% of the collateral that is contractually due but where the counterparty has not yet demanded the posting of such collateral.

[BCBS LCR40.54]

122. **Increased liquidity needs related to contracts that allow collateral substitution to non-HQLA assets:** 100% of the amount of HQLA collateral that can be substituted for non-HQLA assets without the institution's consent that have been received to secure transactions that have not been segregated.

[BCBS LCR40.55]

AMF Note

The risks associated with collateral substitution on secured lending transactions with a residual maturity greater than 30 days should also be considered as a contingent outflow under paragraph 122.

The 100% outflow factor in paragraph 122 refers to the market value of the received collateral that is subject to potential substitution after applying the respective haircut in the LCR. This provision does not require an outflow for potential collateral substitution that is greater than the liquidity value of the received HQLA collateral in the LCR.

Under paragraph 122, if HQLA collateral (e.g., Level 1 assets) may be substituted for other HQLA collateral (e.g., Level 2 assets), an outflow amounting to the market value of the received collateral multiplied by the difference between the haircuts of the received collateral and the potential substitute collateral should be applied. If the substituted collateral can be of different liquidity value in the LCR, the financial institution should assume that the potential substitute collateral with the lowest liquidity value will be posted.

Outflows of HQLA that are excluded from the financial institution's stock of HQLA due to operational requirements are not considered in paragraph 122.

[BCBS LCR40.55]

123. **Increased liquidity needs related to market valuation changes on derivative or other transactions:** As market practice requires collateralization of mark-to-market exposures on

derivative and other transactions, institutions face potentially substantial liquidity risk exposures to these valuation changes. Inflows and outflows of transactions executed under the same master netting agreement can be treated on a net basis. Any outflow generated by increased needs related to market valuation changes should be included in the LCR calculated by identifying the largest absolute net 30-day collateral flow realized during the preceding 24 months. The absolute net collateral flow is based on both realized outflows and inflows. Supervisors may adjust the treatment flexibly according to circumstances.

[BCBS LCR40.56]

AMF Note

The largest absolute net 30-day collateral flow is the largest aggregated cumulative net collateral outflow or inflow at the end of all 30-day periods during the preceding 24 months. For this purpose, financial institutions have to consider all 30-day periods during the preceding 24 months. Netting should be considered on a portfolio level basis. Financial institution management should understand how collateral moves on a counterparty basis and is encouraged to review the potential outflow at that level. However, the primary mechanism for the "look-back approach" is collateral flows at the portfolio level.

[BCBS LCR40.56]

124. **Loss of funding on asset-backed securities,[90] covered bonds and other structured financing instruments:** The scenario assumes the outflow of 100% of the funding transaction maturing within the 30-day period, when these instruments are issued by the institution itself (as this assumes that the refinancing market will not exist).

[BCBS LCR40.57]

AMF Note

Level 1 and Level 2 securities in a collateral pool (e.g., for covered bonds or other collateralized own issuances) that become unencumbered in the next 30 days due to the maturity of the instrument (covered bond or other collateralized own issuance) can be offset against the redemption payment for the maturing secured debt instrument. Such offsetting inflow amounts should consider the respective haircuts for Level 2 assets applied to the market value of the asset. Any net inflow should be considered as "other contractual cash flow" under paragraph 160.

[BCBS LCR40.57]

125. **Loss of funding on asset-backed commercial paper (ABCP), conduits, securities investment vehicles and other such financing facilities:** (100% of maturing amount and 100% of returnable assets). Institutions having structured financing facilities that include the issuance of short-term debt instruments, such as asset backed commercial paper, should fully consider the potential liquidity risk arising from these structures. These risks include, but are not limited to, (i) the inability to refinance maturing debt, and (ii) the existence of derivatives or derivative-like components contractually written into the documentation associated with the structure that would allow the "return" of assets in a financing arrangement, or that require the original asset transferor to provide liquidity, effectively ending the financing arrangement ("liquidity puts") within the 30-day period. Where the structured

[90] To the extent that sponsored conduits/SPVs are required to be consolidated under liquidity requirements, their assets and liabilities will be taken into account. Supervisors need to be aware of other possible sources of liquidity risk beyond that arising from debt maturing within 30 days.

financing activities of an institution are conducted through a special purpose entity[91] (such as a special-purpose vehicle, conduit or structured investment vehicle - SIV), the Institution should, in determining the HQLA requirements, look through to the maturity of the debt instruments issued by the entity and any embedded options in financing arrangements that may potentially trigger the "return" of assets or the need for liquidity, irrespective of whether or not the SPV is consolidated.

[BCBS LCR40.58]

[91] A special purpose entity (SPE) is defined in paragraph CRE 40.21 of the Basel Framework as a corporation, trust, or other entity organized for a specific purpose, the activities of which are limited to those appropriate to accomplish the purpose of the SPE, and the structure of which is intended to isolate the SPE from the credit risk of an originator or seller of exposures. SPEs are commonly used as financing vehicles in which exposures are sold to a trust or similar entity in exchange for cash or other assets funded by debt issued by the trust.

Table 2.2: Potential risks and requirements

Potential Risk Element	HQLA Required
Debt maturing within the calculation period	100% of maturing amount
Embedded options in financing arrangements that allow for the return of assets or potential liquidity support	100% of the amount of assets that could potentially be returned, or the liquidity required

126. **Drawdowns on committed credit and liquidity facilities:** For the purpose of the standard, credit and liquidity facilities are defined as explicit contractual agreements or obligations to extend funds at a future date to retail or wholesale counterparties. For the purpose of the standard, these facilities only include contractually irrevocable ("committed") or conditionally revocable agreements to extend funds in the future.

Unconditionally revocable facilities that are unconditionally cancellable by the institution (in particular, those without a precondition of a material change in the credit condition of the borrower) are excluded from this section and included in "Other Contingent Funding Liabilities".

These off-balance sheet facilities or funding commitments can have long or short-term maturities, with short-term facilities frequently renewing or automatically rolling-over. In a stressed environment, it will likely be difficult for customers drawing on facilities of any maturity, even short-term maturities, to be able to quickly pay back the borrowings. Therefore, for purposes of this standard, all facilities that are assumed to be drawn (as outlined in the paragraphs below) will remain outstanding at the amounts assigned throughout the duration of the test, regardless of maturity.

[BCBS LCR40.59]

127. For the purposes of this standard, the currently undrawn portion of these facilities is calculated net of any HQLA eligible for the stock of HQLA, if the HQLA have already been posted as collateral by the counterparty to secure the facilities or that are contractually obliged to be posted when the counterparty will draw down the facility (e.g., a liquidity facility structured as a repo facility), if the institution is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the facility is drawn, and there is no undue correlation between the probability of drawing the facility and the market value of the collateral. The collateral can be netted against the outstanding amount of the facility to the extent that this collateral is not already counted in the stock of HQLA, in line with the principle in paragraph 72 that items cannot be double-counted in the standard.

[BCBS LCR40.60]

128. A liquidity facility is defined as any committed, undrawn back-up facility that would be utilized to refinance the debt obligations of a customer in situations where such a customer is unable to rollover that debt in financial markets (e.g., pursuant to a commercial paper program, secured financing transactions, obligations to redeem units, etc.). For the purpose of this standard, the amount of the commitment to be treated as a liquidity facility is the amount of the currently outstanding debt issued by the customer (or proportionate share, if a syndicated facility) maturing within a 30-day period that is backstopped by the facility. The portion of a liquidity facility that is backing debt that does not mature within the 30-day window is excluded from the scope of the definition of a facility. Any additional capacity of the facility (i.e., the remaining commitment) would be treated as a committed credit facility with its associated

drawdown rate as specified in paragraph 131. General working capital facilities for corporate entities (e.g., revolving credit facilities in place for general corporate or working capital purposes) will not be classified as liquidity facilities, but as credit facilities.

[BCBS LCR40.61]

129. Notwithstanding the above, any facilities provided to hedge funds, money market funds and special purpose funding vehicles, for example SPEs (as defined in paragraph 125) or conduits, or other vehicles used to finance the institution's own assets, should be captured in their entirety as a liquidity facility to other legal entities.

[BCBS LCR40.62]

130. For that portion of financing programs that are captured in paragraphs 124 and 125 (e.g., are maturing or have liquidity puts that may be exercised in the 30-day horizon), financial institutions that are providers of associated liquidity facilities do not need to double count the maturing financing instrument and the liquidity facility for consolidated programs.

[BCBS LCR40.63]

131. Any contractual loan drawdowns from committed facilities,[92] and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected as outflows:

(a) Committed credit and liquidity facilities to retail customers: Institutions should assume a 5% drawdown of the undrawn portion of these facilities;

(b) Committed credit facilities to non-financial corporates, sovereigns and central banks, PSEs and ~~multilateral development banks~~MDBs: Institutions should assume a 10% drawdown of the undrawn portion of these credit facilities;

(c) Committed liquidity facilities to non-financial corporates, sovereigns and central banks, PSEs, and ~~multilateral development banks~~MDBs: Institutions should assume a 30% drawdown of the undrawn portion of these liquidity facilities;

(d) Committed credit and liquidity facilities extended to institutions subject to prudential supervision: Institutions should assume a 40% drawdown of the undrawn portion of these facilities;

(e) Committed credit facilities to other financial institutions including securities firms, insurance companies, fiduciaries,[93] and beneficiaries[94]): institutions should assume a 40% drawdown of the undrawn portion of these credit facilities;

(f) Committed liquidity facilities to other financial institutions including securities firms, insurance companies, fiduciaries, and beneficiaries: Institutions should assume a 100% drawdown of the undrawn portion of these liquidity facilities;

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92 Committed facilities refer to those which are irrevocable.

93 Fiduciary is defined in this context as a legal entity that is authorized to manage assets on behalf of a third party. Fiduciaries include asset management entities such as pension funds and other collective investment vehicles.

94 Beneficiary is defined in this context as a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract.

(g) Committed credit and liquidity facilities to other legal entities (including SPEs (as defined in paragraph 125), conduits and special purpose vehicles[95] and other entities not included in the prior categories): institutions should assume a 100% drawdown of the undrawn portion of these facilities.

[BCBS LCR40.64]

132. **Contractual obligations to extend funds within a 30-day period:** Any contractual lending obligations to financial institutions not captured elsewhere in this standard should be captured here at a 100% outflow rate.

[BCBS LCR40.65]

133. If the total of all contractual obligations to extend funds to retail and non-financial corporate clients within the next 30 days (not captured in the prior categories) exceeds 50% of the total contractual inflows due in the next 30 days from these clients, the difference should be reported as a 100% outflow.

[BCBS LCR40.67]

134. **Other contingent funding obligations:** run-off rates are defined in section 2.6 of the LCR reporting form.

135. These contingent funding obligations may be either contractual or non-contractual and are not lending commitments. Non-contractual contingent funding obligations include associations with, or sponsorship of, products sold or services provided that may require the support or extension of funds in the future under stressed conditions.

Non-contractual obligations may be embedded in financial products and instruments sold, sponsored, or originated by the institution that can give rise to unplanned balance sheet growth arising from support given for reputational risk considerations. These include products and instruments for which the customer or holder has specific expectations regarding the liquidity and marketability of the product or instrument and for which failure to satisfy customer expectations in a commercially reasonable manner would likely cause material reputational damage to the institution or otherwise impair ongoing viability.

[BCBS LCR40.68]

136. Some of these contingent funding obligations are explicitly contingent upon a credit or other event that is not always related to the liquidity events simulated in the stress scenario, but may nevertheless have the potential to cause significant liquidity drains in times of stress.

For this standard, each supervisor and institution should consider which of these “other contingent funding obligations” may materialize under the assumed stress events. The potential liquidity exposures to these contingent funding obligations are to be treated as a nationally determined behavioural assumption where it is up to the AMF to determine whether and to what extent these contingent outflows are to be included in the LCR.

All identified contractual and non-contractual contingent liabilities and their assumptions should be reported, along with their related triggers. Supervisors and institutions should, at a minimum, use historical behaviour in determining appropriate outflows.

95 The potential liquidity risks associated with the financial institution's own structured financing facilities should be treated according to paragraphs 124 and 125 of this document (100% of maturing amount and 100% of returnable assets are included as outflows).

[BCBS LCR40.69]

137. Non-contractual contingent funding obligations related to potential liquidity draws from joint ventures or minority investments in entities, which are not consolidated per paragraph 1655, should be captured where there is the expectation that the financial institution will be the main liquidity provider when the entity is in need of liquidity. The amount included should be calculated in accordance with the methodology agreed by the financial institution's supervisor.

[BCBS LCR40.70]

AMF Note

Where required, an outflow rate of 100% should be applied to amounts resulting from the calculation prescribed in paragraph 137.

As prescribed in paragraph 117, the AMF will determine the amount to be multiplied by the 100% rate after assessment of the institution's methodology related to such non-contractual contingent funding obligations, considering factors such as the nature of the exposure and the likelihood of draw.

138. In the case of contingent funding obligations stemming from trade finance instruments, national authorities can apply a relatively low run-off rate (e.g., 5% or less). Trade finance instruments consist of trade-related obligations directly underpinned by the movement of goods or the provision of services, such as:

- documentary trade letters of credit, documentary and clean collection, import bills, and export bills;
- guarantees directly related to trade finance obligations, such as shipping guarantees.

[BCBS LCR40.71]

AMF Note

An outflow rate of 3% should be applied to trade finance instruments that fall under the scope of paragraph 138.

139. Lending commitments, such as direct import or export financing for non-financial corporate firms, are excluded from this treatment and institutions will apply the draw-down rates specified in paragraph 131.

[BCBS LCR40.72]

140. National authorities should determine the run-off rates for the other contingent funding obligations listed below in accordance with paragraph 134. Other contingent funding obligations include products and instruments such as:

- unconditionally revocable "uncommitted" credit and liquidity facilities;

AMF Note

An outflow rate of 2% should be applied to "uncommitted" credit and liquidity facilities provided to retail customers (as defined in paragraph 73 and paragraphs 90 and 91).

"Uncommitted" credit and liquidity facilities provided to all other customers should be applied an outflow rate of 5%.

- guarantees and letters of credit unrelated to trade finance obligations (as described in paragraph 138);

AMF Note

An outflow rate of 5% should be applied to trade finance instruments that are not included within the scope of paragraph 138.

- non-contractual obligations such as:
  - potential requests for debt repurchases of the institution's own debt or that of related conduits, securities investment vehicles and other such financing facilities;

AMF Note

No outflow should be applied against these non-contractual obligations (0% outflow rate).

  - structured products with maturities beyond 30 days where customers anticipate ready marketability during a period of idiosyncratic stress, such as adjustable rate notes and variable rate demand notes (VRDNs);
  - autocallable notes or funding instruments with market-based maturity triggers, unless an outflow has already been applied due to maturity or customers anticipating ready marketability; and

AMF Note

A 5% outflow rate should be applied against these structured products and autocallable notes.

  - Managed funds that are marketed with the objective of maintaining a stable value such as money market mutual funds or other types of stable value collective investment funds, etc.

AMF Note

No outflow rate should be applied against these managed funds.

- For issuers with an affiliated dealer or market maker, there may be a need to include an amount of the outstanding debt securities (unsecured and secured, term as well as short-term) having maturities greater than 30 days, to cover the potential repurchase of such outstanding securities.

AMF Note

No outflow should be applied against these non-contractual obligations (0% outflow rate).

- Non-contractual obligations where customer short positions are covered by other customers' collateral: A minimum 50% run-off factor of the contingent obligations should be applied where institutions have internally matched client assets against other clients' short positions where the collateral does not qualify as Level 1 or Level 2, and the institution may be obligated to find additional sources of funding for these positions in the event of client withdrawals.

[BCBS LCR40.73]

AMF Note

A 50% outflow rate should be applied against non-contractual obligations where customer short positions are covered by other customers' collateral.

141. **Other contractual cash outflows:** (100%). Any other contractual cash outflows within the next 30 days should be captured in this standard, such as outflows to cover unsecured collateral borrowings, uncovered short positions, dividends or contractual interest payments, with explanation given as to what comprises this bucket. Outflows related to operating costs, however, are not included in this standard.

[BCBS LCR40.74]

AMF Note

The following transactions should be ignored for purposes of the LCR calculation:

- forward repos, forward reverse repos and forward collateral swaps that start and mature within the LCR's 30-day horizon;
- forward repos, forward reverse repos and forward collateral swaps that start prior to and mature after the LCR's 30-day horizon;
- all forward sales and forward purchases of HQLA; and
- unsettled sales and purchases of HQLA.

For forward reverse repos and collateral swaps that start within the 30-day horizon and mature beyond the LCR's 30-day horizon:

- Cash outflows from forward reverse repos (with a binding obligation to accept) count toward "other contractual cash outflows" according to paragraph 141 and should be netted against the market value of the collateral received after deducting the haircut applied to the respective assets in the LCR (15% to Level 2A, 25% to RMBS Level 2B assets, and 50% to other Level 2B assets);
- In case of forward collateral swaps, the net amount between the market values of the assets extended and received after deducting the haircuts applied to the respective assets in the LCR counts toward "other contractual cash outflows" or "other contractual cash inflows", depending on which amount is higher.

Cash flows arising from purchases of non-HQLA that are executed but not yet settled at the reporting date should be treated as "other cash outflows".

Note that any outflows or inflows of HQLA in the next 30 days in the context of forward and unsettled transactions are only considered if the assets do or will count toward the bank's stock of HQLA. Outflows and inflows of HQLA-type assets that are or will be excluded from the bank's stock of HQLA due to operational requirements are treated like outflows or inflows of non-HQLA.

[BCBS LCR40.74]

2.2.2.2. Cash inflows

142. When considering its available cash inflows, the financial institution should only include contractual inflows (including interest payments) from outstanding exposures that are fully performing and for which the institution has no reason to expect a default within the 30-day time horizon. Contingent inflows are not included in total net cash inflows.

[BCBS LCR40.75]

143. Financial institutions and supervisors need to monitor the concentration of expected inflows across wholesale counterparties in the context of institutions' liquidity management in order to ensure that their liquidity position is not overly dependent on the arrival of expected inflows from one or a limited number of wholesale counterparties.

[BCBS LCR40.76]

144. Cap on total inflows: In order to prevent financial institutions from relying solely on anticipated inflows to meet their liquidity requirement, and also to ensure a minimum level of HQLA holdings, the amount of inflows that can offset outflows is capped at 75% of total expected cash outflows as calculated in the standard. This requires that an institution must maintain a minimum amount of stock of HQLA equal to 25% of the total net cash outflows.

[BCBS LCR40.77]

(i) Secured lending, including reverse repos and securities borrowing

145. A financial institution should assume that maturing reverse repurchase or securities borrowing agreements secured by Level 1 assets will be rolled over and will not give rise to any cash inflows (0%). Maturing reverse repurchases or securities lending agreements secured by Level 2 HQLA will lead to cash inflows equivalent to the relevant haircut for the specific assets. An institution is assumed not to roll-over maturing reverse repurchase or securities borrowing agreements secured by non-HQLA assets, and can assume to receive back 100% of the cash related to those agreements.

Collateralized loans extended to customers for the purpose of taking leveraged trading positions ("margin loans") should also be considered as a form of secured lending; however, for this scenario institutions may recognize no more than 50% of contractual inflows from maturing margin loans made against non-HQLA collateral. This treatment is in line with the assumptions outlined for secured funding in the outflows section.

[BCBS LCR40.78]

AMF Note

Paragraphs 145 to 148 refer only to the types of transactions explicitly mentioned therein and, unless the counterparty is a central bank, do not cover, for example, lending that is secured by non-tradable assets, such as property, plant and equipment.

Paragraph 145 and Table 2.3 in paragraph 146 are specific to secured loans with a contractual maturity up to and including 30 days. Financial institutions should not assume any inflow for margin loans where funds are extended under "term" provisions that give the client the possibility to repay after more than 30 days. Under such "term" provisions, the institution agrees to make funding available for a given period, but the client is not obliged to draw down on that funding, and where the client has drawn down on the funding, they can repay it after more than 30 days.

[BCBS LCR40.78] and [BCBS LCR-FAQ 13]

146. As an exception to paragraph 145, if the collateral obtained through reverse repo, securities borrowing, or collateral swaps, which matures within the 30-day horizon, is reused (i.e., rehypothecated) and is used to cover short positions that could be extended beyond 30 days, an institution should assume that such reverse repo or securities borrowing arrangements will be rolled over and will not give rise to any cash inflows (0%), reflecting its need to continue

to cover the short position or to repurchase the relevant securities. Short positions include both instances where in its 'matched book' the institution sold short a security outright as part of a trading or hedging strategy and instances where the institution is short a security in the 'matched' repo book (i.e., it has borrowed a security for a given period and lent the security out for a longer period).

[BCBS LCR40.79]

Table 2.3: Asset categories and requirements

Maturing secured lending transactions backed by the following asset category	Inflow rate (if collateral is not used to cover short positions)	Inflow rate (if collateral is used to cover short positions)
Level 1 assets	0%	0%
Level 2A assets	15%	0%
Level 2B assets - Eligible residential mortgage-backed securities	25%	0%
Level 2B assets - Other Level 2B assets	50%	0%
Margin lending backed by all collateral	50%	0%
Other collateral	100%	0%

AMF Note

Cash inflows associated with collateral swaps occur where the collateral lent is of higher quality within the LCR framework than the collateral borrowed and the collateral borrowed has not been rehypothecated to cover short positions. Such cash inflow amounts are to be calculated as the difference between the inflow rate prescribed for non-rehypothecated collateral in Table 2.3 in paragraph 146 for the collateral borrowed and outflow rate prescribed in Table 2.1 in paragraph 115 for the collateral lent. For example, where Level 2B non-RMBS assets are borrowed but not rehypothecated to cover short positions and Level 2A assets are lent, a 35% outflow rate should be allocated. Similarly, where non-HQLA are borrowed but not rehypothecated to cover short positions and Level 2A assets are lent, an 85% outflow rate should be allocated. Note that inflows should not be allocated when the collateral lent and collateral borrowed are of the same LCR type or when the collateral borrowed has been used to cover short positions.

Forward reverse repos and forward collateral swaps that start previous to and mature within the LCR's 30-day horizon should be treated like reverse repos and collateral swaps according to paragraphs 145 to 148.

[BCBS LCR40.74]

The inflow rates in the third column of Table 2.3 in paragraph 146 apply to all reverse repos, securities borrowings or collateral swaps where the collateral obtained is used to cover short positions. The reference in the first sentence of paragraph 146 to "short positions that could be extended beyond 30 days" does not restrict the applicability of the 0% inflow rate to the portion of secured lending transactions where the collateral obtained covers short positions with a contractual (or otherwise expected) residual maturity of up to 30 days. Rather, it is intended to point out that the financial institution must be aware that such short positions may be extended, which would require the institution to roll the secured lending transaction or to purchase the securities in order to keep the short positions covered. In either case, the secured lending transaction would not lead to a cash inflow for the institution's liquidity situation in a way that it can be considered in the LCR.

[BCBS LCR40.79]

147. In the case of a financial institution's short positions, if the short position is being covered by an unsecured security borrowing, the institution should assume the unsecured security borrowing of collateral from financial market participants would run off in full, leading to a 100% outflow of either cash or HQLA to secure the borrowing, or cash to close out the short position by buying back the security. This should be recorded as a 100% other contractual outflow according to paragraph 141. If, however, the institution's short position is being covered by a collateralized securities financing transaction, the institution should assume the short position will be maintained throughout the 30-day period and receive a 0% outflow.

[BCBS LCR40.80]

148. Despite the rollover assumptions in paragraphs 145 and 146, a financial institution should manage its collateral such that it is able to fulfil obligations to return collateral whenever the counterparty decides not to roll-over any reverse repo or securities lending transaction.[96] This is especially the case for non-HQLA collateral, since such outflows are not captured in the LCR framework. The AMF will monitor the institution's collateral management.

[BCBS LCR40.81]

[96] In keeping with principle 9 of the *BCBS Sound Principles*.

ii. Committed facilities

149. No credit facilities, liquidity facilities or other contingent funding facilities that the financial institution holds at other institutions for its own purposes are assumed to be able to be drawn. Such facilities receive a 0% inflow rate, meaning that this scenario does not consider inflows from committed credit or liquidity facilities. This is to reduce the contagion risk of liquidity shortages at one institution causing shortages at other institutions and to reflect the risk that other institutions may not be in a position to honour credit facilities, or may decide to incur the legal and reputational risk involved in not honouring the commitment, in order to conserve their own liquidity or reduce their exposure to that institution.

[BCBS LCR40.82]

iii. Other inflows by counterparty

150. For all other types of transactions, either secured or unsecured, the inflow rate will be determined by counterparty.[97] In order to reflect the need for an institution to conduct ongoing loan origination/rollover with different types of counterparties, even during a time of stress, a set of limits on contractual inflows by counterparty type is applied.

[BCBS LCR40.83]

151. When considering loan payments, the institution should only include inflows from fully performing loans. Further, inflows should only be taken at the latest possible date, based on the contractual rights available to counterparties. For revolving credit facilities, this assumes that the existing loan is rolled over and that any remaining balances are treated in the same way as a committed facility according to paragraph 131.

[BCBS LCR40.84]

152. Inflows from loans that have no specific maturity (i.e., have non-defined or open maturity) should not be included; therefore, no assumptions should be applied as to when maturity of such loans would occur. An exception to this would be minimum payments of principal, fee or interest associated with an open maturity loan, provided that such payments are contractually due within 30 days. These minimum payment amounts should be captured as inflows at the rates prescribed in paragraphs 153 and 154.

[BCBS LCR40.85]

(a) Retail customer inflows

153. This scenario assumes that financial institutions will receive all payments (including interest payments and instalments) from retail customers that are fully performing and contractually due within a 30-day horizon. At the same time, however, institutions are assumed to continue to extend loans to retail and small business customers, at a rate of 50% of contractual inflows. This results in a net inflow number of 50% of the contractual amount.

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[97] Unsecured loans in precious metals extended by a financial institution or deposits in precious metals placed by a financial institution may be treated according to paragraphs 153 and 157 if the loan or deposit uniquely settles in cash. In the case of physical delivery or any optionality to do so, no inflow should be considered unless: (i) contractual arrangements give the institution the choice between cash settlement or physical delivery and, (a) physical delivery is subject to a significant penalty, or (b) both parties expect cash settlement; and (ii) there are no factors such as market practices or reputational factors that may limit the institution's ability to settle the loan or deposit in cash (irrespective of whether physical delivery is subject to a significant penalty). This provision is strictly limited in scope to precious metal loans and does not extend to derivatives or other products that have similar economic features as precious metal loans.

[BCBS LCR40.86]

(b) Other wholesale inflows

154. This scenario assumes that financial institutions will receive all payments (including interest payments and instalments) from wholesale customers that are fully performing and contractually due within the 30-day horizon. In addition, institutions are assumed to continue to extend loans to wholesale clients, at a rate of 0% of inflows for financial institutions and central banks, and 50% for all others, including non-financial corporates, sovereigns, ~~multilateral development banks~~MDBs, and PSEs. This will result in an inflow percentage of:

- 100% for financial institution and central bank counterparties;
- 50% for non-financial wholesale counterparties.

[BCBS LCR40.87]

~~**AMF Note**~~

~~Stamped bankers' acceptance (BA) assets held by the financial institution that mature within 30 days should be included under paragraph 154.~~

155. Inflows from securities maturing within 30 days not included in the stock of HQLA should be treated in the same category as inflows from financial institutions (i.e., 100% inflow). Institutions may also recognize in this category inflows from the release of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets, provided that these segregated balances are maintained in HQLA. This inflow should be calculated in line with the treatment of other related outflows and inflows covered in this standard. Level 1 and Level 2 securities maturing within 30 days should be included in the stock of liquid assets, provided that they meet all operational and definitional requirements, as laid out in paragraphs 28 to 54.

[BCBS LCR40.88]

AMF Note

Assets that fulfil the requirements of HQLA eligibility shall be considered as such and not as inflows. Financial institutions may not count as inflows the difference between the actual redemption amount of Level 2 securities and the amount considered as HQLA (e.g., after the application of the LCR haircut).

Maturing assets including Level 1 and Level 2 assets that are not HQLA-eligible due to the operational requirements may be considered as inflows under paragraph 155.

Inflows from maturing securities in a collateral pool for covered bonds can be considered as inflows even if the maturing securities are (or have been) excluded from the stock of HQLA due to being "encumbered" according to paragraph 31.

However, if the maturing securities need to be substituted in the collateral pool within the 30-day horizon, an "other cash outflow" per paragraph 141 should be considered amounting to the liquidity value of these securities in the LCR.

[BCBS LCR40.88]

156. **Operational deposits:** Deposits held at other financial institutions for operational purposes, as outlined in paragraphs 93 to 103, such as for clearing, custody, and cash management purposes, are assumed to stay at those institutions, and no inflows can be counted for these funds – e.g., they will receive a 0% inflow rate, as noted in paragraph 98.

[BCBS LCR40.89]

AMF Note

For purposes of paragraph 156, where a non-foreign indirect clearer (that is not a subsidiary of a direct clearer) holds deposits at their direct clearer in respect of clearing-related activities, the indirect clearer may recognize a 25% inflow rate for such deposits.

In addition, these deposit inflows will not be subject to the 75% inflow cap calculation outlined in paragraph 144.

Deposits held for the purpose of correspondent banking are held for operational purposes and, as such, are subject to a 0% inflow rate according to paragraph 156. This does not affect the 100% outflow rate of these deposits on the part of the institution that has received the deposit according to paragraph 99. This treatment applies to all deposits that are used in the context of correspondent banking arrangements irrespective of the account name (e.g., nostro account). Within this scope, correspondent banking deposits refer to deposits a customer institution holds with another institution for the purpose that the other correspondent institution holds balances and settles payments in a currency other than the customer institution's domestic currency and on the customer institution's behalf. However, a 100% inflow rate would be applicable to the amount for which the institution is able to determine that the funds are "excess balances" in the sense of paragraph 96, i.e., they are not tied to operational purposes and may be withdrawn within 30 days.

The same methodology applied in paragraphs 93 to 104 for operational deposit outflows should also be applied to determine if deposits held at another financial institution are operational deposits and receive the inflow outlined in paragraph 156.

As a general principle if the institution receiving the deposit classifies the deposit as operational, the institution placing it should also classify it as an operational deposit.

[BCBS LCR40.89]

157. The same treatment applies for deposits held at the centralized institution in a cooperative banking network, that are assumed to stay at the centralized institution as outlined in paragraphs 105 and 106; in other words, the depositing institution should not count any inflow for these funds – i.e., they will receive a 0% inflow rate.

[BCBS LCR40.90]

iv. Other cash inflows

158. Derivatives cash inflows: the sum of all net cash inflows should receive a 100% inflow factor. The amounts of derivatives cash inflows and outflows should be calculated in accordance with the methodology described in paragraph 116.

[BCBS LCR40.91]

159. Where derivatives are collateralized by HQLA, cash inflows should be calculated net of any corresponding cash or contractual collateral outflows that would result, all other things being equal, from contractual obligations for cash or collateral to be posted by the institution, given these contractual obligations would reduce the stock of HQLA. This is in accordance with the principle that institutions should not double-count liquidity inflows or outflows.

[BCBS LCR40.92]

160. Other contractual cash inflows: Other contractual cash inflows should be captured here, with explanation given to what comprises this bucket. Inflow percentages should be determined as appropriate for each type of inflow by supervisors in each jurisdiction. Cash inflows related

to non-financial revenues are not taken into account in the calculation of the net cash outflows for the purposes of this standard.

[BCBS LCR40.93]

AMF Note

For forward repos and collateral swaps that start within the 30-day horizon and mature beyond the LCR's 30-day horizon:

- Cash inflows from forward repos are "other contractual cash inflows" according to paragraph 160 and should be netted against the market value of the collateral extended after deducting the haircut applied to the respective assets in the LCR;
- In case of forward collateral swaps, the net amount between the market values of the assets extended and received after deducting the haircuts applied to the respective assets in the LCR counts towards "other contractual cash outflows" or "other contractual cash inflows" depending on which amount is higher.

Cash flows arising from sales of non-HQLA that are executed but not yet settled at the reporting date should be treated as "other cash inflows".

Note that any outflows or inflows of HQLA in the next 30 days in the context of forward and unsettled transactions are only considered if the assets do or will count toward the financial institution's stock of HQLA.

Outflows and inflows of HQLA-type assets that are or will be excluded from the financial institution's stock of HQLA due to operational requirements are treated like outflows or inflows of non-HQLA.

HQLA lent by an institution without any further offsetting transaction (i.e., no repo/reverse repo or collateral swap) can count towards "other contractual cash inflows" – at their market value after application of the relevant LCR haircut

– if the assets will be returned or can be recalled during the next 30 days.

[BCBS LCR40.93]

2.3. Application issues for the LCR

161. This section outlines a number of issues related to the application of the LCR. These issues include the frequency with which financial institutions calculate and report the LCR, the scope of application of the LCR (whether they apply at group or entity level and to foreign branches) and the aggregation of currencies within the LCR.

2.3.1. Frequency of calculation and reporting

162. The LCR should be used on an ongoing basis to help monitor and control liquidity risk. The LCR should be reported to the AMF at least monthly. The D-SIFI should have the operational capacity to increase the LCR reporting frequency to weekly or even daily in stressed situations at the discretion of the AMF, whereas SMDIs should have the operational capacity to increase the reporting frequency to weekly. The time lag in reporting should be as short as feasible and ideally should not surpass 14 days and should be three business days in stressed situations.

163. Financial institutions are expected to inform the AMF of their LCR and their liquidity profile on an ongoing basis. Institutions should also notify the AMF immediately if their LCR has fallen, or is expected to fall, below 100%.

2.3.2. Scope

164. Not applicable.

165. The AMF will determine which investments of a financial institution in financial, securities and other entities that are not consolidated should be considered significant, taking into account the liquidity impact of such investments on the financial institution under the LCR standard. Normally, a non-controlling investment (e.g., a joint-venture or minority-owned entity) can be regarded as significant if the financial institution will be the main liquidity provider of such investment in times of stress (for example, when the other shareholders are non-banks or where the financial institution is operationally involved in the day-to-day management and monitoring of the entity's liquidity risk). The AMF will agree with each relevant institution on a case-by-case basis on an appropriate methodology for how to quantify such potential liquidity draws, in particular, those arising from the need to support the investment in times of stress out of reputational concerns for the purpose of calculating the LCR standard. To the extent that such liquidity draws are not included elsewhere, they should be treated under "Other contingent funding obligations", as described in paragraph 137.

[BCBS LCR10.2]

166. In accordance with Principle 6 of the BCBS Sound Principles and in sections 3 and 4 of the AMF's *Liquidity Risk Management Guideline*, a financial institution should actively monitor and control liquidity risk exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, and the group as a whole, taking into account legal, regulatory and operational limitations to the transferability of liquidity.

[BCBS LCR10.3]

167. To ensure consistency in applying the consolidated LCR across jurisdictions, further information is provided below on two application issues.

2.3.2.1. Differences in home / host liquidity requirements

168. While most of the parameters in the LCR are internationally "harmonized", national differences in liquidity treatment may occur in those items subject to national discretion (e.g., deposit run-off rates, contingent funding obligations, market valuation changes on derivative transactions, etc.) and where more stringent parameters are adopted by some supervisors.

[BCBS LCR10.4]

169. When calculating the LCR on a consolidated basis, a cross-border deposit-taking group should apply the liquidity parameters adopted in the home jurisdiction to all legal entities being consolidated except for the treatment of retail ~~/~~and small business deposits that should follow the relevant parameters adopted in host jurisdictions in which the entities (branch or subsidiary) operate. This approach will enable the stressed liquidity needs of legal entities of the group (including branches of those entities) operating in host jurisdictions to be more suitably reflected, given that deposit run-off rates in host jurisdictions are more influenced by jurisdiction-specific factors such as the type and effectiveness of deposit insurance schemes in place and the behaviour of local depositors.

[BCBS LCR10.5]

170. Home requirements for retail and small business deposits should apply to the relevant legal entities (including branches of those entities) operating in host jurisdictions if: (i) there are no host requirements for retail and small business deposits in the particular

jurisdictions; (ii) those entities operate in host jurisdictions that have not implemented the LCR; or (iii) the home supervisor decides that home requirements should be used that are stricter than the host requirements.

[BCBS LCR10.6]

2.3.2.2. Treatment of liquidity transfer restrictions

171. As noted in paragraph 36, as a general principle, no excess liquidity should be recognized by a cross-border deposit-taking group in its consolidated LCR if there is reasonable doubt about the availability of such liquidity. Liquidity transfer restrictions (e.g., ring-fencing measures, non-convertibility of local currency, foreign exchange controls, etc.) in jurisdictions in which an institution that is a member of the group operates will affect the availability of liquidity by inhibiting the transfer of HQLA and fund flows within the institution that is a member of the group. The consolidated LCR should reflect such restrictions in a manner consistent with paragraph 36. For example, the eligible HQLA that are held by a legal entity being consolidated to meet its local LCR requirements (where applicable) can be included in the consolidated LCR to the extent that such HQLA are used to cover the total net cash outflows of that entity, notwithstanding that the assets are subject to liquidity transfer restrictions. If the HQLA held in excess of the total net cash outflows are not transferable, such surplus liquidity should be excluded from the standard.

[BCBS LCR10.7]

172. For practical reasons, the liquidity transfer restrictions to be accounted for in the consolidated ratio are confined to existing restrictions imposed under applicable laws, regulations and supervisory requirements.[98] A deposit-taking group should have processes in place to capture all liquidity transfer restrictions to the extent practicable, and to monitor the rules and regulations in the jurisdictions in which the group operates and assess their liquidity implications for the group as a whole.

[BCBS LCR10.8]

2.3.3. Currencies

173. As outlined in paragraph 42, while the LCR is expected to be met on a consolidated basis and reported in a common currency, supervisors and financial institutions should also be aware of the liquidity needs in each significant currency. As indicated in the LCR, the currencies of the stock of HQLA should be similar in composition to the operational needs of the institution. Financial institutions and supervisors cannot assume that currencies will remain transferable and convertible in a stress period, even for currencies that in normal times are freely transferable and highly convertible.

[BCBS LCR10.9]

[98] There are a number of factors that can impede cross-border liquidity flows of a consolidated financial institution, many of which are beyond the control of the group and some of these restrictions may not be clearly incorporated into law or may become visible only in times of stress.

Chapter 3. Liquidity monitoring tools

AMF Note

The following paragraphs are drawn from the Basel III framework, *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*.

Certain paragraphs have been taken and adapted from this document. To facilitate comparability with national and international standards, the paragraph numbering from *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* has been retained.

For reference, the Basel Framework text paragraph numbers that are associated with the text appearing in these paragraphs are indicated in square brackets at the end of each paragraph.

174. In addition to the LCR, the NSFR, the NCCF (Comprehensive and Streamlined) and the Cash Flow Statement metric, described in this Guideline, this section outlines a set of additional metrics to be used as consistent monitoring tools. These metrics capture specific information related to a financial institution's cash flows, balance sheet structure, available unencumbered collateral and certain market indicators.

[BCBS SRP50.1]

175. These metrics, together with the LCR standard, provide the cornerstone of information that aids the AMF in assessing the liquidity risk of an institution. In utilizing these metrics, AMF will take action when:

- potential liquidity difficulties are signaled through a negative trend in the metrics;
- a deteriorating liquidity position is identified; or
- the absolute result of the metric identifies a current or potential liquidity problem.

Examples of actions that the AMF may take are outlined in the BCBS Sound Principles.[99]

[BCBS SRP50.2]

AMF Note

The liquidity monitoring tools described in this section are not precise ratios and, in this sense, do not provide thresholds to be met. However, the AMF may establish quantitative or qualitative prudential standards to be met in addition to those outlined in this chapter.

Although the metrics outlined in this chapter are useful tools to monitor various aspects of the liquidity risk faced by financial institutions, the scope of application is limited to Domestic Systemically Important Financial Institutions (D-SIFIs), as described in this Guideline. In addition, the institution-specific information in section 3.4 generally only applies to D-SIFIs. However, the AMF may notify individual Category I or Category II SMDIs if reporting of this data is required.

176. The metrics discussed in paragraph 175 include the following:

a. contractual maturity mismatch

b. concentration of funding

[99] Bank for International Settlements. Basel Committee on Banking Supervision, *Principles for Sound Liquidity Risk Management and Supervision (paragraphs 141 to 143)*.

c. available unencumbered assets

d. LCR by significant currency

e. market-related monitoring tools

177 to 187. These paragraphs are not being retained by the AMF but the AMF introduces another metric which is described in Chapter 5 of this Guideline.

3.1. Concentration of funding

3.1.1. Objective

188. This metric is meant to identify those sources of wholesale funding that are of such significance that withdrawal of this funding could trigger liquidity problems. The metric thus encourages the diversification of funding sources recommended in the BCBS Sound Principles and section 4.1 of the AMF's Liquidity Risk Management Guideline. In practice, several metrics will be calculated to illustrate the importance of a counterparty, product/instrument or currency.

[BCBS SRP50.14]

3.1.2. Definition and practical application of the metric

(a) Funding liabilities sourced from each significant counterparty as a % of total liabilities

(b) Funding liabilities sourced from each significant product/instrument as a % of total liabilities

(c) List of asset and liability amounts by significant currency

3.1.3. Calculation of the metric

189. The numerator for A and B is determined by examining funding concentrations by counterparty or type of instrument/product. Both the absolute percentage of the funding exposure, as well as significant increases in concentrations should be monitored by the Authority and the financial institution.

[BCBS SRP50.15]

3.1.3.1. Significant counterparties

190. The numerator for counterparties is calculated by aggregating the total of all types of liabilities to a single counterparty or group of connected or affiliated counterparties, as well as all other direct borrowings, both secured and unsecured, which the institution can determine arise from the same counterparty[100] (such as for overnight commercial paper / certificate of deposit (CP/CD) funding).

[BCBS SRP50.16]

191. A "significant counterpart" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the institution's total balance sheet, although in some cases there may be other defining characteristics based on the funding profile of the institution. A group of connected counterparties is, in this context, defined in the same way as in the "Large Exposure" regulation of the host country in the case of consolidated reporting for solvency

[100] For some funding sources, such as debt issues that are transferable across counterparties (such as CP/CD funding dated longer than overnight, etc.), it is not always possible to identify the counterparty holding the debt.

purposes. Intra-group deposits and deposits from related parties should be identified specifically under this metric, regardless of whether the metric is being calculated at a legal entity or group level, due to the potential limitations to intra-group transactions in stressed conditions.

[BCBS SRP50.17]

3.1.3.2. Significant instruments/products

192. The numerator for type of instrument/product should be calculated for each individually significant funding instrument/product, as well as by calculating groups of similar types of instruments/products.

[BCBS SRP50.18]

193. A "significant instrument/product" is defined as a single instrument/product or group of similar instruments/products that in aggregate amount to more than 1% of the institution's total balance sheet.

[BCBS SRP50.19]

3.1.3.3. Significant currencies

194. In order to capture the amount of structural currency mismatch in an institution's assets and liabilities, institutions are required to provide a list of the amount of assets and liabilities in each significant currency.

[BCBS SRP50.20]

AMF Note

Financial institutions will not need to provide separate information on asset and liability categories where significant currencies relate to CAN, USD, GBP and EUR as this information will be provided through reporting of individual currency balance sheets and individual currency liquid assets in the NCCF.

However, institutions are required to provide information on the NCCF asset and liability categories in currencies other than the four listed above, to the extent they are above the significant currency threshold described in paragraph 195.

195. A currency is considered "significant" if the aggregate liabilities denominated in that currency amount to 5% or more of the ~~institution's~~institution's total liabilities.

[BCBS SRP50.21]

3.1.3.4. Time buckets

196. The above metrics should be reported separately for the time horizons of less than one month, 1-3 months, 3-6 months, 6-12 months, and for longer than 12 months.

[BCBS SRP50.22]

3.1.4. Utilization of the metric

197. In utilizing this metric to determine the funding concentration to certain counterparty, both the institution and the AMF will recognize that currently it is not possible to

identify the actual funding counterparty for many types of debt.[101] The actual concentration of funding sources, therefore, could likely be higher than this metric indicates. The list of significant counterparties could change frequently, particularly during a crisis. The AMF will consider the potential for herding behaviour on the part of funding counterparties in the case of an institution-specific problem. In addition, under market-wide stress, multiple funding counterparties and the institution itself may experience concurrent liquidity pressures, making it difficult to sustain funding, even if sources appear well diversified.

[BCBS SRP50.23]

198. In interpreting this metric, one must recognize that the existence of bilateral funding transactions may affect the strength of commercial ties and the amount of the net outflow.[102]

[BCBS SRP50.24]

199. These metrics do not indicate how difficult it would be to replace funding from any given source.

[BCBS SRP50.25]

200. To capture potential foreign exchange risks, the comparison of the amount of assets and liabilities by currency will provide the AMF with a baseline for discussions with the institutions about how they manage any currency mismatches through swaps, forwards, etc.

[BCBS SRP50.26]

3.2. Available unencumbered assets

3.2.1. Objective

201. This metric provides the AMF with data on the quantity and key characteristics, including currency denomination and location, of financial institutions' available unencumbered assets. These assets have the potential to be used as collateral to raise additional HQLA or secured funding in secondary markets or are eligible at central banks and as such may potentially be additional sources of liquidity for the financial institution.

[BCBS SRP50.27]

3.2.2. Definition and practical application of the metric

Available unencumbered assets that are marketable as collateral in secondary markets

and

Available unencumbered assets that are eligible for central banks' standing facilities.

[101] For some funding sources, such as debt issues that are transferable across counterparties (such as CP/CD funding dated longer than overnight, etc.), it is not always possible to identify the counterparty holding the debt.

[102] For example, where the monitored institution also extends funding or has large unused credit lines outstanding to the "significant counterparty".

202. A financial institution is to report the amount, type and location of available unencumbered assets that could serve as collateral for secured borrowing in secondary markets at prearranged or current haircuts at reasonable costs.

[BCBS SRP50.28]

203. Likewise, a financial institution should report the amount, type and location of available unencumbered assets that are eligible for secured financing with relevant central banks at prearranged (if available) or current haircuts at reasonable costs, for standing facilities only (i.e., excluding emergency assistance arrangements). This would include collateral that has already been accepted by the central bank but remains unused. For assets to be counted in this metric, the financial institution must have already put in place the operational procedures that would be needed to monetize the collateral.

[BCBS SRP50.29]

204. A financial institution should report separately the customer collateral received that the institution is permitted to deliver or re-pledge, as well as the part of such collateral that it is delivering or re-pledging at each reporting date.

[BCBS SRP50.30]

205. In addition to providing the total amounts available, a financial institution should report these items categorized by significant currency. A currency is considered "significant" if the aggregate stock of available unencumbered collateral denominated in that currency amounts to 5% or more of the associated total amount of available unencumbered collateral (for secondary markets or central banks).

[BCBS SRP50.31]

206. A financial institution must also report the estimated haircut that the secondary market or relevant central bank would require for each asset. In the case of the latter, an institution would be expected to reference, under business as usual, the haircut required by the central bank that it would normally access (which likely involves matching funding currency – e.g., ECB for euro-denominated funding, Bank of Japan for yen funding, etc.).

[BCBS SRP50.32]

207. As a second step after reporting the relevant haircuts, a financial institution should report the expected monetized value of the collateral (rather than the notional amount) and where the assets are actually held, in terms of the location of the assets and what business lines have access to those assets.

[BCBS SRP50.33]

3.2.3. Utilization of the metric

208. This metric is useful for examining the potential for a financial institution to generate an additional source of HQLA or secured funding. It will provide a standardized measure of the extent to which the LCR can be quickly replenished after a liquidity shock either via raising funds in private markets or utilizing central bank standing facilities.

The metric does not, however, capture potential changes in counterparties' haircuts and lending policies that could occur under either a systemic or idiosyncratic event and could

provide false comfort that the estimated monetized value of available unencumbered collateral is greater than it would be when it is most needed. The AMF is aware that the metric does not compare available unencumbered assets to the amount of outstanding secured funding or any other balance sheet scaling factor. To gain a more complete picture, the information generated by these metrics should be complemented with the maturity mismatch metric and other balance sheet data.

[BCBS SRP50.34]

3.3. LCR by significant currency

3.3.1. Objective

209. While the LCR is required to be met in one single currency, in order to better capture potential currency mismatches, institutions and the AMF will also monitor the LCR in significant currencies. This will allow the institution and the AMF to track potential currency mismatch issues that could arise.

[BCBS SRP50.35]

3.3.2. Definition and practical application of the metric

$$\text{Foreign Currency LCR} = \frac{\text{Stock of HQLA in each significant currency}}{\text{Total net cash outflows over a } 30-\text{day time period in each significant currency}}$$

210. The definition of the stock of high-quality foreign exchange assets and total net foreign exchange cash outflows should mirror those of the LCR for common currencies.[103]

[BCBS SRP50.36]

211. A currency is considered “significant” if the aggregate liabilities denominated in that currency amount to 5% or more of the institution's total liabilities.

[BCBS SRP50.37]

212. As the foreign currency LCR is not a standard but a monitoring tool, it does not have an internationally defined minimum required threshold. Nonetheless, the AMF could set minimum monitoring ratios for the foreign exchange LCR, below which it should be alerted. The AMF will evaluate institutions’ ability to raise funds in foreign currency markets and the ability to transfer a liquidity surplus from one currency to another and across jurisdictions and legal entities.

[BCBS SRP50.38]

3.3.3. Utilization of the metric

213. This metric is meant to allow the institution and the AMF to track potential currency mismatch issues that could arise in a time of stress.

[BCBS SRP50.39]

[103] Cash flows from assets, liabilities and off-balance sheet items will be computed in the currency that the counterparties are obliged to deliver to settle the contract, independent of the currency to which the contract is indexed (or "linked"), or the currency whose fluctuation it is intended to hedge.

3.4. Market-related monitoring tools

3.4.1. Objective

214. High frequency market data with little or no time lag can be used as early warning indicators in monitoring potential liquidity difficulties at financial institutions.

[BCBS SRP50.40]

3.4.2. Definition and practical application of the metric

215. While there are many types of data available in the market, the AMF will monitor data at the following levels to focus on potential liquidity difficulties:

- market-wide information
- information on the financial sector
- institution-specific information

[BCBS SRP50.41]

3.4.2.1. Market-wide information

216. The AMF will monitor information both on the absolute level and direction of major markets and consider their potential impact on the financial sector and the specific institution. Market-wide information is also crucial when evaluating assumptions behind an institution's funding plan.

[BCBS SRP50.42]

217. Valuable market information to monitor includes, but is not limited to, equity prices (e.g., overall stock markets and sub-indices in various jurisdictions relevant to the activities of the supervised institutions), debt markets (money markets, medium-term notes, long-term debt, derivatives, government bond markets, credit default spread indices, etc.); foreign exchange markets, commodities markets, and indices related to specific products, such as for certain securitized products (e.g., the ABX).

[BCBS SRP50.43]

AMF Note

Financial institutions do not need to provide information to the AMF related to the market-wide information mentioned in paragraphs 216 and 217. The AMF will obtain such information from its regular monitoring of major markets and the economy more broadly.

3.4.2.2. Information on the financial sector

218. To track whether the financial sector as a whole is mirroring broader market movements or is experiencing difficulties, information to be monitored includes equity and debt market information for the financial sector broadly and for specific subsets of the financial sector, including indices.

[BCBS SRP50.44]

AMF Note

Financial institutions do not need to provide information to the AMF related to the financial sector information mentioned in paragraph 218. The AMF will obtain such information from its regular monitoring of indicators relevant to the financial sector.

3.4.2.3. Institution-specific information

219. To monitor whether the market is losing confidence in a particular institution or has identified risks at an institution, it is useful to collect information on equity prices, CDS spreads, money-market trading prices, the situation of rollovers and prices for various lengths of funding, the price/yield of institution debenture or subordinated debt in the secondary market.

[BCBS SRP50.45]

AMF Note

Regarding institution-specific information, the AMF will request a number of metrics be provided—on a consolidated basis—including but not limited to:

- timely information from financial institutions that details costs of unsecured and secured funding for various tenors and by specific instruments that are issued
- current short term secured and unsecured funding spreads (i.e., overnight, 1 week, 1 month, 3 month, 6 month, 1 year funding)
- material balances held at the Bank of Canada, other central banks or other financial institutions
- trends in deposit liabilities, including retail, corporate and wholesale deposits
- trends in collateral flows, including gross inflows and outflows, net balances, and stress test projections
- trends in cross border flows

3.4.3. Utilization of the metric / data

220. Information such as equity prices and credit spreads are readily available. However, the accurate interpretation of such information is important. For instance, the same CDS spread in numerical terms may not necessarily imply the same risk across markets due to market-specific conditions such as low market liquidity. Also, when considering the liquidity impact of changes in certain data points, the reaction of other market participants to such information can be different, as various liquidity providers may emphasize different types of data.

[BCBS SRP50.46]

Chapter 4. Intraday liquidity monitoring tools

AMF Note

The following paragraphs are drawn from the document *Monitoring Tools for Intraday Liquidity Management*, published in April 2013 by the BCBS. Certain paragraphs have been taken and adapted from this document.

To facilitate comparability with national and international standards, the Basel Framework text paragraph numbers that are associated with the text appearing in these paragraphs are indicated in square brackets at the end of each paragraph for reference.

The provisions in this chapter apply to all financial institutions (D-SIFIs and SMDIs).

4.1. Introduction

1. Management of intraday liquidity risk forms a key element of an institution's overall liquidity risk management framework as outlined in the BCBS Sound Principles[104] and ~~section 3.2 of~~ the AMF's Liquidity Risk Management Guideline.[105] These documents provide guidance for institutions on their management of liquidity risk and collateral. Principle 8 of the BCBS Sound Principles focuses specifically on intraday liquidity risk and states that an institution should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems.

2. This principle identifies six operational elements that should be included in an institution's strategy for managing intraday liquidity risk. These state that an institution should:

   - Have the capacity to measure expected daily gross liquidity inflows and outflows, anticipate the intraday timing of these flows where possible, and forecast the range of potential net funding shortfalls that might arise at different points during the day;
   - have the capacity to monitor intraday liquidity positions against expected activities and available resources (balances, remaining intraday credit capacity and available collateral);
   - arrange to acquire sufficient intraday funding to meet its intraday objectives;
   - have the ability to manage and mobilize collateral as necessary to obtain intraday funds;
   - have a robust capability to manage the timing of its liquidity outflows in line with its intraday objectives;
   - be prepared to deal with unexpected disruptions to its intraday liquidity flows.

3. The objective of the Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of institutions, but does not include intraday liquidity within its calibration.

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[104] Bank for International Settlements, Basel Committee on Banking Supervision, *Principles for Sound Liquidity Risk Management and Supervision*, September 2008.

[105] Autorité des marchés financiers, *Liquidity Risk Management Guideline*~~, March 2019~~.

4. The BCBS, in consultation with the Committee on Payment and Settlement Systems (CPSS)[106] has developed a set of quantitative tools to enable supervisors to monitor institutions' intraday liquidity risk and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. The monitoring tools will complement the qualitative guidance in the BCBS Sound Principles and also the AMF's Liquidity Risk Management Guideline.

5. Given the close relationship between the management of institutions' intraday liquidity risk and the smooth functioning of payment and settlement systems,[107] the tools will also be of benefit to the Bank of Canada or other authorities responsible for the oversight of payment and settlement systems (overseers). It is envisaged that the introduction of monitoring tools for intraday liquidity will lead to closer cooperation between banking supervisors and the overseers in the monitoring of institutions' payment behaviour.

6. The ILMT outlined in this chapter have been introduced for monitoring purposes only. They apply to all financial institutions exposed to intraday liquidity risk, including institutions that participate in systemically important Financial Market Infrastructure (FMI), as designated by the Bank of Canada.[108]. Direct clearers[109] of Lynx are subject to the ILMT disclosure requirements (refer also to section 4.5.5).

7. Consistent with their broader liquidity risk management responsibilities, institution management will be responsible for collating and reporting the monitoring data for the tools to the AMF. It is recognized that institutions may need to liaise closely with counterparts, including payment system operators and correspondent institutions, to collate these data. However, institutions are not required to disclose these reporting requirements publicly. Public disclosure is not intended to be part of these monitoring tools.

   [BCBS SRP50.3]

8. The following sections of this document set out the:

   - definitions of intraday liquidity and intraday liquidity risk and the elements that constitute an institution's intraday liquidity sources and usage
   - detailed design of the intraday liquidity monitoring tools
   - intraday liquidity stress scenarios
   - scope of application of the tools
   - implementation date and reporting frequency

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[106] The CPSS serves as a forum for central banks to monitor and analyze developments in payment and settlement arrangements as well as in cross-border and multicurrency settlement schemes. It consists of senior officials responsible for payment and settlement systems in central banks. The CPSS Secretariat is hosted by the BIS.

[107] References to payment and/or settlement systems encompass payment systems and clearing and settlement systems for securities and derivatives (including central counterparties).

[108] The Governor of the Bank of Canada has designated the following FMIs as systemically important to Canada's financial system: Lynx, CDSX, Canadian Derivatives Clearing Service, CLS Bank, and SwapClear.

[109] Direct clearer, as used in this chapter, means an institution that settles transactions directly through a large-value payment system.

4.2. Definitions, sources and usage of intraday liquidity

4.2.1. Definitions

9. For the purpose of this document, the following definitions will apply to the terms stated below:

   - Intraday liquidity: funds which can be accessed during the business day, usually to enable financial institutions to make payments in real time.[110]
   - Business day: the opening hours of the large-value payment system (LVPS)[111] or of correspondent banking services during which a financial institution can receive and make payments in a local jurisdiction.
   - Intraday liquidity risk: the risk that a financial institution fails to manage its intraday liquidity effectively, which could leave it unable to meet a payment obligation at the time expected, thereby affecting its own liquidity position and that of other parties.
   - Time-specific obligations: obligations which must be settled at a specific time within the day or have an expected intraday settlement deadline.

   [BCBS SRP50.48]

4.2.2. Intraday liquidity sources and usage

10. The following sets out the main constituent elements of a financial institution's intraday liquidity sources and usage.[112] The list should not be taken as exhaustive.

    (a) Sources of liquidity

    - Own sources
      - reserve balances at the central bank
      - collateral pledged with the central bank[113] or with ancillary systems[114] that can be freely converted into intraday liquidity
      - unencumbered liquid assets[115] on an institution's balance sheet that can be freely converted into intraday liquidity

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110 Bank for International Settlements, Committee on Payment and Settlement Systems, *A glossary of terms used in payments and settlements systems*, March 2003.

111 An LVPS is a funds transfer system that typically handles large-value and high-priority payments. In contrast to retail payment systems, many LVPSs are operated by central banks, using a real-time gross settlement (RTGS) or equivalent mechanism. See Section 1.10, *Principles for financial market Infrastructure*, CPSS and Technical Committee of IOSCO, April 2012.

112 Not all elements will be relevant to all reporting financial institutions as intraday liquidity profiles will differ between institutions (e.g., whether they access payment and settlement systems directly or indirectly or whether they provide correspondent banking services and intraday credit facilities to other institutions, etc.).

113 All collateral values reported should be presented after accounting for the central bank's haircuts.

114 Ancillary systems include other payment systems such as retail payment systems, Continuous Linked Settlements (CLS), securities settlement systems and central counterparties.

115 Unencumbered liquid assets should include any assets that an institution can access and liquidate in the early hours of the day. This should include assets eligible as part of the standing liquidity facility (SLF), provided pricing conditions can be satisfied, including non-mortgage loan portfolios subject to a Bank of Canada 20% concentration limit. Non-SLF assets may also be included provided the institution has effective means to monetize them intraday.

- secured and unsecured, committed and uncommitted credit lines[116] available intraday
- balances with other institutions that can be used for intraday settlement

- Other sources
  - payments received from other LVPS participants
  - payments received from ancillary systems
  - payments received through correspondent banking services

(b) Usage

- payments made to other LVPS participants
- payments made to ancillary systems[117]
- payments made through correspondent banking services[118]
- secured and unsecured, committed and uncommitted credit lines offered intraday
- contingent payments relating to a payment and settlement system's failure (e.g., as an emergency liquidity provider)

[BCBS SRP50.49]

11. In correspondent banking, some customer payments are made across accounts held by the same correspondent institution. These payments do not give rise to an intraday liquidity source or usage for the correspondent institution as they do not link to the payment and settlement systems. However, these "internalized payments" do have intraday liquidity implications for both the sending and receiving customer institutions and should be incorporated in their reporting of the monitoring tools.

[BCBS SRP50.50]

4.3. Intraday liquidity monitoring tools

12. A number of factors influence an institution's usage of intraday liquidity in payment and settlement systems and its vulnerability to intraday liquidity shocks. As such, no single monitoring tool can provide the AMF with sufficient information to identify and monitor the intraday liquidity risk run by an institution. To achieve this, seven separate monitoring tools have been developed (see Table 4.1 below). As not all of the tools will be relevant to all institutions, the tools have been classified in three groups to determine their applicability as follows:

Category A: Applicable to all institutions

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116 Although uncommitted credit lines can be withdrawn in times of stress (see scenario (i) in Section 4.4.1.1), such lines are an available source of intraday liquidity in normal times.

117 Some securities settlement systems offer self-collateralization facilities in cooperation with the central bank. Through these, participants can automatically post incoming securities from the settlement process as collateral at the central bank to obtain liquidity to fund their securities settlement systems' obligations. In these cases, intraday liquidity usages are only those related to the haircut applied by the central bank.

118 If an institution has nostro accounts with another institution, that other institution should be considered a correspondent bank to the extent that it provides similar services such as processing transactions, clearing checks, and managing foreign exchange on behalf of other institutions. The designation mainly depends on the nature and scope of the services provided, rather than the type of institution.

Category B: Applicable to institutions that provide correspondent banking services

Category C: Applicable to institutions which are direct participants

[BCBS SRP50.51]

Table 4.1: Monitoring Tools

Monitoring tools
Tools applicable to all financial institutions
A(i) Daily maximum intraday liquidity usage
A(ii) Available intraday liquidity at the start of the business day
A(iii) Total payments
A(iv) Time-specific obligations
Tools applicable to financial institutions that provide correspondent banking services
B(i) Value of payments made on behalf of correspondent banking customers
B(ii) Intraday credit lines extended to customers
Tools applicable to financial institutions which are direct participants
C(i) Intraday throughput

4.3.1. Monitoring tools applicable to all financial institutions

4.3.1.1. Daily maximum intraday liquidity usage

13. This tool will enable the AMF to monitor a financial institution's intraday liquidity usage in normal conditions. It will require institutions to monitor the net balance of all payments made and received during the day over their settlement account, either with the central bank (if a direct participant) or over their account held with a correspondent institution (or accounts, if more than one correspondent institution is used to settle payments). The largest net negative position during the business day on the account(s), (e.g., the largest net cumulative balance between payments made and received), will determine an institution's maximum daily intraday liquidity usage.

    The net position should be determined by settlement time stamps (or the equivalent) using transaction-by-transaction data over the account(s). The largest net negative balance on the account(s) can be calculated after the close of the business day and does not require real-time monitoring throughout the day.

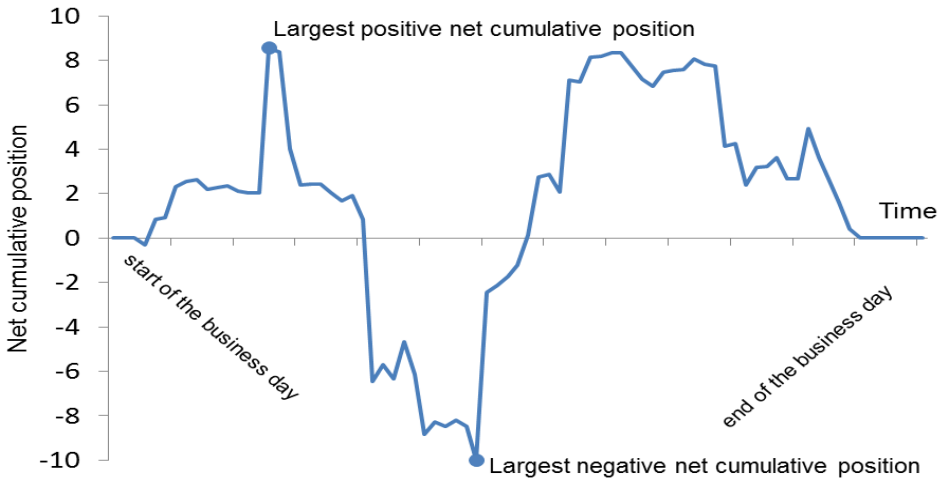
    [BCBS SRP50.64]

14. For illustrative purposes only, the calculation of the tool is shown in the figure below. A positive net position signifies that the institution has received more payments than it has made during the day. Conversely, a negative net position signifies that the institution has made more payments than it has received.[119] For direct participants, the net position represents the change in its opening balance with the central bank. For institutions that use one or more correspondent institutions, the net position represents the change in the opening balance on the account(s) with its correspondent institution(s).

[119] For the calculation of the net cumulative position, "payments received" do not include funds obtained through central bank liquidity facilities.

[BCBS SRP50.65]

Daily maximum intraday liquidity usage



15. Assuming that an institution runs a negative net position at some point intraday, it will need access to intraday liquidity to fund this balance. The minimum amount of intraday liquidity that an institution would need to have available on any given day would be equivalent to its largest negative net position. (In the illustration above, the intraday liquidity usage would be 10 units)

[BCBS SRP50.66]

16. Conversely, when an institution runs a positive net cumulative position at some point intraday, it has surplus liquidity available to meet its intraday liquidity obligations. This position may arise because the institution is relying on payments received from other LVPS participants to fund its outgoing payments. (In the illustration above, the largest positive net cumulative position would be 8.6 units.)

[BCBS SRP50.67]

17. Institutions should report ~~their three largest~~the daily positive and negative net cumulative positions on their settlement or correspondent account(s~~) in the reporting period and the daily average of the negative net cumulative position over the period. The largest positive net cumulative positions, and the daily average of the positive net cumulative positions, should also be reported.~~). As the reporting data accumulates, the AMF will gain an indication of the daily intraday liquidity usage of an institution in normal conditions.

[BCBS SRP50.68]

4.3.1.2. Available intraday liquidity at the start of the business day

18. This tool will enable the AMF to monitor the amount of intraday liquidity an institution has available at the start of each day to meet its intraday liquidity requirements in normal conditions. Institutions should report ~~both~~ the ~~three smallest sums by value of~~ intraday liquidity available ~~at the start of each business day in the reporting period, and the average amount of available intraday liquidity~~ at the start of each business day in the reporting period. The report should also break down the constituent elements of the liquidity sources available to the institution.

[BCBS SRP50.69]

19. Financial institutions should discuss and agree with the AMF the sources of liquidity which they should include in the calculation of this tool. Where institutions manage collateral on a cross-currency and/or cross-system basis, liquidity sources not denominated in the currency of the intraday liquidity usage and/or which are located in a different jurisdiction, may be included in the calculation if the institution can demonstrate to the satisfaction of the AMF that the collateral can be transferred intraday freely to the system where it is needed.

[BCBS SRP50.70]

20. As the reporting data accumulates, the AMF will gain indications of the amount of intraday liquidity available to an institution to meet its payment and settlement obligations in normal conditions.

[BCBS SRP50.71]

4.3.1.3. Total payments

21. This tool will enable the AMF to monitor the overall scale of an institution's payment activity. For each business day in a reporting period, financial institutions should calculate the total of their gross payments sent and received in the LVPS and/or, where appropriate, across any account(s) held with a correspondent institution(s).

Institutions should also report the ~~three largest~~ daily total values ~~for gross payments sent and received in the reporting period and the average daily figure~~ of gross payments ~~made~~sent and received in the reporting period.

[BCBS SRP50.72]

4.3.1.4. Time-specific obligations

22. This tool will enable the AMF to gain a better understanding of a financial institution's time specific obligations.[120] Failure to settle such obligations on time could result in financial penalty, reputational damage to the institution or loss of future business.

[BCBS SRP50.73]

23. Financial institutions should calculate the total value of time-specific obligations that they settle each day and report the ~~three largest~~ daily total values ~~and the average daily total value~~ in the reporting period to give the AMF an indication of the scale of these obligations.

[BCBS SRP50.74]

4.3.2. Monitoring tools applicable to financial institutions that provide correspondent banking services

4.3.2.1. Value of payments made on behalf of correspondent banking customers

[120] These obligations include, for example, those for which there is a time-specific intraday deadline, those required to settle positions in other payment and settlement systems, those related to market activities (such as the delivery or return of money market transactions or margin payments), and other payments critical to a financial institution's business or reputation (see footnote 10 of the BCBS *Sound Principles*). Examples include the settlement of obligations in ancillary systems, CLS pay-ins or the return of overnight loans. Payments made to meet the throughput guidelines are not considered time-specific obligations for the purpose of this tool.

The term "customers" includes all entities for which the financial institution provides correspondent banking services.

24. This tool will enable the AMF to gain a better understanding of the proportion of an institution's payment flows that arise from its provision of correspondent banking services. These flows may have a significant impact on the institution's own intraday liquidity management.[121]

[BCBS SRP50.76]

25. Institutions should calculate the total value of payments they make on behalf of all customers of their correspondent banking services each day and report the ~~three largest~~ daily total values ~~and the daily average total value of these payments in~~for the reporting period.

[BCBS SRP50.77]

4.3.2.2. Intraday credit lines extended to customers

26. This tool will enable the AMF to monitor the scale of an institution's provision of intraday credit to its correspondent banking customers.122 Institutions should report the ~~three largest~~ intraday credit lines extended to their correspondent banking customers in the reporting period, including whether these lines are secured or ~~committed~~confirmed and the use of those lines at peak usage.[123]

[BCBS SRP50.78]

4.3.3. Monitoring tools applicable to institutions that are direct participants

4.3.3.1. Intraday throughput

27. This tool will enable the AMF to monitor the throughput[124] of a direct participant's daily payments activity across its settlement account. Direct participants should report the daily average in the reporting period of the percentage of their outgoing payments (relative to total payments) that settle by specific times during the day, by value within each hour of the business day.[125] Over time, this will enable the AMF to identify any changes in an institution's payment and settlement behaviour.

[BCBS SRP50.80]

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121 Paragraph 79 of the BCBS Sound Principles states that: "The level of a [financial institution's] gross cash inflows and outflows may be uncertain, in part because those flows may reflect the activities of its customers, especially where the bank provides correspondent or custodian services."

122 Not all elements will be relevant to all financial institutions as intraday liquidity profiles will differ between institutions (e.g., whether they access payment and settlement systems directly or indirectly or whether they provide correspondent banking services and intraday credit facilities to other institutions, etc.).

123 The figure to be reported for the three largest intraday credit lines extended to customers should include uncommitted and unsecured lines. This disclosure does not change the legal nature of these credit lines.

124 Throughput targets help reduce intraday liquidity requirements at the system level by promoting synchronization in the flow of payments. When throughput targets are met, participants receive a significant proportion of payments in a timely fashion, enabling them to recycle the incoming liquidity to make their own payments.

125 It should be noted that some jurisdictions already have throughput rules or guidelines in place. For example, in the case of Canada's Lynx (LVPS), the Canadian Payments Association (Payments Canada) recommends that Lynx participants abide by the daily throughput targets as described in *Lynx Technical Specifications and Procedures (TSP-004) (PDF)*. For monthly dislcosure, financial institutions should report data relating to these targets on the AMF form.

4.4. Intraday liquidity stress scenarios

28. The monitoring tools in section 4.3 will provide the AMF with information on an institution's intraday liquidity profile in normal conditions. In the course of their discussions on broader liquidity risk management, institutions should and the AMF will consider the impact of an institution's intraday liquidity requirements in stress conditions. As guidance, four possible (but non-exhaustive) stress scenarios have been identified and are described below.[126] Stress testing results should be reported to the AMF on a quarterly basis without management actions. To demonstrate the value and importance of management actions on stress testing, institutions should consider them annually as part of their development and testing of contingency funding plans and/or recovery and resolution plans.

    [BCBS SRP50.82]

29. Financial institutions should use the scenarios to assess how their intraday liquidity profile in normal conditions would change in conditions of stress and discuss with the AMF how any adverse impact would be addressed either through contingency planning arrangements and/or their wider intraday liquidity risk management framework.

    [BCBS SRP50.86]

4.4.1. Stress scenarios

4.4.1.1. Own financial stress: an institution suffers or is perceived to be suffering from a stress event

30. For a direct participant, own financial and/or operational stress may result in counterparties deferring payments to later in the day and/or withdrawing intraday credit lines. This, in turn, may result in the institution having to fund more of its payments from its own intraday liquidity sources to avoid having to defer its own payments.[127]

    [BCBS SRP50.82]

31. For institutions that use correspondent banking services, an own financial stress may result in intraday credit lines being withdrawn by the correspondent institution(s), and/or its own counterparties deferring payments. This may require the institution having either to prefund its payments and/or to collateralize its intraday credit line(s).

    [BCBS SRP50.82]

4.4.1.2. Counterparty stress: A major counterparty suffers an intraday stress event that prevents it from making payments

32. A counterparty stress may result in direct participants and institutions that use correspondent banking services being unable to rely on incoming payments from

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126 Financial institutions are encouraged to consider reverse stress scenarios and other stress testing scenarios as appropriate (for example, the impact of natural disasters, currency crisis, etc.). In addition, institutions should use these stress testing scenarios to inform their intraday liquidity risk tolerance and contingency funding plans.

127 Institutions should reflect historical stress experience to calibrate severe but plausible stress from delayed payments and client drawdowns of intraday credit. Institutions' methodologies should allow flexibility to adjust and scale calibration, as appropriate.

the stressed counterparty,[128] reducing the availability of intraday liquidity that can be sourced from the receipt of the counterparty's payments.

[BCBS SRP50.82]

4.4.1.3. A customer institution's stress: a customer institution of a correspondent institution suffers a stress event

33. A customer institution's stress may result in other institutions deferring payments to the customer, creating a further loss of intraday liquidity at its correspondent institution.

[BCBS SRP50.82]

4.4.1.4. Market-wide credit or liquidity stress

34. A market-wide credit or liquidity stress may have adverse implications for the value of liquid assets that an institution holds to meet its intraday liquidity usage. A widespread fall in the market value and/or credit rating of an institution's unencumbered liquid assets may constrain its ability to raise intraday liquidity from the Bank of Canada. In a worst-case scenario, a material credit downgrade of the assets may result in the assets no longer meeting the eligibility criteria for the Bank of Canada's intraday liquidity facilities.

[BCBS SRP50.82]

35. For an institution that uses correspondent banking services, a widespread fall in the market value and/or credit rating of its unencumbered liquid assets may constrain its ability to raise intraday liquidity from its correspondent institution(s).

[BCBS SRP50.82]

36. Institutions that manage intraday liquidity on a cross-currency basis should consider the intraday liquidity implications of a closure of, or operational difficulties in, currency swap markets and stresses occurring in multiple systems simultaneously.

[BCBS SRP50.82]

4.4.2. Application of the stress scenarios

37. For the own financial stress and counterparty stress, all financial institutions should consider the likely impact that these stress scenarios would have on their daily maximum intraday liquidity usage, available intraday liquidity at the start of the business day, total payments and time-specific obligations.

[BCBS SRP50.83]

38. For the customer institution's stress scenario, institutions that provide correspondent banking services should consider the likely impact that this stress scenario would have on the value of payments made on behalf of its customers and intraday credit lines extended to its customers.

[BCBS SRP50.84]

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[128] Counterparty, as used in this chapter, refers to other institutions that are direct participants in the relevant FMI.

39. For the market-wide stress, all financial institutions should consider the likely impact that the stress would have on their sources of available intraday liquidity at the start of the business day.

[BCBS SRP50.85]

40. While each of the monitoring tools has value in itself, combining the information provided by the tools will give the AMF a comprehensive view of an institution's resilience to intraday liquidity shocks. Examples which illustrate how the tools could be used in different combinations by the AMF to assess an institution's resilience to intraday liquidity risk are presented in Annex ~~1~~2.

[BCBS SRP50.87]

4.5. Scope

41. Financial institutions manage their intraday liquidity risk on a system-by-system basis in a single currency, depending on the institutional set up of an institution and the specifics of the systems in which it operates. The following considerations aim to help institutions and the AMF determine the most appropriate way to apply the tools.

[BCBS SRP50.52]

4.5.1. Systems

42. Financial institutions that are direct participants to an LVPS can manage their intraday liquidity in very different ways. Some institutions manage their payment and settlement activity on a system-by-system basis. Others make use of direct intraday liquidity "bridges"[129] between LVPS, which allow excess liquidity to be transferred from one system to another without restriction. Other formal arrangements exist, which allow funds to be transferred from one system to another (such as agreements for foreign currency liquidity to be used as collateral for domestic systems).

[BCBS SRP50.53]

43. To allow for these different approaches, direct participants should apply a "bottom-up" approach to determine the appropriate basis for reporting the monitoring tools. The following sets out the principles which financial institutions should follow:

- As a baseline, individual institutions should report on each LVPS in which they participate on a system-by-system-basis;
- If there is a direct real-time technical liquidity bridge between two or more LVPS, the intraday liquidity in those systems may be considered fungible. At least one of the linked LVPS may therefore be considered an ancillary system for the purpose of the tools;
- If an institution can demonstrate to the satisfaction of the AMF that it regularly monitors positions and uses other formal arrangements to transfer liquidity intraday between LVPS which do not have a direct technical liquidity bridge, those LVPS may also be considered as ancillary systems for reporting purposes.

[BCBS SRP50.54]

[129] A direct intraday liquidity bridge is a functionality built into two or more LVPS that allows financial institutions to make transfers directly from one system to the other intraday.

44. Ancillary systems (e.g., retail payment systems, CLS, some securities settlement systems and central counterparties), place demands on a financial institution's intraday liquidity when these systems settle the institution's obligations in an LVPS. Consequently, separate reporting requirements will not be necessary for such ancillary systems.

[BCBS SRP50.55]

45. Financial institutions that use correspondent banking services should base their reports on the payment and settlement activity over their account(s) with their correspondent institution(s). Where more than one correspondent institution is used, the institution should report per correspondent institution. For institutions which access an LVPS indirectly through more than one correspondent institution, the reporting may be aggregated, provided that the institution can demonstrate to the satisfaction of the AMF that it is able to move liquidity between its correspondent institutions.

[BCBS SRP50.56]

46. Institutions which operate as direct participants of an LVPS but which also make use of correspondent institutions should discuss whether they can aggregate these for reporting purposes with the AMF. Aggregation may be appropriate if the payments made directly through the LVPS and those made through the correspondent institution(s) are in the same jurisdiction and same currency.

[BCBS SRP50.57]

4.5.2. Currency

47. Financial institutions that manage their intraday liquidity on a currency-by-currency basis should report on an individual currency basis[130] (including USD, EUR, GBP, and any other currency determined to be necessary by the AMF).

[BCBS SRP50.58]

48. If an institution can prove to the satisfaction of the AMF that it manages liquidity on a cross-currency basis and has the ability to transfer funds intraday with minimal delay – including in periods of acute stress – then the intraday liquidity positions across currencies may be aggregated for reporting purposes. However, institutions should also report at an individual currency level so that the AMF can monitor the extent to which firms are reliant on foreign exchange swap markets.

[BCBS SRP50.59]

49. When the level of activity of an institution's payment and settlement activity in any one particular currency is considered with the agreement of the AMF,[131] a reporting exemption could apply and separate returns need not be submitted.

[BCBS SRP50.60]

4.5.3. Organizational structure

[130] All correspondent banks with gross payment flows greater than or equal to 5% of relevant currency payments should be included.

[131] As an indicative threshold, the AMF may consider that a currency is considered "significant" if the aggregate liabilities denominated in that currency amount to 5% or more of the financial institution's total liabilities. Refer to paragraph 211 of Chapter 3 of this Guideline.

50. The appropriate organizational level for each institution's reporting of its intraday liquidity data should be determined by the AMF, but it is expected that the monitoring tools will typically be applied at a significant individual legal entity level. The decision on the appropriate entity should consider any potential impediments to moving intraday liquidity between entities within a group, including the ability of supervisors to ring-fence liquid assets, timing differences and any logistical constraints on the movement of collateral.

[BCBS SRP50.61]

51. Where there are no impediments or constraints to transferring intraday liquidity between two (or more) legal entities intraday, and institutions can demonstrate this to the satisfaction of the AMF, the intraday liquidity requirements of the entities may be aggregated for reporting purposes.

[BCBS SRP50.62]

4.5.4. Responsibility of home and host supervisors

52. **For cross-border deposit-taking groups**, where an institution operates in LVPS and/or with a correspondent institution(s) outside the jurisdiction where it is domiciled, both home and host supervisors will have an interest in ensuring that the institution has sufficient intraday liquidity to meet its obligations in the local LVPS and/or with its correspondent institution(s).[132] The allocation of responsibility between home and host supervisor will ultimately depend upon whether the bank operating in the non-domestic jurisdiction does so via a branch or a subsidiary.

For a branch operation: The home (consolidated) supervisor should have responsibility for monitoring through the collection and examination of data that its deposit-taking groups can meet their payment and settlement responsibilities in all countries and all currencies in which they operate. The home supervisor should therefore have the option to receive a full set of intraday liquidity information for its deposit-taking groups, covering both domestic and non-domestic payment and settlement obligations.

The host supervisor will have the option to require foreign branches in their jurisdiction to report intraday liquidity monitoring tools to them, subject to materiality.

For a subsidiary active in non-domestic LVPS and/or correspondent institution(s), the host supervisor should have primary responsibility for receiving the relevant set of intraday liquidity data for that subsidiary.

The supervisor of the parent institution will have an interest in ensuring that a non-domestic subsidiary has sufficient intraday liquidity to participate in all payment and settlement obligations. The AMF would therefore have the option to require non-domestic subsidiaries to report intraday liquidity data to them as appropriate.

[BCBS SRP50.63]

4.5.5. Implementation ~~date~~ and reporting frequency

[132] Paragraph 145 of the BCBS *Sound Principles* states that "the host supervisor needs to understand how the liquidity profile of the group contributes to risks to the entity in its jurisdiction, while the home supervisor requires information on material risks a foreign branch or subsidiary poses to the consolidated financial institution as a whole."

53. ~~The reporting[133] of~~ ILMT ~~will commence~~should be reported[134] on a monthly basis ~~from January 1, 2026. Although~~. While ILMT ~~are to~~should be reported on a monthly basis, stress testing results should be reported on a quarterly basis.

54. ~~After the initial implementation set out in the previous paragraph,~~ An institution that becomes a direct participant in accordance with paragraph 6 of this chapter must notify the AMF within 60 days of their fiscal year end. After written confirmation by the AMF, the institution would be subject to the ILMT disclosure requirements the following fiscal year.

55. Sample reporting templates can be found in Annex ~~2-II~~3.

[BCBS SRP50.88]

56. Institutions must notify the AMF if they are unable to meet the implementation deadline because of data availability constraints with their correspondent financial institution(s). Consideration may be given by the AMF to phasing-in the ILMT reporting requirements.

~~[133] For reporting purposes, the AMF will provide financial institutions with templates and related instructions.~~

[134] For reporting purposes, the AMF will provide financial institutions with templates and related instructions.

Chapter 5. Net Cumulative Cash Flow

AMF Note

The paragraphs of this chapter are provided by the AMF to replace the BCBS provisions related to contractual maturity mismatch. These paragraphs have been harmonized at the Canadian level.

The Net Cumulative Cash Flow (NCCF) is presented in sections 1 to 6 of this chapter, and the Cash Flow Statement metric is presented in section 7.

5.1. Objective

1. The Net Cumulative Cash Flow (NCCF) metric is used by the AMF (in conjunction with the other metrics specified in this Guideline) to supervise and assess liquidity at an individual financial institution. The NCCF measures an institution's net cumulative cash flows, on a contractual basis, after the application of assumptions around the functioning of assets and modified liabilities (i.e., where rollover of certain liabilities is permitted). The NCCF measures an institution's net cumulative cash flow both on the basis of the consolidated balance sheet as well as by major individual balance sheets and components.

   The metric:

   i. represents a stressed cash flow measure under a severe but plausible liquidity stress scenario, reflecting the continuation of core business operations and the consideration of relevant sources of cash inflows and outflows;

   ii. helps identify gaps between contractual inflows and outflows for various time bands over and up to a 12-month time horizon, which indicate potential cash flow shortfalls an institution may need to address; and

   iii. helps the AMF supervise and monitor, in a timely and effective manner, a financial institution's liquidity positions in stressed situations through accelerated disclosure of the metric.

2. The NCCF calculates a liquidity horizon in order to capture the risk posed by funding mismatches between assets and liabilities. By utilizing this type of cash flow analysis, financial institutions may be able to better mitigate the risk of losing market confidence and maintain the ability to meet short-term liabilities and continue to provide lending in a liquidity crisis. This aims to provide institutions with the time to find alternative sources of funding or to liquidate assets as needed.

3. The NCCF necessitates that financial institutions consider structural liquidity risk, contingent liquidity risk and market liquidity risk. Through the NCCF analysis, institutions will consider their ability to withstand asset devaluations, losses of market confidence, and accelerated reductions in funding capacity during a period of stress. The NCCF analysis offers further perspective into the maturity profile of an institution's balance sheet, and provides the AMF with additional assurance of the institution's liquidity adequacy as a complement to internationally prescribed metrics.

4. The scope of application of the NCCF includes D-SIFIs, and Category I and II financial institutions, as noted in Chapter 1 of this Guideline. D-SIFIs are subject to the "Comprehensive NCCF", while Category I and II SMDIs are subject to the "Streamlined NCCF."

5.2. Definition

5. The NCCF is a liquidity horizon metric that measures an institution's net cumulative cash flow. Cash and security flows associated with assets and liabilities that have a contractual maturity should be considered based on their residual contractual maturity. For liabilities, rollover of existing liabilities is limited to retail customer term deposits~~, bankers' acceptances,~~ and certain other operational and non-operational deposits (see Table 5.1 and paragraph ~~).~~64). The threshold for retail customer deposits is $5 million or less for the NCCF, on an individual account basis. Cash outflows associated with term liabilities are applied at maturity. Run-off rates (e.g., outflows) associated with liabilities that have no specific maturity (non-defined or open maturity), such as demand deposits, are applied over two-time intervals – weekly for the first month[135] and monthly from month 2 to month 12 (see Section 5.6). Cash inflows from maturing assets and cash outflows arising from undrawn commitments are considered separately.

6. The liquidity scenario assumed in the NCCF encompasses a combination of idiosyncratic and systemic stresses which measure the impacts of assumptions over a one-year liquidity horizon. Stress assumptions result in:

   (a) cash inflows from eligible unencumbered liquid assets, other securities and assets;

   (b) partial run-off of retail customer deposits;

   (c) full or partial run-off of wholesale and corporate funding;

   (d) cash inflows for maturing assets, reduced to recognize continued lending; and

   (e) cash outflows from off-balance sheet items, including undrawn commitments.

7. The time bands reported under the NCCF include weekly buckets for the first four weeks, monthly buckets for month two to month twelve, and a greater than one year bucket.

5.3. Supervisory tools

8. The NCCF measures a financial institution's surplus or deficit at a given time period, calculated as the difference between the sum of eligible cash inflows and the sum of prescribed cash outflows from the reporting date up to the end of the time period considered. Accordingly, a financial institution's survival horizon corresponds to the last period before which the NCCF turns negative and is expressed in weeks or in months. The NCCF is calculated as follows:

$$\text{NCCF (Weeks)} = \sum (\text{Inflows} - \text{Outflows}), \text{Cumulative}$$

9. The AMF may, as necessary, require individual financial institutions to meet a supervisory-communicated, institution-specific NCCF survival horizon on a consolidated basis. In such instances, the supervisory-communicated, institution-specific NCCF survival horizon will be set by the AMF after considering the trend in financial market funding liquidity indicators and institution-specific liquidity metrics and business risks. In addition, when determining the NCCF survival horizon for individual financial institutions, the Superintendent will consider such factors as operating and management experience, strength of institution, earnings, diversification of assets, type of assets, inherent risk of a

[135] Cash flows related to days 29, 30 and 31 of a given month should be reported in the week 4 bucket and applied the weekly run-off rate assigned to week 4 cash flows. Cash flows related to the remaining days of week 5 should be reported in the month 2 bucket and applied the monthly run-off rate assigned to month 2 flows.

business model and appetite for risk. While the AMF collects NCCF data over a 12 month time horizon, it is expected that financial institutions' liquidity management and internal transfer pricing consider its supervisory-communicated NCCF survival horizon. For periods beyond the supervisory-communicated NCCF survival horizon, financial institutions should monitor their liquidity for potential liquidity mismatches and cash flow shortfalls and manage liquidity in accordance with their internally defined risk appetite.

5.4. Scope

10. The scope of application of the NCCF is specified in paragraph 4 above. Most assumptions from the Comprehensive NCCF carry over to the Streamlined NCCF. However, where assumptions and/or requirements differ, a reference to the respective approach and specific provision are included below to outline the relevant expectations.

Comprehensive NCCF

11. The NCCF supervisory tool will be assessed in three parts by the AMF, on a:

    (a) consolidated basis;

    (b) Canadian currency basis;

    (c) major foreign currency basis (major currencies, e.g., USD, EUR, GBP).

    During periods of idiosyncratic stress to specific regions or to individual institutions, the AMF may, as necessary, require a supervisory-communicated, institution-specific NCCF level to be met on a Canadian currency basis and/or a foreign currency balance sheet basis, including USD, EUR, GBP and any other currency.

12. Not applicable.

Streamlined NCCF

13. The Streamlined NCCF is assessed on a consolidated basis with all currencies aggregated and reported in Canadian dollars.

14. The AMF may decide, on a case-by-case basis, whether institutions completing the Streamlined NCCF form are required to report on collateral inflows and outflows.

5.5. Cash inflows

15. Cash inflow treatments differ based on whether or not the asset meets the criteria for unencumbered liquid assets outlined below.

16. Eligible unencumbered liquid assets are treated as cash inflows in the first time bucket (i.e., week one), at market value, subject to relevant haircuts. Additional inflows of unencumbered liquid assets from maturing repurchase transactions of eligible liquid assets should be treated as cash inflows and assigned to the appropriate time bucket after application of the relevant haircuts.

17. To qualify for the stock of unencumbered liquid assets under the NCCF, the assets should be eligible collateral at central banks under normal operating conditions, as indicated in paragraphs 23 and 24, and must be "unencumbered", i.e., free of legal, regulatory, contractual or other restrictions on the ability of the financial institution to liquidate, sell, transfer, or assign the asset. An asset in the stock should not be pledged (either explicitly or implicitly) to secure, collateralize or credit enhance any transaction, nor be designated to cover operational costs (such as rents and salaries). The assets should also be accessible by the function charged with managing the liquidity of the

institution (e.g., the treasurer) as outlined in Chapter 2, paragraph 33. Eligible foreign currency liquid assets may be permitted to be included at the AMF's discretion.

For eligibility purposes, assets linked to total return swap (TRS) exposures will be given the same treatment as in the LCR (see Chapter 2, paragraph 54(c)).

18. Financial institutions should only include liquid assets that it has the operational capability to monetize, meaning it has procedures and appropriate systems in place, including providing the function identified in Chapter 2, paragraph 33 with access to all necessary information to execute monetization of any asset at any time.

19. Only eligible U.S. and Canadian liquid assets should be considered fungible (i.e., mutually interchangeable) for Comprehensive NCCF liquidity measurement purposes. Subject to the AMF's approval, other liquid assets may be eligible for inclusion in an institution's respective foreign currency balance sheets and the consolidated balance sheet.

20. In order to qualify as liquid assets under the NCCF, liquid assets held by qualifying subsidiaries, or domiciled outside Canada, should be freely transferable for regulatory purposes to the consolidated entity, meaning that there should not be regulatory, legal, tax, accounting or other impediments to their transfer. Assets held in legal entities without market access should only be included to the extent that they can be freely transferred to other entities that could monetize the assets.

21. Eligible unencumbered liquid assets received in reverse repo and securities financing transactions that are held at the institution, have not been rehypothecated, and are legally and contractually available for the institution's use can be considered as part of the pool of liquid assets and thus accorded immediate liquidity value (i.e., week one) after application of the relevant central bank haircut. Institutions should not double count liquidity inflows or outflows associated with reverse repos.

22. Financial institutions may receive liquidity value for collateral swaps provided they can clearly demonstrate that, at a minimum, the transactions are for a specified contract period, the securities used for the underlying collateral being swapped are outlined in the transaction details, mark-to-market procedures are understood and documented, and there is no substitution of collateral over the life of the contract, unless it is a like-for-like substitution of collateral. In addition, institutions must have adequate and ongoing market risk management control and oversight around this activity, and must recognize liquidity or cash flow implications at the termination of the swap.

23. For the Canadian balance sheet, liquid assets are limited only to those eligible as collateral under the Standing Liquidity Facility at the Bank of Canada.[136] Note that the Bank of Canada applies conditions to the use of these assets and that the asset list is subject to change. As such, financial institutions should use the most recent version of the aforementioned document when calculating their stock of liquid assets for NCCF purposes.

24. For all foreign currency balance sheets, the stock of liquid assets must, at a minimum, be eligible collateral under normal operating conditions at the appropriate central bank, be unencumbered per paragraph 17 of this chapter, and must be approved by the AMF.

[136] Bank of Canada, *Assets Eligible as Collateral under the Bank of Canada's Standing Liquidity Facility (SLF)*, July 2021.

The AMF reserves the right to restrict or alter this list at any time, in consideration of stressed markets or other circumstances.

25. Cash inflow treatment for balance sheet assets that do not meet the aforementioned criteria for eligible unencumbered liquid assets is based on the asset's residual contractual maturity, except that:

    i. For residential and commercial mortgages, the scenario assumes that financial institutions will receive all payments (including interest payments and installments) from retail customers that are fully performing and contractually due; at the same time, however, institutions are assumed to continue to extend residential and commercial mortgages, at a rate of 100% of contractual inflows. This results in no net eligible inflows from maturing residential and commercial mortgages;

    ii. For business and government loans, the scenario assumes that institutions will receive all payments (including interest payments and installments) from businesses and governments that are fully performing and contractually due, however, financial institutions are assumed to continue to extend loans to businesses and governments, at a rate of 50% of contractual inflows. This results in a net inflow number of 50% of the contractual amount.

    Contingent inflows are not considered eligible cash inflows.

26. All cash inflows from demand and term deposits held with other institutions are assumed to occur at the earliest contractual maturity date. In the case of demand deposits, this would mean the first week.

27. Cash inflows from securities which are not considered eligible unencumbered liquid assets should be reported at contractual maturity or the earliest option date (e.g., callable bonds). Cash inflows are limited to the face value of the security.

28. Cash inflows from acceptances~~ (bankers' acceptances)~~ reported as an asset (customers' liability under acceptances) on the balance sheet should occur at the latest contractual maturity date of the underlying facility.

29. Non-financial common equity shares that meet the requirements for Level 2B asset treatment in the LCR (i.e., meet the criteria outlined in Chapter 2, paragraph 54(c) and the operational requirements outlined in Chapter 2, section 2.2.1.2) will be given the same treatment as in LCR (see Chapter 2, paragraph 54(c)).

30. Financial institution common equity shares will be given cash inflow value according to the following schedule – 12.5% in month, 25% in month 3, and 12.5% in month 4, provided the operational requirements outlined in Chapter 2, section 2.2.1.2 are met.

31. Precious metals and other commodities receive no cash inflow value.

32. Inflows from loans that have no specific maturity (i.e., have non-defined or open maturity) should not be included. An exception to this would be minimum payments of principal, fee or interest associated with an open maturity loan, which are contractually due within a specific period. These minimum payment amounts are assumed to occur at the latest possible time band within that period.

33. Cash inflows from swapped intra-bank loans should occur at contractual maturity of the loan. These transactions occur when funds are transferred from one balance sheet to another. The originating balance sheet generates a swapped intra-bank loan by swapping funds from one currency to another (e.g., an area within a financial institution

swaps U.S. dollar deposits to Canadian dollars and lends the funds to another area within the institution).

34. Cash inflows from reverse repurchase agreements which do not meet the conditions outlined in paragraphs 16 to 24 are assumed to occur at contractual maturity.

35. Cash inflows from securities borrowed are assumed to occur at contractual maturity for the principal amount borrowed. Interest will not be recognized as a cash inflow.

36. All derivative-related cash inflows should be included at the expected contractual payment dates in accordance with their existing valuation methodologies. Cash flows may be calculated on a net basis (i.e., inflows can offset outflows) by counterparty, only where a valid master netting agreement exists. The amounts of derivatives cash inflows and outflows should be calculated in accordance with other provisions of the methodology described in paragraph ~~.~~49. In accordance with the principle that institutions should not double count liquidity inflows or outflows, where derivatives are collateralized by eligible liquid assets, cash inflows should be calculated net of any corresponding cash or contractual collateral outflows that would result, all other things being equal, from contractual obligations for cash or collateral to be posted by the institution, given these contractual obligations would reduce the pool of eligible liquid assets.

37. Balances related to assets not mentioned above are to be reported in the NCCF, but no cash inflow value will be attributed to them.

5.6. Cash outflows

38. The cash outflow treatment for existing liabilities differs depending on whether the liability has a contractual maturity or whether the liability has no specific maturity (non-defined or open maturity). Both on-balance sheet and certain off balance sheet items are considered as part of cash outflows under the NCCF. Balances should be run-off on a declining balance basis. Residual maturity of funding instruments with market-based maturity triggers, such as autocallable notes, should either reflect the earliest possible maturity or the expected life derived from prudent and appropriate analysis.

39. Consistent with the underlying intent of the metric, no rollover of existing liabilities is generally assumed to take place, with the exception of retail customer term deposits~~, bankers' acceptances,~~ and select term deposits from non-financial counterparties. Run-off rates for retail ~~customer~~and small business term deposits will be the same as equivalent demand deposits. However, these term deposits will be assumed to renew at the same tenor as the original deposit, less the equivalent demand deposit monthly run-off rate. Run-off rates for ~~bankers' acceptances and~~ select term deposits from non-financial counterparties are described further in ~~paragraphs and .~~paragraph 61.

40. For cashable products in which the customer has an option for early redemption, the balance should be treated as a demand deposit at the first customer option date and allocated to the appropriate demand deposit and run-off rate category. If product design includes penalties that sufficiently discourage early redemption, the AMF may consider exceptions on a bilateral basis.

41. The general treatment described in paragraph 39 (i.e., no rollover of liabilities) applies to:

- repurchase agreements;

- term deposits other than retail customer term deposits and select non-financial counterparties;
- other wholesale liabilities~~ (other than bankers' acceptances),~~, including commercial paper, certificates of deposit, deposit notes, and bonds;
- outflows from financial institution-sponsored ABCP, SIVs, and securitizations.[137]

42. Cash outflows from swapped intra-bank deposits should occur in full at contractual maturity. These transactions occur when funds are transferred from one balance sheet to another. The originating balance sheet generates a swapped intra-bank deposit by swapping funds from one currency to another (e.g., an area within a financial institution swaps U.S. dollar deposits to Canadian dollars and lends the funds to another area within the institution).

43. Securities sold short, securities lent and funding guarantees to subsidiaries and branches should all be assumed to have immediate cash outflows (i.e., first maturity bucket) of principal.

44. Securities sold short, securities lent and funding guarantees to subsidiaries and branches should all be assumed to have immediate cash outflows (i.e., first maturity bucket) of principal.

~~45. One hundred percent (100%) of the outstanding amount of institution-sponsored acceptances (bankers' acceptances) reported as a liability on the balance sheet should be recorded as an outflow on a declining balance basis occurring on the earliest maturity date of each acceptance. All other acceptances should roll off at 100%.~~

~~46.~~45. All derivative-related cash outflows should be included at the expected contractual payment dates in accordance with their existing valuation methodologies. Cash flows may be calculated on a net basis (i.e., inflows can offset outflows) by counterparty, only where a valid master netting agreement exists. Options should be assumed to be exercised when they are 'in the money' to the option buyer. In accordance with the principle that institutions should not double count liquidity inflows or outflows, where derivative payments are collateralized by eligible liquid assets, cash outflows should be calculated net of any corresponding cash or collateral inflows that would result, all other things being equal, from contractual obligations for cash or collateral to be provided to the institution, if the institution is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the collateral is received.

~~47.~~46. Run-off rates (i.e., outflows) associated with liabilities that have no specific maturity (non-defined or open maturity), such as demand/notice (less than 30 days notice) deposits, and retail and small business customer term deposits, are applied over two-time intervals – weekly for the first month and monthly from month 2 to month 12.

~~48.~~47. Retail deposits are defined as deposits placed with an institution by a natural person and are divided into "stable" and "less stable" according to paragraphs 75 to 84 of Chapter 2. Institutions should refer to these paragraphs for definitions related to the concepts described for retail deposits below.

[137] Where financing is arranged though structured investment vehicles, financial institutions should consider the inability to refinance maturing debt during liquidity crises.

Stable retail deposits

~~49.~~48. Insured retail deposits covered by deposit insurance that are in transactional accounts or where the depositors have an established relationship with the financial institution that makes deposit withdrawal highly unlikely, as per Chapter 2, paragraph 75, are generally assigned a weekly run-off rate of 1.0% over each of the first four weeks and a monthly run-off rate of 0.75% over each of the subsequent 11 months. However, such deposits may be eligible for a weekly run-off rate of 0.5% over each of the first four weeks and a monthly run-off rate of 0.75% over each of the subsequent 11 months if the criteria outlined in Chapter 2, paragraph 78 are met.

Less stable retail deposits

~~50. Demand deposits where an unaffiliated third-party entity directly manages the funds are assigned a weekly run-off rate of 7.5% over each of the first four weeks and a monthly run-off rate of 10% over each of the subsequent eleven months.~~

~~51. Term deposits directly managed by an unaffiliated third party that are maturing or cashable in the next four weeks are assigned a weekly run-off rate of 5% over each of the first four weeks and a monthly run-off rate of 7.5% over each of the subsequent eleven months.~~

~~52. Rate sensitive deposits (RSD) where the client directly manages the funds and where the client does not have an established relationship with the institution and the account is not transactional are assigned a weekly run-off rate of 3.75% over each of the first four weeks and a monthly run-off rate of 3.75% over each of the subsequent eleven months.~~

~~53. RSDs where the client directly manages the funds and where the client has an established relationship with the institution or the account is transactional are assigned a weekly run-off rate of 1.25% over each of the first four weeks and a monthly run-off rate of 3.75% over each of the subsequent eleven months.~~

~~54.~~49. Insured retail deposits that are not in transactional accounts or where the depositors do not have other established relationships with the institution that make deposit withdrawal highly unlikely are assigned a weekly run-off rate of 1.25% over each of the first four weeks and a monthly run-off rate of 2.5% over each of the subsequent 11 months.

~~55.~~50. Uninsured retail deposits are assigned a weekly run-off rate of 1.25% over each of the first 4 weeks and a monthly run-off rate of 3.75% over each of the subsequent 11 months.

51. RSDs where the client directly manages the funds and where the client has an established relationship with the institution or the account is transactional are assigned a weekly run-off rate of 1.25% over each of the first four weeks and a monthly run-off rate of 3.75% over each of the subsequent 11 months.

52. Deposits sourced through a partnership agreement that satisfies the following three conditions:

    i. the deposit is fully insured;

    ii. the client has an established relationship with the unaffiliated third party;

    iii. the client's account is transactional;

    are assigned a weekly run-off rate of 2% over each of the first four weeks and a monthly run-off rate of 7.5% over each of the subsequent 11 months.

53. Retail structured notes that are not exchange tradeable are assigned a weekly run-off rate of 5% over each of the first four weeks and a monthly run-off rate of 7.5% over each of the subsequent 11 months.

54. Rate sensitive deposits (RSDs) where the client directly manages the funds and where the client does not have an established relationship with the institution and the account is not transactional are assigned a weekly run-off rate of 3.75% over each of the first four weeks and a monthly run-off rate of 3.75% over each of the subsequent 11 months.

55. Term deposits directly managed by an unaffiliated third party that are maturing or cashable in the next four weeks are assigned a weekly run-off rate of 5% over each of the first four weeks and a monthly run-off rate of 7.5% over each of the subsequent 11 months.

56. Demand deposits where an unaffiliated third party directly manages the funds are assigned a weekly run-off rate of 7.5% over each of the first four weeks and a monthly run-off rate of 10% over each of the subsequent 11 months.

57. Deposits sourced through a partnership agreement that satisfies one or more of the following conditions:

    i. the deposit is not fully insured;

    ii. the client does not have an established relationship with the unaffiliated third party;

    iii. the client's account is not transactional;

    are assigned a weekly run-off rate of 7.5% over each of the first four weeks and a monthly run-off rate of 10% over each of the subsequent 11 months.

58. Retail structured notes that are exchange tradeable are assigned a weekly run-off rate of 7.5% over each of the first four weeks and a monthly run-off rate of 10% over each of the subsequent 11 months.

Wholesale funding

~~56.~~59. Unsecured wholesale funding is defined as those liabilities and general obligations that are raised from non-natural persons (i.e., legal entities, including sole proprietorships and partnerships) and are not collateralized by legal rights to specifically designated assets owned by the borrowing financial institution in the case of bankruptcy, insolvency, liquidation or resolution.

~~57.~~60. Unsecured wholesale funding provided by small business customers (as defined in Chapter 2, paragraphs 90 and 91) is treated the same way as retail, effectively distinguishing between a "stable" portion of funding provided by small business customers and different buckets of "less stable" funding. The same bucket definitions and associated run-off factors apply as for retail deposits.

~~58.~~61. All retail customer unsecured term wholesale funding is assumed to run off 100% at contractual maturity,[138] with the exception of term deposits from non-financial corporates, sovereigns, central banks, ~~multilateral development banks~~MDBs, and PSE customers, which are assumed to run-off at 40% at contractual maturity. These term deposits will be assumed to renew with a 30-day maturity, net of the 40% run-off rate at contractual maturity.

[138] For the NCCF treatment of cryptoasset exposures, financial institution should refer to the AMF's *Guideline on capital and liquidity treatment of cryptoasset exposures*, which provides additional requirements.

For deposits with enforceable notification periods, where the client has provided the financial institution a withdrawal notification of the funds, a 100% run-off rate will be applied to these amounts.

Operational deposits

~~59.~~62. For unsecured demand wholesale funding provided by non-small business customers, where the financial institution has operational deposits generated by clearing, custody and cash management activities that meet the criteria outlined in Chapter 2, paragraphs 93 to 103, these deposits are generally assigned a weekly run-off factor of 2.5% for each of the first four weeks and a monthly run-off rate of 5% over each of the subsequent eleven months, regardless of the counterparty type.

~~60.~~63. Exceptions to the treatment prescribed in paragraph ~~,~~62, relate to the portion of operational deposits generated by clearing, custody and cash management activities that is fully covered by deposit insurance, which can receive one of the following treatments:

- A weekly run-off rate of 0.75% for each of the first four weeks and a monthly run-off rate of 3% over each of the subsequent eleven months if the jurisdiction where the deposit is located permits use of the 3% run-off factor under the LCR for certain insured retail deposits per Chapter 2, paragraph 78;
- A weekly run-off rate of 1.25% for each of the first four weeks and a monthly run-off rate of 5% over each of the subsequent eleven months if the jurisdiction where the deposit is located does not permit the use of the 3% run-off factor under the LCR for certain insured retail deposits.

Other non-operational demand deposits

~~61.~~64. All demand deposits and other extensions of unsecured funding from non-financial corporate customers (that are not categorized as retail customers) and sovereign, central bank, multilateral development bank, and PSE customers that are not specifically held for operational purposes per paragraphs 62 and 63 should be assigned a weekly run-off factor of 3% for each of the first 4 weeks and a monthly run-off rate of 10% over each of the subsequent eleven months.

~~62.~~65. An exception to the treatment prescribed for non-operational deposits in paragraph 64 relates to unsecured demand wholesale funding provided by non-financial corporate customers, sovereigns, central banks, ~~multilateral development banks~~MDBs, and PSEs without operational relationships if the entire amount of the deposit is fully covered by an effective deposit insurance scheme (as defined in Chapter 2, paragraph 76) or by a public guarantee that provides equivalent protection. In such cases, the deposits should be assigned a weekly run-off factor of 3% for each of the first four weeks and a monthly run-off rate of 5% over each of the subsequent eleven months.

~~63.~~66. All demand deposits and other funding from other financial institutions (including banks, securities firms, insurance companies, etc.), fiduciaries,[139] beneficiaries,[140] conduits and special purpose vehicles, affiliated entities of the financial institution and other entities

[139] Fiduciary is defined in this context as a legal entity that is authorized to manage assets on behalf of a third party. Fiduciaries include asset management entities such as pension funds and other collective investment vehicles.

[140] Beneficiary refers in this context to a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract.

that are not specifically held for operational purposes (as defined above) and not included in the above categories are assumed to run off evenly and in full over the first 4 weeks (¼, ¼, ¼, ¼).

Off-balance sheet items

~~64.~~67. Institutions should consider cash outflows stemming from off-balance items. Credit and liquidity facilities are defined as explicit contractual agreements or obligations to extend funds at a future date to retail or wholesale counterparties. For purposes of the NCCF, these facilities include contractually irrevocable ("committed") or conditionally revocable agreements to extend funds in the future to third parties, as well as unconditionally revocable "uncommitted" credit and liquidity facilities.

~~65.~~68. For the purposes of this Guideline, the currently undrawn portion of these facilities is calculated net of any eligible, if: (i) the eligible unencumbered liquid assets (EULA) have already been posted as collateral by the counterparty to secure the facilities or there is a contractual obligation to post EULA as collateral when the counterparty will draw down the facility (e.g., a liquidity facility structured as a repo facility), (ii) if the institution is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the facility is drawn, and (iii) there is no undue correlation between the probability of drawing the facility and the market value of the collateral. The collateral can be netted against the outstanding amount of the facility to the extent that this collateral is not already counted in the stock of EULA, in line with the principle that items cannot be double-counted.

~~66.~~69. A liquidity facility is defined as any committed, undrawn back-up facility that would be utilised to refinance the debt obligations of a customer in situations where such a customer is unable to rollover that debt in financial markets (e.g., pursuant to a commercial paper programme, secured financing transactions, obligations to redeem units, etc.). For the purpose of the NCCF, for asset-backed commercial paper liquidity facilities, the amount of the commitment to be treated as a liquidity facility is the amount of the currently outstanding debt issued by the customer (or proportionate share, if a syndicated facility) maturing within a 30 day period that is backstopped by the facility. The portion of a liquidity facility that is backing debt that does not mature within the 30-day window is excluded from the scope of the definition of a facility. Any additional capacity of the facility (i.e., the remaining commitment) would be treated as a committed credit facility with its associated drawdown rate as specified in paragraph ~~.~~71. General working capital facilities for corporate entities (e.g., revolving credit facilities in place for general corporate or working capital purposes) will not be classified as liquidity facilities, but as credit facilities.

~~67.~~70. Credit and liquidity facilities to retail customers are expected to be drawn on week 1, or on the earliest contractual date,[141] after which time the balance is assumed to remain stable (i.e., no inflow due to reimbursement), according to the following rates:

a. 0% for facilities extended to transactors, defined as (i) obligors in relation to facilities such as credit cards and charge cards with an interest free grace period, where the accrued interest over the previous 12 months is less than $50, or (ii) obligors in relation

[141] Financial institutions can only recognize outflows after week 1 where the earliest contractual requirement to extend funding is longer than one week and where the institution has determined that refusing to advance funds before the end of the notice period, as requested by the customer, would not likely cause material reputational damage to the institution or otherwise impair ongoing viability.

to overdraft facilities or lines of credit if there has been no drawdown over the previous 12 months;[142]

b. 2% for other uncommitted facilities (i.e., those that do not qualify for the 0% rate); and

c. 5% for other committed facilities.

~~68.~~71. Committed credit facilities to other customers are expected to be drawn on week 1, or on the earliest contractual date, after which time the balance is assumed to remain stable (i.e., no inflow due to reimbursement), according to the following rates:

a. Under the **Streamlined NCCF**, a 10% outflow rate will be assigned to the undrawn amount of facilities extended to non-financial corporates;

b. Under the **Comprehensive NCCF**, for facilities extended to non-financial corporates, the following rates will be applicable to undrawn amounts:

1. Where the counterparty is considered a corporate client, defined as a corporate belonging to a group with annual revenues greater than CAD $750 million[143]:

   i. 5% if the institution provides services to the counterparty that generate operational deposits, i.e., the institution has an operational relationship, as described in paragraph ~~;~~62; and

   ii. 15% otherwise.

2. Where the facilities are not subject to the outflow rates in sub-paragraph b.1. above:

   i. 5% if the institution provides services to the counterparty that generate operational deposits, i.e., the institution has an operational relationship with the counterparty as described in paragraph ~~;~~62; and

   ii. 10% otherwise.

c. 10% for facilities extended to sovereigns and central banks, PSEs, and ~~multilateral development banks~~MDBs;

d. 40% for facilities extended to deposit-taking institutions subject to prudential supervision;

e. 40% for facilities extended to other financial institutions including securities firms, insurance companies, fiduciaries,[144] and beneficiaries;[145]

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142 New accounts will not be deemed transactors until the account has been open for at least 12 months and the definition of a transactor is satisfied.

143 In making the assessment for the revenue threshold, the amounts must be as reported in the audited financial statements of the corporates or, for corporates that are part of consolidated groups, their consolidated groups (according to the accounting standard applicable to the ultimate parent of the consolidated group). The figures must be based either on the average amounts calculated over the prior three years or on the latest amounts available to the institution, updated at least every three years. The classification of clients should be consistent with the classification of general corporate exposures not eligible for the AIRB approach under the Capital Adequacy Guideline, as set out in section 5.2.2 of Chapter 5 of that guideline.

144 Fiduciary is defined in this context as a legal entity that is authorized to manage assets on behalf of a third party. Fiduciaries include asset management entities such as pension funds and other collective investment vehicles.

145 Beneficiary is defined in this context as a legal entity that receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract.

f. 100% to other legal entities (including SPEs,[146] conduits and special purpose vehicles, and other entities not included in the prior categories).

~~69.~~72. Uncommitted credit facilities to other customers are expected to be drawn on week 1, at a rate of 5%, or on the earliest contractual date, after which time the balance is assumed to remain stable (i.e., no inflow due to reimbursement).

~~70.~~73. Committed facilities to other customers are expected to be drawn on week 1, or on the earliest contractual date, after which time the balance is assumed to remain stable (i.e., no inflow due to reimbursement), according to the following rates:

a. 30% for facilities extended to non-financial corporates, sovereigns and central banks, PSEs, and ~~multilateral development banks~~MDBs;

b. 40% for facilities extended to deposit-taking institutions subject to prudential supervision;

c. 100% for facilities to other financial institutions including securities firms, insurance companies, fiduciaries, and beneficiaries;

d. 100% for liquidity facilities for Asset Backed Commercial Paper for maturities within 30 days and the unutilized capacity that can be drawn within 30 days (i.e., 0% otherwise);

e. 100% for facilities to other legal entities (including SPEs, conduits and special purpose vehicles, and other entities not included in prior categories).

~~71.~~74. Uncommitted liquidity facilities to other customers are expected to be drawn on week 1, at a rate of 5%, after which time the balance is assumed to remain stable (i.e., no inflow due to reimbursement).

~~72.~~75. Obligations stemming from trade finance instruments are expected to result in outflows on week 1, at a rate of 3%. Trade finance instruments consist of trade-related obligations directly underpinned by the movement of goods or the provision of services, such as:

- Documentary trade letters of credit, documentary and clean collection, import bills, and export bills; and
- Guarantees directly related to trade finance obligations, such as shipping guarantees.

~~73.~~76. Other guarantees and letters of credit unrelated to trade finance obligations (i.e., that do not fall under the scope of paragraph ~~)~~75) are expected to generate outflows on week 1, equivalent to 5% of the obligations.

~~74.~~77. Balances related to on-balance sheet liabilities not mentioned above are to be reported in the NCCF, but no cash outflow value is attributed to them.

~~75.~~78. Table 5.1 and 5.2 present, respectively, the summarized treatment of unsecured funding by counterparty and deposit types and the summarized treatment of credit and liquidity facilities.

[146] A special purpose entity (SPE) is defined in the Basel Framework (CRE 40.21) as a corporation, trust, or other entity organized for a specific purpose, the activities of which are limited to those appropriate to accomplish the purpose of the SPE, and the structure of which is intended to isolate the SPE from the credit risk of an originator or seller of exposures. SPEs are commonly used as financing vehicles in which exposures are sold to a trust or similar entity in exchange for cash or other assets funded by debt issued by the trust.

Table 5.1: Summary of applicable run-off rates

Paragraph	Deposit Type	Weekly run-off rate (first month)	Monthly run-off rate (months 2 to 12)
~~49, 57~~48, 60	Insured retail – stable (demand and term deposits): Where criteria outlined in Chapter 2, paragraph 78 are met	0.50%	0.75%
~~49, 57~~48, 60	Insured retail – stable (demand and term deposits): Where criteria outlined in Chapter 2, paragraph 78 are not met	1.00%	0.75%
~~50, 57~~49, 60	~~Demand deposits– funds managed by unaffiliated third party~~Insured retail and small business deposits – no established relationship or the account is not a transactional account	~~7.5~~1.25%	~~10~~2.5%
~~51, 57~~50, 60	~~Term deposits (maturing or cashable in next 4 weeks) managed by unaffiliated third party~~Insured retail and small business deposits – demand and term deposits	~~5~~1.25%	~~7.5~~3.75%
~~52, 57~~51, 60	RSD –where the client ~~managed, no~~directly manages the funds and has an established relationship~~,~~ with the institution or where the account ~~not~~is a transactional account	~~3.75~~1.25%	3.75%
52, 60	Stable demand deposits sourced through partnerships	2%	3.75%
53, 60	Retail structured notes that are not exchange tradeable	5%	7.5%
~~53, 57~~54, 60	RSD –where the client ~~managed,~~directly manages the funds and does not have an established relationship ~~or~~with the institution, and the account is not a transactional account	~~1.25~~3.75%	3.75%
~~54, 57~~55, 60	~~Insured retail – Not a transactional account or no relationships~~Term deposits (maturing or cashable in next 4 weeks) managed by unaffiliated third party	~~1.25~~5%	~~2~~7.5%
56, 60	Demand deposits where an unaffiliated third party directly manages the funds	7.5%	10%
~~55,~~ 57, 60	~~Uninsured retail~~ ~~(~~Less stable demand ~~and term~~ deposits~~)~~ sourced through partnerships	~~1.25~~7.5%	~~3.75~~10%
58, 60	Retail structured notes that are exchange tradeable	7.5%	10%

Paragraph	Deposit Type	Weekly run-off rate (first month)	Monthly run-off rate (months 2 to 12)
~~58~~61	Unsecured wholesale term funding: Term deposits from non-financial corporates, sovereigns, central banks, ~~multilateral development banks~~MDBs, and public sector entity (PSE) customers	40% at maturity	40% at maturity
~~58~~61	Unsecured wholesale term funding Term deposits – all other non-small business customers	100% at maturity	100% at maturity
~~59, 60~~62, 63	Non-financial corporates, sovereigns, central banks, PSEs, MDBs, other financial institutions and other legal entities – operational deposits: Where the deposit is not fully covered by deposit insurance	2.5%	5%
~~59, 60~~62, 63	Non-financial corporates, sovereigns, central banks, PSEs, MDBs, other financial institutions and other legal entities – operational deposits: Where the deposit is fully covered by deposit insurance and: Jurisdiction where the deposit is located permits a 3% run-off factor	0.75%	3%
~~59, 60~~62, 63	Non-financial corporates, sovereigns, central banks, PSEs, MDBs, other financial institutions and other legal entities – operational deposits: Where the deposit is fully covered by deposit insurance and: Jurisdiction where the deposit is located does not permit a 3% run-off factor	1.25%	5%
~~61, 62~~64, 65	Non-financial corporates, sovereigns, central banks, PSEs and MDBs – non-operational deposits: Where the deposit is not covered by an effective deposit insurance scheme or public guarantee	3%	10%
~~61, 62~~64, 65	Non-financial corporates, sovereigns, central banks, PSEs and MDBs – non-operational deposits: Where the deposit is covered by an effective deposit insurance scheme or public guarantee	3%	5%

Paragraph	Deposit Type	Weekly run-off rate (first month)	Monthly run-off rate (months 2 to 12)
~~63~~66	All other counterparties (including other financial institutions and other legal entities) – non-operational deposits	100% over the first 4 weeks (25% per week)	n/a

Note: For the column "monthly run-off rate (months 2 to 12)" in Table 5.1, there should be no run-off beyond 100% of the original balance of any existing liability in the NCCF, and balances should be run-off on a declining balance basis.

Table 5.2: Outflow rates applicable to facilities

Paragraph	Commitment Type	Outflow Rate (week 1 or earliest contractual date)
~~67~~70	Credit and liquidity facilities to retail and small business customers: Facilities extended to transactors	0%
~~67~~70	Credit and liquidity facilities to retail and small business customers: Other uncommitted facilities	2%
~~67~~70	Credit and liquidity facilities to retail and small business customers: Other committed facilities	5%
~~68~~71	Committed credit facilities to non-financial corporates: Streamlined NCCF	10%
~~68~~71	Committed credit facilities to non-financial corporates: Comprehensive NCCF, where the customer is a corporate client: Absence of an operational relationship	15%
~~68~~71	Committed credit facilities to non-financial corporates: Comprehensive NCCF, where the customer is a corporate client: Presence of an operational relationship	5%
~~68~~71	Committed credit facilities to non-financial corporates: Comprehensive NCCF, where: The customer is a commercial client: Absence of an operational relationship	10%
~~68~~71	Committed credit facilities to non-financial corporates:	5%

Paragraph	Commitment Type	Outflow Rate (week 1 or earliest contractual date)
	Comprehensive NCCF, where the customer is a commercial client: Presence of an operational relationship	
~~68~~71	Committed credit facilities to other customers, where the counterparties are ~~:~~ sovereigns, central banks, PSEs~~,~~ and ~~multilateral development banks~~MDBs	10%
~~68~~71	Committed credit facilities to other customers, where the counterparties are ~~:~~ deposit-taking institutions subject to prudential supervision	40%
~~68~~71	Committed credit facilities to other customers, where the counterparties are: Other financial institutions, including securities firms, insurance companies, fiduciaries and beneficiaries	40%
~~68~~71	Committed credit facilities to other customers, where the counterparties are ~~:~~ other legal entities (including SPEs, conduits and special purpose vehicles~~,~~ and other entities not included in prior categories)	100%
~~69~~72	Uncommitted credit facilities to non-retail and non-small business customers	5%
~~70~~73	Committed liquidity facilities to non-retail and non-small business customers, where the counterparties are ~~:~~ non-financial corporates, sovereigns and central banks, PSEs~~,~~ and ~~multilateral development banks~~MDBs	30%
~~70~~73	Committed liquidity facilities to non-retail and non-small business customers, where the counterparties are ~~:~~ deposit institutions subject to prudential supervision	40%
~~70~~73	Committed liquidity facilities to non-retail and non-small business customers, where the counterparties are~~:~~ other financial institutions, including securities firms, insurance companies, fiduciaries~~,~~ and beneficiaries	100%
~~70~~73	Committed liquidity facilities to non-retail and non-small business customers~~,~~ : Where the counterparties are ~~:~~ for liquidity facilities backstopping ABCPs~~:~~ (for maturities within 30 days) and the unutilized capacity ~~that~~ can be drawn within 30 days	100%

Paragraph	Commitment Type	Outflow Rate (week 1 or earliest contractual date)
~~70~~73	Committed liquidity facilities to non-retail and non-small business customers~~,~~ : Where the counterparties are~~:~~ other legal entities (including SPEs, conduits and special purpose vehicles, and other entities not included in prior categories)	100%
~~71~~74	Uncommitted liquidity facilities to non-retail and non-small business customers	5%
~~72~~75	Trade finance instruments	3%
~~73~~76	Other guarantees and letters of credit unrelated to trade finance obligations	5%

~~76.~~79. Balances related to on-balance sheet liabilities not mentioned above are to be reported in the NCCF, but no cash outflow value is attributed to them.

~~77.~~80. Credit and liquidity facilities are defined as explicit contractual agreements or obligations to extend funds at a future date to retail or wholesale counterparties. For purposes of the NCCF, these facilities only include contractually irrevocable ("committed") or conditionally revocable agreements to extend funds in the future to third parties, and will be reported in the NCCF template but will not be included as outflows.

5.7. The Cash Flow Statement (CFS) metric

AMF Note

The Cash Flow Statement (CFS) is a liquidity metric used solely for Category III small and medium-sized deposit institutions (SMDIs), as mentioned in Chapter 1 of this Guideline. Accordingly, the content of this section applies solely to Category III SMDIs.

5.7.1. Objective

~~78.~~81. The AMF uses the CFS as a supervisory tool to measure and monitor liquidity adequacy for Category III SMDIs, which are not subject to the NCCF presented in the preceding paragraphs of this chapter, and the other liquidity metrics such as the LCR and the NSFR. The CFS is a cash flow forecasting measure that factors in behavioural aspects captured by prescribed inflow and outflow rates. The metric provides an indication of a financial institution's horizon of positive cash flow based on its cumulative stock of unencumbered liquid assets, contractual cash inflows, and contractual cash outflows. The metric extends to a one-year horizon.

~~79.~~82. The CFS is not a regulatory standard and thus does not have a defined minimum required threshold. However, the AMF may, if it deems it appropriate, require financial institutions to meet a supervisory-communicated, institution-specific CFS level. In such instances, the supervisory-communicated, institution-specific CFS level may be set by the AMF after considering the trend in financial market and institution-specific factors such as operating and management experience, strength of parent, earnings, diversification of assets, type of assets, inherent risk of a business model and risk appetite.

~~80.~~83. Where set by the AMF, a supervisory-communicated, institution-specific CFS level will require the institution to maintain a positive level of cumulative liquid assets and net cash flows up to a certain point in time.

~~81.~~84. The CFS is useful in assessing the potential liquidity gaps that would have to be funded or that could unduly strain the institution's liquidity position. The CFS will be supplemented by a detailed supervisory assessment of an institution's liquidity risk management framework in line with the AMF's *Liquidity Risk Management Guideline*.

5.7.2. Definition

~~82.~~85. The CFS is a liquidity horizon metric that measures a financial institution's liquid assets, operating cash inflows and cash outflows, and net cumulative cash flow over different periods within a 12-month time horizon. The time bands reported under the CFS include weekly buckets for the first four weeks and monthly buckets for months 2 to 12.

$$\text{CFS (Weeks)} = \text{Liquid assets} + \sum(\text{Inflows} - \text{Outflows}), \text{Cumulative}$$

~~83.~~86. **Liquid assets** are those assets that are unencumbered[147] and that can be converted to cash at little or no loss of value in private markets. Liquid assets[148] include coins and banknotes, securities representing claims on or guaranteed by a sovereign issuer, securities of a provincial or territorial government, and deposits with other Canadian financial institutions. Deposits with other financial institutions must be available on demand (or overnight) and not subject to constraints on withdrawal.

~~84.~~87. For purposes of the CFS, eligible liquid assets are not subject to haircuts.

~~85.~~88. **Cash inflows** include the institution's sources of income derived from its ordinary course of business. These would include fees collected for managing assets, from custody services, investment advice, interest on investments and loans as well as maturing investments and maturing loans (to the extent these loans would not be rolled over).

~~86.~~89. **Cash outflows** include operating expenses incurred to generate the financial institution's income as well as, for institutions that take deposits, a withdrawal of a portion of these deposits as outlined below. Expenses include non-payroll operating expenses (e.g., rent), payroll, interest payable and other operating expenses.

~~87.~~90. Deposits are to be classified as either demand or term deposits. The balance at maturity for term deposits and balance of demand deposits at the time of computation will be subject to an AMF-prescribed retention rate. The retention rates will differ based on attributes of the deposit. More specifically, deposits will be classified as:

i. insured retail deposits;[149]

ii. uninsured retail deposits;

iii. brokered deposits;[150]

iv. all other deposits.

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147 "Unencumbered" ~~means free~~is defined in paragraph 31 of ~~legal, regulatory, contractual or other restriction on the ability~~Chapter 2 of ~~the financial institution to liquidate, sell, transfer, or assign the asset~~this Guideline.

148 Liquid assets for the purpose of the CFS equate to Level 1 assets as described in this Guideline. Securities guaranteed by the Canadian federal government (e.g., National Housing Act (NHA) mortgage-backed securities) can be counted towards the financial institution's stock of liquid assets, provided they are unencumbered.

149 Refer to paragraph 70 of Chapter 3 of the *Capital Adequacy Guideline*, ~~February 2025.~~January 2026.

150 Brokered deposits are deposits that are sourced though a third party, i.e., where the underlying customer does not directly place the deposit with the institution (or with the institution's parent).

~~88.~~91. Retention rates are factored in by applying a run-off rate to the balance of each category, as outlined in the tables below on demand deposit run-off rates and term deposit run-off rates, on a declining balance basis (example provided in the return instructions) for each period.

~~89.~~92. Term deposits will be subject to an assumed run-off at maturity, i.e., at maturity a portion is assumed to run-off and an outflow is recorded in the period while the remaining balance is expected to renew at the same tenor as the original deposit.

~~90.~~93. Where a financial institution has extraordinary items and other non-recurring items that it believes should be considered for inclusion in the CFS calculation, the institution should first discuss these items with its AMF lead supervisor prior to incorporating the item(s) as a cash inflow or cash outflow.

~~91.~~94. The sum of liquid asset holdings and net cash flows must be calculated and reported weekly for the first four weeks and then monthly for months 2 to 12.

Table 5.3: Demand deposit run-off rates

Demand deposits	Weekly run-off rate	Monthly run-off rate
Insured retail deposits	1.25%	1%
Uninsured retail deposits	2.5%	5%
Brokered deposits	10%	10%
All other deposits	3%	10%

Table 5.4: Term deposit run-off rates

Term deposits	Run-off rate at maturity
Insured retail deposits	5%
Uninsured retail deposits	7.5%
Brokered deposits	10%
All other deposits	10%

Chapter 6. Net Stable Funding Ratio

AMF Note

The following paragraphs are drawn from the documents *Basel III: The Net Stable Funding Ratio* and *Basel III: The Net Stable Funding Ratio: frequently asked questions*.

Certain paragraphs have been taken and adapted from these documents. To facilitate comparability with national and international standards, the paragraph numbering from *Basel III: The Net Stable Funding Ratio*.

For reference, the Basel Framework text paragraph numbers that are associated with the text appearing in these paragraphs are indicated in square brackets at the end of each paragraph.

6.1. Objective

1. The NSFR ~~will require~~requires financial institutions to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a financial institution's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. This document sets out the proposed NSFR standard and timelines for its implementation.

   [BCBS NSF20.1]

2.to 7. Paragraphs not selected.

8. The NSFR requirements apply to systemically important financial institutions and Category I small and medium-sized deposit institutions (SMDIs) according to the categorization presented in Chapter 1.

6.2. Definition and minimum requirements

9. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an ongoing basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures. The formula for the calculation is as follows:

$$\frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} \geq 100\%$$

   [BCBS NSF20.2]

10. The NSFR consists primarily of internationally agreed upon definitions and calibrations[151]. Some elements, however, remain subject to national discretion to reflect jurisdiction-specific conditions.

[BCBS NSF10.1]

11. As a key component of the supervisory approach to funding risk, the NSFR must be supplemented by supervisory assessment work from the AMF, which may require a financial institution to adopt more stringent standards to reflect its funding risk profile and the AMF's assessment of its compliance with the *Liquidity Risk Management Guideline*.

12. The amounts of available and required stable funding specified in the standard are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

[BCBS NSF30.1]

13. The calibration reflects the stability of liabilities across two dimensions:

(a) **Funding tenor** – The NSFR is generally calibrated such that longer-term liabilities are assumed to be more stable than short-term liabilities.

(b) **Funding type and counterparty** – The NSFR is calibrated under the assumption that short-term (maturing in less than one year) deposits and funding provided by retail customers are more stable than the gross funding of the same maturity from other counterparties.

[BCBS NSF30.2]

14. In determining the appropriate amounts of required stable funding for various assets, the following criteria were taken into consideration, recognizing the potential trade-offs between these criteria:

(a) **Resilient credit creation** – The NSFR requires stable funding for some proportion of lending to the real economy in order to ensure the continuity of this type of intermediation.

(b) **Financial institution behaviour** – The NSFR is calibrated under the assumption that financial institutions may seek to roll over a significant proportion of maturing loans to preserve customer relationships.

(c) **Asset tenor** – The NSFR assumes that some short-dated assets (maturing in less than one year) require a smaller proportion of stable funding because financial institutions would be able to allow some proportion of those assets to mature instead of rolling them over.

(d) **Asset quality and liquidity value** – The NSFR assumes that unencumbered, high-quality assets that can be securitized or traded, and thus can be readily used as collateral to secure additional funding or sold in the market, do not need to be wholly financed with stable funding.

[BCBS NSF30.3]

[151] When determining NSFR ASF and RSF factors for cryptoasset exposures, financial institution should refer to the AMF's *Guideline on capital and liquidity treatment of cryptoasset exposures*, which provides additional requirements.

15. Additional stable funding sources are also required to support at least a small portion of the potential calls on liquidity arising from OBS commitments and contingent funding obligations.

[BCBS NSF30.4]

16. NSFR definitions mirror those outlined in the LCR, unless otherwise specified. All references to LCR definitions in the NSFR refer to the definitions in the LCR standard published by the BCBS and reproduced in Chapter 2 of this Guideline.

[BCBS NSF10.2]

6.2.1. Definition of available stable funding

17. The amount of available stable funding (ASF) is measured based on the broad characteristics of the relative stability of a financial institution's funding sources, including the contractual maturity of its liabilities and the differences in the propensity of different types of funding providers to withdraw their funding. The amount of ASF is calculated by first assigning the carrying value of an institution's capital and liabilities to one of five categories as presented below. The amount assigned to each category is then multiplied by an ASF factor, and the total ASF is the sum of the weighted amounts. Carrying value represents the amount at which a liability or equity instrument is recorded before the application of any regulatory deductions, filters or other adjustments referred to in section 2.6 of the Capital Guideline.

[BCBS NSF30.5] and [BCBS NSF30.6]

18. When determining the maturity of an equity or liability instrument, investors are assumed to redeem a call option at the earliest possible date. For funding with options exercisable at the financial institution's discretion, institutions should assume that they will be exercised at the earliest possible date unless the institution can demonstrate to the AMF's satisfaction that the institution would not exercise this option under any circumstances. In particular, when the market expects certain liabilities to be redeemed before their legal final maturity date, such behaviour should be assumed for the purpose of the NSFR and these liabilities should be included in the corresponding ASF category. In addition, the financial institution should consider reputational factors that may limit its ability not to exercise an option on its equity or liability instruments as doing so may imply that it is under stress. Such circumstances should be discussed with the institution's AMF lead supervisor and may result in an effective maturity on the call date. For long-dated liabilities, only the portion of cash flows falling at or beyond the six-month and one-year time horizons should be treated as having an effective residual maturity of six months or more and one year or more, respectively. Residual maturity of funding instruments with market-based maturity triggers, such as autocallable notes, must reflect either the earliest possible maturity or the expected life calculated based on prudent and appropriate analysis.

[BCBS NSF30.7]

Calculation of derivative liability amounts

19. Derivative liabilities are calculated first based on the replacement cost for derivative contracts (obtained by marking to market) where the contract has a negative value. When an eligible bilateral netting contract is in place that meets

the conditions as specified in paragraph 62 of Annex 3-II of the Capital Guideline, the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost.

[BCBS NSF30.8]

20. In calculating NSFR derivative liabilities, collateral posted in the form of variation margin (VM) in connection with derivative contracts, regardless of the asset type, must be deducted from the negative replacement cost amount.[152,153]

[BCBS NSF30.9]

For over-the-counter (OTC) transactions, any fixed independent amount an institution was contractually required to post at the inception of the derivatives transaction should be considered as initial margin (IM), regardless of whether any of this margin was returned to the institution in the form of variation margin payments. If the IM is formulaically defined at a portfolio level, the amount considered as IM should reflect this calculated amount as of the NSFR measurement date, even if, for example, the total amount of margin physically posted to the institution's counterparty is lower because of VM payments received. For centrally cleared transactions, the amount of IM should reflect the total amount of margin posted less any mark-to-market losses on the applicable portfolio of cleared transactions.

[BCBS NSF30.24]

6.2.1.1. Liabilities and capital receiving a 100% ASF factor

21. Liabilities and capital instruments receiving a 100% ASF factor comprise:

(a) the total amount of regulatory capital, before the application of capital deductions, as defined in Chapter 2 of the Capital Guideline excluding the proportion of Tier 2 instruments with residual maturity of less than one year;

(b) the total amount of any capital instrument not included in (a) that has an effective residual maturity of one year or more excluding any instruments with explicit or embedded options that, if exercised, would reduce the expected maturity to less than one year; and

152 NSFR derivative liabilities = (derivative liabilities) – (total collateral posted as variation margin on derivative liabilities). To the extent that the institution's accounting framework reflects on balance sheet, in connection with a derivative contract, an asset associated with collateral posted as variation margin that is deducted from the replacement cost amount for purposes of the NSFR, that asset should not be included in the calculation of an institution's required stable funding to avoid any double-counting.

153 The amount of variation margin in connection with a derivative or bilateral netting contract that is in excess of the replacement cost of that derivative or bilateral netting contract must be adequately captured. This can be done by considering the full amount of variation margin in the calculation of the institution's net derivative asset or liability, or by excluding any amount of variation margin that is posted or received in excess of the replacement cost of the corresponding derivative or bilateral netting contract and treating them according to the corresponding balance-sheet treatment (i.e., typically a loan), the period of encumbrance and, where applicable, the type of counterparty.

(c) the total amount of secured and unsecured borrowings and liabilities,[154,155] (including term deposits) with effective residual maturities of one year or more. Cash flows falling below the one-year horizon but arising from liabilities with a final maturity greater than one year should not qualify for the 100% ASF factor.

[BCBS NSF30.10]

6.2.1.2. Liabilities receiving a 95% ASF factor

22. Liabilities receiving a 95% ASF factor comprise "stable" (as defined in paragraphs 75 to 78 of Chapter 2 of this Guideline) non-maturity (demand) deposits and/or term deposits with residual maturities of less than one year provided by retail customers (individuals and small businesses).[156]

Deposits, referred to in paragraphs 22 and 23, maturing in less than one year, or which can be withdrawn early without a significant penalty, i.e., materially greater than the loss of interest, that are classified as stable retail term deposits in the LCR should, for purposes of the NSFR, be classified as stable. Retail term deposits maturing over one year and which cannot be withdrawn early without significant penalty are subject to a 100% ASF.

[BCBS NSF30.11]

6.2.1.3. Liabilities receiving a 90%, 85%, 80%, 70%, 60% ASF factor

23. Liabilities receiving a 90% ASF factor comprise "less stable" (as defined in paragraphs 79 to 81 of Chapter 2 of this Guideline) non-maturity (demand) deposits and/or term deposits with residual maturities of less than one year provided by retail customers. Each sub-category of less stable deposits outlined in Chapter 2 is assigned a corresponding ASF factor:

a. Insured deposits where:

i. the depositor does not have an established relationship with the institution; or~~;~~

ii. the deposits are not in a transactional account; ~~or~~

~~iii. the deposits are received from funds and trusts where the balance is controlled solely by the underlying retail customer.~~

are assigned a 90% ASF factor;

b. Deposits sourced in the home jurisdiction but denominated in a foreign currency not qualifying as "stable" deposits under the LCR are assigned a 90% ASF factor;

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154 Deposit liabilities resulting from foreign bank branches' Capital Equivalency Deposits (CEDs) should be categorized as liabilities with an effective maturity of one year or more until one of the following occurs: (i) the financial institution is made aware that the depositing foreign bank branch has submitted an approval request for withdrawal or termination of the CED or, (ii) the depositing foreign bank branch provides a withdraw or termination notice related to the CED to the financial institution. Once either (i) or (ii) occurs, the CED amount should be assigned a 0% ASF factor.

155 On-balance sheet precious metals liabilities receive the same ASF factors as other on-balance sheet (cash) funding. There is no difference between cash settlement and physical delivery in terms of application of ASF factors.

156 Retail deposits are defined in paragraphs 73, 89-91 of Chapter 2 of this Guideline.

c. Uninsured deposits, including the portion of a deposit in excess of the deposit insurance coverage limit and deposits not meeting the deposit insurance coverage criteria, are assigned a 90% ASF factor;

d. Rate sensitive deposits where the client directly manages the funds and ~~where~~that satisfy one or more of the following conditions:

   i. the client has an established relationship with the institution; ~~or~~

   ii. the deposit is in a transactional account;

   are assigned a 90% ASF factor;

e. Deposits sourced through a partnership agreement that satisfy the following three conditions:

   i. the deposit is fully insured;

   ii. the client has an established relationship with the unaffiliated third party;

   iii. the client's account is transactional;

   are classified as stable partnership deposits and are assigned an 85% ASF factor;

~~e.~~f. Rate sensitive deposits where the client directly manages the funds and ~~where~~that satisfy the following two conditions:

   i. the client does not have an established relationship with the institution; ~~and~~

   ii. the deposits are not in a transactional account;

   are assigned an 80% ASF factor.

g. Retail structured notes that are not exchange tradeable are assigned a 70% ASF factor;

~~f.~~h. Term deposits directly managed by an unaffiliated third party that are maturing or that are cashable in the next 30 days are assigned a 70% ASF factor;

i. Retail structured notes that are exchange tradeable are assigned a 60% ASF factor;

j. Deposits sourced through a partnership agreement where:

   i. the entire amount of the deposit is uninsured;

   ii. the client does not have an established relationship with the unaffiliated third party; or

   iii. the client's account is not transactional;

   are classified as less stable partnership deposits and are assigned a 60% ASF factor;

~~g.~~k. Demand deposits where an unaffiliated third party directly manages the funds are assigned a 60% ASF factor.

Deposits maturing in less than one year, or which can be withdrawn early without a significant penalty, i.e., materially greater than the loss of interest, or that are classified as stable retail term deposits in the LCR should, for purposes of the NSFR, be classified as less stable. Retail term deposits maturing over one year and which cannot be withdrawn early without significant penalty are subject to a 100% ASF.

[BCBS NSF30.12]

6.2.1.4. Liabilities receiving a 50% ASF factor

24. Liabilities receiving a 50% ASF factor comprise:

(a) funding (secured and unsecured) with a residual maturity of less than one year provided by non-financial corporate customers;

(b) operational deposits (as defined in paragraphs 93 to 104 of Chapter 2 of this Guideline);

(c) funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks;

(d) other funding (secured and unsecured) not included in the categories above with residual maturity of not less than six months and less than one year, including funding from central banks and financial institutions.[157]

[BCBS NSF30.13]

6.2.1.5. Liabilities receiving a 0% ASF factor

25. Liabilities receiving a 0% ASF factor comprise:

~~(a) stamped bankers' acceptances (BA) liabilities issued by an institution with a residual maturity of less than six months, irrespective of the counterparty holding the BA;~~

~~(b)~~(a) all other liabilities and equity categories not included in the above categories, including other funding with residual maturity of less than six months from central banks and financial institutions;

Derivative transactions with central banks arising from the latter's short-term monetary policy and liquidity operations can be excluded from the reporting institution's NSFR computation and can offset unrealized capital gains and losses related to these derivative transactions from ASF. These transactions include foreign exchange derivatives such as foreign exchange swaps and should have a maturity of less than six months at inception. As such, the institution's NSFR would not change due to entering a short-term derivative transaction with its central bank for the purpose of short-term monetary policy and liquidity operations.

~~(c)~~(b) other liabilities without a stated maturity. This category may include short positions and open maturity positions.

Two exceptions can be recognized for liabilities without a stated maturity:

- deferred tax liabilities, which should be treated according to the nearest possible date on which such liabilities could be realized; and
- minority interest, which should be treated according to the term of the instrument, usually in perpetuity.

These liabilities would then be assigned either a 100% ASF factor if the effective maturity is one year or greater, or 50%, if the effective maturity is no less than six months and less than one year.

[157] Deposit-taking entities (including banking entities), insurance entities, securities firms, investment managers (such as pension funds and collective investment vehicles), and their affiliates are considered financial institutions for the application of the NSFR standard. For clarity, central counterparties should be categorized as financial institutions under the NSFR.

~~(d)~~(c) NSFR derivative liabilities as calculated according to paragraphs 19 and 20 net of NSFR derivative assets as calculated according to paragraphs 34 and 35, if NSFR derivative liabilities are greater than NSFR derivative assets;[158] ~~and~~

~~(e)~~(d) "trade date" payables arising from purchases of financial instruments, foreign currencies and commodities that (i) are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction, or (ii) have failed to, but are still expected to, settle~~.~~; and

(e) Deposits from non-bank financial intermediaries (NBFIs) that have underlying retail characteristics and are driven by retail activities but without an effective agreement as defined in paragraphs 73 to 84 of Chapter 2 of the Guideline.

[BCBS NSF30.14]

26. Table 6.1 below summarizes the components of each of the ASF categories and the associated maximum ASF factor to be applied in calculating a financial institution's total amount of available stable funding under the standard.

[BCBS NSF99.1]

Table 6.1: Liability Categories and associated ASF factors

ASF factor	Components
100%	- Total regulatory capital (excluding Tier 2 instruments with residual maturity of less than one year) - Other capital instruments and liabilities with effective residual maturity of one year or more
95%	- Stable non-maturity (demand) deposits and term deposits with residual maturity of less than one year provided by retail and ~~SME~~small business customers
90%	- Less stable non-maturity deposits and term deposits with residual maturity of less than one year provided by retail and SME customers not assigned a lower ASF factor below
85%	- Insured deposits sourced through a partnership agreement where the client has an established relationship with the unaffiliated third party and the client's account is transactional
80%	- Rate sensitive deposits ~~managed by~~where the client~~, no~~ directly manages the funds, the client does not have an established relationship with the institution and ~~deposit~~the client's account is not ~~in a~~ transactional ~~account~~
70%	- Retail structured notes that are not exchange tradeable - Term deposits directly managed by an unaffiliated third party (maturing or cashable in the next 30 days)
60%	- Demand deposits directly managed by an unaffiliated third party - Deposits sourced through a partnership agreement where either the deposits are not fully insured, or the client does not have an established relationship with the unaffiliated third party, or the client's account is not transactional - Retail structured notes that are exchange tradeable

[158] ASF = 0% x MAX ((NSFR derivative liabilities - NSFR derivative assets), 0)

ASF factor	Components
50%	- Funding with residual maturity of less than one year provided by non-financial corporate customers - Operational deposits - Funding with residual maturity of less than one year from sovereigns, ~~public sector entities (~~PSEs~~)~~, and multilateral and national development banks - Other funding with residual maturity of not less than six months and less than one year not included in the above categories, including funding provided by central banks and financial institutions.
0%	~~- Stamped bankers' acceptances (BA) liabilities issued by the institution with a residual maturity of less than six months~~ - Matched secured financing transactions that meet the criteria for matched transactions outlined in paragraph 33.4 - Interdependent liabilities as outlined in paragraph 45 - All other liabilities and equity not included in above categories, including liabilities without a stated maturity (with a specific treatment for deferred tax liabilities and minority interests) - NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets - "Trade date" payables arising from purchases of financial instruments, foreign currencies and commodities

6.2.2. Definition of required stable funding for assets and off-balance sheet exposures

27. The amount of required stable funding is measured based on the broad characteristics of the liquidity risk profile of an institution's assets and OBS exposures. The amount of required stable funding is calculated by first assigning the carrying value of an institution's assets to the categories listed. The amount assigned to each category is then multiplied by its associated required stable funding (RSF) factor, and the total RSF is the sum of the weighted amounts added to the amount of OBS activity (or potential liquidity exposure) multiplied by its associated RSF factor. Definitions mirror those outlined in this Guideline,[159,160] unless otherwise specified. Regardless of whether an institution uses the Internal Ratings-Based (IRB) approach to credit risk, the Standardized Approach risk weights in BCBS document CRE20 must be used to determine the NSFR treatment.

[BCBS NSF30.15]

28. The RSF factors assigned to various types of assets are parameters intended to approximate the amount of a particular asset that would have to be funded, either

[159] For the purposes of calculating the NSFR, HQLA are defined as all HQLA without regard to LCR operational requirements and LCR caps on Level 2 and Level 2B assets that may otherwise limit the ability of some HQLA to be included as eligible HQLA in calculation of the LCR. HQLA are defined in paragraphs 24 to 54 of Chapter 2 of this Guideline, while operational requirements are specified in paragraphs 28 to 43 of that same chapter.

[160] Sovereign bonds issued in foreign currencies which are excluded from HQLA according to paragraph 50 of Chapter 2 of this Guideline because their amount exceeds the institution's stressed net cash outflows in that currency and country can be treated as Level 1 and assigned to the corresponding bucket.

because it will be rolled over, or because it could not be monetized through sale or used as collateral in a secured borrowing transaction over the course of one year without significant expense. Under the standard, such amounts are expected to be supported by stable funding.

[BCBS NSF30.16]

29. Assets should be allocated to the appropriate RSF factor based on their residual maturity or liquidity value. When determining the maturity of an instrument, investors should be assumed to exercise any option to extend maturity. For assets with options exercisable at the financial institution's discretion, it should take into account reputational factors that may limit its ability not to exercise the option. In particular, where the market expects certain assets to be extended in their maturity, financial institutions and the AMF will assume such behaviour for the purpose of the NSFR and will include these assets in the corresponding RSF category. For amortizing loans, the portion that comes due within the one-year horizon can be treated in the less than a year residual maturity category.

In the case of exceptional central bank liquidity absorbing operations, claims on central banks may receive a reduced RSF factor. For those operations with a residual maturity equal to or greater than six months, the RSF factor must not be lower than 5%. When applying a reduced RSF factor, the AMF will closely monitor the ongoing impact on institutions' stable funding positions arising from the reduced requirement and take appropriate measures as needed. Also, as further specified in paragraph 31, assets that are provided as collateral for exceptional central bank liquidity providing operations may receive a reduced RSF factor equal to the RSF factor applied to the equivalent asset that is unencumbered.

Unless explicitly stated otherwise in this standard, assets should be allocated to maturity buckets according to their contractual maturity. However, this should take into account embedded optionality, such as put or call options, which may affect the actual maturity date as described in this paragraph and paragraph 18.

For assets with a contractual review date provision granting the institution the option to determine whether a given facility or loan is renewed or not, the AMF will authorize, on a case-by-case basis, financial institutions to use the next review date as the maturity date. In doing so, the AMF will consider the incentives created and the actual likelihood that such facilities/loans will not be renewed. In particular, options by an institution not to renew a given facility should generally be assumed not to be exercised when there may be reputational concerns.

[BCBS NSF30.16] and [BCBS NSF30.17]

30. For purposes of determining its required stable funding, a financial institution should (i) include financial instruments, foreign currencies and commodities for which a purchase order has been executed, and (ii) exclude financial instruments, foreign currencies and commodities for which a sale order has been executed, even if such transactions have not been reflected in the balance sheet under a settlement-date accounting model, provided that (i) such transactions are not reflected as derivatives

or secured financing transactions in the institution's balance sheet and (ii) the effects of such transactions will be reflected in the institution's balance sheet when settled.

[BCBS NSF30.19]

6.2.2.1. Encumbered Assets

31. Assets on the balance sheet that are encumbered[161] for one year or more receive a 100% RSF factor. Assets encumbered for a period of six months or more and less than one year that would, if unencumbered, receive an RSF factor lower than or equal to 50%, receive a 50% RSF factor. Assets encumbered for six months or more and less than one year that would, if unencumbered, receive an RSF factor higher than 50%, retain that higher RSF factor. Where assets have less than six months remaining in the encumbrance period, those assets may receive the same RSF factor as an equivalent asset that is unencumbered. In addition, for the purposes of calculating the NSFR, assets that are encumbered for exceptional central bank liquidity operations[162] may also receive the same RSF factor as a similar asset that is unencumbered.

The treatment of excess over-collateralization (OC) will depend on the ability of the institution to issue additional covered bonds against the collateral or pool of collateral, which may depend on the specific characteristics of the covered bond issuance program. If collateral is posted for the specific issuance of covered bonds and it is thus an intrinsic characteristic of a particular issuance, then the excess collateral committed for the issuance cannot be used to raise additional funding or be taken out of the collateral pool without affecting the characteristics of the issuance, and should be considered encumbered for as long as it remains in the collateral pool. If, however, the covered bonds are issued against a collateral pool that allows for multiple issuance, subject to the AMF's discretion, the excess collateral (which would actually represent excess issuance capacity) may be treated as unencumbered for the purpose of the NSFR, provided it can be withdrawn at the issuer's discretion without any contractual, regulatory, reputational or relevant operational impediment (such as a negative impact on the institution's targeted rating) and it can be used to issue more covered bonds or mobilize such collateral in any other way (e.g., by selling outright or securitizing). A type of operational impediment that should be taken into account includes those cases where rating agencies set an objective and measurable threshold for OC (i.e., explicit OC requirements to maintain a minimum rating imposed by rating agencies), and to the extent that not meeting such requirements could materially impact the institution's targeted rating of the covered bonds, thus impairing the future ability of the institution to issue new covered bonds. In such cases, the AMF may specify an OC level below which excess collateral is considered encumbered.

[BCBS NSF30.20]

Assets held in segregated accounts to satisfy statutory requirement for the protection of customer equity in margined trading account should be reported in accordance with

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161 Encumbered assets include but are not limited to assets backing securities or covered bonds and assets pledged in securities financing transactions or collateral swaps. "Unencumbered" is defined in paragraph 31 of Chapter 2 of this Guideline.

162 In general, exceptional central bank liquidity operations are considered to be non-standard, temporary operations conducted by the central bank in order to achieve its mandate in a period of market-wide financial stress and/or exceptional macroeconomic challenges.

the underlying exposure, whether or not the segregation requirement is separately classified on the institution's balance sheet. However, those assets should also be treated according to paragraph 31. That is, they could be subject to a higher RSF factor depending on the term of encumbrance, i.e., whether the institution can freely dispose or exchange such assets, and the term of the liability to the institution's customer that generate the segregation requirement.

[BCBS NSF99.5]

6.2.2.2. Secured financing transactions

32. For secured funding arrangements, use of balance sheet and accounting treatments should generally result in financial institutions excluding, from their assets, securities which they have borrowed in securities financing transactions (such as reverse repos and collateral swaps) where they do not have beneficial ownership. In contrast, institutions should include securities they have lent in securities financing transactions where they retain beneficial ownership. Financial institutions should also not include any securities they have received through collateral swaps if those securities do not appear on their balance sheets. Where institutions have encumbered securities in repos or other securities financing transactions, but have retained beneficial ownership and those assets remain on the institution's balance sheet, the institution should allocate such securities to the appropriate RSF category.

[BCBS NSF30.21]

33. Securities financing transactions with a single counterparty may be measured net when calculating the NSFR, provided that the netting conditions set out in paragraph 42(i) of Annex I-IV of the Capital Adequacy Guideline are met.

33.1 Amounts receivables and payable under securities financing transactions such as repos or reverse repos should generally be reported on a gross basis, meaning that the gross amount of such receivables and payables should be reported on the RSF side and ASF side respectively. The only exception is for securities financing transactions with a single counterparty as per paragraph 33 above.

[BCBS NSF30.22]

33.2 Collateral maturing in less than one year but pledged in a repo operation with remaining maturity of one year or longer should be considered encumbered for the term of the repo or secured transaction, even if the actual maturity of the collateral is shorter than one year as the collateral pledged would have to be replaced once it matures.

[BCBS NSF30.21]

33.3 When a loan is partially secured, the specific characteristics of the secured and unsecured portions of loans should be taken into account for the calculation of the NSFR and assigned the corresponding RSF factor. If it is not possible to draw the distinction between the secured and unsecured part of the loan, the higher RSF factor should apply to the whole loan.

[BCBS NSF99.4]

33.4 Securities financing transactions (i.e., repos, reverse repos, securities lending and borrowing, and collateral swaps) can be considered "matched" from an NSFR perspective and assigned a 0% RSF factor and a 0% ASF factor provided they meet all of the following criteria:

(a) The offsetting transactions must have the same maturity date and have a residual maturity of less than six months;

(b) Securities financing transactions (SFTs) secured against Level 1 collateral can only be matched with SFTs secured against Level 1 collateral where the collateral is from the

same issuer (e.g., Government of Canada-issued collateral vs. Government of Canada-issued collateral);

(c) SFTs secured against other collateral must involve the same collateral, i.e., same CUSIP/ISIN.

For clarity, SFT liabilities that meet criteria (b) cannot be used to offset SFT assets that meet criteria (c), and vice versa. In addition, the amount of eligible SFT assets that meet criteria (b) cannot exceed the amount of eligible SFT liabilities that meet criteria (b). Similarly, the amount of eligible SFT assets that meet criteria (c) cannot exceed the amount of eligible SFT liabilities that meet criteria (c).

6.2.2.3. Calculation of derivative asset amounts

34. Derivative assets are calculated first based on the replacement cost for derivative contracts (obtained by marking to market) where the contract has a positive value. When an eligible bilateral netting contract is in place that meets the conditions as specified in paragraph 62 of Annex 3-II of the Capital Guideline, the replacement cost for the set of derivative exposures covered by the contract will be the net replacement cost.

[BCBS NSF30.23]

35. In calculating NSFR derivative assets, collateral received in connection with derivative contracts may not offset the positive replacement cost[163] amount, regardless of whether or not netting is permitted under the bank's operative accounting or risk-based framework, unless it is received in the form of either cash variation margin or Level 1 HQLA and meets the conditions as specified in Annex 1-II of the Capital Guideline. Any remaining balance sheet liability associated with (a) variation margin received that does not meet the criteria above or (b) initial margin received may not offset derivative assets and should be assigned a 0% ASF factor.

For OTC transactions, any fixed independent amount a financial institution was contractually required to post at the inception of the derivatives transaction should be considered as initial margin, regardless of whether any of this margin was returned to the institution in the form of variation margin payments. If the initial margin is formulaically defined at a portfolio level, the amount considered as initial margin should reflect this calculated amount as of the NSFR measurement date, even if, for example, the total amount of margin physically posted to the institution's counterparty is lower because of variation margin payments received. For centrally cleared transactions, the amount of initial margin should reflect the total amount of margin posted less any mark-to-market losses on the applicable portfolio of cleared transactions.

[163] The amount of variation margin in connection with a derivative or bilateral netting contract that is in excess of the replacement cost of that derivative or bilateral netting contract must be adequately captured. This can be done by considering the full amount of variation margin in the calculation of the institution's net derivative asset or liability, or by excluding any amount of variation margin that is posted or received in excess of the replacement cost of the corresponding derivative or bilateral netting contract and treating them according to the corresponding balance-sheet treatment (i.e., typically a loan), the period of encumbrance and, where applicable, the type of counterparty.

The existence of minimum thresholds of transfer amounts for exchange of collateral in derivative contracts does not automatically preclude an offsetting of collateral received (in particular regarding the daily calculation and exchange of variation margins).

[BCBS NSF30.24]

6.2.2.4. Assets assigned a 0% RSF factor

36. Assets assigned a 0% RSF factor comprise:

(a) coins and banknotes immediately available to meet obligations;

(b) all central bank reserves (including required reserves and excess reserves);

(c) unencumbered Level 1 assets as defined in paragraph 50 of Chapter 2 of this Guideline, including:

- marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs, the Bank for International Settlements, the International Monetary Fund, the European Central Bank and the European Community, or multilateral development banks (MDBs) that are assigned a 0% risk weight for credit risk under the Capital Guideline; and
- certain non-0% risk-weighted sovereign or central bank debt securities under the Standardized Approach for credit risk;

(d) all claims[164] on central banks with residual maturities of less than six months;

(e) "trade date" receivables arising from sales of financial instruments, foreign currencies and commodities that (i) are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction, or (ii) have failed to, but are still expected to, settle;

(f) assets associated with collateral posted as variation margin that are deducted from the replacement cost of derivative liability amounts described in section 6.2.2.3.

[BCBS NSF30.25] and [BCBS NSF30.26]

6.2.2.5. Assets assigned a 5% RSF factor

37. Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets as defined in paragraph 50 of Chapter 2 of this Guideline, and where the institution has the ability to freely rehypothecate the received collateral for the life of the loan will be assigned a 5% RSF factor.

[BCBS NSF30.26]

6.2.2.6. Assets assigned a 10% RSF factor

38. Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets and where the bank has the ability to freely rehypothecate the received collateral for the life of the loan are assigned a 10% RSF factor.

[BCBS NSF30.27]

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[164] The term "claims" includes but is not limited to "loans"; it also includes central bank bills and the asset account created on the institution's balance sheet by entering into repo transaction with central banks.

6.2.2.7. Assets assigned a 15% RSF factor

39. Assets assigned a 15% RSF factor comprise:

(a) unencumbered Level 2A assets as defined in paragraph 52 of this Guideline, including:

- marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs or ~~multilateral development banks~~MDBs that are assigned a 20% risk weight under the Standardized Approach for credit risk;
- corporate debt securities (including commercial paper) and covered bonds with a credit rating equal or equivalent to at least AA–.

(b) all other unencumbered loans[165] to financial institutions with residual maturities of less than six months not included in ~~paragraph~~paragraphs 37 and 38.

[BCBS NSF30.28]

6.2.2.8. Assets assigned a 50% RSF factor

40. Assets assigned a 50% RSF factor comprise:

(a) unencumbered Level 2B assets as defined and subject to the conditions set forth in paragraph 54 of Chapter 2 of this Guideline, including:

- residential mortgage-backed securities (RMBS) with a rating of at least AA;
- corporate debt securities (including commercial paper) with a credit rating of between A+ and BBB–;
- exchange-traded common equity shares not issued by financial institutions or their affiliates.

(b) any HQLA, as defined in Chapter 2 of this Guideline, that are encumbered for a period of six months or more and less than one year;

(c) all loans to financial institutions subject to prudential supervision with residual maturity of six months or more and less than one year;

(d) deposits held at other financial institutions for operational purposes, as outlined in paragraphs 93 to 104 of Chapter 2 of this Guideline, that are subject to the 50% ASF factor in paragraph 24(b);[166] and

(e) all other non-HQLA not included in the above categories that have a residual maturity of less than one year, including loans to non-financial corporate clients, loans to retail customers (i.e., natural persons) and small business customers, and loans to sovereigns and PSEs.

[BCBS NSF30.29] and [BCBS NSF-FAQ17]

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165 Non-operational deposits held at other financial institutions should have the same treatment as loans to financial institutions, taking into account the term of the operation. [BCBS NSF99.6]

166 Non-operational deposits held at other financial institutions should have the same treatment as loans to financial institutions, taking into account the term of the operation. Demand deposits and term deposits with residual maturities of less than six months will be assigned a 15% RSF factor and term deposits with a residual maturity of between six months and less than one year will have a 50% RSF factor, or 100% if the maturity is beyond one year. [BCBS NSF-FAQ32]

6.2.2.9. Assets assigned a 65% RSF factor

41. Assets assigned a 65% RSF factor comprise:

(a) unencumbered residential mortgages with a residual maturity of one year or more that would qualify for a 35% or lower risk weight under the Standardized Approach for credit risk;

(b) other unencumbered loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more, that would qualify for a 35% or lower risk weight under the Standardized Approach for credit risk; and

(c) unencumbered reverse mortgages that would qualify for a 35% risk weight under the Standardized Approach for credit risk, as outlined in section 3.2.13 of the Capital Guideline.

[BCBS NSF30.30]

6.2.2.10. Assets assigned 85% RSF factor

42. Assets assigned an 85% RSF factor comprise:

(a) cash, securities or other assets posted as initial margin for derivative contracts[167,168] and cash or other assets provided to contribute to the default fund of a central counterparty (CCP), regardless of whether those assets are on balance or off-balance sheet. Where securities or other assets posted as initial margin for derivative contracts would otherwise receive a higher RSF factor, they should retain that higher factor.

(b) other unencumbered performing loans[169] that do not qualify for the 35% or lower risk weight under the Standardized Approach for credit risk and have residual maturities of one year or more, excluding loans to financial institutions;

(c) unencumbered reverse mortgages that would qualify for a 50%, 75%, or 100% risk weight under the Standardized Approach for credit risk;

(d) unencumbered securities that are not in default and do not qualify as HQLA according to the LCR, including exchange-traded equities; and

(e) physical traded commodities,[170] including gold.

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[167] Initial margin posted on behalf of a customer, where the bank does not guarantee performance of the third party, would be exempt from this requirement. This refers to the cases in which the institution provides a customer access to a third party (e.g. a CCP) for the purpose of clearing derivatives, where the transactions are executed in the name of the customer, and the institution does not guarantee the performance of this third party.

[168] To the extent that an institution's accounting framework reflects on balance sheet, in connection with a derivative contract, an asset associated with collateral posted as initial margin for the purpose of the NSFR, that asset should not be counted as encumbered asset in the calculation of the institution's RSF to avoid any double-counting.

[169] Performing loans are considered to be those that are not past due for more than 90 days in accordance with section 3.2.20 of the Capital Guideline. Conversely, non-performing loans are considered to be loans that are more than 90 days past due.

[170] Unsecured loans in precious metals extended by a financial institution or deposits in precious metals placed by an institution that are settled by cash payment should receive the same RSF factors as other (cash) deposits and loans depending on the relevant characteristics such as counterparty type, maturity and encumbrance. Where physical delivery is assumed, loans extended in precious metals and deposits placed in precious metals should be treated like physically traded commodities and are subject to an 85% RSF factor unless the loan (or deposit) is (i) extended to (or placed with) a financial counterparty

[BCBS NSF30.31]

6.2.2.11. Assets assigned a 100% RSF factor

43. Assets assigned a 100% RSF factor comprise:

(a) all assets that are encumbered for a period of one year or more;

(b) NSFR derivative assets as calculated according to paragraphs 34 and 35 net of NSFR derivative liabilities as calculated according to paragraphs 19 and 20, if NSFR derivative assets are greater than NSFR derivative liabilities;[171]

(c) all other assets not included in the above categories, including non-performing loans, the exposure amount that exceeds an 85% loan-to-value ratio (LTV) for unencumbered reverse mortgages where the current LTV is greater than 85%, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, pension assets, intangible assets, deferred tax assets, retained interest, insurance assets, subsidiary interests and defaulted securities; and

(d) 5% of derivative liabilities (i.e., the negative replacement cost ~~amounts~~[172] amount) as calculated according to paragraph 19 (before deducting variation margin posted).

[BCBS NSF30.32]

44. Table 6.2 summarizes the specific types of assets to be assigned to each asset category and their associated RSF factor.

[BCBS NSF99.2]

Table 6.2: Asset Categories and associated RSF factors

RSF factor	RSF asset category
0%	- Coins and banknotes - All central bank reserves - Unencumbered Level 1 assets - All claims on central banks with residual maturities of less than six months - "Trade date" receivables arising from sales of financial instruments, foreign currencies and commodities - Assets associated with collateral posted as variation margin that are deducted from the replacement cost of derivative liability amounts - Matched secured financing transactions that meet the criteria for matched transactions - Interdependent assets
5%	- Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against Level 1

and has a residual maturity of one year or greater or (ii) encumbered for a period of one year or more or (iii) non-performing, in which cases a 100% RSF factor should be applied. The assumed type of settlement should be determined in accordance with the approach to determine inflows applied in the LCR.

171 RSF = 100% x MAX ((NSFR derivative assets – NSFR derivative liabilities), 0)

172 The replacement cost amount of "settled-to-market" derivatives should be calculated as if no settlement payments and receipts had been made to account for the changes in the value of a derivative transaction or a portfolio of derivative transactions.

RSF factor	RSF asset category
	assets as defined in Chapter 2 and where the institution has the ability to freely rehypothecate the received collateral for the life of the loan
10%	- Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against non-Level 1 assets and where the bank has the ability to freely rehypothecate the received collateral for the life of the loan
15%	- All other unencumbered loans to financial institutions with residual maturities of less than six months not included in the above categories - Unencumbered Level 2A assets
50%	- Unencumbered Level 2B assets - HQLA encumbered for a period of six months or more and less than one year - Loans to financial institutions subject to prudential supervision with residual maturities six months or more and less than one year - Deposits held at other financial institutions for operational purposes - All other assets not included in the above categories with residual maturities of less than one year, including loans to non-financial corporate clients, loans to retail customers (i.e., natural persons) and small business customers, loans to sovereigns, national development banks and PSEs
65%	- Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 35% - Other unencumbered loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the Standardized Approach - Unencumbered reverse mortgages that would qualify for a 35% risk weight under the Standardized Approach for credit risk
85%	- Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a CCP - Other unencumbered performing loans with risk weights greater than 35% under the Standardized Approach and residual maturities of one year or more, excluding loans to financial institutions - Unencumbered reverse mortgages that would qualify for a 50%, 75%, or 100% risk weight under the Standardized Approach for credit risk - Unencumbered securities that are not in default and do not qualify as HQLA with a remaining maturity of one year or more, including exchange-trade equities - Physical traded commodities, including gold
100%	- All assets that are encumbered for a period of one year or more - NSFR derivative assets net of NSFR derivative liabilities if NSFR derivative assets are greater than NSFR derivative liabilities - Derivatives receivable net of derivatives payable if receivables are greater than payables - 5% of derivative liabilities as calculated according to paragraph 19

RSF factor	RSF asset category
	- All other assets not included in the above categories, including non-performing loans, the exposure amount that exceeds 85% LTV for unencumbered reverse mortgages where the current LTV is greater than 85%, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests, and defaulted securities.

6.2.2.12. Interdependent assets and liabilities

45. When certain asset and liability items, on the basis of contractual arrangements, are interdependent such that the liability cannot fall due while the asset remains on the balance sheet, the principal payment flows from the asset cannot be used for something other than repaying the liability, and the liability cannot be used to fund other assets. For interdependent items, financial institutions may adjust RSF and ASF factors so that they are both 0%, subject to the following criteria:

- The individual interdependent asset and liability items must be clearly identifiable;
- The maturity and principal amount of both the liability and its interdependent asset should be the same;
- The financial institution is acting solely as a pass-through unit to channel the funding received (the interdependent liability) into the corresponding interdependent asset;
- The counterparties for each pair of interdependent liabilities and assets should not be the same;

Based on an assessment against these requirements, the following transactions are designated as interdependent and, as such, institutions may adjust their RSF and ASF factors, for assets and liabilities, respectively, to 0%:

- NHA mortgage-backed securities (NHA MBS) liabilities including liabilities arising from transactions involving the Canada Mortgage Bond program, and their corresponding encumbered mortgages (up to the maximum of the amount of the recorded liabilities). This treatment explicitly excludes purchased NHA MBS and pooled and unsold NHA MBS; and
- Variation margin received from an institution's client and posted on the client's behalf to a central counterparty to clear derivative transactions, provided the institution does not guarantee performance of the third party.

[BCBS NSF30.35]

6.2.2.13. Off-balance sheet exposures

46. Many potential OBS liquidity exposures require little direct or immediate funding but can lead to significant liquidity drains over a longer time horizon. The NSFR assigns an RSF factor to various OBS activities in order to ensure financial institutions hold stable funding for the portion of OBS exposures that may be expected to require funding within a one-year horizon.

[BCBS NSF30.33]

47. Consistent with the LCR, the NSFR identifies OBS exposure categories based broadly on whether the commitment is a credit or liquidity facility or some other contingent funding obligation. Table 3 identifies the specific types of OBS exposures to be assigned to each OBS category and their associated RSF factor.

[BCBS NSF30.34]

Table 6.3: Off-balance sheet exposure categories and associated RSF factors

RSF factor	OBS Category
5% of the currently undrawn portion	Irrevocable and conditionally revocable credit and liquidity facilities to any client
2% of the currently undrawn portion	Unconditionally revocable credit and liquidity facilities provided to retail and small business customers
5% of the currently undrawn portion	Unconditionally revocable credit and liquidity facilities provided to all other customers
3%	Trade finance-related obligations (including guarantees and letters of credit)
5%	Guarantees and letters of credit unrelated to trade finance obligations
0%	Debt-buy back requests (including related conduits)
5%	Structured products where customers anticipate ready marketability during a period of idiosyncratic stress
0%	Managed funds
5%	Other non-contractual obligations

Annex 1~~: Combining the tools~~

~~Annex 2 -~~I: Illustrative summary of LCR factors

Item	Factor
A. Level 1 assets	
- Coins and bank notes - Qualifying marketable securities from sovereigns, central banks, PSEs, and ~~multilateral development banks~~MDBs - Qualifying Bank of Canada reserves - Domestic sovereign or central bank debt for non-0% risk-weighted sovereigns	100%
B. Level 2 assets (Maximum of 40% of HQLA)	
Level 2A assets	
- Sovereign, central bank, ~~multilateral development banks~~MDBs, and PSE assets qualifying for 20% risk weighting - Qualifying corporate debt securities rated AA- or higher - Qualifying covered bonds rated AA- or higher	85%
Level 2B assets (Maximum of 15% of HQLA)	
- Qualifying RMBS - Qualifying corporate debt securities rated between A+ and BBB- - Qualifying common equity shares	75% 50% 50%
Total value of stock of HQLA	
Eligible non-operational demand and overnight deposits	

Cash Outflows

Item	Factor
A. Retail deposits	
Demand deposits and term deposits (less than 30 days maturity)	
- Stable deposits (deposit insurance scheme meets additional criteria)	3%
- Stable deposits	5%
- Less stable retail deposits	10% to 40%
Term deposits with residual maturity greater than 30 days	0%
B. Unsecured wholesale funding	
Demand and term deposits (less than 30 days maturity) provided by retail customers	
- Stable deposits	5%
- Less stable deposits	10%
Operational deposits generated by clearing, custody and cash management activities	25%
- Portion covered by deposit insurance	5%
Non-financial corporates, sovereigns, central banks, PSEs, and multilateral development banks	40%
- If the entire amount fully covered by deposit insurance	20%

Item	Factor
Other legal entity customers	100%
C. Secured funding	
Secured funding transactions with a central bank counterparty or backed by Level 1 assets with any counterparty	0%
Secured funding transactions backed by Level 2A assets, with any counterparty	15%
Secured funding transactions backed by non-Level 1 or non-Level 2A assets, with domestic sovereigns, ~~multilateral development banks~~MDBs, or domestic PSEs as a counterparty.	25%
Backed by RMBS eligible for inclusion in Level 2B	25%
Backed by other Level 2B assets	50%
All other secured funding transactions	100%
D. Additional requirements	
Liquidity needs (e.g., collateral calls) related to financing transactions, derivatives and other contracts	3 notch downgrade
Market valuation changes on derivatives transactions (largest absolute net 30-day collateral flows realized during the preceding 24 months)	Look back approach
Valuation changes on non-Level 1 posted collateral securing derivatives	20%
Excess collateral held by a financial institution related to derivative transactions that could contractually be called at any time by its counterparty	100%
Liquidity needs related to collateral contractually due from the reporting financial institution on derivatives transactions	100%
Increased liquidity needs related to derivative transactions that allow collateral substitution to non-HQLA assets	100%
ABCP, SIVs, conduits, SPVs, etc.:	
- Liabilities from maturing ABCP, SIVs, SPVs, etc. (applied to maturing amounts and returnable assets)	100%
- Asset Backed Securities (including covered bonds) applied to maturing amounts	100%
Currently undrawn committed credit and liquidity facilities provided to:	
- Retail clients	5%
- Non-financial corporates, sovereigns and central banks, ~~multilateral development banks~~MDBs, and PSEs	10% for credit, 30% for liquidity
- Financial institutions subject to prudential supervision	40%
- Other legal entity customers, credit and liquidity facilities	100%
Other contingent funding liabilities (such as guarantees, letters of credit, revocable credit and liquidity facilities, etc.)	40% for credit, 100% for liquidity
- Other legal entity customers, credit and liquidity facilities	100%
Other contingent funding liabilities (such as guarantees, letters of credit, revocable credit and liquidity facilities, etc.)	

Item	Factor
- Trade finance	0%
- Customer short positions covered by other customers' collateral	50%
Net derivative cash outflows	100%
Any other contractual cash outflows	100%
Total cash outflows	

Cash inflows

Item	Factor
Maturing secured lending transactions backed by the following collateral:	
Level 1 assets	0%
Level 2A assets	15%
Level 2B assets - RMBS	25%
Level 2B assets - Other assets	50%
Margin lending backed by all other collateral	50%
All other assets	100%
Credit or liquidity facilities provided to the reporting bank	0%
Operational deposits held at other financial institutions (including deposits held at centralized institution of network of co-operative institutions)	0%
Other inflows by counterparty:	
- Amounts to be received from retail counterparties	50%
- Amounts to be received from non-financial wholesale counterparties, from transactions other than those listed in above inflow categories	50%
Amounts to be received from financial institutions and central banks, from transactions other than those listed in above inflow categories	100%
Net derivative cash inflows	100%
Other contractual cash inflows	AMF's discretion
Total cash inflows	
Total net cash outflows = Total cash outflows minus Min (total cash inflows, 75% of gross outflows)	
LCR = (Stock of HQLA + Eligible non-operational demand and overnight deposits) / Total net cash outflows	

Annex 2 ~~II~~: Combining the tools

The following is a non-exhaustive set of examples which illustrate how the tools could be used in different combinations by the AMF to assess a financial institution's resilience to intraday liquidity risk.

1. Time-specific obligations relative to total payments and available intraday liquidity at the start of the business day

If a high proportion of a financial institution's payment activity is time critical, the institution has less flexibility to deal with unexpected shocks by managing its payment flows, especially when its amount of available intraday liquidity at the start of the business day is typically low. In such circumstances, the AMF may expect the institution to have adequate risk management arrangements in place or to hold a higher proportion of unencumbered assets to mitigate this risk.

2. Available intraday liquidity at the start of the business day relative to the impact of intraday stresses on the institution's daily liquidity usage

If the impact of an intraday liquidity stress on a financial institution's daily liquidity usage is large relative to its available intraday liquidity at the start of the business day, it suggests that the institution may struggle to settle payments in a timely manner in conditions of stress.

3. Relationship between daily maximum liquidity usage, available intraday liquidity at the start of the business day and the time-specific obligations

If a financial institution misses its time-specific obligations, it could lead to a significant impact on other financial institutions. If it were demonstrated that the institution's daily liquidity usage was high and the lowest amount of available intraday liquidity at the start of the business day were close to zero, it might suggest that the institution is managing its payment flows with an insufficient pool of liquid assets.

4. Total payments and value of payments made on behalf of correspondent banking customers

If a large proportion of a financial institution's total payment activity is made by a correspondent institution on behalf of its customers and, depending on the type of the credit lines extended, the correspondent institution could be more vulnerable to a stress experienced by a customer. The AMF may wish to understand how this risk is being mitigated by the correspondent institution.

5. Intraday throughput and daily liquidity usage

If a financial institution starts to defer its payments and this coincides with a reduction in its liquidity usage (as measured by its largest positive net cumulative position), the AMF may wish to establish whether the institution has taken a strategic decision to delay payments to reduce its usage of intraday liquidity. This behavioural change might also be of interest to the overseers given the potential knock-on implications to other participants in the LVPS.

Annex 3: Practical example of monitoring tools

The following example illustrates how the tools would operate for a financial institution on a particular business day.

Assume that on the given day, the institution's payment profile and liquidity usage are as follows (in Canadian dollars):

Practical examples of monitoring tools

Time	Payments sent	Payments received	Net
07:00 a.m.	Payment A: $450		-$450
07:58 a.m.		$200	-$250
08:55 a.m.	Payment B: $100		-$350
10:00 a.m.	Payment C: $200		-$550
10:45 a.m.		$400	-$150
11:59 a.m.		$300	+$150
1:00 p.m.	Payment D: $300		-$150
1:45 p.m.		$350	+$200
3:00 p.m.	Payment E: $250		-$50
3:32 p.m.	Payment F: $100		-$150
5:00 p.m.		$150	$0

1. Direct participant

Details of the financial institution's payment profile are as follows:

Payment A: $450

Payment B: $100 to settle obligations in an ancillary system

Payment C: $200 which has to be settled by 10 a.m.

Payment D: $300 on behalf of a counterparty using some of a $500 unsecured credit line that the institution extends to the counterparty

Payment E: $250

Payment F: $100

The financial institution has $300 on deposit with the Bank of Canada and $500 of eligible collateral.

A. (i) Daily maximum intraday liquidity usage

Largest net negative net cumulative positions: $550

Largest positive net cumulative positions: $200

A. (ii) Available intraday liquidity at the start of the business day

$300 on deposit with the Bank of Canada

Plus $500 of eligible collateral

(routinely transferred to the Bank of Canada) = $800

A. (iii) Total payments

Gross payments sent:

$450 + $100 + $200 + $300 + $250 + $100 = $1,400

Gross payments received: $200 + $400 + $300 + $350 +$150 = $1,400

A. (iv) Time-specific obligations

$200 + value of ancillary payment ($100) = $300

B. (i) Value of payments made on behalf of correspondent banking customers

Value of payments made on behalf of correspondent banking customers: $300

B. (ii) Intraday credit line extended to customers:

Value of intraday credit lines extended: $500

Value of credit line used: $300

C. (i) Intraday throughput

Time	Cumulative sent (in $)	% sent
08:00 a.m.	450	32.14
09:00 a.m.	550	39.29
10:00 a.m.	750	53.57
11:00 a.m.	750	53.57
12:00 a.m.	750	53.57
1:00 p.m.	1,050	75.00
2:00 p.m.	1,050	75.00
3:00 p.m.	1,300	92.86
4:00 p.m.	1,400	100.00
5:00 p.m.	1,400	100.00
6:00 p.m.	1,400	100.00

2. Financial institutions that use correspondent banking services

Details of the financial institution's payment profile are as follows:

Payment A: $450

Payment B: $100

Payment C: $200 which has to be settled by 10:00 a.m.

Payment D: $300

Payment E:~~$~~: $250

Payment F: $100 which has to be settled by 4:00 p.m.

The financial institution has $300 of account balance at the correspondent bank and $500 of credit lines of which $300 unsecured and also uncommitted.

A. (i) Daily maximum intraday liquidity usage

Largest negative net cumulative positions: $550

Largest positive net cumulative positions: $200

A. (ii) Available intraday liquidity at the start of the business day

$300 of account balance at the correspondent bank

Plus $500 of credit lines (of which $300 unsecured and uncommitted) = $800

A. (iii) Total payments

Gross payments sent: $450 + $100 + $200 + $300 + $250 + $100 = $1,400

Gross payments received: $200 + $400 + $300 + $350 + $150 = $1,400

A. (iv) Time-specific obligations

Time-specific obligations: $200 + $100 = $300