



Guideline Impact Analysis Statement

Net Stable Funding Ratio Disclosure Requirements Guideline

Date: April 2019

I. Background

OSFI supports relevant disclosures regarding key risk information as a way to allow stakeholders to gain a thorough understanding of a deposit-taking institution's (DTI's) activities. As part of its *Liquidity Adequacy Requirements* (LAR) guideline¹, OSFI introduced in December 2018 a Net Stable Funding Ratio (NSFR) requirement.

II. Problem Identification

Canadian federally regulated DTIs lack guidance on the public disclosure of their NSFR positions. The absence of robust NSFR disclosure reduces transparency and may inhibit public confidence with respect to their funding risks.

III. Objective

The objective of the guideline is to complement the NSFR requirement with an NSFR disclosure requirement that will provide transparency over DTIs' funding risk, thereby encouraging comparability and market discipline over this key metric.

IV. Options and Assessment

OSFI believes that issuing an NSFR disclosure guideline is the best way to achieve consistent and comparable NSFR disclosure. OSFI's key considerations relate to the scope and implementation date of NSFR disclosure.

1. Scope

Canadian Domestic Systemically Important Banks (D-SIBs)² are internationally active and systemically important in Canada. Given their nature, size and complexity, OSFI believes it is in the public interest that these institutions are transparent regarding their funding risk.

¹ OSFI, December 2018: http://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/nsfr_gias.aspx.

² OSFI has designated six institutions as D-SIBs: Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, and Toronto-Dominion Bank of Canada.



2. Implementation Date

In determining the implementation date for the NSFR disclosure, OSFI considered whether to:

1. Require disclosure at the same time as OSFI's NSFR liquidity requirements,
2. Defer disclosure to a period after compliance with the NSFR liquidity requirements to allow D-SIBs additional time to operationalize the process, or
3. Set an implementation date when peer jurisdictions' implementation timelines are known.

Option 1 - Require disclosure at the same time as OSFI's NSFR liquidity requirements

NSFR disclosure complements D-SIBs' compliance with the NSFR requirements. As such, D-SIBs could provide the NSFR disclosure at the same time as they implement the requirement. This would provide useful market information, and would demonstrate that D-SIBs' regulatory disclosures are amongst the best of their international peers. However, this option would provide D-SIBs with little lead-time to operationalize the disclosure requirements.

Option 2 – Defer disclosure by one year to give D-SIBs time to operationalize the process

A one-year deferral over the NSFR compliance date of January 1, 2020 would provide D-SIBs sufficient time to operationalize the NSFR disclosure subsequent to implementing the NSFR requirement. This option would allow D-SIBs to provide NSFR information to the public in a reasonably timely manner.

Option 3 – Set an implementation date when timelines in peer jurisdictions are known

Deferring disclosure implementation to align with that in other jurisdictions potentially allows D-SIBs the most time to operationalize their NSFR disclosure. However, delaying public disclosure for an indeterminate period does not support OSFI's objective of promoting transparency and market discipline.

V. Consultation

In February 2019, OSFI published a draft NSFR Disclosure Guideline . All comments received were considered in finalizing the guideline. The cover letter accompanying the final guideline contains a summary of the material comments received and OSFI's responses.

VI. Recommendation

OSFI recommends that the NSFR disclosure requirements be mandatory for D-SIBs on a quarterly basis.

VII. Implementation

The guideline will be effective beginning with the quarterly reporting period ending January 31, 2021. The location of the NSFR and LCR disclosures should be the same.