Guideline

Title	Liquidity Adequacy Requirements (LAR) (2026) Chapter 5 – Operating Cash Flow Statement
Category	Liquidity Adequacy Requirements
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Footnotes

Consultation status: Open

A draft version of this chapter is available for consultation. Please provide your feedback by July 20, 2026 to Consultations@osfi-bsif.gc.ca.

Chapter 5 – Operating Cash Flow Statement

5.1 Objective

1. The Operating Cash Flow Statement (OCFS) is used by OSFI as a supervisory tool to measure and monitor liquidity for Category III institutions, as defined in OSFI's *Capital and Liquidity Requirements for Small and*

Medium-Sized Deposit-Taking Institutions Guideline, which are not subject to the other liquidity metrics specified in the LAR Guideline (i.e., the LCR (Chapter 2), the NSFR (Chapter 3), and NCCF (Chapter 4)). The OCFS is a simple cash flow forecasting measure that factors in limited behavioural aspects captured by prescribed inflow and outflow rates. The metric provides an indication of an 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.

2. The OCFS is not a regulatory standard and thus does not have a defined minimum required threshold. However, OSFI may, as necessary, require institutions to meet a supervisory-communicated, institution-specific OCFS level. In such instances, the supervisory-communicated, institution-specific OCFS level will be set by OSFI 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.

3. Where set by OSFI, a supervisory-communicated, institution-specific OCFS 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.

4. The OCFS is useful in assessing the potential liquidity gaps that would have to be funded or that could unduly strain the institution's liquidity position.

5. The OCFS will be supplemented by detailed supervisory assessment of an institution's liquidity risk management framework in line with OSFI's Guideline B-6 *Liquidity Principles*[1].

5.2 Definition

6. The OCFS is a liquidity horizon metric that measures an 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 OCFS include weekly buckets for the first four weeks and monthly buckets for months 2 to month 12.

   OCFS (Weeks) = Liquid assets + Σ (Inflows – Outflows), Cumulative

7. Liquid assets are those assets that are unencumbered[2], and that can be converted to cash at little or no loss of value in private markets. Liquid assets[3] 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 federally- or provincially-regulated financial institutions. Deposits with other financial institutions must be available on demand (or overnight) and not subject to constraints[4] on withdrawal.

8. For purposes of the OCFS, eligible liquid assets are not subject to haircuts.

9. Operating cash inflows include the institution's sources of income derived from its recurring operations. 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).

10. Cash outflows include operating expenses incurred to generate the 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.

11. 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 OSFI-prescribed retention rate. The retention rates will differ based on attributes of the deposit. More specifically, deposits will be classified as:

    a. retail and small business[5] customer deposits – insured;
    b. retail and small business customer deposits – uninsured;
    c. brokered deposits[6]; and
    d. all other deposits.

12. Retention rates are factored in by applying a run-off rate to the balance of each category, as outlined in Annex 1, on a declining balance basis (example provided in the return instructions) for each period.

13. 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.

14. Where an institution has extraordinary items and other non-recurring items that it believes should be considered for inclusion in the OCFS calculation, the institution should first discuss these items with its OSFI Lead Supervisor prior to incorporating the item(s) as an operating cash inflow or operating cash outflow.

15. The sum of liquid asset holdings and net cash flows must be calculated and reported weekly for the first 4 weeks and then monthly for months 2 to 12.

Annex 1 – OCFS deposit run-off rates

Demand deposits	Weekly run-off rate	Monthly run-off rate
Retail and small business deposits – insured	1.25%	1%
Retail and small business deposits – uninsured	2.5%	5%
Brokered deposits	10%	10%
All other deposits	3%	10%

Term deposits	Run-off rate at maturity
Retail and small business deposits – insured	5%
Retail and small business deposits – uninsured	7.5%
Brokered deposits	10%
All other deposits	10%

1 https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b6-2020.aspx.

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

3 Liquid assets for the purpose of the OCFS equate to Level 1 assets as described in the LCR (see LAR Chapter 2, paragraph 43). Securities guaranteed by the Canadian federal government (e.g. NHA MBS) can be counted towards the institution's stock of liquid assets, provided they are unencumbered.

4 For example, deposits placed with another financial institution to access payment systems would not be considered free of constraints.

5 Small business customers are defined in line with the definition of loans extended to small businesses. See OSFI's Capital Adequacy Requirements Guideline, Chapter 4, paragraph 83.

6 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).