



Guideline impact analysis statement

Title	Liquidity Principles Guideline (B-6) - Guideline impact analysis statement (2019)
Category	Prudential Limits and Restrictions
Date	December 31, 2019
Sector	Banks Trust and Loan Companies
No	B-6

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I. Background

Guideline B-6 sets out OSFI's expectations related to the management of liquidity risk for banks, bank holding companies and federally regulated trust and loan companies (hereafter "institutions"). Together with the Liquidity Adequacy Requirements (LAR) Guideline, which outlines a set of quantitative liquidity standards and metrics, it forms the framework under which OSFI assesses the liquidity adequacy of the institutions it supervises.

II. Problem Identification

Guideline B-6 was last updated in 2012. Since then, market practices have evolved and the complexity of both measuring and managing liquidity risk has increased. In addition, OSFI's detailed supervisory assessments over time



have revealed that select liquidity risk management practices at certain institutions necessitated improvement and that OSFI's related expectations could benefit from further clarity and guidance. Finally, new liquidity risk measurement tools have been introduced in the LAR Guideline in recent years – such as the Liquidity Coverage Ratio and the Net Stable Funding Ratio minimum standards, as well as the Net Cumulative Cash Flow metric – that are not currently referenced in Guideline B-6.

III. Objectives

OSFI's objective with the revised Guideline B-6 is to ensure that the expectations for managing liquidity risk at institutions remain sound and current as well as appropriate for the scale and complexity of institutions.

IV. Consultations

OSFI issued the draft Guideline revisions for public consultation in July 2019. The cover letter to the final guideline contains a summary of material comments received from stakeholders and an explanation of how they have been addressed.

V. Recommendations

OSFI recommends that Guideline B-6 be updated to ensure it remains current, relevant, and continues to contribute to the overall resilience of deposit-taking institutions and the Canadian banking sector as a whole.

VI. Implementation & Evaluation

The guideline will be effective January 1, 2020. OSFI will monitor adherence to the guideline through ongoing supervision of institutions.