



Guideline impact analysis statement

Title	Liquidity Adequacy Requirements (LAR) Guideline – Guideline impact analysis statement (2022)
Category	Capital Adequacy Requirements
Date	January 31, 2022

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I. Background

OSFI's LAR Guideline provides a framework for assessing the liquidity adequacy of banks, bank holding companies, and federally regulated trust and loan companies (collectively, referred to as "institutions").

II. Problem Identification

The LAR Guideline should be updated periodically to ensure that liquidity requirements continue to reflect underlying risks, developments in the financial industry, and evolving international standards.



III. Objectives

OSFI's objective is to ensure that the LAR Guideline remains comprehensive, fit-for-purpose, and that the requirements reflect the underlying risk. Specifically, these revisions:

- improve risk sensitivity and ensure that institutions are holding enough cash or other liquid investments to provide for contingent liquidity demands and support continued lending, particularly during times of financial stress.
- incorporate changes to the specific liquidity requirements applicable to small and medium-sized deposit-taking institutions which are more tailored to reflect the size and complexity of those institutions. These requirements are encompassed within OSFI's new [SMSB Capital and Liquidity Requirements Guideline](#).

IV. Consultations

OSFI issued the draft LAR Guideline for public consultation in March 2021. A summary of the material comments received from industry stakeholders and an explanation of how they have been addressed has been published along with the final Guideline.

V. Recommendations

It is recommended that the LAR Guideline be updated to ensure liquidity requirements continue to reflect the underlying risks facing institutions as well as market developments and evolving international standards.

VI. Implementation & Evaluation

The final version of the Guideline will be effective on April 1, 2023. OSFI will monitor adherence to the Guideline through its ongoing supervision of institutions.