



# Guideline impact analysis statement

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<b>Title</b>	Public Disclosure Requirements for Domestic Systemically Important Banks on Liquidity Coverage Ratio (LCR) – Guideline impact analysis statement (2014)
<b>Category</b>	Accounting and Disclosure
<b>Date</b>	July 31, 2014
<b>Sector</b>	Banks

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## I. Background

In January 2014, the Basel Committee on Banking Supervision (BCBS) issued rules on information that internationally active banks must publically disclose on its Liquidity Coverage Ratio (LCR). Entitled, *Liquidity Coverage Ratio Disclosure Standards* <p>BCBS, January 2014: <a href="http://www.bis.org/publ/bcbs272.htm" rel="external">http://www.bis.org/publ/bcbs272.htm</a></p> (Basel LCR Disclosure Standards), the publication sets out a common disclosure framework to ensure that LCR information is publically disclosed in standardized formats across and within jurisdictions to help users consistently assess a bank's liquidity risk position specific to the LCR. The publication includes a LCR common disclosure template and qualitative disclosures to help users understand the LCR data. It also includes guidance on broader qualitative and quantitative disclosures on liquidity risk.



As outlined in OSFI's Advisory entitled, *Domestic Systemic Importance and Capital Targets – DTIs* OSFI, March 2013: [http://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/adv-prv/Pages/DSIB\\_adv.aspx#ToCVIIInformationDisclosurePractices](http://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/adv-prv/Pages/DSIB_adv.aspx#ToCVIIInformationDisclosurePractices), Canadian Domestic Systemically Important Banks (D-SIBs) are expected to adopt future disclosure recommendations in the banking arena that are endorsed by international standard setters.

## II. Problem Identification

OSFI does not have guidance that reflects the aforementioned Basel LCR Disclosure Standards.

## III. Objectives

OSFI's objective is to issue a guideline that describes the minimum implementation requirements of the Basel LCR Disclosure Standards for Canadian internationally active banks. In addition, these disclosures must comply with disclosure requirements described in the *Basel Sound Principles* BCBS, September 2008: <http://www.bis.org/publ/bcbs144.htm> and OSFI's *Guideline B-6: Liquidity Principles* OSFI, February 2012: <http://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gld/Pages/b6.aspx>.

## IV. Identification and Assessment of Options

### **Option 1** – Reflect the BCBS publications in formal OSFI guidance

This option entails the creation of a guideline that would contain specific reference to previous OSFI issued disclosure guidance as well as to the OSFI Liquidity Adequacy Requirements (LAR) Guideline OSFI LAR Guideline, May 30, 2014: <http://www.osfi-bsif.gc.ca/Eng/wn-qn/Pages/LAR.aspx> (LAR Guideline). This option will allow OSFI the opportunity to detail its expectations related to the frequency and availability of disclosures as well as to reference the LAR Guideline and is consistent with OSFI's past approach to implementing BCBS disclosure requirements.



While this option entails up-front costs to OSFI to produce the guideline, it will provide long term benefits to users of the guideline as it comprehensively outlines OSFI's expectations in areas of interpretation and ties into related OSFI liquidity guidance.

**Option 2** – *Make no changes – rely only on BCBS publications to communicate requirements*

The advantage of this option is that OSFI would not have to devote resources to producing its own guidance. However, institutions would be left without comprehensive liquidity disclosure guidance and would not be able to easily refer to related OSFI liquidity requirements and disclosure requirements. This is inefficient for institutions and raises the potential for guidance to be misunderstood or, more problematic, missed.

## V. Recommendation

OSFI is of the view that a comprehensive domestic liquidity disclosure guideline (Option 1) is the most appropriate option for ensuring that institutions are aware of the Basel LCR Disclosure Standards and apply the guidance correctly. It is recommended that the *Public Disclosure Requirements for Domestic Systemically Important Banks on Liquidity Coverage Ratio* Guideline be created to incorporate the Basel LCR Disclosure Standards.

## VI. Consultations

In June 2014, the guideline was published in draft form on the OSFI web site in early June for a four-week consultation period. As no issues were raised during the consultation period, no changes were made to the guideline.

## VII. Implementation

D-SIBs are required to implement the Basel LCR Disclosure Standards beginning with the Q2 2015 reporting period.