

# **Guideline impact analysis statement**

Title Net Stable Funding Ratio Disclosure Requirements – Guideline impact analysis statement (2019)

Category Accounting and Disclosure

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Sector Banks

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Guidance or document to be rescinded

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#### Guidance or document to be rescinded

As a result of OSFI's <u>Policy Modernization</u> efforts, this guidance or document was identified as outdated, redundant, or no longer aligns with our mandate. It will be rescinded and removed from the website by December 31, 2025.



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)

guideline,OSFI, December 2018: https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/nsfr\_gias.aspx

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)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. 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.

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2. Implementation Date

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

• Require disclosure at the same time as OSFI's NSFR liquidity requirements,

• Defer disclosure to a period after compliance with the NSFR liquidity requirements to allow D-SIBs additional

time to operationalize the process, or

• 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.