Letter

Title	Update to LAR guideline review for wholesale funding sources with retail-like characteristics
Category	Capital Adequacy Requirements
Date	July 19, 2023

To: Deposit-Taking Institutions (DTIs)

In May, OSFI launched a review of the liquidity treatment provided in the Liquidity Adequacy Requirements (LAR) guideline for wholesale funding sources with retail-like characteristics, such as high-interest savings account exchange traded funds (HISA ETFs). The current LAR guideline is unambiguous on the liquidity treatment of HISA ETFs: 100% run-off at earliest possible maturity redemption in Liquidity Coverage Ratio; 0% Available Stable Funding factor in Net Stable Funding Ratio.

Over 175 submissions were received from a variety of stakeholders, including retail investors, DTIs, and ETF providers. Feedback was varied; some stakeholders commented that the current LAR treatment is appropriate, while others contended that HISA ETFs should be treated as more stable, retail funding.

In consideration of feedback received, OSFI has decided to defer the August 1, 2023 date. Instead, OSFI will confirm any changes to the current LAR treatment in October 2023, with an implementation date of January 2024. In the interim, DTIs should prudently manage the risk of liquidity runoffs associated with these products. Also, industry should remain prepared for the possibility that, because of its review, OSFI confirms a wholesale liquidity treatment for these products.

Sincerely,

Amar Munipalle

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Supervision Sector