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Reporting Instructions: Liquidity Coverage Ratio

B.C. Credit Unions

BCFSA

Contents

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1 Introduction

These reporting instructions provide guidance to B.C. credit unions (not including central credit unions) for reporting the Liquidity Coverage Ratio ("LCR") to the Superintendent of Financial Institutions at BC Financial Services Authority ("BCFSA"), as required by the *Financial Institutions Act* ("FIA").

1.1 OBJECTIVES

The LCR is a risk sensitive liquidity metric that aims to ensure that the credit union has an adequate stock of unencumbered high-quality liquid assets ("HQLA") to survive a 30-day liquidity stress scenario. HQLA can be easily and immediately converted into cash at little or no loss of value in order to meet the credit union's liquidity needs.

At a minimum, the stock of HQLA should enable the credit union to survive until day 30 of the prescribed stress scenario, by which time it is assumed that appropriate corrective actions can be taken by management and supervisors. Given the uncertain timing of outflows and inflows, the credit union is expected to be aware of any potential mismatches within the 30-day period and ensure that sufficient HQLA are available.

During periods of financial stress, the LCR supervisory target may be adjusted, usually downward, then revised back to its normal range, as appropriate. In its assessment BCFSA will consider factors, such as the credit union's overall health and risk profile, operating and management experience, strength of capital, earnings, diversification of assets, type of assets, inherent risks of the business model, and risk appetite.

1.2 LCR MINIMUM REQUIREMENT

The LCR minimum requirement is 100% in normal times, absent a situation of financial stress.

Note: During a period of financial stress, the credit union may use its stock of HQLA, so the LCR may fall below 100%. The credit union should notify BCFSA if its LCR is, or is expected to be, below the 100% minimum.

1.3 ASSUMPTIONS

Assumptions are based on a combined idiosyncratic and systemic stressed liquidity scenario which measures the impacts of assumptions over a 30-day period. Prescribed stress assumptions include:

- cash flow is available from eligible HQLA;
- run-off of a proportion of deposits;
- partial loss of unsecured wholesale funding and secured financing capacity; and
- unscheduled draws on committed but unused credit and liquidity facilities that the credit union has provided to its members.

2 Liquidity Coverage Ratio (“LCR”)

2.1 SECTION 5100 – LIQUIDITY COVERAGE RATIO

Line 5100-100: Total Stock of High Quality Liquid Assets (HQLA) is the sum of Level 1, Level 2A, and Level 2B assets after appropriate haircuts are applied and adjusted with appropriate caps for Level 2 and Level 2B assets, as reported in Section 5110.

Line 5100-110: Total Cash Outflows is the sum of expected cash outflows after appropriate run-off factors are applied, as reported in Section 5120.

Line 5100-120: Total Cash Inflows is the sum of expected cash inflows after appropriate inflow rates are applied, as reported in Section 5130.

Line 5100-130: Allowable Cash Inflows is the lesser of Total Cash Inflows or 75% of Total Cash Outflows.

Line 5100-140: Total Net Cash Outflows is equal to Total Cash Outflows minus Allowable Cash Inflows.

Line 5100-150: Liquidity Coverage Ratio

The formula for the calculation of the Liquidity Coverage Ratio is as follows:

$$\text{Liquidity Coverage Ratio} = \frac{\text{Total Stock of HQLA}}{\text{Total Net Cash Outflows}}$$

2.2 SECTION 5110 – STOCK OF HIGH QUALITY LIQUID ASSETS (“HQLA”)

Assets that qualify to be included in the stock of HQLA must meet both the HQLA characteristics and operational requirements. Attributes listed in Appendix 2 of the Liquidity Management Guideline (“LMG”) under characteristics of HQLA, describe the fundamental and market-related characteristics that assets should generally possess to qualify as HQLA. Assets in HQLA are liquid in markets during times of stress.

The following operational requirements apply to assets that can be included in the stock of HQLA. Operational requirements ensure the credit union can immediately use HQLA assets to cover funding gaps between cash inflows and outflows at any time during the 30-day stress period.

- Assets included in the stock of HQLA must be unencumbered. “Unencumbered” means free of legal, regulatory, contractual or other restrictions on the credit union’s ability to liquidate, sell, transfer, or assign the asset. An asset in the stock should not be pledged (either explicitly or implicitly) to secure, collateralize, or credit-enhance any transaction, nor be designated to cover operational costs, such as rents and salaries.
- The credit union should have procedures and appropriate systems in place for managing HQLA assets to ensure that there are no legal, regulatory, or operational impediments to monetize these assets in a stress event.

HQLA assets included in the LCR are those the credit union is holding on the first day of the stress period, irrespective of their residual maturity. HQLA assets should be reported in accordance with International Financial Reporting Standards (“IFRS”) but at an amount no greater than their current market value, including accrued interest, if applicable. Securities issued by financial institutions (such as deposit-taking institutions, insurance entities, and securities firms, and their affiliates) do not qualify as HQLA, unless otherwise noted.

HQLA includes unencumbered liquid assets held in trust with Central 1 Credit Union ("Central 1"), as statutory liquidity. These assets should be reported in the appropriate Level 1, Level 2A, or Level 2B assets lines, when they qualify to be included in the stock of HQLA. Minimum statutory requirement for these assets does not constitute an encumbrance in the context of HQLA.

Note: Bankers' acceptances held in trust with Central 1 are not included in HQLA.

HQLA includes assets received in reverse repo and securities financing transactions that are held at the credit union, have not been re-hypothecated, and are legally and contractually available for the credit union's use.

2.2.1 Definition of HQLA

HQLA are comprised of Level 1 and Level 2 assets. To reflect their value in stressed conditions, certain types of assets within HQLA are subject to haircuts (i.e. the percentage by which an asset's market value is reduced based on risk).

Level 1 assets can be included in HQLA without limit, while Level 2 assets can only comprise up to 40% of the stock of HQLA. Level 2 assets are divided into two sub-types: Level 2A and Level 2B assets. Level 2B assets are included in the overall 40% cap for Level 2 assets but should comprise no more than 15% of the total stock of HQLA.

The 40% cap on Level 2 assets and the 15% cap on Level 2B assets should be determined after the application of required haircuts, and after considering the unwind of short-term securities financing transactions and collateral swap transactions maturing within 30 calendar days that involve the exchange of HQLA.

2.2.2 Level 1 Assets

Level 1 assets are typically of the highest quality and the most liquid. There is no limit on the extent to which the credit union can hold these assets to meet the LCR requirement. Level 1 assets are not subject to a haircut and can be included in HQLA at 100% of their current market value.

Level 1 Assets

Line 5110-100: Cash on Hand

Currently held by the credit union (cash that is physically on the premises of the credit union, cash in transit, cash in ATMs, and any foreign currency held (valued at the current exchange rate).

Line 5110-110: National Housing Act Mortgage Backed Securities (NHA MBS)

Include qualifying securities (that meet both the HQLA characteristics and operational requirements) issued under the National Housing Act Mortgage Backed Securities ("NHA MBS") program. NHA MBS that have been issued by the credit union but not yet sold to third parties and meet the HQLA requirements may also be included in this line.

Note: Credit union own issued but unsold NHA MBS should be reported at the current market value of the MBS. Cash inflows from the underlying mortgages should not be included in the LCR inflows, to avoid double counting.

Line 5110-120: Canada Mortgage Bonds (CMB)

Include qualifying securities issued under the Canada Mortgage Bonds ("CMB") program.

Line 5110-130: Securities from Sovereigns [Rated[1] AAA to AA-], Gov't of Canada and Provincial/ Territorial Governments

Include qualifying marketable securities representing claims on or guaranteed by sovereigns, or central banks rated AAA to AA-. Qualifying securities issued or guaranteed by the Government of Canada (or its central bank) or by provincial or territorial governments are included in this line.

Note: This line may include debt securities with a rating below AA- issued by the Government of Canada (or its central bank).

2.2.3 Level 2 Assets

Level 2 assets are considered to be less liquid and can be included in the stock of HQLA subject to the requirement that they do not in aggregate comprise more than 40% of the stock after applicable haircuts. Level 2 assets are comprised of two sub-types of assets: Level 2A and Level 2B assets.

Level 2A Assets

Level 2A assets are assigned a 15% haircut to their current market value and are limited to the following:

Line 5110-200: Securities from Sovereigns [Rated A+ to A-], Municipalities and Other PSEs/MDBs [Rated AAA to AA-]

Include qualifying marketable securities representing claims on or guaranteed by sovereigns (and central banks) rated A+ to A-, municipalities and other public sector enterprises ("PSEs") (e.g., universities, school boards, and hospitals), and multilateral development banks ("MDBs") rated AAA to AA-.

Line 5110-210: Corporate Debt Securities [Rated AA- or higher]

Include qualifying corporate debt securities and commercial papers rated AA- or higher that are not issued by a financial institution or its affiliated entities. Include only plain-vanilla assets with readily available valuations that are based on standard methods and do not depend on private knowledge (i.e., these do not include complex structured products or subordinated debt).

Line 5110-220: Covered Bonds [Rated AA- or higher]

Include qualifying covered bonds rated AA- or higher. Covered bonds are bonds issued and owned by a bank or mortgage institution and are subject by law to special public supervision designed to protect bond holders. Proceeds deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of the validity of the bonds, can cover claims attached to the bonds and which, in the event of the failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

Level 2B Assets

Certain additional assets (Level 2B) may be included in Level 2 but must comprise no more than 15% of the total stock of HQLA after receiving the appropriate haircut.

Level 2B assets are assigned specific haircuts and are limited to the following:

[1] The ratings follow the methodology used by one institution, Standard & Poor's. The use of Standard & Poor's credit ratings is an example only. Ratings of other external credit assessment institutions, such as DBRS and Fitch Ratings, can be used as well. The lower rating is used in the event of discrepancies between rating of different credit assessment institutions.

Line 5110-300: Residential Mortgage Backed Securities (RMBS) [Rated AA or higher] – 25% haircut

Include qualifying residential mortgage backed securities (“RMBS”) rated AA or higher that are not issued by (and the underlying assets have not been originated by) the credit union itself or any of its affiliated entities. Also, the underlying asset pool is restricted to full recourse residential mortgages with the maximum loan to value ratio (“LTV”) of 80% on average at issuance of the RMBS.

Line 5110-310: Corporate Debt Securities [Rated between A+ and BBB-] – 50% haircut

Include qualifying corporate debt securities and commercial papers rated between A+ and BBB- that are not issued by a financial institution or its affiliated entities. Include only plain-vanilla assets with readily available valuations that are based on standard methods and do not depend on private knowledge (i.e., these do not include complex structured products or subordinated debt).

Line 5110-320: Corporate (Non-Financial) Common Equity Shares – 50% haircut

Include qualifying common equity shares that are not issued by a financial institution or its affiliated entities, exchange traded, and a constituent of the major stock index in Canada (such as the S&P/TSX 60 Index).

2.2.4 Total Stock of HQLA

The formula for the calculation of the Total Stock of HQLA is as follows:

$$\text{Level 1} + \text{Level 2A} + \text{Level 2B} - \text{Adjustment for 40\% Cap} - \text{Adjustment for 15\% Cap}$$

2.3 NET CASH OUTFLOWS

Total net cash outflows are defined as the total expected cash outflows minus total expected cash inflows in the prescribed stress test scenario for the subsequent 30 calendar days.

Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off balance sheet commitments by the rates at which they are prescribed to run-off or be drawn down.

Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in under the scenario, up to an aggregate cap of 75% of total expected cash outflows.

$$\text{Total net cash outflows over the next 30 calendar days} = \\ \text{Total expected cash outflows} - \text{Min}\,(\text{Total expected cash inflows}, 75\%\text{ of Total expected cash outflows})$$

Cash inflows and outflows may include interest that is expected to be received or paid during the 30-day time horizon. Where amounts cannot be readily determined for any specific category, the credit union must report amounts using the more conservative or higher run-off rate category for each funding source.

Note: The credit union should not double count items in the LCR. For example, if an asset is included in the stock of HQLA, the expected cash inflows within 30 days related to that HQLA asset cannot be counted as cash inflows.

2.4 SECTION 5120 – CASH OUTFLOWS

2.4.1 Retail Deposits

Retail deposits are deposits placed with the credit union by natural persons (i.e., individuals) and exclude deposits placed by broker dealers. Retail deposits are divided into "stable" and "less stable" portions of funds, with prescribed minimum run-off rates listed for each category. Include retail demand and term deposits.

Foreign currency deposit accounts are to be included with Canadian dollar deposits in the appropriate category (converted to Canadian dollar equivalent at the reporting date).

Stable Retail Deposits

Line 5120-100: Retail Term Deposits [> 30 days to maturity] – 0% run-off

Retail term deposits with a residual maturity or withdrawal notice period greater than 30 days, where the depositor has no legal right to withdraw deposits within 30 days, or where early withdrawals are unlikely (i.e., registered products) or result in a significant penalty, receive a 0% run-off rate.

Apart from hardship considerations, if the credit union allows depositors to withdraw such deposits without applying the corresponding penalty, despite a clause stating the depositor has no legal right to withdraw, the entire category of these funds should be treated as demand deposits, and reported on the appropriate stable or less stable retail deposits lines.

Hardship considerations include situations, such as death, catastrophic illness, loss of employment, or bankruptcy of the depositor.

Line 5120-110: Retail Deposits with Established Relationships or in Transactional Accounts [≤ 30 days to maturity] – 3% run-off

Include retail demand and term deposit accounts (with a residual maturity or withdrawal notice period within 30 days) where the depositors have established relationships with the credit union that make deposit withdrawal highly unlikely, and deposits that are in transactional (demand and chequing) accounts. Examples of established relationships include members that also have a loan, line of credit, or investments with the credit union. Examples of transactional accounts include accounts where there are automatic regular deposits of salary, pensions, or other income.

Note: If the credit union is unable to identify which retail deposits would qualify as stable deposits, it should report the full amount as less stable deposits.

Less Stable Retail Deposits

Line 5120-120: Retail Deposits without Established Relationships [≤ 30 days to maturity] – 5% run-off

Include retail demand (non-transactional accounts) and term deposit accounts (with a residual maturity or withdrawal notice period within 30 days) where the depositors do not have an established relationship with the credit union.

2.4.2 Brokered Deposits [≤ 30 days to maturity]

Line 5120-250: Brokered Deposits [≤ 30 days to maturity] – 30% run-off

Include retail, small business, and wholesale demand and term deposits (with a residual maturity or withdrawal notice period within 30 days) sourced from unaffiliated third parties or acquired through deposits agents.

2.4.3 Wholesale Funding [≤ 30 days to maturity]

For the purposes of the LCR, deposits and general obligations raised from non-natural persons (including legal entities, trade unions and other associations, sole proprietorships, partnerships, and small businesses) are captured in unsecured and secured wholesale funding categories. Obligations related to derivative contracts are explicitly excluded from this definition.

Wholesale funding included in the LCR is defined as all funding that is callable within 30 days or that has its earliest possible contractual maturity within 30 days, such as maturing term deposits and unsecured debt securities. This should also include funding with an undetermined maturity date, and funding that has exercisable options within 30 days, subject to investor discretion.

Unsecured Wholesale Funding

Unsecured funding includes liabilities that are not collateralized by legal rights to specifically designated assets owned by the credit union in the case of bankruptcy, insolvency, liquidation, or resolution.

Line 5120-300: Non-Financial Corporation Deposits – Operational – 5% run-off

Include demand deposits and other extensions of unsecured funding from non-financial corporate depositors that are not categorized as small business depositors, as well as domestic and foreign sovereigns, central banks, provinces, municipalities and other PSEs, and MDBs that are generated by settlement or clearing, custody, and cash management activities, and exclude deposits placed by broker dealers.

Activities in this context may refer to clearing, custody or cash management activities where (a) the customer is reliant on the credit union to perform these services as an independent third party intermediary in order to fulfill its normal banking activities over the next 30 days, and (b) these services must be provided under a legally binding agreement to institutional customers.

Note: Excess balances on these accounts that are not required to fulfill clearing, custody or cash management activities should not be included. If the credit union is unable to determine the amount of the excess balance, the entire deposit account balance should be reported as non-operational with the appropriate run-off rate.

Line 5120-310: Non-Financial Corporation Deposits – Non-Operational – 20% run-off

Include demand and term deposits, and other extensions of unsecured funding (that are callable or have the earliest possible contractual maturity within 30 days) from non-financial corporate depositors that are not categorized as small business depositors, and both domestic and foreign sovereigns, central banks, provinces, and other PSEs, and MDBs that are not specifically held for operational purposes, and exclude deposits placed by broker dealers.

Line 5120-320: Financial Institution Deposits – 100% run-off

Include wholesale deposits and other funding (that are callable or have the earliest possible contractual maturity within 30 days) from financial counterparties (including financial institutions, securities firms, investment firms, insurance companies, etc.) not included in other categories.

Small Business Deposits

Small business deposits include wholesale deposits that are managed by the credit union as retail deposits, have similar liquidity characteristics as the retail accounts, and the aggregate balance by a small business depositor is less than $1.5 million, and exclude deposits placed by broker dealers. Small business deposits are categorized into “stable” and “less stable” portions of funds (same as retail deposits), with prescribed minimum run-off rates listed for each category.

Line 5120-330: Stable Small Business Deposits – 5% run-off

Include small business demand and term deposits (with a residual maturity or withdrawal notice period within 30 days) with established relationships with the credit union, and deposits that are in transactional (demand and chequing) accounts.

Note: If the credit union is unable to identify which small business deposits would qualify as stable deposits, it should report the full amount as less stable deposits.

Line 5120-340: Less Stable Small Business Deposits – 10% run-off

Include small business demand (non-transactional accounts) and term deposits (with a residual maturity or withdrawal notice period within 30 days) without established relationships with the credit union.

Secured Wholesale Funding

Secured funding includes liabilities that are collateralized by legal rights to specifically designated assets owned by the credit union in the case of bankruptcy, insolvency, or liquidation.

Line 5120-350: Secured Funding Transactions Backed by Level 1 Assets – 0% run-off

Include outstanding repurchase ("repo") transactions and other secured funding transactions that mature within 30 days and are backed by Level 1 assets which would otherwise have been reported with HQLA. Due to the high-quality of Level 1 assets, no reduction in funding availability against these assets is assumed to occur.

Line 5120-360: Secured Funding Transactions with Central 1 – 0% run-off

Include outstanding repo transactions and other secured funding transactions with Central 1 that mature within 30 days and backed by other assets (non-HQLA).

Other Secured Funding Transactions

All other outstanding secured funding and repo transactions that mature within 30 days receive outflow rates in accordance with the following schedule.

Maturing Secured Funding Transactions	**Run-Off Factor**
Line 5120-370: Secured Funding Transactions Backed by Level 2A Assets	15%
Line 5120-380: Secured Funding Transactions (non-Level 1 or 2A) Backed by Domestic Sovereigns, or PSEs and MDBs [Rated AAA to AA-]	25%
Line 5120-390: Secured Funding Transactions Backed by Level 2B RMBS	25%
Line 5120-400: Secured Funding Transactions Backed by Other Level 2B Assets	50%
Line 5120-410: All Other Secured Funding Transactions	100%

2.4.4 Other Outflows

Line 5120-500: Guarantees and Letters of Credit – 5% run-off

Guarantees and letters of credit include trade finance instruments or trade-related obligations directly underpinned by the movement of goods or the provision of services. Amounts to be reported include items such as outstanding documentary trade letters of credit, documentary and clean collection, import bills, export bills, and outstanding guarantees directly related to trade finance obligations, such as shipping guarantees. Also include the outstanding amount of standby letters of credit issued by the credit union and guarantees unrelated to trade finance obligations.

Undrawn Credit and Liquidity Facilities

For LCR reporting purposes, credit and liquidity facilities are defined as explicit contractual agreements or obligations to extend funds at a future date to retail or wholesale counterparties. These facilities include contractually irrevocable ("committed") or conditionally revocable agreements to extend funds in the future. Unconditionally revocable facilities ("uncommitted") that are unconditionally cancellable by the credit union without notice are also included.

These off balance sheet facilities or funding commitments can have long or short-term maturities, with short-term facilities frequently renewing or automatically rolling-over. In a stressed environment, it will likely be difficult for members drawing on facilities of any maturity, even short-term maturities, to be able to quickly pay back the borrowings. Therefore, for purposes of the LCR, all facilities that are assumed to be drawn (as outlined in the paragraphs below) will remain outstanding at the amounts assigned throughout the duration of the test, regardless of maturity.

Any contractual loan drawdowns from committed facilities and estimated drawdowns from revocable facilities within the 30-day period should be fully reflected in accordance with the following schedule.

Undrawn Contractual Commitments	**Drawdown**
Line 5120-510: Committed Credit and Liquidity Facilities - Retail and Small Business	5%
Line 5120-520: Committed Credit and Liquidity Facilities - Non-Financial Corporate, Municipalities, or Other PSEs	10%
Line 5120-530: Committed Credit Facilities - Financial Institutions	30%
Line 5120-540: Committed Liquidity Facilities - Financial Institutions	100%
Line 5120-550: Uncommitted Credit and Liquidity Facilities - Retail and Small Business	2%
Line 5120-560: Uncommitted Credit and Liquidity Facilities - All Others	5%

Line 5120-570: Other Contractual Obligations to Extend Funds [within a 30-day period]

Any other contractual lending obligations not captured elsewhere in the LCR should be captured with a 100% outflow rate.

For retail, small business, and non-financial corporate members, if the total of all contractual obligations to extend funds within the next 30 calendar days (not captured in prior categories) exceeds 50% of the total contractual inflows from loans due in the next 30 calendar days (*Line 5120-580: Roll-over of Inflows from Commercial and Personal Loans and Leases*), the excess amount (*Line 5120-590: Excess Amount Included as Outflows*) should be reported with a 100% outflow.

Contractual lending obligations to financial institutions within the next 30 calendar days (not captured in prior categories) receive a 100% outflow rate.

Line 5120-600: Derivative Outflows – 100% run-off

The sum of all net derivative cash outflows should receive a 100% factor. The credit union should calculate, in accordance with its existing valuation methodologies, expected contractual derivative cash inflows and outflows. Cash flows may be calculated on a net basis by counterparty (i.e., inflows can offset outflows), only where a valid master netting agreement exists. Calculations where liquidity requirements result from increased collateral needs due to market value movements or falls in value of collateral posted should be excluded. Options are assumed to be exercised when they are 'in the money' to the option buyer.

Where derivative payments are collateralized by HQLA, cash outflows should be calculated net of any corresponding cash or collateral inflows that would result, all other factors being equal, from contractual obligations for cash or collateral to be provided to the credit union. To offset cashflows, the credit union should be legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the collateral is received.

Line 5120-610: Other Contractual Cash Outflows [within a 30-day period] – 100% run-off

Any other contractual cash outflows within the next 30 calendar days, not captured elsewhere in the LCR, should be captured with a 100% outflow rate in this line. Include contractual cash outflows related to secured and unsecured borrowings from Central 1 or other financial institution that are callable or have the earliest possible contractual maturity within 30 days, cash flow obligations for securitizations, and dividends or contractual interest payments within 30 days.

Note: Cash outflows related to operating costs are not taken into account for the purposes of the LCR.

2.5 SECTION 5130 – CASH INFLOWS

When considering its available cash inflows, the credit union should only include contractual inflows (including interest payments) from outstanding exposures that are fully performing and for which there is no reason to expect a default within the 30-day time horizon. Contingent inflows are not included in total net cash inflows. Cash inflows related to non-financial revenues are not taken into account for the purposes of the LCR.

Cap on total inflows

In order to prevent reliance on anticipated inflows to meet liquidity requirements, and to ensure a minimum level of HQLA holdings, the amount of inflows that can offset outflows is capped at 75% of total expected cash outflows. This requires that the credit union must maintain a minimum amount of stock of HQLA that is equal to 25% of total net cash outflows.

2.5.1 Inflows [maturing or callable ≤ 30 days]

Maturing Secured Lending

Line 5130-100: Maturing Secured Lending Transactions Backed by Level 1 Assets – 0% inflow

The credit union should assume that reverse repurchase or securities borrowing agreements with a contractual maturity that is less than or equal to 30 days and secured by Level 1 assets will be rolled-over and will not give rise to any cash inflows.

Other Maturing Secured Lending Transactions

Cash inflows will be assigned to all other secured lending transactions maturing within 30 days and secured by Level 2 assets in accordance with the following schedule.

Maturing Secured Lending Transactions	Inflow Rate
Line 5130-110: Maturing Secured Lending Transactions Backed by Level 2A Assets	15%
Line 5130-120: Maturing Secured Lending Transactions Backed by Level 2B RMBS	25%
Line 5130-130: Maturing Secured Lending Transactions Backed by Other Level 2B Assets	50%

Line 5130-140: All Other Maturing Secured Lending Backed by Other Collateral – 100% inflow

The credit union should assume maturing reverse repurchase or securities borrowing agreements secured by non-HQLA assets will not be rolled-over and will receive cash inflows of 100% related to those agreements.

Loans by Counterparty

The credit union should only include inflows from fully performing loans. Non-performing loans are those that are greater than 90 days delinquent. Inflows should only be taken at the latest possible date, based on the contractual rights available to counterparties.

Inflows from loans that have no specific maturity should not be included; therefore, no assumptions should be applied as to when maturity of such loans would occur. An exception to this would be minimum payments of principal, fees, or interest associated with an open maturity loan, provided that such payments are contractually due within 30 days.

Note: Balances at maturity from loans maturing within 30 days that are expected to renew should not be included in the LCR cash inflows (nor in the cash outflows for renewals) to simplify reporting. This more closely reflects actual inflows that the credit union will experience.

Lines 5130-150 to 5130-190: Commercial and Personal (Secured and Unsecured) and Other Loans and Leases – 50% inflow

The credit union should assume to receive all payments (including interest payments and instalments) from commercial and personal loans that are fully performing and contractually due within a 30-day horizon and to continue to extend loans at a rate of 50% of contractual inflows. This results in a net inflow rate of 50% of the contractual amount.

Note: Only contractual payments due should be reported (e.g., required minimum payments of principal, fee or interest) and not total loan balances of undefined or open maturity loans.

Line 5130-200: Financial Institution and Central 1 Counterparty Loans – 100% inflow

The credit union should assume to receive all payments (including interest payments and instalments) from financial institutions and Central 1 loans that are fully performing and contractually due within the 30-day horizon and to not extend loans. This results in an inflow rate of 100% of the contractual amount.

Deposits with Central 1 and Other Financial Institutions

Line 5130-210: Operational Deposits – 0% inflow

Operational demand deposits held with Central 1 and other financial institutions for clearing, custody or cash management activities are assumed to stay at those institutions, and no inflows can be counted for these funds.

Note: Excess balances on the operational demand deposit accounts that are not required to fulfill clearing, custody or cash management activities of the credit union may be reported as non-operational deposits. As a general principle, if the financial institution receiving the deposit classifies the deposit as operational, the credit union placing it should also classify it as operational deposit.

Line 5130-220: Non-Operational Deposits – 100% inflow

Report payments (including interest payments) from term deposits held with Central 1 and other financial institutions that are contractually due within a 30-day horizon or the credit union has the legal right to withdraw (i.e., redeemable term deposits) the deposit within the 30-day reporting period. This line also includes cash deposits held in trust with Central 1, Guaranteed Investment Certificates (“GICs”), and savings accounts (e.g., High Interest Savings Accounts) when the credit union has the legal right to withdraw the deposit within the 30-day reporting period.

Note: The credit union may include demand deposits balances, in excess of balances required to fulfill clearing, custody or cash management activities. If the credit union is unable to determine reliably the amount of excess balances, the entire demand deposit account should be reported as operational deposits and receive 0% inflow rate.

Line 5130-230: Maturing Securities – 100% inflow

Report inflows from securities that are not included in the stock of HQLA and maturing within 30 days, receiving 100% inflow rate. Qualifying Level 1 and Level 2 securities maturing within 30 days should be included in the stock of HQLA and not counted as cash inflows, to avoid double counting. This line also includes bankers’ acceptances maturing within 30 days.

Line 5130-240: Derivative Inflows – 100%

The sum of all net derivative inflows should receive a 100% inflow rate. All derivative-related cash inflows should be included at the expected contractual payment dates in accordance with their existing valuation methodologies. Cash flows may be calculated on a net basis by counterparty (i.e., inflows can offset outflows), only where a valid master netting agreement exists. The credit union should consider options that expire or can be exercised within the next 30 days. Options are assumed to be exercised when they are ‘in the money’ to the option buyer. The cash flow should reflect the state of the transaction as of the reporting date.

Where derivatives are collateralized by HQLA, cash inflows should be calculated net of any corresponding cash or collateral outflows that would result from contractual obligations for cash or collateral to be posted by the credit union.

Committed Facilities

No credit facilities, liquidity facilities or other contingent funding facilities that the credit union holds at other financial institutions (including Central 1) for its own purposes are assumed to be able to be drawn. Such facilities receive a 0% inflow rate, meaning that this scenario does not consider inflows from committed credit or liquidity facilities. This is to reduce the contagion risk of liquidity shortages at one institution causing shortages at others, as well as to reflect the risk that other institutions may not be in a position to honour credit facilities.

Note: Committed facilities receiving 0% inflow rates are not included in the LCR template.

2.6 SUMMARY OF LCR HAIRCUTS AND CASH FLOW RATES

The following table summarizes the preceding haircuts and cash flow rates for the LCR.

LCR Haircuts and Cash Flow Rates	
Stock of High Quality Liquid Assets (HQLA)	**Haircut**
Level 1 Assets	
Cash on Hand *National Housing Act* Mortgage Backed Securities (NHA MBS) Canada Mortgage Bonds (CMB) Securities from Sovereigns [Rated AAA to AA-], Gov't of Canada and Provincial/ Territorial Governments	0%
Level 2A Assets	
Securities from Sovereigns [Rated A+ to A-], Municipalities and Other PSEs/ MDBs [Rated AAA to AA-] Corporate Debt Securities [Rated AA- or higher] Covered Bonds [Rated AA- or higher]	15%
Level 2B Assets	
Residential Mortgage Backed Securities (RMBS) [Rated AA or higher]	25%
Corporate Debt Securities [Rated between A+ and BBB-] Corporate (Non-Financial) Common Equity Shares	50%
Cash Outflows	**Run-Off Factor**
Retail Deposits	
Stable Retail Deposits:	
Retail Term Deposits [> 30 days to maturity]	0%
Retail Deposits with Established Relationships or in Transactional Accounts [≤ 30 days to maturity]	3%
Less Stable Retail Deposits:	
Retail Deposits without Established Relationships [≤ 30 days to maturity]	5%
Brokered Deposits [≤ 30 days to maturity]	30%
Wholesale Funding [≤ 30 days to maturity]	
Unsecured Wholesale Funding:	
Non-Financial Corporation Deposits - Operational	5%
Non-Financial Corporation Deposits - Non-Operational	20%
Financial Institution Deposits	100%
Small Business Deposits:	
Stable Small Business Deposits	5%
Less Stable Small Business Deposits	10%
Secured Wholesale Funding:	
Secured Funding Transactions Backed by Level 1 Assets Secured Funding Transactions with Central 1	0%
Secured Funding Transactions Backed by Level 2A Assets	15%
Secured Funding Transactions (non-Level 1 or 2A) Backed by Domestic Sovereigns, PSEs and MDBS [Rated AAA to AA-] Secured Funding Transactions Backed by Level 2B RMBS	25%
Secured Funding Transactions Backed by Other Level 2B Assets	50%
All Other Secured Funding Transactions	100%

LCR Haircuts and Cash Flow Rates	
Cash Outflows	**Run-Off Factor**
Other Cash Outflows [≤ 30 days to maturity]	
Guarantees and Letters of Credit	5%
Undrawn Credit and Liquidity Facilities:	
Committed Credit and Liquidity Facilities - Retail and Small Business	5%
Committed Credit and Liquidity Facilities - Non-Financial Corporates, Municipalities, or Other PSEs	10%
Committed Credit Facilities - Financial Institutions	30%
Committed Liquidity Facilities - Financial Institutions	100%
Uncommitted Credit and Liquidity Facilities - Retail and Small Business	25%
Uncommitted Credit and Liquidity Facilities - All Others	5%
Other Contractual Obligations to Extend Funds [within a 30-day period] Derivative Outflows Other Contractual Cash Outflows [within a 30-day period]	100%
Cash Inflows	**Inflow Rate**
Maturing Secured Lending:	
Maturing Secured Lending Transactions Backed by Level 1 Assets	0%
Maturing Secured Lending Transactions Backed by Level 2A Assets	15%
Maturing Secured Lending Transactions Backed by Level 2B RMBS	25%
Maturing Secured Lending Transactions Backed by Other Level 2B Assets	50%
All Other Maturing Secured Lending Backed by Other Collateral	100%
Loans by Counterparty:	
Commercial Loans (Secured) Commercial Loans (Unsecured) Personal Loans (Secured) Personal Loans (Unsecured) Other Loans and Leases	50%
Financial Institution and Central 1 Counterparty Loans	100%
Deposits with Central 1 and Other Financial Institutions:	
Operational Deposits	0%
Non-Operational Deposits	100%
Maturing Securities Derivative Inflows	100%

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