FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

NOTICE OF PROPOSED RULE UNDER THE *CREDIT UNIONS AND CAISSES POPULAIRES ACT, 2020*

RULE 2021 – 003 Liquidity Adequacy Requirements for Credit Unions and Caisses Populaires

June 14, 2021

Introduction

The Financial Services Regulatory Authority of Ontario (**FSRA**) is updating its approach to make the supervision of Ontario's credit unions and caisses populaires (credit unions) more transparent, dynamic and flexible. Through the new Rule 2021 - 003 *Liquidity Adequacy Requirements for Credit Unions and Caisses Populaires* (the **Proposed Rule**) made under the *Credit Unions and Caisses Populaires Act, 2020* (the **CUCPA 2020**) if it comes into force, FSRA is moving towards a principles-based approach that is proportionate and adaptable to changing circumstances.

Pursuant to subsection 22(1) of the *Financial Services Regulatory Authority of Ontario Act, 2016* (the **FSRA Act**), FSRA is publishing the Proposed Rule for comment on its website. The text of the Proposed Rule is set out in Appendix A to this Notice. In accordance with subsection 22(4) of the FSRA Act, interested persons are invited to provide written representations to FSRA with respect to the Proposed Rule within 90 days after the Proposed Rule's publication.

Background

FSRA was established under the FSRA Act and, on June 8, 2019, assumed substantially all of the regulatory functions of the Financial Services Commission of Ontario (**FSCO**) and the Deposit Insurance Corporation of Ontario (**DICO**). FSRA is designated as the regulator for the credit union sector pursuant to section 1 of the CUCPA 2020 which defines FSRA as the Authority that regulates credit unions in Ontario and subsection 6(2) of the FSRA Act. In carrying out this role, among other things, FSRA provides prudential oversight of Ontario credit unions which includes administering legislative and regulatory requirements relating to liquidity adequacy, as well as any requirements set out in FSRA rules and guidance.

Liquidity adequacy requirements for Ontario credit unions are currently set out in sections 21 to 23 of Ontario Regulation 237/09 (**O. Reg. 237/09**) under the *Credit Unions and Caisses Populaires Act, 1994* (**CUCPA 1994**). FSRA's detailed interpretation of these requirements and supervisory approaches are set out in the following FSRA guidance documents: Liquidity Guidance (No. CU0064INT); Stress Testing Guidance (No. CU0065INT); Liquidity Coverage Ratio Completion Guide (No. CU0066INT); Net Cumulative Cash Flow Completion Guide (No. CU0067INT); and Net Stable Funding Ratio Completion Guide (No. CU0068INT). In clause 10 of subsection 285(1) of the CUCPA 2020, which received Royal Assent on December 8, 2020 and will come into force on proclamation, FSRA is authorized to make a rule "regulating the maintenance, by credit unions, of adequate capital and adequate and appropriate forms of liquidity".

FSRA intends to make a rule that would require Ontario's credit unions to maintain adequate and appropriate forms of liquidity. The Proposed Rule would update the requirements for the maintenance of adequate and appropriate forms of liquidity and an internal liquidity adequacy assessment process, which are clear, transparent and more closely aligned with other jurisdictions' regulatory approach and international standards than the current requirements.

The Proposed Rule is consistent with the following FSRA priorities, as stated in FSRA's Proposed FY2021-2022 Statement of Priorities:

1. Transitioning to principles-based regulation; and
2. Supporting the modernization of the credit union framework.

The Proposed Rule is also supported by the following FSRA statutory objects, as contained in section 3 of the FSRA Act:

1. To regulate and generally supervise the regulated sectors,
2. To contribute to public confidence in the regulated sectors,
3. To provide insurance against the loss of part or all of deposits with credit unions,
4. To promote and otherwise contribute to the stability of the credit union sector in Ontario with due regard to the need to allow credit unions to compete effectively while taking reasonable risks, and
5. To pursue the objects set out in paragraphs 3 and 4 for the benefit of persons having deposits with credit unions and in such a manner as will minimize the exposure of the Deposit Insurance Reserve Fund to loss.

The Proposed Rule will come into force on the later of the day on which clause 10 of subsection 285(1) of the CUCPA 2020 is proclaimed into force and 15 days after it is approved by the Minister of Finance.

Substance and Purpose of the Proposed Rule

The legislative liquidity requirements in sections 84 and 85 of the *Credit Unions and Caisses Populaires Act, 1994* (the **CUCPA 1994**) and sections 21 to 23 of O. Reg. 237/09 require that credit unions maintain adequate and appropriate forms of liquidity and establish and adhere to liquidity policies.

In 2017 and 2018, DICO released a set of liquidity guidance based on Basel III standards, released by the Basel Committee on Banking Supervision (BCSB) in 2010. These standards detail expectations on prudent liquidity management and stress testing. On January 1, 2021, the set of DICO liquidity guidance was updated and re-issued as FSRA guidance.

Sections 84 and 85 of the CUCPA 1994 will no longer be in force if Sections 77 and 78 of the CUCPA 2020 come into force. The Proposed Rule would have force of law and supplant sections 21 to 23 of O. Reg. 237/09 and the interpretation portions of FSRA's liquidity guidance that currently define liquidity adequacy requirements for credit unions.

In the Proposed Rule, FSRA is aligning its regulatory approach with the requirements in other jurisdictions as well as international best practices. The purpose of the Proposed Rule is to articulate the methodology a credit union must use to calculate its liquidity requirements and the principles-based expectations for credit unions to maintain adequate and prudent liquidity. Full adherence with these requirements may not apply in times of stress (meaning operating in circumstances where a credit union is subject to one or more material adverse financial or economic conditions.)

Summary of the Proposed Rule

The following provides a high-level summary of each section of the Proposed Rule.

Section 1: Interpretation

This section defines the key terms used in the Proposed Rule and provides direction as to how the Proposed Rule will be interpreted.

Section 2: Scope

This section sets out the scope of the application of the Proposed Rule. It requires that the Proposed Rule, with some exceptions, apply to the consolidated financial statements of a credit union, its subsidiaries and affiliates.

A credit union may choose not to consolidate the assets and liabilities of a subsidiary or affiliate if it has identified barriers that prevent the free transfer of assets from the subsidiary or affiliate to the credit union. A credit union must not include any inflows from any subsidiary or affiliate whose financial statements it has deconsolidated. However, a credit union must include any outflows to any subsidiary or affiliate whose financial statements it has deconsolidated if the credit union has an obligation to fund the subsidiary or affiliate . The credit union must report these choices to its board and to FSRA. The Chief Executive Officer of FSRA may, pursuant to section 206, object to the credit union's decision to deconsolidate the assets and liabilities of a credit union subsidiary or affiliate.

Section 3: Proportionality

This section sets out a proportionate approach for credit unions with less than $500 million in assets to implement measures that appropriately manage their liquidity risk.

Credit unions with assets of less than $500 million who do not implement or report on a net stable funding ratio, net cumulative cash flow or implement an internal liquidity adequacy assessment process are required to take appropriate compensating actions.

Section 4: High Quality Liquid Assets

This section defines high quality liquid assets and its components as well as the method to calculate their values. It further requires a credit union to ensure that all its high-quality liquidity assets be unencumbered and that, when held by a third-party liquidity service provider, they be held in a way that does not make them subject to claims of the creditors of the third-party liquidity service provider.

Section 5: Liquidity Coverage Ratio

This section defines the liquidity coverage ratio, its components and provides a method to calculate its value. The liquidity coverage ratio means the high-quality liquid assets of a credit union expressed as a percentage of net cash outflows of a credit union. The section requires that a credit union maintain a liquidity coverage ratio of at least 100% outside of times of stress. The liquidity coverage aims to ensure that a credit union has an adequate stock of unencumbered high-quality liquid assets that consists of cash or assets that can be converted into cash at little or no loss in value to meet potential liquidity needs for a 30-calendar day liquidity stress scenario.

Section 6: Net Stable Funding Ratio

This section defines net stable funding ratio, its components and provides a method to calculate its value. The net stable funding ratio means a credit union's amount of total available stable funding expressed as a percentage of the credit union's amount of total required stable funding. It also requires a credit union to maintain a net stable funding ratio of at least 100% outside of times of stress. The net stable funding ratio covers a one-year period and helps the credit union maintain a stable funding profile (e.g., Tier 1 capital, term deposits) in relation to the composition of its assets and off-balance sheet activities. The net stable funding ratio aims to limit over-reliance on short-term wholesale funding, encouraging better assessment of funding risk across all on and off-balance sheet items, and promotes funding stability. As described in section 3, a credit union with less than $500 million in assets may choose not to calculate its net stable funding ratio if it takes appropriate compensating actions.

Section 7: Net Cumulative Cash Flow

This section defines net cumulative cash flow, its components and provides a method to calculate its value. The net cumulative cash flow means the cumulative cash inflows less the cumulative cash outflows of a credit union measured each month over a twelve-month period and for any remaining cumulative cash inflows and cumulative cash outflows that occur after the twelve month period. The net cumulative cash flow measures a credit union's cash flows beyond the 30-day horizon contemplated in the liquidity coverage ratio. The net cumulative cash flow captures the risk posed by funding mismatches between assets and liabilities of a credit union. As described in section 3, a credit union with less than $500 million in assets may choose not to calculate its net cumulative cash flow if it takes appropriate compensating actions.

Section 8: Diversification of Funding

This section requires a credit union to include in its liquidity policy the standards, procedures and limits for maintaining prudent diversification of funding sources.

Section 9: Reporting

This section requires a credit union to complete a monthly report calculating the credit union's liquidity coverage ratio and file the report with FSRA. A credit union must also complete a quarterly report calculating the credit union's net stable funding ratio and net cumulative cash flow and report these to FSRA. As described in section 3, a credit union with less than $500 million in assets may choose not to report its net stable funding ratio and net cumulative cash flow if it takes appropriate compensating actions.

FSRA can also modify the form, frequency and manner of liquidity reporting by credit unions. This includes the ability to specify additional liquidity metrics and other liquidity reporting. For example, during the COVID-19 pandemic, FSRA required more frequent and additional liquidity reporting from credit unions.

Section 10: Internal Liquidity Adequacy Assessment Process

This section requires a credit union to establish an internal liquidity adequacy assessment process and specifies the elements that a credit union must include in the process. The internal liquidity adequacy assessment process includes a requirement for a credit union to implement reasonable stress testing scenarios. The internal liquidity adequacy assessment process sets out requirements for credit unions to assess their risk as it relates to liquidity. As described in section 3, a credit union with less than $500 million in assets may choose not to implement an internal liquidity adequacy assessment process if it takes appropriate compensating actions.

Section 11: Failure to Comply with Liquidity Requirements

This section sets out the steps a credit union must take if it fails to meet the requirements for adequate liquidity under section 77 of the CUCPA 2020 or the Proposed Rule.

Section 12: Coming into force

This section sets out that the Proposed Rule will come into force on the later of the day that clause 10 of subsection 285(1) of the CUCPA 2020 comes into force or 15 days after the Proposed Rule is approved by the Minister of Finance.

Authority for the Proposed Rule

Subsection 10(1) of the *Legislation Act, 2006* provides FSRA with statutory authority to exercise a power conferred by an Act of the Legislature after it receives Royal Assent but prior to it coming into force. Because the *Protect, Support and Recover from COVID-19 Act (Budget Measures), 2020*, c. 36 (the **PRSC-19 Act**) received Royal Assent on December 8, 2020, and Schedule 7 of the PRSC-19 Act contains the CUCPA 2020, which will come into force on proclamation, FSRA is authorized pursuant to clause 10 of subsection 285(1) of the CUCPA 2020 to make a rule “regulating the maintenance, by credit unions, of adequate capital and adequate and appropriate forms of liquidity”.

The following statutory provisions grant FSRA the authority to make the Proposed Rule:

- Subsection 21(1) of the FSRA Act authorizes FSRA to make rules in respect of any matter over which that Act gives FSRA rule-making authority,
- Clause 10 of subsection 285(1) of the CUCPA 2020 grants FSRA the authority to make a rule “regulating the maintenance, by credit unions, of adequate capital and adequate and appropriate forms of liquidity”.
- Section 77 of the CUCPA 2020, which requires that a credit union maintain, in relation to its operations, adequate and appropriate forms of liquidity and comply with Authority rules governing adequate liquidity. Section 77 of CUCPA 2020, when combined with clause 10 of subsection 285(1) of CUCPA 2020 and subsection 21(1) of the FSRA Act

provides the authority for FSRA to implement sections 1 to 9 and 11 of the Proposed Rule.

- Section 78 of the CUCPA 2020 requires that a credit union establish liquidity policies for the credit union consistent with the FSRA rules governing adequate liquidity and that the credit union adhere to those policies. Section 78 of the CUCPA 2020, when combined with clause 10 of subsection 285(1) of the CUCPA 2020 and subsection 21(1) of the FSRA Act provides the authority for FSRA to implement section 10 of the Proposed Rule.

Research and Consultation

In December 2020, FSRA established a working group composed of representatives from the credit union sector and the Ministry of Finance, to provide input into the development of the Proposed Rule. Between January and March of 2021, FSRA received input from the working group which reflected the following themes:

- Suggestion that there be a dedicated principle that credit unions maintain contingency funding planning.
- Suggestion that credit unions articulate their risk appetite as it relates to liquidity.
- Suggestion that FSRA provide a minimum target for the net cumulative cash flow requirements.

In addition, FSRA considered liquidity adequacy frameworks used by other regulators, supervisors and associations in other jurisdictions, including:

- Canada - Office of the Superintendent of Financial Institutions
- British Columbia Financial Services Authority
- Alberta – Credit Union Deposit Guarantee Corporation
- Saskatchewan – Credit Union Deposit Guarantee Corporation
- Manitoba – Deposit Guarantee Corporation
- Québec – Autorité des marchés financiers
- New Brunswick – Credit Union Deposit Insurance Corporation
- Nova Scotia – Credit Union Deposit Insurance Corporation
- Prince Edward Island – Credit Union Deposit Insurance Corporation
- Newfoundland and Labrador – Credit Union Deposit Guarantee Corporation
- United Kingdom Prudential Regulation Authority
- Credit Union Prudential Supervisors Association

FSRA has considered the input of the working group and the findings of its research in the development of the Proposed Rule.

Unpublished Materials

FSRA did not rely on any significant unpublished study, report, decision or other written material in making the Proposed Rule.

Alternatives Considered

FSRA considered the following alternatives to developing the Proposed Rule:

1. Issuing updated FSRA guidance on liquidity adequacy. Sections 21 to 23 of O. Reg. 237/09 and existing FSRA guidance liquidity adequacy are critical components of Ontario's framework for the prudential regulation and supervision of credit unions. Sections 21 to 23 of O. Reg 237/09 have the force of law under the CUCPA 1994. The updated liquidity adequacy requirements must have at least the same degree of prominence and enforceability as sections 21 to 23 of O. Reg 237/09 and FSRA guidance. FSRA guidance alone would lack this prominence and enforceability. Hence, FSRA prefers to adopt the Proposed Rule to replace to replace sections 21 to 23 of O. Reg. 237/09 and the related FSRA guidance.
2. Include the content of existing sections 21 to 23 of O. Reg. 237/09 and the related FSRA guidance as a FSRA rule without any changes. This would not be consistent with the expectations of the Ontario credit union sector for revised liquidity requirements that are aligned with other Canadian and international standards. This alternative also does not achieve one of FSRA's priorities to update the regulation of Ontario credit unions.

Anticipated Costs and Benefits

<u>Qualitative Benefits and Costs</u>

Ontario's credit unions will benefit by having liquidity adequacy requirements that are better aligned with other Canadian and international requirements, thereby increasing the level of confidence in them.

The second qualitative benefit is advancing FSRA's cross-sectoral priority of transitioning to principles-based regulation. The Proposed Rule assists in fulfilling this priority by providing liquidity adequacy requirements that are based on principles rather than supported by prescriptive legal requirements, decreasing FSRA's reliance on prescriptive legal requirements.

Elements of the Proposed Rule are principles-based and outcomes focused. Principles-based regulation ultimately generates a number of beneficial qualitative outcomes for Ontario's credit unions. For example, when implementing its internal liquidity adequacy assessment process, a credit union will be expressly authorized and encouraged to comply with the Proposed Rule in a manner proportionate to its nature, size, complexity and risk profile. A principles-based framework also facilitates a collaborative regulatory model, whereby Ontario's credit unions work harmoniously with FSRA to achieve desired regulatory outcomes.

An additional qualitative benefit is that the Proposed Rule helps FSRA i to enhance Ontario's credit union framework, a sector specific priority set out in FSRA's 2020-23 Annual Business

Plan. In addition, the Proposed Rule will support FSRA in providing transparent, efficient and effective regulation.

The proposed rule will also help to ensure that credit unions maintain and properly manage adequate liquidity to protect depositors and the Deposit Insurance Reserve Fund from undue risks while allowing credit unions to remain competitive and meet members' needs.

There are likely to be minimal qualitative costs associated with the Proposed Rule. Credit unions may bear some cost, as they evaluate their liquidity adequacy considering the Proposed Rule.

Quantitative Benefits and Costs

The requirements outlined in the Proposed Rule will not result in any additional material costs for the Ontario credit union sector. Almost all Ontario credit unions currently either meet or exceed the requirements specified in the Proposed Rule. As a result, there should be little to no increase in costs for credit unions to meet the minimum requirements set out in the Proposed Rule.

FSRA does not anticipate that a credit union should need to put any new processes in place beyond what they currently do pursuant to their own liquidity policies and existing FSRA guidance.

Recommendation to the Minister

FSRA is not proposing to make any recommendations to the Minister of Finance with respect to the amendment or revocation of a regulation or provision in a regulation which relates to the Proposed Rule.

Text of the Proposed Rule

The full text of the Proposed Rule is contained in Appendix A.

Questions

- Does the Proposed Rule reflect effective, clear, and appropriate liquidity adequacy rules for Ontario credit unions?
- Is there any major topic that should be addressed by the Proposed Rule that is currently not included?
- Is the Proposed Rule sufficiently clear to allow compliance with its requirements? If not, please specify any additional clarifying language that should be considered.
- Are there compliance costs that would be associated with the Proposed Rule which FSRA has not considered? If yes, please describe the specific costs, as well as the quantum.

<u>Appendix A - the Proposed Rule</u>

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

Rule 2021 - 003

Liquidity Adequacy Requirements for Credit Unions and Caisses Populaires

1. Interpretation

1(1) In this Rule,

(i) “Act” means the *Credit Unions and Caisses Populaires Act, 2020* ;

(ii) “appropriate” in respect of a credit union means appropriate for the structure, size, complexity, risk profile and liquidity risk exposures of a credit union;

(iii) “available stable funding” has the meaning given to it in subsection 6(5);

(iv) “brokered deposit” means a retail deposit obtained from a person who is not a member or from an entity that is not a subsidiary or affiliate of the credit union or is a deposit that is acquired through a deposit agent;

(v) “cash inflow” has the meaning given to it in subsection 7(5);

(vi) “cash outflow” has the meaning given to it in subsection 7(13);

(vii) “Central 1” means Central 1 Credit Union;

(viii) “committed line of credit: commercial/corporate (undrawn)” means the balance of an undrawn committed credit or liquidity facility extended by the credit union to a person or entity that is not a financial institution, an individual or a small business depositor;

(ix) “committed line of credit: retail and small business (undrawn)” means the balance of an undrawn committed credit or liquidity facility extended by the credit union to an individual or a small business depositor;

(x) “cumulative cash inflows” has the meaning given to it in subsection 7(4);

(xi) “cumulative cash outflows” has the meaning given to it in subsection 7(12);

(xii) “designated credit rating organization” has the meaning given to it in the *Securities Act*;

(xiii) “encumbered” regarding an asset of a credit union means that the asset is subject to a legal, regulatory, contractual or other restriction on the ability of the credit union to liquidate, sell, transfer, or assign the asset, including a pledge, whether explicit or implicit, to secure, collateralise or credit-enhance a transaction;

(xiv) “established relationship” includes a relationship between a credit union and a depositor if the depositor also has a loan, line of credit or investment with the credit union;

(xv) “expected cash inflow” has the meaning given to it in subsection 5(13);

(xvi) “expected cash outflow” has the meaning given to it in subsection 5(8);

(xvii) "freely transferred" or "freely transferring" means that an asset of a subsidiary can be transferred to a credit union without any regulatory, legal, tax, accounting or other reason that would hinder the transfer of the asset;

(xviii) "guarantee allocation room" means the amount of qualifying residential mortgages that can be sold by an entity into the NHA MBS securitization programme, as determined by the Canada Mortgage Housing Corporation established under the *Canada Mortgage and Housing Corporation Act* (Canada);

(xix) "guarantee or letter of credit" means a trade-related obligation directly underpinned by the movement of goods or the provision of services, including: (i) an outstanding documentary trade letter of credit, (ii) a documentary and clean collection, (iii) an import bill, (iv) an export bill, and (v) an outstanding guarantee directly related to a trade finance obligation, such as a shipping guarantee, but specifically excludes a lending commitment, such as a direct import or export financing for an entity that is not a financial institution;

(xx) "high quality liquid assets" or "HQLA" has the meaning given to it in subsection 4(1);

(xxi) "insured deposit" means insurable deposits as defined in Ontario regulation **21/xx [name]**;

(xxii) "Level 1 assets" has the meaning given to it in subsection4(3);

(xxiii) "Level 2 assets" has the meaning given to it in subsection 4(5);

(xxiv) "Level 2A asset" has the meaning given to it in subsection 4(7);

(xxv) "Level 2B asset" has the meaning given to it in subsection 4(9);

(xxvi) "liquid asset" means an asset of the credit union that can be readily converted into cash using the credit union's existing capabilities with the asset losing little to no market value;

(xxvii) "liquidity coverage ratio" has the meaning given to it in subsection 5(1);

(xxviii) "marketable" means, with respect to an asset of the credit union, that the asset can be readily purchased or sold to others;

(xxix) "maturing", "maturity" or "maturity date" means the date on which payment is due on a loan, security or other financial instrument or when a security may be called or redeemed at the option of the lender;

(xxx) "net cash outflows" has the meaning given to it in subsection 5(6);

(xxxi) "net cumulative cash flow" has the meaning given to it in subsection 7(1);

(xxxii) "net stable funding ratio" has the meaning given to it in subsection 6(1);

(xxxiii) "NHA MBS" means a mortgage-backed security issued under the *National Housing Act* (Canada) or by an approved private mortgage insurer under the *Protection of Residential Mortgage or Hypothecary Insurance Act* (Canada);

(xxxiv) "non-financial institution" means an entity that is not a financial institution;

(xxxv) "non-operational deposit" means unsecured wholesale funding that is a deposit or another extension of unsecured funding but not an operational deposit from an entity that is not a sovereign, central bank, multilateral development bank, or public sector enterprise depositor;

(xxxvi) "operational deposit" means unsecured wholesale funding made by an entity that is not a sovereign, central bank, multilateral development bank, or public sector enterprise depositor of the credit union,

(a) that facilitates the depositor's access and ability to use payment and settlement systems and otherwise make payments; and

(b) for which the credit union provides clearing, custody or cash management activities if,

(i) the depositor relies on the credit union to perform these services to fulfill the depositor's normal banking activities,

(ii) these services are provided under an agreement with the depositor,

(iii) the deposit is a by-product of the underlying services provided by the credit union and not sought out in the wholesale funding market in the sole interest of offering interest income, and

(iv) the deposit is held in a specifically designated account and priced without giving an economic incentive to the depositor (not limited to paying market interest rates) to leave any excess funds in the account;

(xxxvii) "performing loans" are loans that are not more than 90 days delinquent;

(xxxviii) "public sector enterprise" has the meaning given to it in Authority Rule 2021 – 002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires*;

(xxxix) "required stable funding" has the meaning given to it in subsection 6(8);

(xl) "retail deposit" means a deposit made with the credit union by a person who is a retail member or small business member of a credit union;

(xli) "secured wholesale funding" includes a liability or general obligation of the credit union that is secured by legal rights to specifically designated assets owned by the credit union and includes a repo transaction;

(xlii) "senior management" means the following members of management,

(a) the chief executive officer of a credit union,

(b) individuals who are responsible for the overall management of a material business or function of a credit union, including that of a subsidiary,

(c) the heads of the oversight functions of a credit union,

(d) other executives who have a functional reporting line directly to the board or chief executive officer of a credit union, and

(e) any other individuals that the board of a credit union designates to be part of that credit union's senior management.

(xliii) "small business" means a small business that is managed as a retail exposure by the credit union, provided that the total aggregated funding, excluding all residential mortgage exposures, provided by the credit union to the small business and connected persons to it is less than $1.5 million;

(xliv) "term deposit" means a deposit that the depositor has no legal right to withdraw until the maturity of the deposit or where a withdrawal prior to maturity of the deposit results in a penalty that is materially greater than the loss incurred by the credit union because of such a withdrawal;

(xlv) "third-party liquidity service provider" includes an asset manager, custodian or trustee of the credit union's liquid assets;

(xlvi) "Tier 1 capital" has the meaning given to it in the Authority Rule 2021 – 002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires*;

(xlvii) "Tier 2 capital" has the meaning given to it in the Authority Rule 2021 – 002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires*;

(xlviii) "time of stress" means that a credit union is operating in conditions where it is subject to one or more material adverse financial or economic conditions;

(xlix) "total available stable funding" has the meaning given to it in subsection 6(4);

(l) "total expected cash inflows" has the meaning given to it in subsection 5(12);

(li) "total expected cash outflows" has the meaning given to it in subsection 5(7);

(lii) "total Level 1 assets" has the meaning given to it in subsection 4(2);

(liii) "total Level 2A assets" has the meaning given to it in subsection 4(6);

(liv) "total Level 2B assets" has the meaning given to it in subsection 4(8);

(lv) "total required stable funding" has the meaning given to it in subsection 6(7);

(lvi) "transactional account" includes any credit union account used for automatic regular deposits of salaries, pensions or other depositor sources of income;

(lvii) "uncommitted line of credit: commercial/corporate (undrawn)" means the balance of an undrawn credit or liquidity facility that the credit union provides to a person or entity that is not a financial institution, an individual or a small business depositor if the credit union has the legal right and practical ability to unconditionally revoke the undrawn portion of the facility;

(lviii) "uncommitted line of credit: retail and small business (undrawn)" means the balance of an undrawn credit or liquidity facility that the credit union provides to a retail or a small business depositor if the credit union has the legal right and practical ability to unconditionally revoke the undrawn portion of the facility;

(lix) "unencumbered" regarding an asset of a credit union means that the asset is not subject to any legal, regulatory, contractual or other restriction on the ability of the credit union to liquidate, sell, transfer, or assign the asset, including a pledge, whether explicit or implicit, to secure, collateralise or credit-enhance any transaction;

(lx) "uninsured deposit" means a deposit that is not an insurable deposit as defined in Ontario regulation 21/**xx [name]**; and (lxi) "unsecured wholesale funding" means any liability or general obligation, including a deposit, that a credit union owes to any person or entity that is not collateralised or secured by legal rights of the lender to specifically designated assets of the credit union, but specifically excludes all derivative contracts.

1(2) In addition to subsection 1(1), if a term or phrase used in this Rule is defined in the Act, that definition shall apply for the purposes of this Rule.

2. Scope

2(1) In this Rule, unless stated otherwise and except as specified by the Chief Executive Officer pursuant to subsection 177(5) of the Act, the amount of an asset or liability is its value as it would appear in the consolidated financial statements of the credit union if the financial statements were prepared as of the date of calculation.

2(2) This Rule applies to every credit union in determining whether it has adequate and appropriate forms of liquidity, and, subject to subsection 2(3), requires the assets and liabilities of the credit union, its affiliates and its subsidiaries to be considered on a consolidated basis.

2(3) A credit union must,

(i) not consolidate the assets and liabilities of a subsidiary or affiliate if the credit union has identified a barrier that prevents the credit union from freely transferring liquid assets from the credit union subsidiary or affiliate to the credit union;

(ii) report to the credit union's board all barriers in paragraph 2(3)(i) and each subsidiary and affiliate that the credit union will not consolidate because of these barriers; and

(iii) report to the Authority each subsidiary and affiliate the credit union is excluding pursuant to paragraph 2(3)(ii) and explain to the Authority why the credit union is not consolidating the assets and liabilities of each subsidiary and affiliate in the credit union's report.

2(4) The Chief Executive Officer may, by order pursuant to section 206 of the Act, require a credit union to consolidate the assets and liabilities of any subsidiary or affiliate that the credit union has excluded pursuant to subsection 2(3) subject to any terms the Chief Executive Officer considers appropriate if the Chief Executive Officer considers that the credit union is not complying with subsection 2(3).

3. Proportionality

3(1) The senior management and board of a credit union with less than $500 million in assets, if they take appropriate compensating actions and implement controls to allow the credit union to appropriately manage the credit union's liquidity risk, may determine that the credit union shall not,

(i) calculate its net stable funding ratio, in which case section 6 does not apply to that credit union;

(ii) calculate its net cumulative cash flow, in which case section 7 does not apply to that credit union;

(iii) report its net stable funding ratio, in which case section 9(2) does not apply to that credit union;

(iv) report its net cumulative cash flow, in which case section 9(3) does not apply to that credit union; and

(v) implement an internal liquidity adequacy assessment process, in which case section 10 does not apply to that credit union.

4. High Quality Liquid Assets

4(1) High quality liquid assets, or HQLA, means the sum of total Level 1 assets and Level 2 assets.

4(2) Total Level 1 assets means the sum of the credit union's Level 1 assets.

4(3) Level 1 asset means the amount of an unencumbered asset of a credit union described as a balance sheet asset type in column two of Table 1 that the credit union owns on the day it calculates its liquidity coverage ratio, irrespective of the residual maturity of the asset, less a percentage of the value of that asset equal to the haircut specified at the intersection of column three of Table 1 and the row of column two of Table 1 for that balance sheet asset type.

Table 1 – Level 1 Assets

Category	Balance Sheet Asset Type	Haircut
Level 1 asset	Cash on hand.	0 %
	NHA MBS that complies with subsection 4(4).	0 %
	Marketable security representing a claim or guarantee by a sovereign, central bank, public sector enterprise or multilateral development bank assigned a 0% risk-weighting in Table 2 of Authority Rule 2021 – 002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires* including any debt security that can be readily converted into cash through repo or cash markets.	0 %
	Central bank reserve (including required reserves and excess reserves).	0%

4(4) A credit union may include an NHA MBS that it has originated, an NHA MBS originated by another issuer, a collateralized mortgage bond or an unencumbered qualifying replacement asset as a Level 1 asset if,

(i) there is sufficient guarantee allocation room to allow for the re-designation of the replacement NHA MBS as an NHA MBS for sale to the market; or

(ii) the guarantee fee has been paid at issuance; and

(iii) the credit union can monetise the NHA MBS in a timely manner.

4(5) Level 2 assets means the sum of total Level 2A assets and total Level 2B assets up to a maximum of 40 per cent of HQLA.

4(6) Total Level 2A assets means the sum of all Level 2A assets.

4(7) Level 2A asset means the difference between,

(i) the amount of an unencumbered asset of the credit union that is a balance sheet asset type described in column two of Table 2A that the credit union owns on the day the credit union calculates its liquidity coverage ratio, irrespective of its residual maturity; and

(ii) a percentage of the amount of that balance sheet asset type equal to the haircut specified at the intersection of column three of Table 2A and the row in column 2 of Table 2A containing that balance sheet asset type.

Table 2A – Level 2A Asset

Asset Category	**Balance Sheet Asset Type**	**Haircut**
Level 2A asset	Marketable security representing a claim on or guaranteed by a sovereign, central bank, public sector enterprise or multilateral development bank assigned a 20% risk-weighting in Table 2 of Authority Rule 2021 – 002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires*.	15%
	Corporate debt security, not issued by a financial institution or any affiliate of a financial institution, that has a long-term credit rating from a designated credit rating organization of at least AA- or an equivalent rating. Covered bond, not issued by the credit union or any subsidiary of the credit union, that has a long-term credit rating from a designated credit rating organization of at least AA- or an equivalent rating. Corporate commercial paper not issued by a financial institution or an affiliate of a financial institution that has a rating from a designated credit rating organization of at least R-1 or an equivalent rating.	15%

4(8) Total Level 2B assets means the sum of all Level 2B assets up to a maximum of 15 per cent of HQLA.

4(9) Level 2B asset means the difference between,

(i) the amount of an unencumbered asset of a credit union that is a balance sheet asset type described in column two of Table 2B that the credit union owns on the day the credit union calculates its liquidity coverage ratio, irrespective of its residual maturity; and

(ii) a percentage of the amount of that balance sheet asset type equal to the haircut specified at the intersection of column three of Table 2B and the row of column 2 of Table 2B containing that balance sheet asset type.

Table 2B – Level 2B Assets

Category	**Balance Sheet Asset Type**	**Haircut**
Level 2B asset	Residential mortgage backed security, that has a long-term credit rating from a designated credit rating organization of AA or more or an equivalent rating.	25%

	Corporate debt security, not issued by a financial institution or any affiliate of a financial institution, that has a long-term credit rating from a designated credit rating organization of less than AA- and better than or equal to BBB- or an equivalent rating. Covered bond, not issued by the credit union or any subsidiary of the credit union, that has a long-term credit rating from a designated credit rating organization of less than AA- and better than or equal to BBB- or an equivalent rating. Corporate commercial paper, not issued by a financial institution or an affiliate of a financial institution, that has a rating from a designated credit rating organization of at least R-2 or an equivalent rating.	50%
	Common equity share of an issuer included in the S&P/TSX 60 index that is not a financial institution or an affiliate of a financial institution.	50%

4(10) A credit union must ensure that its HQLA are unencumbered.

4(11) A credit union must only include an asset in its HQLA if the asset,

(i) trades in large, deep and active repo or cash markets characterised by a low level of concentration; and

(ii) has a proven record as a reliable liquid asset in financial markets, either through repo or sale even during stressed market conditions.

4(12) An asset received by a credit union in a reverse repo or a securities financing transaction may be used by a credit union to determine its HQLA if the asset,

(i) is held by the credit union;

(ii) has not been re-hypothecated;

(iii) is legally and contractually available for the credit union to use; and

(iv) is unencumbered.

4(13) A credit union may hold its liquid assets with a third-party liquidity service provider if,

(i) the board and senior management of the credit union prudently investigate, evaluate and mitigate the risks caused if a credit union uses the third-party liquidity service provider;

(ii) the credit union obtains an opinion from external legal counsel confirming that the liquid assets held or managed by the third-party liquidity service provider would not be subject to any claim of any creditor of the third-party liquidity service provider, including in the insolvency, bankruptcy or winding-up of the third-party liquidity service provider;

(iii) the credit union updates the opinion described in paragraph 4(13)(ii) as required, including because of changes to applicable laws or the structure used to hold the credit union's liquid assets, and

(iv) the credit union provides the opinion described in paragraph 4(13)(ii) and paragraph 4(13)(iii) to the Authority upon request.

5. Liquidity Coverage Ratio

5(1) Liquidity coverage ratio means the HQLA of a credit union expressed as a percentage of net cash outflows of a credit union.

5(2) Except if the Authority determines pursuant to Section 80 of the Act that a lower ratio is appropriate because the credit union is in a time of stress, a credit union must maintain a liquidity coverage ratio of at least 100%.

5(3) A credit union must establish a target liquidity coverage ratio that ensures that the credit union will survive a period of stress greater than 30 days.

5(4) A credit union must ensure that it has sufficient HQLA to meet any shortage in cash flow during the 30 days that follow the date on which the credit union's liquidity coverage ratio is calculated.

5(5) In addition to its obligations in subsections 5(2) and paragraph 10(2)(ix), a credit union must,

(i) conduct stress tests to assess the appropriate level of liquidity the credit union must hold beyond the liquidity coverage ratio required in subsection 5(2);

(ii) develop stress test scenarios that could cause difficulties for specific business activities of the credit union; and

(iii) develop stress test scenarios that incorporate time periods longer than 30 days.

5(6) Net cash outflows means the difference between the total expected cash outflows of a credit union and the lesser of,

(i) the total expected cash inflows of a credit union, or

(ii) 75 per cent of the total expected cash outflows of a credit union.

5(7) Total expected cash outflows means the sum of all expected cash outflows of the credit union.

5(8) Subject to subsections 5(9) to 5(11), an expected cash outflow means the product of,

(i) the amount of an outstanding liability or off-balance sheet commitment of the credit union that is,

(a) specified as an item in column two of Table 3, and

(b) except as otherwise specified in Table 3, maturing or callable within 30 days after the date on which the credit union calculates its liquidity coverage ratio; and

(ii) a percentage of the amount of that liability or off-balance sheet commitment equal to the run-off rate specified at the intersection of the column 3 of Table 3 and the row of column 2 of Table 3 containing the item for that liability or off-balance sheet commitment.

Table 3

Expected Cash Outflow		
Category	**Item**	**Run-off Rate**
Retail deposits maturing or callable within 30 days.		
Stable Deposits	a) Retail deposit that is an insured deposit and a term deposit with a residual maturity greater than 30 days.	0%
	b) Retail deposit that is an insured deposit and a retail deposit with an established relationship or in a transactional account.	3%
	c) Retail deposit that is an insured deposit not mentioned in rows a) to b) of Table 3.	5%
Less Stable Deposits	d) Retail deposit that is an uninsured deposit and a term deposit.	10%
	e) Retail deposit that is an uninsured deposit and a demand deposit.	10%
	f) Retail deposit that is a brokered deposit.	10%
	g) Retail deposit that is a large deposit.	10%
	h) Retail deposit that is a deposit not mentioned in rows a) to g) of Table 3, including a trust account or internet account.	10%
Unsecured wholesale funding maturing or callable within 30 days.		
Operational Deposits	i) Operational deposit that is an insured deposit.	5%
	j) Operational deposit that is an uninsured deposit.	25%
Non-Operational Deposits	k) Non-operational deposit that is not from a financial institution and that is an insured deposit.	20%
	l) Non-operational deposit that is not from a financial institution and that is an uninsured deposit.	40%
	m) Non-operational deposit and other funding from a bank, other financial institution or other entity including borrowing from Central 1, a central or other financial institution that is not secured by specific assets of the credit union.	100%
Secured wholesale funding maturing or callable within 30 days		
	n) Secured wholesale funding with a central bank counterparty or secured by Level 1 assets with any counterparty	0%
	o) Secured wholesale funding with any counterparty secured by Level 2A assets.	15%
	p) Secured wholesale funding secured by assets that are not Level 1 assets or Level 2A assets, with a sovereign, development bank, or public sector enterprise, claims against which are assigned a 20% or lower risk-weighting in Table 2 of Authority Rule 2021 –	25%

		002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires* as a counterparty.	
	q)	Secured wholesale funding secured by residential mortgage backed securities that are Level 2B assets.	25%
	r)	Secured wholesale funding secured by Level 2B assets other than residential mortgage-backed securities.	50%
	s)	A secured wholesale funding transaction not mentioned in rows n) to r), including borrowing from Central 1, a central or other financial institution that is secured by specific assets of the credit union.	100%
Other funding sources			
	t)	Derivative.	5%
	u)	Guarantee or letter of credit.	5%
	v)	Committed line of credit - retail and small business (undrawn).	5%
	w)	Committed line of credit - commercial/corporate (undrawn).	10%
	x)	Uncommitted line of credit - retail and small business (undrawn).	2%
	y)	Uncommitted line of credit – commercial/corporate (undrawn).	5%

5(9) When calculating an expected cash outflow pursuant to subsection 5(8),

(i) if a credit union can use more than one item in column two of Table 3 to describe a liability or off-balance sheet commitment, the credit union must report the amount of the liability or off-balance sheet commitment using the item with the highest run-off rate specified in column three of Table 3;

(ii) a credit union may use amounts from its most recent financial statements, pro-rated to the 30-day period that follows the calculation of its liquidity coverage ratio to calculate the amount of the credit union's outstanding liabilities and off-balance sheet commitments in Table 3;

(iii) if a credit union allows a depositor to withdraw an insured deposit that is a term deposit without applying any penalty, even if the depositor has no legal right to withdraw, the credit union must report the deposit using row c) of Table 3;

(iv) if a credit union cannot identify if a retail deposit that is an insured deposit is a deposit with an established relationship or in a transactional account, the credit union must report the deposit using row c) of Table 3;

(v) if a credit union cannot identify if a retail deposit is an insured deposit, the credit union must report the deposit as an uninsured deposit in rows d) to h) of Table 3; and

(vi) a credit union must include each liability or off-balance sheet commitment of the credit union to fund a subsidiary or affiliate that the credit union has not consolidated pursuant to subsection 2(3) if the credit union has an obligation to fund the subsidiary or affiliate.

5(10) When calculating an expected cash outflow pursuant to subsection 5(8),

(i) a credit union must include any derivative-related cash outflow at its expected contractual payment date in accordance with the valuation methodology that the credit union uses for the derivative;

(ii) a credit union may calculate cash flows for derivatives with a counterparty on a net basis, where cash inflows offset cash outflows, if the credit union has a netting agreement with that counterparty;

(iii) a credit union must assume that an option will be exercised if it is 'in the money' for the purchaser of the option;

(iv) a credit union must not count a cash inflow or cash outflow from a derivative more than once; and

(v) if a credit union collateralizes a derivative payment with HQLA, the credit union must calculate the outflow for the derivative payment net of any corresponding inflow from the collateral provided to the credit union if the credit union can legally and operationally re-use the collateral in new cash raising transactions once the collateral is received.

5(11) A credit union must report a direct import or export financing for an entity that is not a financial institution as a committed line of credit: commercial/corporate (undrawn) in row w) Table 3.

5(12) Total expected cash inflows means the sum of all expected cash inflows.

5(13) Subject to subsections 5(14) and 5(15), expected cash inflow means the product of,

(i) the outstanding balance of a contractual receivable of the credit union that is,

(a) specified as a balance sheet item in column two of Table 4, and

(b) available to, paid or payable to the credit union, or maturing or callable by the credit union within 30 days after the date on which the credit union calculates its liquidity coverage ratio, and

(ii) a percentage of that contractual receivable equal to the run-off rate specified at the intersection of the third column of Table 4 and the row of Table 4 containing the balance sheet item type for that contractual receivable.

Table 4

Expected Cash Inflow		
Asset Category	**Balance Sheet Item**	**Run-off Rate**
Maturing reverse repurchase or securities borrowing agreement	a) Payment from a maturing reverse repurchase or securities borrowing agreement that is secured by Level 1 assets.	0%
	b) Payment from a maturing reverse repurchase or securities borrowing agreement that is secured by Level 2A assets.	15%
	c) Payment from a maturing reverse repurchase or securities borrowing agreement that is secured by	25%

		assets that are not Level 1 assets or Level 2A assets, with a sovereign, development bank, or public sector enterprise claims against which are assigned a risk weighting of 20% or less in Table 2 of Authority Rule 2021 – 002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires* as a counterparty.	
	d)	Payment from a maturing reverse repurchase or securities borrowing agreement that is secured by residential mortgage backed securities that are Level 2B assets.	25%
	e)	Payment from a maturing reverse repurchase or securities borrowing agreement that is secured by any Level 2B assets other than assets specified in row d) of Table 4.	50%
	f)	Payment from a maturing reverse repurchase or securities borrowing agreement that is secured by any assets not specified in rows a) to e) of Table 4.	100%
Loan	g)	Payment from a performing loan made by the credit union to a retail, small business or corporate borrower that is not a financial institution.	50%
	h)	Payment from a performing loan made by the credit union to a financial institution.	100%
Other asset	i)	Inflow from a security, including a certificate of deposit, that is not counted as part of the credit union's HQLA and is not already specified in any other row of this Table 3, if it is fully performing and not expected to default.	100%
	j)	Deposit at a financial institution, including a deposit at Central 1 or a central.	100%
	k)	Derivative.	100%

5(14) When calculating an expected cash inflow pursuant to subsection 5(13), a credit union must not include any asset, commitment or other arrangement that is a credit facility, liquidity facility or other contingent funding facility that the credit union has with a financial institution, including a central.

5(15) When calculating an expected cash inflow pursuant to subsection 5(13),

(i) a credit union must calculate each cash inflow from a loan at the latest possible date that the counterparty can pay without breaching the terms of the loan;

(ii) a credit union must not include any cash inflow from any loan that has no specific maturity except for any minimum payment of principal, fee or interest for that loan;

(iii) a credit union must include a cash inflow from a derivative at its expected contractual payment date in accordance with the valuation methodology that the credit union uses for the derivative;

(iv) a credit union may calculate derivative cash flows on a net basis, where cash inflows offset cash outflows, with a counterparty if the credit union has a netting agreement with that counterparty;

(v) a credit union must assume that an option will be exercised when it is ‘in the money’ for the purchaser of the option;

(vi) a credit union must not count a cash inflow or cash outflow from a derivative more than once;

(vii) if a credit union collateralizes a derivative payment with HQLA, the credit union must calculate the cash outflow for the derivative payment net of any corresponding cash inflow from the collateral provided to the credit union, provided that the credit union can legally and operationally re-use the collateral in new cash raising transactions once the collateral is received; and

(viii) a credit union must exclude any expected cash inflow from any subsidiary or affiliate that the credit union has not consolidated pursuant to subsection 2(3).

6. Net Stable Funding Ratio

6(1) Net stable funding ratio means a credit union’s amount of total available stable funding expressed as a percentage of the credit union’s amount of total required stable funding.

6(2) Subject to subsection 3(1) and except if the Authority determines that a lower ratio is appropriate pursuant to section 80 of the Act because the credit union is in a time of stress, a credit union must maintain a net stable funding ratio of at least 100 per cent.

6(3) Subject to subsection 3(1), in addition to its obligations in subsection 6(2) and paragraph 10(2)(ix), a credit union must,

(i) conduct stress tests to assess the level of liquidity it should hold beyond the minimum required by subsection 6(2);

(ii) construct and conduct its own stress testing scenarios that could cause difficulties for the credit union’s specific business activities; and

(iii) implement internal stress tests that incorporate various factors to test the impacts of potentially lower availability of the credit union’s more significant funding sources.

6(4) Total available stable funding means the sum of all available stable funding.

6(5) Subject to subsection 6(6), available stable funding means the amount of a liability in the financial statements of the credit union on the date the net stable funding ratio is calculated specified as a balance sheet item in column one of Table 5 multiplied by the factor specified at the intersection of column two of Table 5 and the row of Table 5 for that liability’s balance sheet item type.

Table 5 - Available Stable Funding

Balance Sheet Item	Factor
a) Tier 1 capital.	100%
b) Tier 2 capital, excluding Tier 2 capital with a residual maturity of less than one year.	100%
c) Security not specified in rows a) and b) that has an effective residual maturity of one year or more, excluding any security with an explicit or embedded option that, if exercised, would reduce the expected maturity of the security to less than one year.	100%

d)	Secured or unsecured borrowing or liability of a credit union, including a term deposit or NHA MBS, with an effective residual maturity of one year or more.	100%
e)	Insured deposit that is a demand deposit or term deposit with a residual maturity of less than one year provided by a retail or small business member.	95%
f)	Uninsured deposit that is a demand deposit or term deposit, large deposit or other deposit with a residual maturity of less than one year provided by a retail or small business member.	90%
g)	Secured or unsecured funding with a residual maturity of less than one year provided by a customer that is an entity but is not a financial institution or a retail or small business customer.	50%
h)	Operational deposit.	50%
i)	Funding with a residual maturity of less than one year from a sovereign, public sector entity or a multilateral or national development bank.	50%
j)	Secured and unsecured funding that is not included in rows g) to i) above with a residual maturity between six months and less than one year, including funding from a central bank or a financial institution.	50%
k)	Any other liability or equity of the credit union not mentioned in rows a) to j) of Table 5, including a net derivative liability, other funding with a residual maturity of less than six months from a central bank or a financial institution or any liability without a stated maturity.	0%

6(6) In calculating available stable funding pursuant to subsection 6(5), a credit union,

(i) must use, for any derivative asset of the credit union, the replacement cost for the derivative contract obtained by marking to market the derivative contract if the derivative contract has a negative value less any collateral posted by the credit union as a variation margin; and

(ii) must use, if a credit union has a netting agreement with a counter party, the net replacement cost of all derivative exposures with that counter party; and

(iii) must include each liability or off-balance sheet commitment of the credit union to fund a subsidiary or affiliate that the credit union has not consolidated pursuant to subsection 2(3) if the credit union has an obligation to fund the subsidiary or affiliate.

6(7) Total required stable funding is the sum of all required stable funding.

6(8) Subject to subsections 6(9) to 6(15), required stable funding means the amount of an unencumbered asset in the financial statements of the credit union on the date the net stable funding ratio is calculated that is specified as an item in column two of Table 6 multiplied by the factor specified at the intersection of column three of Table 6 and the row of Table 6 for that item.

Table 6 – Required Stable Funding

Asset Category	Item	Factor
	a) Cash.	0%

Level 1 asset	b) Level 1 asset maturing within six months.	0%
	c) all central bank reserves (including required reserves and excess reserves).	0%
	d) all claims on central banks with residual maturities of less than six months.	0%
	e) Level 1 asset with a residual maturity between six months and one year.	5%
	f) Performing loan to a financial institution secured against Level 1 assets that can be rehypothecated with a residual maturity of, or callable within, six months.	5%
	g) Performing loan to a financial institution with a residual maturity of, or callable within, six months that is not secured by Level 1 assets of the credit union.	10%
Level 2A asset	h) Marketable security of a sovereign, central bank, public sector enterprise or multilateral development bank assigned 20% risk-weighting in Table 2 of Authority Rule 2021– 002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires*.	15%
	i) Corporate debt security, not issued by a financial institution or any affiliate of a financial institution, that has a long-term credit rating from a designated credit rating organization of at least AA- or an equivalent rating. j) Covered bond, not issued by the credit union or any subsidiary of the credit union, that has a long-term credit rating from a designated credit rating organization of at least AA- or an equivalent rating. k) Corporate commercial paper, not issued by a financial institution or an affiliate of a financial institution, that has a rating from a designated credit rating organization of at least R-1 or an equivalent rating.	15%
Level 2B asset	l) Residential mortgage-backed security with a credit rating from a designated credit rating organization of at least AA or an equivalent rating.	50%
	m) Corporate debt security, not issued by a financial institution or any affiliate of a financial institution, that has a long-term credit rating from a designated credit rating organization less than AA- and better than or equal to BBB- or an equivalent rating. n) Covered bond, not issued the credit union or any subsidiary of the credit union, that has a long-term credit rating from a designated credit rating organization less than AA- and better than or equal to BBB- or an equivalent rating. o) Corporate commercial paper, not issued by a financial institution or an affiliate of a financial institution, that has a rating from a designated credit rating organization of at least R-2 or an equivalent rating.	50%
	p) Common equity share of an issuer included in the S&P/TSX 60 index that is not a financial institution or an affiliate of a financial institution.	50%
	q) An asset of the credit union that would be HQLA if it was unencumbered, which is encumbered for a period of between six months and less than one year.	50%

	r) Loan to a financial institution or a central bank with a residual maturity of between six months and less than one year.	50%
	s) An asset of the credit union that is not included in rows l) to r) that has a residual maturity of less than one year, including a loan to an entity that is not a financial institution or a loan to retail borrower or a small business borrower.	50%
Deposit	t) Operational deposit of the credit union at a financial institution.	50%
Loan	u) Performing residential mortgage or other loan with a risk weighting of 35% or less in Table 2 of Authority Rule 2021 – 002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires* with a residual maturity of, or callable within, more than one year.	65%
	v) Performing loan that does not have a risk weighting of 35% or less in Table 2 of Authority Rule 2021 – 002, *Capital Adequacy Requirements for Credit Unions and Caisses Populaires* with a residual maturity of, or callable within, more than one year.	85%
	w) Security with a remaining maturity of one year or more or an exchange traded equity that is not in default and does not qualify as HQLA.	85%
Other asset	x) Asset not specified in any other row of Table 6, a derivative, a non-performing loan, a loan to financial institution with a residual maturity of one year or more, an equity security not traded on a securities exchange or a fixed asset.	100%
Off-Balance Sheet Asset	y) Outstanding undrawn amount of an irrevocable or conditionally revocable credit facility.	5%

6(9) A credit union may treat the portion of an amortizing loan that comes due within one year from the date that the credit union calculates the net stable funding ratio as a loan that has a residual maturity of less than one year.

6(10) Instead of the factor specified in column 3 of Table 6, for any asset that is encumbered, a credit union shall use,

(i) a 100 per cent factor if the asset is encumbered for a period of one year or more;

(ii) a 50 per cent factor for an asset that, if unencumbered, would receive a factor lower than or equal to 50 per cent if the asset is encumbered for a period of between six months and less than one year;

(iii) the factor specified in column 3 of Table 6 for an asset that would, if unencumbered, receive a factor higher than 50 if the asset is encumbered for period of between six months and less than one year; and

(iv) the factor specified in column 3 of Table 6 for an asset that is unencumbered if the asset is encumbered for a period of less than six months.

6(11) In calculating required stable funding pursuant to subsection 6(8), a credit union must,

(i) exclude any expected cash inflow from any subsidiary or affiliate that the credit union has not consolidated pursuant to subsection 2(3);

(ii) exclude from its assets any security that the credit union has borrowed in a securities financing transaction if the credit union does not have beneficial ownership of the security; and

(iii) include in its assets any security the credit union has lent in a securities financing transaction if the credit union retains beneficial ownership of the security.

6(12) In calculating required stable funding pursuant to subsection 6(8), a credit union must not include any security that it has received through a collateral swap if the security does not appear in the credit union's balance sheet.

6(13) In calculating required stable funding pursuant to subsection 6(8) and subject to subsections 6(14) and 6(15), a credit union must use,

(i) for any derivative asset of the credit union, the replacement cost for the derivative contract obtained by marking to market the derivative contract if the derivative contract has a positive value; and

(ii) if a credit union has a netting agreement with a counter party, the net replacement cost of all derivative exposures with that counter party.

6(14) In calculating required stable funding pursuant to subsection 6(8), a credit union must not use any collateral received in connection with a derivative contract to offset the positive replacement cost amount for the derivative unless the collateral is received in the form of cash variation margin.

6(15) A credit union must not, when calculating required stable funding pursuant to subsection 6(8), offset a derivative asset with the amount of the liability for,

(i) a variation margin that the credit union has received that does not comply with subsection 6(14); or

(ii) any initial margin received.

7. Net Cumulative Cash Flow

7(1) Net cumulative cash flow means the cumulative cash inflows less the cumulative cash outflows of a credit union measured each month over the twelve-month period that follows the date on which the net cumulative cash flow is measured and for any remaining cumulative cash inflows and cumulative cash outflows that occur more than twelve months after the date on which the net cumulative cash flow is measured.

7(2) Subject to paragraph 3(1)(ii), a credit union must calculate the credit union's net cumulative cash flow.

7(3) A credit union must, when calculating the cash inflow or cash outflow associated with an asset or a liability of a credit union, use the residual contractual maturity of that asset or liability unless otherwise specified in section 7.

7(4) Cumulative cash inflows means the sum of a credit union's cash inflows.

7(5) Subject to subsections 7(6) to 7(11), a cash inflow means a cash inflow from an asset of a credit union that is an item specified in a row in column 1 of Table 7,

(i) unless otherwise specified in this Rule, measured to the earlier of the asset's optional or final contractual maturity date for each measurement period for which a percentage is specified at the intersection of columns two, three and four and the row for that cash inflow in Table 7; and

(ii) multiplied, for the measurement period, by the percentage specified in column two, three or four for that row in Table 7.

Table 7 – Cash Inflow

	Measurement period		
	Within month 1 or initial maturity	**Within each of months 2-12**	**More than 12 months**
Item	**Cash inflow** (as a percentage of cash recognized in the credit union's financial statements)		
a) Unencumbered liquid asset	100% less the amount determined in subsection 7(6).	Amount determined in subsection 7(7) recognized as a cash inflow at contractual maturity.	Amount determined in subsection 7(7) recognized as a cash inflow at contractual maturity.
b) HQLA	100% less the amount determined in subsection 7(6).	Amount determined in subsection 7(7) recognized as a cash inflow at contractual maturity.	Amount determined in subsection 7(7) recognized as a cash inflow at contractual maturity.
c) Government security, mortgage-backed security, asset-backed security, corporate commercial paper or corporate bond that is not HQLA or an unencumbered liquid asset.	100% at contractual maturity or the earliest option date less the amount determined in subsection 7(6).	100% at contractual maturity or the earliest option date less the amount determined in subsection 7(6).	100% at contractual maturity or the earliest option date less the amount determined in subsection 7(6).
d) Any security that is not specified in rows a) to c).	100% only for dividends or interest on declaration date.	100% only for dividends or interest on declaration date.	100% less the amount determined in subsection 7(6).
e) Unencumbered liquid asset received pursuant to a reverse repurchase agreement or a securities financing transaction held at the credit union, if it has not been re-hypothecated and	100% less the amount determined in subsection 7(6).	Amount determined in subsection 7(7) recognized as a cash inflow at contractual maturity.	Amount determined in subsection 7(7) recognized as a cash inflow at contractual maturity.

	can be used by the credit union.			
f)	Unencumbered liquid asset received pursuant to a reverse repurchase agreement or a securities financing transaction that has been re-hypothecated or that cannot be used by the credit union.	100% at contractual maturity less the amount determined in subsection 7(6).	100% at contractual maturity less the amount determined in subsection 7(6).	100% at contractual maturity less the amount determined in subsection 7(6).
g)	Collateral swap for a determined contract period, if the securities used for the underlying collateral being swapped are specified in the transaction details, mark-to-market procedures used, and there is no substitution of collateral over the life of the contract, unless it is a like-for-like substitution.	100% at contractual maturity less the amount determined in subsection 7(7) using the collateral received by the credit union to determine the amount.	100% at contractual maturity less the amount determined in subsection 7(7) using the collateral received by the credit union to determine the amount.	100% at contractual maturity less the amount determined in subsection 7(7) using the collateral received by the credit union to determine the amount.
Other Cash and Investments				
h)	Term deposit at a financial institution.	100% at contractual maturity.	100% at contractual maturity.	100% at contractual maturity.
i)	Demand deposit at a financial institution.	100%	0%	0%
j)	Common equity share that is not issued by a financial institution and is a Level 2B asset.	100% less the amount determined in subsection 7(6).	0%	0%
k)	Financial institution common equity share.	0%	12.5% of market value in month two. 25% of market value in month three. 12.5% of market value in month four.	0%
Performing Loans – Personal and Commercial				
l)	Balance at maturity of a performing personal or	0% at contractual maturity (100% rollover assumed).	0% at contractual maturity (100% rollover assumed).	0% at contractual maturity (100% rollover assumed).

	commercial mortgage loan.			
m)	Payments on performing personal and commercial mortgage loan.	Subject to subsection 7(10), 100% of (i) blended loan amortization and interest payments or (ii) amortization payments only.	Subject to subsection 7(10), 100% of (i) blended loan amortization and interest payments or (ii) amortization payments only.	Subject to subsection 7(10), 100% of (i) blended loan amortization and interest payments or (ii) amortization payments only.
n)	Balance at maturity of performing personal and commercial securitized mortgage that is not an NHA MBS.	0% at contractual maturity (100% rollover assumed) less the amount determined in subsection 7(6).	0% at contractual maturity (100% rollover assumed) less the amount determined in subsection 7(6).	0% at contractual maturity (100% rollover assumed) less the amount determined in subsection 7(6).
o)	Payments other than balance at maturity on performing personal and commercial securitized mortgage that is not an NHA MBS.	100% on payments including interest and loan amortization.	100% on payments including interest and loan amortization.	100% on payments including interest and loan amortization.
p)	Performing personal and commercial term loan.	100% of contractual amortization payment at contractual maturity. No rollover at maturity assumed.	100% of contractual amortization payment at contractual maturity. No rollover at maturity assumed.	100% of contractual amortization payment at contractual maturity. No rollover at maturity assumed.
q)	Performing personal or commercial line of credit with no specific maturity.	100% of minimum payments of principal, fee or interest.	100% of minimum payments of principal, fee or interest.	100% of minimum payments of principal, fee or interest.
r)	Performing personal or commercial line of credit with specific maturity.	100% at contractual maturity (no rollover assumed).	100% at contractual maturity (no rollover assumed).	100% at contractual maturity (no rollover assumed).
s)	Performing personal or commercial lease or loan not specified in rows l) to r).	100% of contractual amortization payment at maturity (no rollover at maturity assumed).	100% of contractual amortization payment at maturity (no rollover at maturity assumed).	100% of contractual amortization payment at maturity (no rollover at maturity assumed).
t)	Precious metal.	0%	0%	0%
u)	Commodity other than precious metal.	0%	0%	0%

v) Derivative.	Subject to subsection 7(11), 100% at contractual maturity in accordance with a credit union's existing valuation methodology.	Subject to subsection 7(11), 100% at contractual maturity in accordance with a credit union's existing valuation methodology.	Subject to subsection 7(11), 100% at contractual maturity in accordance with a credit union's existing valuation methodology.
w) Other asset not included in any other row of Table 7.	0%	0%	100% less the amount determined in subsection 7(7).

7(6) In calculating a cash inflow pursuant to subsection 7(5), a credit union must,

(i) only use assets that are denominated in the official currency of Canada or the United States of America;

(ii) treat assets denominated in the official currency of Canada or the United States of America as mutually interchangeable assets; and

(iii) exclude any asset of a subsidiary or affiliate that the credit union has not consolidated pursuant to subsection 2(3) or that cannot be freely transferred to the credit union.

7(7) In calculating a cash inflow pursuant to subsection 7(5) for an unencumbered liquid asset that is a security specified in a row of Table 8, a credit union must subtract the percentage of such cash inflow that is specified,

(i) in column two of Table 8 for the row that describes that security if the security is denominated in Canadian currency; or

(ii) in column three of Table 8 for the row that describes that security if the security is denominated in the currency of the United States of America.

Table 8 – Securities Haircut

In this table, a reference in parentheses to a security that is (high rated), (medium rated) or (low/not rated) means that the security is within the ranges specified in Table 9 at the intersection of:

(i) for bonds, column two, three or four and row three for a (high rated) security, row four for a (medium rated) security or row five for a (low/not rated) security; and

(ii) for commercial paper, column two, three or four and row seven for a (high rated) security, row eight for a (medium rated) security or row nine for a (low/not rated) security.

Security	**CAD**	**USD**
Government security		
High rated government security		
Sovereign & central bank (high rated)	0.5%	1.0%
State, provincial or agency (high rated)	1.5%	3.0%

State municipal (high rated)	5.0%	5.0%
Supranational and multilateral development bank (high rated)	5.0%	5.0%
Medium rated government security		
Sovereign & central bank (medium rated)	10.0%	10.0%
State, provincial or agency (medium rated)	13.0%	100.0%
State municipal government (medium rated)	20.0%	100.0%
Supranational and multilateral development bank (medium rated)	100.0%	100.0%
Low/not rated government security		
Sovereign & central bank (low/not rated)	100.0%	100.0%
State, provincial & agency (low/not rated)	100.0%	100.0%
State municipal (low/not rated)	100.0%	100.0%
Supranational and multilateral development bank (low/not rated)	100.0%	100.0%
Mortgage backed security (MBS)		
Agency MBS		
Agency MBS (high rated)	4.0%	4.0%
Agency MBS (medium rated)	100.0%	100.0%
Agency MBS (low/not rated)	100.0%	100.0%
Non-agency commercial MBS (CMBS)		
Non-agency CMBS (high rated)	100.0%	100.0%
Non-agency CMBS (medium rated)	100.0%	100.0%
Non-agency CMBS (low/not rated)	100.0%	100.0%
Non-Agency Residential MBS (RMBS)		
Non-agency RMBS (high rated)	100.0%	100.0%
Non-agency RMBS (medium rated)	100.0%	100.0%
Non-agency RMBS (low/not rated)	100.0%	100.0%
Corporate bonds and paper		
Non-financial institution issued corporate bond or paper (high rated)		
Non-financial institution issued unsecured bond or paper (high rated)	5.0%	5.0%
Non-financial institution issued covered bond (high rated)	5.0%	5.0%
Financial institution issued corporate bond or paper (high rated)		
Financial institution issued unsecured bond or paper (high rated)	9.0%	9.0%
Financial institution issued covered bond (high rated)	9.0%	9.0%
Financial institution issued jumbo covered bond (high rated)	100.0%	100.0%
Non-financial institution issued corporate bond or paper (medium rated)		
Non-financial institution issued unsecured bond or paper (medium rated)	10.0%	10.0%
Non-financial institution issued covered bond (medium rated)	10.0%	10.0%

Financial institution issued corporate bond or paper (medium rated)		
Financial institution issued unsecured bond or paper (medium rated)	11.0%	11.0%
Financial institution issued covered bond (medium rated)	11.0%	11.0%
Financial institution issued jumbo covered bonds (medium rated)	100.0%	100.0%
Non-financial institution issued corporate bond or paper (low/not rated)		
Non-financial institution issued unsecured bond or paper (low/not rated)	100.0%	100.0%
Non-financial institution issued covered bond (low/not rated)	100.0%	100.0%
Financial institution issued corporate bond or paper (low/not rated)		
Financial institution issued unsecured bond or paper (low/not rated)	100.0%	100.0%
Financial institution issued covered bond (low/not rated)	100.0%	100.0%
Financial institution issued jumbo covered bond (low/not rated)	100.0%	100.0%
Non-financial institution issued asset backed security (ABS) or asset backed commercial paper (ABCP) (high rated)		
Non-financial institution issued ABS (high rated)	100.0%	100.0%
Non-financial institution issued ABCP (high rated) that is accepted at the central banks in Canada and United States	7.5%	7.5%
Financial institution issued ABS and ABCP (high rated)		
Financial institution issued ABS (high rated)	100.0%	100.0%
Financial institution issued ABCP (high rated) that is accepted at the central banks in Canada and United States	7.5%	7.5%
Non-financial institution issued ABS and ABCP (medium rated)		
Non-financial institution issued ABS (medium rated)	100.0%	100.0%
Non-financial institution issued ABCP (medium rated)	100.0%	100.0%
Financial institution issued ABS and ABCP (medium rated)		
Financial institution issued ABS (medium rated)	100.0%	100.0%
Financial institution issued ABCP (medium rated)	100.0%	100.0%
Non-financial institution issued ABS and ABCP (low/not rated)		
Non-financial institution issued ABS (low/not rated)	100.0%	100.0%
Non-financial institution issued ABCP (low/not rated)	100.0%	100.0%
Financial institution issued ABS and ABCP (low/not rated)		
Financial institution issued ABS (low/not rated)	100.0%	100.0%
Financial institution issued ABCP (low/not rated)	100.0%	100.0%
Own security - not eliminated		
Own debt not eliminated	100.0%	100.0%

Own equity not eliminated	100.0%	100.0%
Common Equity		
Non-financial common equity share that is a Level 2B asset	50.0%	50.0%
Financial institution common equity share	50.0%	50.0%
Securitized Mortgage		
Unencumbered, liquid securitised residential mortgage (balance at maturity)	4.0%	4.0%
Unencumbered, liquid securitised residential mortgage (payments)	4.0%	4.0%
Unencumbered, liquid securitised commercial mortgage (balance at maturity)	4.0%	4.0%
Unencumbered, liquid securitised commercial mortgage (payments)	4.0%	4.0%
Other asset, investment or security not included in any other row of Table 8.	100.0%	100.0%

Table 9 - Credit Ratings

	DBRS	**S&P/Fitch**	**Moody's**
Bonds			
High rated	AAA to AA(low)	AAA to AA-	Aaa to Aa3
Medium rated	A(high) to A(low)	A+ to A-	A1 to A2
Low/not rated	BBB(high) to D or not rated by DBRS	BBB+ to D or not rated S&P/Fitch	Baa1 to C or not rated by Moody's
Commercial Paper			
High rated	R1	A1	Prime-1
Medium rated	R2	A2, A3	Prime-2
Low or not rated	R3, R4, R5, D or not rated by DBRS	B, C, D or not rated by S&P/Fitch	Prime-3, Not Prime or not rated by Moody's

7(8) If it provides prior notice to the Authority in writing, a credit union may use a designated credit rating organization not specified in Table 9 and the equivalent ratings for the designated credit rating organization the credit union has selected will be deemed to be included in the credit ratings contained in,

(i) for bonds, columns 2, 3 and 4 of rows 3, 4 and 5 of the Table 9;

(ii) for commercial paper, columns 2, 3 and 4 of rows 7, 8 and 9 of Table 9; and

(iii) all other references to a credit rating from a designated credit rating organization in this Rule.

7(9) In calculating a cash inflow pursuant to subsection 7(5), a credit union must:

(i) for a security listed in Table 8, include the cash inflow at maturity at the face value of the security;

(ii) for a security that the credit union has borrowed,

(a) include a cash inflow at the contractual maturity for the principal amount borrowed, and

(b) not include any payment of interest as a cash inflow;

(iii) for a performing loan, not include any contingent cash inflow; and

(iv) not include a cash inflow in the credit union's calculations more than once.

7(10) When calculating a cash inflow pursuant to subsection 7(5) for a loan that is a performing loan, provided that the credit union reports cash outflows for its deposit cash outflows in a consistent manner pursuant to subsection 7(14) and uses the same method for each measurement period in Table 8, a credit union must include either,

(i) a blended loan amortization and interest payment; or

(ii) an amortization payment.

7(11) If calculating a cash inflow pursuant to subsection 7(5),

(i) a credit union must include a cash inflow from a derivative at its expected contractual payment date in accordance with the valuation methodology that the credit union uses for the derivative;

(ii) an option is deemed to be exercised when it is 'in the money' for the purchaser of the option;

(iii) a credit union may offset a derivative cash inflow against a derivative cash outflow with a counterparty if the credit union has a netting agreement with that counterparty; and

(iv) if a credit union has collateralized a derivative with liquid assets, the derivative cash inflow must be calculated net of any corresponding outflow that would result from the contractual obligation for the collateral to be posted by the credit union.

7(12) Cumulative cash outflows mean the sum of a credit union's cash outflows.

7(13) Subject to subsections 7(14) to 7(21), a cash outflow means a cash outflow from a liability of a credit union that is an item specified in a row in column 1 of Table 10,

(i) unless otherwise specified in this Rule, measured at the end of the liability's residual contractual maturity date or earliest option date on a declining balance basis for each measurement period for which a percentage is specified in columns two, three or four for that row in Table 10; and

(ii) multiplied, for the measurement period, by the percentage specified in column, two, three or four for that row in Table 10.

Table 10 – Cash Outflows

	Measurement period		
Item	**Within month 1 or initial maturity**	**Within month 2-12**	**More than12 months**

	Outflow (expressed as a percentage of the value of the item in the financial statements of the credit union)		
Retail Deposits			
Stable Deposits			
a) Retail deposit that is an insured deposit and a demand deposit with an established relationship or in a transactional account.	3%	1% per month on declining balance.	0%
b) Retail deposit that is an insured deposit and a term deposit with an established relationship or in a transactional account.	3% at initial maturity. Net balance rolls over with same term.	1% at subsequent maturity dates on declining balance.	0%
c) Retail deposit that is an insured deposit, a demand deposit without an established relationship and is not a transactional account.	5%	1% per month on declining balance.	0%
d) Retail deposit that is an insured deposit and a term deposit without an established relationship and is not a transactional account.	5% at initial maturity. Net balance rolls over with same term.	1% at subsequent maturity dates on declining balance.	0%
Less Stable Deposits			
e) Brokered deposit that is a demand deposit.	10%.	5% per month on declining balance	0%
f) Brokered deposit that is a term deposit.	10% at initial maturity. Net balance rolls over with same term.	5% at subsequent maturity dates on declining balance.	0%
g) Uninsured deposit that is a demand deposit.	10%	5% per month on declining balance.	0%
h) Uninsured deposit that is a term deposit.	10% at initial maturity. Net balance rolls over with same term.	5% at subsequent maturity dates on declining balance.	0%
Unsecured Wholesale Funding			
i) Unsecured wholesale funding that is a term deposit with a maturity of greater than 30 days.	100% at initial maturity. No rollover.	0%	0%
j) Operational deposit from a non-financial institution that is an insured deposit and a demand deposit or a term deposit with a maturity of 30 days or less.	3%	3% per month on declining balance.	0%
k) Operational deposit from a non-financial institution that is an uninsured deposit and a demand	10%	5% per month on declining balance.	0%

deposit or a term deposit with a maturity of 30 days or less.			
l) Non-operational deposit from a non-financial institution that is an insured deposit and a demand deposit or a term deposit with a maturity of 30 days or less.	12.5%	5% per month on declining balance.	0%
m) Non-operational deposit from a non-financial institution that is an uninsured deposit and a demand deposit or a term deposit with a maturity of 30 days or less.	12.5%	10% per month on declining balance.	0%
n) Non-operational deposit from a financial institution.	100% at month 1	0%	0%
Borrowings and Other Liabilities			
o) Operating or clearing account at Central 1, other central or Desjardins Group (in the case of La Caisse Desjardins Ontario Credit Union Inc.) or from a financial institution.	100%	0%	0%
p) Term borrowing from Central 1, other central or Desjardins Group (in the case of La Caisse Desjardins Ontario Credit Union Inc.) or a financial institution for cash management purpose, occasional borrowing, assistance with fixed asset purchase, or to assist in the credit union's asset and liability management.	100% at contractual maturity date (no rollover).	100% at contractual maturity date (no rollover).	100% at contractual maturity date (no rollover).
q) Other borrowing, including a securitization.	100% at contractual maturity date.	100% at contractual maturity date.	100% at contractual maturity date.
r) Security sold short or lent, or funding guarantee to a subsidiary or branch.	100% of principal.	0%	0%
s) Derivative.	In accordance with subsection 7(19).	In accordance with subsection 7(19).	In accordance with subsection 7(19).
t) Equity	0%	0%	100%

7(14) A credit union must report any liability of a credit union that it not included in any row of Table 10 as part of its net cumulative cash flow report in subsection 9(3) but must not include that liability as a cash outflow pursuant to subsection 7(13).

7(15) When calculating a cash outflow pursuant to subsection 7(13) for any type of deposit, provided that the credit union adopts a consistent approach to report loan payment cash inflows pursuant to subsection 7(10) and uses the same method for each measurement period in Table 10, a credit union must use:

(i) a blended deposit repayment and interest payment; or

(ii) an interest payment.

7(16) If a liability of a credit union can be described as more than one type of item in column one of Table 10, the credit union must report the cash outflow for the liability using the item type that will result in the highest possible level of cash outflow.

7(17) When calculating a cash outflow pursuant to subsection 7(13), a credit union may, for each liability, report the initial monthly amount calculated for that liability pursuant to column two of Table 10 using the amount of such liability in the financial statements for the credit union's most recently completed financial year.

7(18) When calculating a cash outflow pursuant to subsection 7(13), a credit union must report a cash outflow for a term deposit that is cashable as a demand deposit at the earliest date on which the depositor has the right to redeem the deposit.

7(19) When calculating a cash outflow pursuant to subsection 7(13),

(i) a credit union must include a cash outflow from a derivative at its expected contractual payment date in accordance with the valuation methodology that the credit union uses for the derivative;

(ii) an option is deemed to be exercised when it is 'in the money' for the purchaser of the option;

(iii) a credit union may offset a derivative cash outflow against a derivative cash inflow with a counterparty if the credit union has a netting agreement with that counterparty;

(iv) if a credit union has collateralized a derivative with liquid assets, the derivative cash outflow must be calculated net of any corresponding cash inflow that would result from the contractual obligation for the collateral to be provided to the credit union, if the credit union can use the collateral in new cash raising transaction.

7(20) In this section, an off-balance sheet funding guarantee means an agreement or obligation for the credit union to extend funds in the future to a counterparty.

7(21) A credit union must, when calculating its net cumulative cash flow, report an off-balance sheet funding guarantee as part of its net cumulative cash flow using the Table 10 item type for the obligation that underlies that off-balance sheet funding guarantee if the credit union's agreement with the counterparty is irrevocable or conditionally revocable but must not include any amount from an off-balance sheet funding guarantee as a cash outflow when calculating its cumulative cash outflows.

7(22) When calculating a cash outflow pursuant to subsection 7(13), a credit union must include each liability of the credit union to fund a subsidiary or affiliate that the credit union has not consolidated pursuant to subsection 2(3) if the credit union has an obligation to fund the subsidiary or affiliate.

8. Diversification of Funding

8(1) A credit union's liquidity policy must include standards, procedures and limits for maintaining prudent diversification of funding sources.

8(2) Prudent diversification of funding sources includes minimizing dependencies on and concentrations within the credit union's funding sources.

9. Liquidity Reporting

9(1) Each month, a credit union must complete a report calculating the credit union's liquidity coverage ratio using the form of liquidity coverage ratio report approved by the Chief Executive Officer and must file its report with the Chief Executive Officer within 21 days following the end of the month for which the report was completed.

9(2) Subject to paragraph 3(1)(iii), each fiscal quarter, a credit union must complete a report calculating the credit union's net stable funding ratio using the form of net stable funding ratio report approved by the Chief Executive Officer and must file its report with the Chief Executive Officer within 21 days following the end of the month for which the report was completed.

9(3) Subject to paragraph 3(1)(iv), each fiscal quarter, a credit union must complete a report calculating the credit union's net cumulative cash flow using the form of net cumulative cash flow report approved by the Chief Executive Officer and must file its report with the Chief Executive Officer within 21 days following the end of the month for which the report was completed.

9(4) The Chief Executive Officer may, pursuant to section 198 of the Act, require that a credit union provide additional and more frequent reports regarding the liquidity coverage ratio, net stable funding ratio and net cumulative cash flow of the credit union or any other information related to a credit union's liquidity.

10. Internal Liquidity Adequacy Assessment Process

10(1) Subject to paragraph 3(1)(v), a credit union must, to comply with section 78 of the Act, establish an internal liquidity adequacy assessment process.

10(2) The internal liquidity adequacy assessment process of a credit union must include,

(i) a governance structure;

(ii) a liquidity risk tolerance that is incorporated into the liquidity and funding policies, business strategies, reporting frameworks, risk management and control functions of the credit union;

(iii) a liquidity management philosophy that contains the liquidity goals and objectives of the credit union;

(iv) a liquidity policy that describes the credit union's liquidity management, including liquidity targets, limits and diversification of funding sources;

(v) processes to allow the credit union to periodically measure, manage and monitor the assets of the credit union held for liquidity purposes and funding requirements;

(vi) liquidity testing metrics, including an analysis of changes to funding requirements under alternative scenarios;

(vii) a liquidity contingency plan to address liquidity requirements of the credit union in stressed situations;

(viii) further to subsections 5(5) and 6(3), a process,

(a) to determine if is it appropriate for the credit union to measure its liquidity coverage ratio, including expected cash inflows and expected cash outflows, and its net stable funding ratio, including required stable funding and available stable funding, using measures that are more stringent than those required in this Rule;

(b) for the credit union to manage its liquidity, and to report to the credit union board and senior management on the credit union's liquidity, using the more stringent measures that the credit union may have determined pursuant to subparagraph 10(2)(viii)(a); and

(c) to provide with a copy of any report made pursuant to subparagraph 10(2)(viii)(b) to the Authority pursuant to section 199 of the Act; and

(ix) a liquidity risk management strategy to manage the credit union's liquidity risk under normal and stressed conditions that includes,

(a) a liquidity risk management framework and controls to identify, measure, manage and monitor a credit union's liquidity risk exposures under normal conditions;

(b) a structurally sound funding plan; and

(c) reasonable stress testing scenarios that,

(i) stress the credit union's liquidity levels and liquidity risk tolerance, and

(ii) ensure that the credit union's liquidity sources and contingency funding plans continue to be adequate in highly unlikely but plausible scenarios.

11. Failure to Comply with Liquidity Requirements

11(1) If a credit union does not meet the requirements for adequate liquidity under section 77 of the Act and this Rule, the credit union must immediately submit to the Chief Executive Officer a report addressing the following matters,

(i) the circumstances that caused the credit union to not meet the requirements for adequate liquidity,

(ii) the actions the credit union has taken to meet the requirements for adequate liquidity, and

(iii) the date on which the credit union expects to comply with the requirements for adequate liquidity.

12. Coming into force.

12(1) This Rule comes into force on the later of the date that clause 10 of subsection 285(1) of the Act comes into force and 15 days after this Rule is approved by the Minister.