

August 30, 2024

Mr. Tolga Yalkin
Assistant Superintendent – Regulatory Response Sector
Office of the Superintendent of Financial Institutions
255 Albert Street, 12th Floor
Ottawa, Ontario K1A 0H2
Delivered by Email: Consultations@osfi-bsif.gc.ca

Dear Mr. Yalkin,

Re.: Response to OSFI Consultation on Updating Liquidity Adequacy Requirements Guideline

The Canadian Credit Union Association (CCUA) is pleased to respond to the Office of the Superintendent of Financial Institutions' (OSFI) [consultation](#) on updating the Liquidity Adequacy Requirements ("LAR") Guideline (the "Guideline"). In general, the credit union sector welcomes the opportunity to provide feedback on efforts to confront rising liquidity risks amid continued high interest rates, elevated stress in the financial system, and benchmark reform (as CDOR is phased out as per Part 4, Division 17 of the [Budget Implementation Act, 2024, No. 1](#)).

Background

CCUA is the national trade association that provides services to Canada's credit unions and caisses populaires, excluding the Desjardins Group. In aggregate, the credit union system holds \$309B in assets, is a leader in small business lending, and serves more than 6M Canadians through 1,632 branch locations.

All credit unions are regulated, co-operative financial institutions that are 100% owned and controlled by the people who bank with them: their members. Credit unions exist to improve the economic and social well-being of their member customers and their primary motivation is providing quality products and services to those members.

Comments

Credit unions recognize that liquidity and funding conditions may come under pressure as markets absorb the impact of monetary policy tightening amid less certain economic conditions. In addition, weakening mortgage performance can also trigger liquidity demand in securitization structures, impairing access to this funding channel and potentially causing second-order effects. For example, mortgages underwritten at low interest rates during the pandemic will soon be up for renewal at higher rates.

While the sector generally agrees with the proposed updates to the Guideline, we offer the following suggestions related to the reporting framework or to seek clarification on OSFI's intent:

- **Proportionality:** While small and medium-sized deposit-taking institutions (SMSBs) currently receive certain exemptions under the Liquidity Coverage Ratio, the proposed liquidity standards, supervisory tools, and intraday monitoring tools apply to all FRFIs, with a few exemptions for some subsidiaries. We acknowledge that OSFI provides a simplified intraday reporting return for indirect clearers; however, we recommend that proportionate exemptions be further stratified



based on the scale. In the alternative, we recommend reduced reporting frequency. We suggest that OSFI consider using the institution scale outlined through the Small- and Mid-sized Deposit-taking Institution (SMSB) framework.


- *Subsidiaries of Provincial Credit Unions (PCUs)*: The guideline introduces reporting exemptions for where the Canadian OSFI-regulated parent is not a G-SIB or D-SIB and, among other requirements, can demonstrate that systems are in place to show the cash flow profiles and that such information can be provided to OSFI upon request. We recommend that FRFI subsidiaries of PCUs and credit union centrals also receive an exemption, as the provincial parent entity would already be required to demonstrate cash flow to the satisfaction of the provincial regulator. In addition, we recommend that OSFI consider an exemption for FRFI subsidiaries of PCUs that are non-deposit-taking institutions, such as trusts, given that fluctuations in liquidity are not common characteristics of the institution.

Conclusion

The Canadian credit union sector appreciates the opportunity to participate in OSFI's [consultation](#) on updating the LAR Guideline, and we welcome the Guideline's focus on managing liquidity risk in Canada's financial sector.

Please do not hesitate to reach out if you have any questions regarding this submission or if we can provide further information.

Sincerely,

A handwritten signature in black ink, appearing to read "Morgan Paulgaard", with a stylized flourish at the end.

Morgan Paulgaard
Policy Advisor, National & Federal
Canadian Credit Union Association