

Regulatory Statement

Liquidity Coverage Ratio (“LCR”)

Regulatory Statement Number	21-007
Legislation:	<i>Financial Institutions Act</i>
Related Forms:	LCR Template and Reporting Instructions
Date:	June 3, 2021
Distribution:	B.C. Credit Unions

PURPOSE

This Regulatory Statement informs B.C. credit unions¹ of the requirement to complete and file the Liquidity Coverage Ratio (“LCR”) with the Superintendent of Financial Institutions at BC Financial Services Authority (“BCFSA”), as required by the *Financial Institutions Act* (“FIA”).

Effective October 2021, this Regulatory Statement (including the LCR template and reporting instructions) replaces the current LCR reporting requirements. B.C. credit unions are required to complete and file the LCR (using the attached LCR template and reporting instructions) beginning with the October 2021 reporting period for credit unions filing on a monthly basis, and beginning with the December 2021 reporting period for credit unions filing on a quarterly basis.

BACKGROUND INFORMATION

In addition to the adequate liquid assets requirement in FIA Section 67, BCFSA has implemented other risk-based liquidity reporting requirements and supervisory monitoring tools for credit unions, such as the LCR. These additional liquidity reporting requirements align with international liquidity reporting standards issued by the Basel Committee on Banking Supervision but consider the unique characteristics of the B.C. credit union system.

LEGISLATION

FIA Section 127(3) states, “At intervals specified by the superintendent, a financial institution must file with the superintendent one or more of the following reports as specified, and in the form established, by the superintendent:

- (a) a financial affairs report;
- (b) a market conduct practices report;
- (c) a risk management practices report;
- (d) a corporate governance report.”

REQUIREMENTS

Credit unions are required to file the LCR on a monthly or quarterly basis (based on credit union size) pursuant to FIA Section 127(3)(a).

¹ Excluding central credit unions

Due Dates and Frequency

Credit unions with up to and including \$500 million in assets are required to submit the LCR report quarterly within 30 days of each quarter end. Credit unions with more than \$500 million in assets are required to submit the LCR report monthly within 30 days of each month end.

Credit unions reporting the LCR quarterly must develop the capability to produce the LCR with an increased frequency and report on a monthly basis, if requested by BCFSA.

Note: The credit union's total assets, reported in the Financial and Statistical Return ("FSR") as at the credit union's most recent fiscal year end, are compared to the \$500 million in assets threshold. When the credit union crosses the threshold, it has one year to implement the requirements of its new category. For example, if the credit union's total assets are greater than the \$500 million threshold, as at its December 2021 fiscal year end, the credit union must submit the LCR on a monthly basis starting January 2023.

Completion of the LCR

The LCR must be prepared for the credit union on a non-consolidated basis using the reporting templates provided by BCFSA. Line numbers, fields, descriptions, or any other aspects of the templates must not be altered, and they have been locked accordingly.

The LCR should closely reconcile to the FSR and any discrepancies should be explainable. Credit unions should refer to the FSR Reporting Instructions for further definitions and descriptions of financial statement items.

Dollar amounts must be reported in Canadian and rounded to the nearest dollar. Foreign currency amounts must be converted to the Canadian dollar equivalent at the reporting date. Percentages must be rounded to two decimal places (or four decimal places if in decimal format).

Filing of the LCR

The completed LCR must be submitted electronically in Excel format through BCFSA's Integrated Regulatory Information System ("IRIS") portal. Link: [Login | BCFSA](#).

Late Filing

Late submissions of the LCR may result in a penalty under the FIA's Administrative Penalties Regulation, as described in BCFSA's Non-Compliant Filings Administrative Penalty ("NFAP") Guideline. The NFAP Guideline is available [here](#) on BCFSA's website. Credit unions should notify BCFSA as soon as possible of expected delays in the LCR submissions.

ATTACHMENTS

1. [LCR Template](#)
2. [LCR Reporting Instructions](#)

OTHER INFORMATION

For questions on completion and submission of the LCR, please contact your BCFSA Relationship Manager or email filings@bcfsa.ca.

As the BC Financial Services Authority, we issue Regulatory Statements outlining how entities must operate, or the form and content required by the Regulator for mandatory regulatory filings identified in the *Financial Institutions Act* and *Credit Union Incorporation Act*, Regulations, and other pertinent legislation. While the comments in a particular part of a Regulatory Statements may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, instructions, definitions, and positions contained in a Regulatory Statements generally apply as of the date on which it was published, unless otherwise specified.