

# Regulatory Statement

## Access to Statutory Liquid Assets

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<b>Regulatory Statement Number</b>	23-027
<b>Legislation:</b>	<i>Financial Institutions Act</i>
<b>Date:</b>	December 19, 2023
<b>Distribution:</b>	B.C. Credit Unions

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### PURPOSE

This Regulatory Statement sets out the position of the Superintendent of Financial Institutions (“Superintendent”) at BC Financial Services Authority (“BCFSA”) regarding credit union access to statutory liquid assets.

This Regulatory Statement repeals and replaces CU-17-002: “Access to Statutory Adequate Liquid Assets.”

### BACKGROUND

Section 67(1) of the *Financial Institutions Act* (“FIA”) requires a financial institution to ensure that it has adequate liquid assets to conduct its business in accordance with regulations and BCFSA rules.

To satisfy the adequate liquid assets requirement of the FIA, the *Liquidity Requirement Regulation* (“LRR”) requires a credit union to hold unencumbered assets placed in trust with Central 1 Credit Union that are at least equal to eight per cent of the holding credit union's aggregate deposit and other debt liabilities.

### REQUIREMENTS

The Superintendent's position is that a credit union does not need to seek approval from BCFSA before accessing its statutory liquid assets in a situation of financial stress. However, the credit union must immediately notify its BCFSA Relationship Manager in the following situations:

- when the credit union determines it may need access to these assets; and
- when the credit union actually draws on these assets.

The notification should include the rationale for access and a remedial plan to bring the credit union's statutory liquid assets to the level prescribed by the LRR within a reasonable timeframe.

### ADDITIONAL INFORMATION

A credit union should have an appropriate liquidity risk management policy and liquidity contingency plan to prudently manage its liquidity and ensure compliance with legislation and regulatory requirements. BCFSA's [Liquidity Management Guideline](#) outlines the expectations for sound liquidity risk management practices at B.C. credit unions.

Any draw on statutory liquid assets that brings the credit union's adequate liquid assets below the statutory minimum constitutes a breach of the legislation and may result in BCFSA taking regulatory action. In determining what action to take, BCFSA will consider the necessity of the draw on statutory liquid assets

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and the robustness of proposed remedial actions to bring the credit union's adequate liquid assets back to the statutory minimum.

For questions about this Regulatory Statement, please contact your BCFSA Relationship Manager.

## **LEGISLATION**

FIA s. 67(1)

*Liquidity Requirement Regulation*

Copies of legislation are available from [www.bclaws.gov.bc.ca](http://www.bclaws.gov.bc.ca).