



FINANCIAL SERVICES  
COMMISSION

## GUIDELINE No. 5

### LIQUIDITY RISK MANAGEMENT

This Guideline is issued by the Financial Services Commission (“the Commission”) pursuant to section 53 of the Financial Services Commission Act 2010-21 (“Act”) and comes into effect March 1, 2013.

This Guideline establishes the standards of the Commission with respect to management by credit unions of liquidity risks. Reference should be made to sections 193 and 196 of the Co-operative Societies Act (CSA), to Regulation 21 of the Co-operative Societies Regulations, 2008 (“Regulations”) and to Guideline # 11 – Deposits.

Each credit union is required to establish and implement a policy that addresses the following items:

1. Limits on the sources, quality and amount of liquid assets to meet normal operational needs, contingency funding for significant deposit withdrawals and regulatory requirements, including the establishment of:
  - 1.1 The sources and acceptable range of operational liquidity<sup>1</sup> and the quality of assets that may be purchased for operational liquidity purposes in accordance with section 21 (c) of the Regulation.
  - 1.2 Conditions for liquidity borrowings and lines of credit, and the aggregate maximum amount of any such lines of credit.
  - 1.3 The process for monitoring large deposits the withdrawal of which could impact the level of operational liquidity.
  - 1.4 The process for measuring and monitoring operational liquidity levels.
2. Deposits referred to in paragraph (b) of Section (4) of Regulation 21 shall comprise not less than 8% of the liabilities<sup>2</sup> of the credit union.
3. Limits on the balance sheet mix and maturities of deposits, loans and investments
4. Criteria for pricing of deposits and loans
5. Limits on the exposure to changes in interest rates

---

<sup>1</sup> “Operational liquidity” means the liquidity required to meet anticipated day to day cash commitments, including withdrawals by members.

<sup>2</sup> Liabilities refer to withdrawable deposits and all other current liabilities.