



Guideline Impact Analysis Statement

Leverage Requirements Guideline

Date: October 2018

I. Background

OSFI's *Leverage Requirements* (LR) guideline sets out the framework for the leverage ratio, which provides an overall measure of the adequacy of an institution's capital and serves as a supplementary measure to the risk-based capital requirements specified in the *Capital Adequacy Requirements* (CAR) guideline.

II. Problem Identification

OSFI is issuing a revised version of the CAR guideline that includes changes related to derivatives exposures and certain securitization exposures. Without appropriate changes, the LR guideline would not align with the CAR guideline.

III. Objectives

OSFI's objective is to ensure that the LR guideline remains up-to-date and reflects recent changes to the CAR guideline, which come into effect in Q1 2019. Specifically, the proposed revisions to the LR guideline include:

- Replacing the Current Exposure Method (CEM) with the Standardized Approach to Counterparty Credit Risk (SA-CCR) as the method for computing counterparty credit risk exposure amounts for derivatives. This change aligns with the planned implementation of SA-CCR under Chapter 4 (Settlement and Counterparty Risk) of the CAR guideline.
- Amending the treatment of securitized assets that meet the operational requirements for recognition of significant risk transfer (SRT) to align with the proposed revisions to Chapter 7 (Securitization) of the CAR guideline.
- Aligning credit conversion factors for off-balance sheet securitization exposures with those under the proposed revisions to Chapter 7 (Securitization) of the CAR guideline.
- Allowing institutions to consider open-maturity securities financing transactions (SFTs) as overnight trades for the purposes of measuring cash payables and cash receivables in SFTs with the same counterparty on a net basis, provided the institution is able to demonstrate to OSFI that: i) it can contractually and operationally collapse an open maturity trade on the next business day without incurring legal or reputational risk; and ii) the trades are priced similarly to overnight trades.



IV. Consultations

OSFI issued the revised LR guideline for public consultation in August 2018. A summary of material comments along with OSFI's responses has been posted with the final version of the guideline.

V. Recommendation

OSFI recommends that LR guideline treatment of derivatives and securitization exposures be modified to align with amendments in the CAR guideline.

VI. Implementation

The final version of the guideline will be effective November 1, 2018 / January 1, 2019¹.

¹ For institutions with a fiscal year ending October 31 or December 31, respectively.