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# Guideline Impact Analysis Statement

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## 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.



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#### **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, 2019<sup>1</sup>.

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<sup>1</sup> For institutions with a fiscal year ending October 31 or December 31, respectively.