



## News Release

For Immediate Release

### OSFI guidance addresses interest rate risks at deposit-taking institutions

**OTTAWA – May 30, 2019 – Office of the Superintendent of Financial Institutions**

Today, the Office of the Superintendent of Financial Institutions (OSFI) released a revised version of its Guideline B-12: [Interest Rate Risk Management](#). The guideline provides a risk control framework for deposit-taking institutions to follow in identifying, assessing and managing their interest rate risk.

Interest rate fluctuation is a significant risk that can arise from banking activities. When interest rates change, the present value and timing of future cash flows change. These changes can affect the underlying value of an institution's assets, liabilities and off-balance sheet items.

The updated guideline reflects international sound practices, as outlined in the 2016 Basel Committee on Banking Supervision (BCBS) framework for Interest Rate Risk in the Banking Book (IRRBB).

Key updates to OSFI Guideline B-12 include:

- Additional guidance for institutions' IRRBB governance processes.
- OSFI's expectations for the measurement of IRRBB, the development of stress and shock scenarios, and the key behavioural and modelling assumptions institutions should consider.
- The introduction of an outlier/materiality test that compares an institution's maximum loss to its capital base under prescribed scenarios.

### Quote

*"If not managed appropriately, interest rate risk can be a significant threat to an institution's capital base and its earnings. The revisions to this guideline will assist federally regulated deposit-taking institutions in prudently managing these risks." Carolyn Rogers, Assistant Superintendent, Regulation Sector*

### Quick Facts

- OSFI's application of this Guideline will be commensurate with each institution's nature, size, business and complexity as well as its structure, economic significance and the level of inherent interest rate risk.
- The revised version of Guideline B-12 will take effect January 1, 2020 for Domestic Systemically Important Banks (D-SIBs) and January 1, 2021 for other deposit-taking institutions.

The current version of Guideline B-12 remains effective for non-D-SIBs until December 31, 2020.



## Associated Links

- [Cover letter](#)
- [Interest Rate Risk Management](#) Guideline
- [Guideline Impact Analysis Statement](#)

## About OSFI

The [Office of the Superintendent of Financial Institutions](#) (OSFI) is an independent agency of the Government of Canada, established in 1987, to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks.

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