Reference: Guideline for Banks/
BHC/T&L/CRA

July 16, 2018

To: Banks
           Bank Holding Companies
           Federally Regulated Trust and Loan Companies
           Cooperative Retail Associations

Subject: Domestic Implementation of the Final Basel III reforms

OSFI is releasing a discussion paper on the proposed implementation of the final Basel III reforms in Canada for public consultation. The Basel Committee on Banking Supervision (BCBS) published the final Basel III reforms in December of 2017[1].

The final Basel III reforms include changes to the credit risk, operational risk, leverage ratio (LR) and credit valuation adjustment (CVA) frameworks as well as to the capital floor. Although the internationally agreed implementation dates for these changes are several years away, we have already received questions from industry stakeholders. Hence, we are starting the consultation process to allow for a more detailed dialogue on implementation issues as well as to finalize guidance as early as possible.

The accompanying discussion paper provides stakeholders with OSFI's preliminary views on the scope and timing of the domestic implementation of the final Basel III reforms in Canada. It also includes a series of questions seeking feedback from stakeholders on specific issues, including where OSFI is proposing modifications to better fit the Canadian market.

The proposals in the discussion paper apply to all deposit-taking institutions (DTIs). However, OSFI will propose future changes to the domestic capital framework to ensure requirements are reflective of the risks faced by institutions that do not use internal models for regulatory capital purposes. Industry feedback on these changes will be sought through a separate consultation process.

Comments on the discussion paper are requested by October 19, 2018 and should be sent to Patrick Tobin, Capital Specialist, Capital Division at patrick.tobin@osfi-bsif.gc.ca.

Yours truly,

Carolyn Rogers
Assistant Superintendent
Regulation Sector

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[1] https://www.bis.org/bcbs/publ/d424.htm

255 Albert Street
Ottawa, Canada
K1A 0H2

OSFI
BSIF   www.osfi-bsif.gc.ca

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