



UNCLASSIFIED

June 18, 2010

To: Banks  
Bank Holding Companies  
Federally Regulated Trust and Loan Companies

**Subject: Basel Committee new market risk and securitization framework implementation**

The Basel Committee on Banking Supervision has recently agreed to (i) adjustments to the trading book rules contained in the document *Revisions to the Basel II market risk framework* (July 2009) and (ii) a new coordinated start date for implementation of the changes to minimum capital requirements for both the trading book and for changes to securitization rules, i.e., *Enhancements to the Basel II framework* (July 2009). These decisions have implications for the implementation schedule in Canada.

OSFI will proceed with implementation of (i) the changes to Basel market rules for trading book and (ii) changes to capital requirements for securitization transactions on a more flexible schedule that commences with institutions' capital adequacy reporting in the first quarter of fiscal 2012.

OSFI intends to proceed with new regulatory reporting forms with instructions that will permit institutions to calculate risk weighted assets and deductions according to existing rules, including the effect of the OSFI Advisory on *Securitization – Expected Practices* (October 2008) up to and including the fourth quarter of fiscal 2011. In addition, OSFI will continue with its planned review of institutions' applications for trading book model approval, albeit on a revised schedule. The review will culminate in a final approval decision in mid-2011. OSFI expects this additional time for review and performance testing will mean there will be less need for conditions on the final approvals.



OSFI expects to provide more elaboration on the reporting, draft rules and approval process in the near future. Questions may be directed to your industry association, or directly to Mr. Richard Gresser, Managing Director – Banking at [Richard.Gresser@osfi-bsif.gc.ca](mailto:Richard.Gresser@osfi-bsif.gc.ca) .

Sincerely,

Mark E. White  
Assistant Superintendent  
Regulation Sector  
Office of the Superintendent of Financial Institutions Canada