



January 17, 2020

**Subject: Advancing Proportionality in OSFI's Capital and Liquidity Regime**

OSFI is releasing a second consultative document related to its initiative to advance proportionality in the capital and liquidity regime for small and medium sized deposit-taking institutions, generically referred to as SMSBs. This initiative is exploring revisions to the SMSB capital and liquidity frameworks to better reflect the size, nature, complexity and business activities of these institutions. The consultative document is further to the discussion paper released by OSFI in July 2019 entitled: [Advancing Proportionality: Tailoring Capital and Liquidity Requirements for Small and Medium-Sized Deposit-Taking Institutions](#).

The accompanying consultative document includes an overview of feedback received in response to the July 2019 Discussion Paper. It also outlines OSFI proposed changes to the SMSB capital and liquidity frameworks and seeks further feedback from stakeholders in advance of the publication of more detailed draft SMSB capital and liquidity requirements in late spring 2020. Subsequent phases of this initiative which relate to Pillar 2 (prudential and risk management expectations) and Pillar 3 (public disclosure) will be the subject of future consultations later this year.

Stakeholders are invited to provide comments on all aspects of this consultative document, including in relation to the specific questions which are posed. OSFI also plans to conduct targeted industry consultations with SMSBs to whom these proposed requirements will apply.

Comments on the discussion paper should be submitted to OSFI by email at [SMSB.Proportionality@osfi-bsif.gc.ca](mailto:SMSB.Proportionality@osfi-bsif.gc.ca) by March 6, 2020.

Yours truly,

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