



July 20, 2017

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

Subject: OSFI's Implementation Timeline for the Fundamental Review of the Trading Book (FRTB) Rules

This letter provides OSFI's revised timeline for the Canadian implementation of the *Minimum capital requirements for market risk* (also known as the Fundamental Review of the Trading Book, or FRTB) rules agreed to by Basel Committee countries in January 2016. The FRTB rules are an important improvement in the overall design and coherence of the capital standard for market risk, and ensure the delivery of credible capital outcomes.

However, since the Committee's publication of final rules last year, it has become evident that there are a series of implementation complexities associated both with the rules text language as well as with IT system changes required by institutions to comply with these rules. Further, it is not clear that these requirements will be implemented by the majority of key competitors in foreign markets by the stated Basel implementation date. Under the Committee's timetable, national supervisors are expected to finalize their domestic FRTB rules by January 2019 and to start new regulatory reporting as at end-December 2019 (or, for Canadian banks, fiscal Q1-2020).

Therefore, OSFI is advising Canadian deposit-taking institutions that it intends to extend the domestic implementation timeline by at least one year. That is, the first regulatory reporting under the FRTB rules will commence no earlier than Q1-2021. In the interim, OSFI expects institutions currently subject to market risk capital rules to develop internal strategic plans to implement FRTB.

OSFI remains committed to implementing the FRTB standards in its [Capital Adequacy Requirements \(CAR\) Guideline](#). We will continue to conduct regular bilateral discussions with affected institutions to discuss their strategic FRTB implementation plans and to monitor international developments. We expect to provide an update on the Canadian implementation timeline by mid-2018.



If you have any questions or comments on the above, please contact Greg Caldwell, Capital Specialist, Capital Division at greg.caldwell@osfi-bsif.gc.ca.

Yours truly,

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