



Reference: Guideline for Bank/FBB/
BHC/T&L/Retail
Associations

August 17, 2016

To: All Federally Regulated Deposit-Taking Institutions¹

Subject: Pillar 3 Disclosure Requirements

This letter communicates OSFI's expectations on the implementation date of the Revised Basel Pillar 3 standards for Canadian domestic systemically important banks (D-SIBs) and expectations for small and medium size banks². In January 2016, OSFI issued for comment a draft guideline on *Pillar 3 Disclosure Requirements*. The draft guideline provided clarification regarding domestic implementation of the *Revised Pillar 3 Requirements*³ (Revised Basel Pillar 3 standards) issued by the Basel Committee on Banking Supervision (Basel Committee) in January 2015.

D-SIBs

D-SIBs are expected to implement the Revised Basel Pillar 3 standards for the fiscal year ending October 31, 2018 (instead of the proposed date of October 31, 2017 in the draft guideline). The 2018 implementation date allows D-SIBs to continue to be among the leaders in disclosure, while giving them time to focus on a high quality implementation of the *IFRS 9 Financial Instruments* accounting standard. As highlighted in the external consultation process, timely and strong disclosure practices need to be balanced with the significant level of effort required to implement IFRS 9.

The delayed implementation date will also enable Canadian D-SIBs to better align their disclosure implementation date with planned dates for internationally active banks in other

¹ Banks and bank holding companies to which the Bank Act applies, federally regulated trust or loan companies to which the Trust and Loan Companies Act applies, and cooperative retail associations to which the Cooperative Credit Associations Act applies are collectively referred to as "deposit-taking institutions".

² Chapter 1 of the Capital Adequacy Requirements (CAR) Guideline identifies D-SIBs as Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and Toronto-Dominion Bank. Small and medium size banks consist of all federally regulated deposit-taking institutions that are not D-SIBs.

³ January 2015 Basel Committee *Revised Pillar 3 Disclosure Requirements*: <http://www.bis.org/bcbs/publ/d309.pdf>



major jurisdictions. In the meantime, D-SIBs will continue to have strong disclosure practices through existing accounting and regulatory disclosure requirements.

Small and medium size banks

Small and medium size banks are expected to continue with their existing Pillar 3 disclosure practices. Applying the Basel Pillar 3 disclosure requirements in full form does not appropriately reflect the nature, size and complexity of small and medium size banks.

Effective as of the date of this letter, the following types of federally regulated deposit-taking institutions are exempt from Pillar 3 disclosure requirements, although voluntary disclosure is permitted:

- i. Foreign bank branches;
- ii. Financial institutions that do not take deposits; and,
- iii. Subsidiaries of Canadian federally regulated deposit-taking institutions that report consolidated results to OSFI.

In 2017, OSFI will issue a final guideline on the implementation of the Revised Basel Pillar 3 standards. As the Basel Committee continues to complete each phase of the disclosure project, OSFI will determine the applicability of those revisions and provide further guidance to federally regulated deposit-taking institutions.

Questions on Pillar 3 disclosure requirements should be addressed to Ken Leung, Director, Accounting Policy Division at (416) 973-2103 or by e-mail at kenneth.leung@osfi-bsif.gc.ca.

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