Regulatory notice

Title	Modification to the Capital Floor Transition schedule in Chapter 1 of the Capital Adequacy Requirements (CAR) guideline
Category	Capital Adequacy Requirements
Date	July 5, 2024
Sector	Banks Trust and Loan Companies

Table of Contents

1. Purpose and scope

2. Background

3. Revised Capital Adequacy Requirements Guideline text

1. Purpose and scope

This Regulatory Notice applies to Banks, Trust and Loan Companies (collectively referred to as 'institutions') that have received approval from the Office of the Superintendent of Financial Institutions (OSFI) to use internal models to calculate minimum capital requirements. This regulatory guidance outlines updates to Chapter 1 of the Capital Adequacy Requirements (CAR) guideline effective Q1 2025.

2. Background

Institutions using internal model-based approaches are subject to a capital floor that is applied to risk-weighted assets (RWA). The capital floor has two objectives:

- to reduce excessive variability of RWA
- to enhance the comparability of risk-based capital ratios

The capital floor is based on a certain percentage of capital requirements derived under standardized approaches. The calculation of the capital floor, including the applicable adjustment factor, is outlined in Chapter 1 of the CAR guideline.

3. Revised Capital Adequacy Requirements Guideline text

This Regulatory Notice modifies the text of Paragraph 30 of Chapter 1 of the CAR guideline to the following:

30. The adjustment factor is normally set at 72.5%. However, OSFI may set a higher or lower adjustment factor for individual institutions. This factor will be 67.5% in 2025, then rising by 2.5% per year to 72.5% in 2027.

Table 1: Capital Floor Transition

	Fiscal year			
	2024	2025	2026	2027 +
Floor adjustment factor	67.5%	67.5%	70%	72.5%