



Letter

Title	Internal capital adequacy assessment process expectations and related internal audit requirements
Category	Supervisory Advisories
Date	September 10, 2025
Sector	Banks Trust and Loan Companies
To	Small and medium-sized banks

The purpose of this communication is to outline our expectations with respect to the 2025 internal capital adequacy assessment process (ICAAP) submission as well as the internal audit review relating to ICAAP. This communication applies to all small and medium-sized banks including Category III institutions using the simplified risk-based approach (referred to collectively as SMSBs or institutions).

For 2025, we are not requesting all SMSBs to submit their 2025 ICAAP documents and internal audit of the ICAAP. However, lead supervisors may request specific institutions to submit their 2025 ICAAP and related internal audit as part of our ongoing supervisory process in 2026.

The ICAAP is, first and foremost, an important internal process and should not be considered a regulatory exercise. We expect SMSBs to update their ICAAP as part of their annual planning process to assist the capital planning including the confirmation of internal capital targets. We attached an appendix to guide SMSBs on the elements expected within the scope of their ICAAP document.

We expect all SMSBs to complete the ICAAP data return on an annual basis (using actual year-end data) and file the return within 90 days of their fiscal year-end date through the Regulatory Reporting System. We may direct an SMSB to submit the ICAAP data return on a more frequent basis. If an institution prepares its ICAAP on other than year-end data, there should be a board-approved addendum to the ICAAP document available to explain significant differences between what the board previously approved and what ICAAP results would be using actual year-end numbers.



Finally, as in previous years, we will communicate directly to SMSBs, by no later than September 30, 2025, the specific risks and downturn severity for the prescribed single-factor stress tests that we expect institutions to undertake as part of the 2025 ICAAP and ICAAP data return.

Should you have any questions or concerns, please contact your lead supervisor.

Yours sincerely,

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