# Letter

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| **Title** | Draft Capital Adequacy Requirements Guideline (2026) – Letter |
| **Category** | Capital Adequacy Requirements |
| **Date** | February 20, 2025 |
| **Sector** | Banks<br>Trust and Loan Companies |

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Today, we are launching a 60-day public consultation on draft revisions to the Capital Adequacy Requirements (CAR) Guideline, with corresponding revisions to the Small and Medium-Sized Deposit-Taking Institutions (SMSB) Capital and Liquidity Requirements Guideline.

The proposed revisions to the CAR Guideline build on the latest version of the guideline which was published in October 2023. Comments received will inform final changes to the guideline which we expect to come into effect in Q1 2026.

The 2026 CAR Guideline revisions intend to enhance the clarity of our capital rules and improve the consistency of their application. The key revisions are summarized below.

## Credit risk requirements

We are clarifying the expectations regarding the treatment of Combined Loan Products (CLPs) under the credit risk Standardized Approach (SA) and Internal Ratings-based (IRB) approaches in Chapters 4 and 5. These revisions will help to ensure that the capital treatment is consistent with the risks and structure of CLPs.

We are updating the definition of income-producing residential real estate exposures, where repayment is materially dependent on cash flows generated by property, in Chapter 4. This revision will better align the capital treatment under the credit risk SA and IRB approach with institutions' internal categorization of these properties.

We are clarifying the treatment of certain US government sponsored entities in Chapters 4 and 5. This revision will align their capital treatment with their treatment under US capital rules.

In addition, we are updating the interim capital floor requirements for institutions that are newly approved to use the IRB approach.

## Market risk and credit valuation adjustment requirements

We are modifying the default risk charge for sovereign exposures under the market risk Standardized Approach in Chapter 9 to more closely align with the treatment in the Basel framework.

We are also clarifying that the credit valuation adjustment (CVA) framework in Chapter 8 applies to all institutions with transactions in scope for the CVA capital charge, including small and medium-sized banks. We are making a corresponding change to the SMSB Guideline.

## Treatment of Bankers' Acceptances

We are removing references to Bankers' Acceptances and Canadian Dollar Offered Rate (CDOR) in Chapters 4, 5, 6, and 9 of the CAR Guideline in light of the cessation of CDOR in June 2024.

# Other revisions

## Capital floor

As announced on February 12, 2025, the capital floor will remain at 67.5% until further notice. We will provide at least two years prior notice to resuming an increase in the capital floor.

## Capital confirmation requests

We are updating the guideline to clarify that institutions will be charged user fees for both preliminary and final capital confirmations.

## Incorporation of frequently asked questions

Finally, we are incorporating some existing frequently asked questions published on our website related to operational risk and market risk into Chapters 3 and 9 of the guideline, respectively, for clarity and ease of reference.

Stakeholders who wish to submit comments should send them to Consultations@osfi-bsif.gc.ca by April 22, 2025. A non-attributed summary of comments received along with our responses will be posted on our website alongside the final version of the guideline.

Sincerely,

Amar Munipalle

Executive Director, Risk Advisory Hub