



Letter

Title	OSFI update to COVID-19-related regulatory flexibility for the covered bond limit
Date	April 6, 2021
Sector	Banks

Guidance or document to be rescinded

As a result of OSFI's [Policy Modernization](#) efforts, this guidance or document was identified as outdated, redundant, or no longer aligns with our mandate. It will be rescinded and removed from the website by December 31, 2025.

To: Federally Regulated Deposit-Taking Institutions (DTIs) Issuing Covered Bonds

In its March 27, 2020 letter, OSFI announced that on a temporary basis, the covered bond limit would increase to 10% to enable greater access to Bank of Canada facilities. Normally, total assets pledged by a DTI for covered bonds must not, at any time, represent more than 5.5% of the issuer's on-balance sheet assets, as specified in OSFI's [May 23, 2019 letter](#) on the revised covered bond limit calculation. During the period of relief, total assets pledged for covered bonds were permitted to be up to 10% of a DTI's total assets, including instruments issued to the market and those pledged to the Bank of Canada. The maximum amount of pool assets relating to market instruments remained limited to 5.5%. OSFI committed to providing this temporary relief for at least one year.

Throughout the past year, OSFI has continued to monitor banks' liquidity and access to term funding, which have stabilized considerably since March 2020. Further, on [October 15, 2020](#) the Bank of Canada removed own-name covered bonds from their list of eligible securities for regular term repo operations. Given these factors, the temporary increase to the covered bond limit is no longer necessary and is being unwound, effective immediately.

As initially communicated, institutions which exceed the 5.5% limit will be expected to return below this threshold as soon as market funding conditions permit, and provide a plan to OSFI outlining their proposed approach and



timing to return below the required threshold.

This change aligns with OSFI's assessment of the increased covered bond limit against the four criteria for regulatory and supervisory adjustments communicated by the Superintendent on April 3, 2020, specifically that the adjustment would need to remain credible, consistent, necessary and fit-for-purpose.

OSFI continues to closely monitor conditions and remains prepared to adjust its guidance and temporary measures if necessary.