Letter

Title	OSFI maintains the Domestic Stability Buffer level at 2.50% - Letter (2022)
Date	June 22, 2022
Sector	Banks

To: Domestic Systemically Important Banks (D-SIBs)

The purpose of this letter is to inform you that, following its semi-annual review, OSFI has decided to maintain the level of the Domestic Stability Buffer (DSB) at 2.50% of total risk-weighted assets, as calculated under the Capital Adequacy Requirements (CAR) Guideline.

On March 13, 2020 , OSFI communicated its decision to set the buffer at 1.00% in response to the challenges posed by COVID-19 and prevailing market conditions and committed not to increase the buffer level for at least 18 months. On June 17, 2021, OSFI announced that it would increase the buffer to 2.50%, effective October 31, 2021. OSFI subsequently affirmed this level in its December 10, 2021 announcement.

The decision to maintain the buffer at 2.50% reflects OSFI's view that the current level continues to be prudent and appropriate. At the same time, this decision reflects our assessment that key vulnerabilities remain elevated and have increased while near-term risks are moderate but rising given an environment of heightened uncertainty.

The DSB supports an effective capital regime where capital is set aside in response to the vulnerabilities in the financial system, while still providing banks with capacity to lend and support economic recovery. As previously indicated, as part of our work to ensure the long-term effectiveness of the capital regime, OSFI is reviewing the DSB, including its design and range. We expect this work to be completed in fall 2022.

Specific vulnerabilities covered by the buffer continue to include: (i) Canadian household indebtedness; (ii) asset imbalances in the Canadian housing market; and (iii) Canadian institutional indebtedness. In addition, global vulnerabilities continue to contribute to the possibility of a spillover of external risks into the Canadian financial

system. In the context of increased uncertainty, OSFI expects that management and boards of directors exercise vigilance and heightened prudence in their capital management practices with a view to preserving capital.

The DSB contributes to Domestic Systemically Important Banks' resilience to key vulnerabilities and system-wide risks, thereby contributing to financial stabilityThe following federally regulated financial institutions are designated as Domestic Systemically Important Banks: **Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, and Toronto-Dominion Bank.**.

The Domestic Stability Buffer level will be maintained at 2.50% of risk-weighted assets.