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# Guideline impact analysis statement

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Title	Asset Securitization - Guideline impact analysis statement (2018)
Category	Prudential Limits and Restrictions
Date	November 30, 2018
Sector	Life Insurance and Fraternal Companies Property and Casualty Companies
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## I. Background

OSFI's Guideline B-5, *Asset Securitization*, sets out OSFI's general expectations for insurers with respect to asset securitization transactions.

## II. Problem Identification

Guideline B-5 was last updated in November 2004, and does not reflect events that have occurred over the past 14 years, such as the financial crisis and the ensuing updates to the Basel securitization framework. Although some securitization guidance was updated in the October 2008 Advisory *Securitization – Expected Practices*, there continue to be shortcomings in the current rules for insurers.



The same deficiencies do not exist in the guidance applicable to federally regulated institutions (FRI) other than insurance companies (i.e. banks, federally regulated trust and loan companies, cooperative retail associations). Guideline B-5 no longer applies to these institutions, as all applicable securitization rules have been incorporated into the Capital Adequacy Requirements (CAR) guideline. As a result, the securitization rules included in CAR do not align with those contained in Guideline B-5.

### III. Objectives

OSFI's objective is to ensure that the guideline remains up-to-date, relevant and applicable to asset securitization transactions that insurers might realistically be expected to enter into. The proposed revisions incorporate operational and qualitative requirements issued by the Basel Committee on Banking Supervision since the commencement of Basel III. They also update the capital treatment applicable to insurers that invest in securitizations (for example by revising the capital treatment of certain unrated senior tranches), and that sponsor securitizations (for example by specifying the treatment of gains on sale).

### IV. Consultations

OSFI published the draft Guideline B-5 for public consultation in September 2018. All comments were considered and some triggered changes to the guideline. A summary of material comments received from stakeholders and an explanation of how they have been addressed has been provided along with the final Guideline B-5.

### V. Recommendations

It is recommended that Guideline B-5 be updated to ensure capital requirements related to asset securitizations for insurers reflect the underlying risk.

### VI. Implementation

The final version of Guideline B-5 will become effective on January 1, 2019. Subsequent to implementation, OSFI will review the effectiveness of the revised guideline and make amendments if required.