



# Guideline

Title	Pillar 3 Disclosure Guideline for Domestic Systemically Important Banks (D-SIBs) - Guideline (2022)
Category	Accounting and Disclosure
Date	January 31, 2022
Sector	Banks Trust and Loan Companies
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Consultation status: Open

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## Consultation status: Open

Draft versions of the templates on crypto-asset exposures for the Pillar 3 Disclosure Expectations are available for consultation. Please provide your feedback by October 22, 2024 to [Pillar3-Pilier3@osfi-bsif.gc.ca](mailto:Pillar3-Pilier3@osfi-bsif.gc.ca).

1. OSFI supports relevant disclosures to ensure stakeholders have access to key risk information that would enable them to gain a thorough understanding and knowledge of domestic systemically important banks' (D-SIBs' [1](#)) activities. Many bodies recognize the importance of disclosure [2](#) as a key tool for decision-making and market discipline. Accordingly, disclosures help OSFI to meet our mandate of protecting depositors, policyholders, and creditors by ensuring appropriate information is available for the public to understand the financial condition of Canadian federally regulated D-SIBs and the risks to which they are exposed.
2. In the wake of the 2007-09 financial crisis, it became apparent that the existing Pillar 3 framework [3](#) did not adequately promote the identification of internationally active banks material risks and did not provide sufficiently comparable information to enable market participants to assess a bank's overall capital adequacy and to compare it with its peers.
3. To address the problems identified through the financial crisis, the Basel Committee on Banking Supervision (BCBS) published the following three standards that together comprise the complete Pillar 3 Framework:

### Pillar 3 Framework

Date Published	Title of Standard	Phase
January 2015	Revised Pillar 3 Disclosure Requirements	Phase I
March 2017	Pillar 3 Disclosure Requirements – Consolidated and Enhanced Framework	Phase II
December 2018	Pillar 3 Disclosure Requirements – Updated Framework	Phase III

4. In January 2020, the BCBS integrated the Phase I, II and III standards of the Pillar 3 Framework into the consolidated Basel framework.<sup>4</sup> The Pillar 3 Framework aims to address the problems identified through the financial crisis and to improve comparability and consistency of financial regulatory disclosures through more standardized formats between banks and across jurisdictions.

## I. Purpose of the guideline

5. This Guideline provides OSFI's expectations for the domestic implementation of the complete Pillar 3 Framework. More specifically, this Guideline, on its implementation date, replaces OSFI's April 2017 Guideline on Revised Pillar 3 Disclosure Requirements (Phase I) and provides clarification on the domestic implementation of Phases II and III of the Pillar 3 Framework for Canadian D-SIBs.

6. It is important that Canadian D-SIBs continue to retain high levels of public confidence and to have public disclosure practices covering their financial condition and risk management activities that are among the best of their international peers.<sup>5</sup>

7. In recognizing the need to adapt the BCBS's Pillar 3 Framework for Canadian D-SIBs, OSFI considered the relevance and importance of improving the overall comparability and consistency of disclosures across Canadian D-SIBs and alignment with internationally active banks in other jurisdictions.

8. The guidance that follows is the same as the BCBS Guidance with slight modifications to reflect OSFI-specific language or requirements. These modifications do not change the BCBS requirements and are highlighted below.

- References to "the Committee" or "BCBS" in the Basel guidance have been changed to "OSFI" in sections I and II to reflect that these are OSFI expectations.
- References to "banks" in the Basel guidance have been changed to "D-SIBs" in sections I and II to reflect that these are OSFI expectations.

9. The Annexes to this Guideline provide schedules that summarize the cumulative disclosure requirements, indicate whether they are required in a fixed or flexible format, and list the publishing frequency associated with each table and template.

## II. Scope of application

10. This Guideline applies to the Canadian D-SIBs. Disclosure requirements are an integral part of the framework. Unless otherwise stated, for tables and templates applicable to “all banks”, it refers to internationally active banks at the top consolidated level. [Basel Framework, DIS 10.2].

## III. Guiding principles

11. OSFI has agreed upon five guiding principles for D-SIBs' Pillar 3 disclosures. Pillar 3 complements the minimum risk-based capital requirements and other quantitative requirements (Pillar 1) and the supervisory review process (Pillar 2) and aims to promote market discipline by providing meaningful regulatory information to investors and other interested parties on a consistent and comparable basis. The guiding principles aim to provide a firm foundation for achieving transparent, high-quality Pillar 3 risk disclosures that will enable users to better understand and compare a D-SIB's business and its risks. [Basel Framework, DIS 10.13]

- **Principle 1 – Disclosures should be clear** – Disclosures should be presented in a form that is understandable to key stakeholders (ie investors, analysts, customers, and others) and communicated through an accessible medium. Important messages should be highlighted and easy to find. Complex issues should be explained in simple language with important terms defined. Related risk information should be presented together. [Basel Framework, DIS 10.14]
- **Principle 2 – Disclosures should be comprehensive** – Disclosures should describe a D-SIB's main activities and all significant risks, supported by relevant underlying data and information. Significant

changes in risk exposures between reporting periods should be described, together with the corresponding responses by management. [Basel Framework, DIS 10.15]

- Disclosures should provide sufficient information in both qualitative and quantitative terms on a D-SIB's processes and procedures for identifying, measuring, and managing those risks. The level of detail of such disclosure should be proportional to a D-SIB's complexity. [Basel Framework, DIS 10.16]
- Approaches to disclosure should be sufficiently flexible to reflect how senior management and the board of directors internally assess and manage risks and strategy, helping users to better understand a D-SIB's risk tolerance/appetite. [Basel Framework, DIS 10.17]
- **Principle 3 – Disclosures should be meaningful to users** – Disclosures should highlight a D-SIB's most significant current and emerging risks and how those risks are managed, including information that is likely to receive market attention. Where meaningful, linkages must be provided to line items on the balance sheet or the income statement. Disclosures that do not add value to users' understanding or do not communicate useful information should be avoided. Furthermore, information which is no longer meaningful or relevant to users should be removed. [Basel Framework, DIS 10.18]
- **Principle 4 – Disclosures should be consistent over time** – Disclosures should be consistent over time to enable key stakeholders to identify trends in a D-SIB's risk profile across all significant aspects of its business. Additions, deletions, and other important changes in disclosures from previous reports, including those arising from a D-SIB's specific, regulatory or market developments, should be highlighted and explained. [Basel Framework, DIS 10.19]
- **Principle 5 – Disclosures should be comparable across D-SIBs** – The level of detail and the format of presentation of disclosures should enable key stakeholders to perform meaningful comparisons of business activities, prudential metrics, risks and risk management between D-SIBs and across jurisdictions. [Basel Framework, DIS 10.20]

12. OSFI expects D-SIBs to present disclosures that reflect the above principles.

## IV. Disclosure requirements for D-SIBs and implementation date

13. OSFI expects D-SIBs to implement this Guideline as follows:

- For the reporting period ending April 30, 2023, continue to disclose the tables and templates already required by OSFI (Annex 1). In addition, OSFI expects D-SIBs to update and disclose prospectively the eight tables and templates in Annex 2 of this Guideline. D-SIBs should provide comparative period disclosures over future reporting periods.
- For the reporting period ending October 31, 2023, disclose prospectively the tables and templates in Annex 3 of this Guideline. D-SIBs should provide comparative period disclosures over future reporting periods.

14. On an ongoing basis after implementation, OSFI expects D-SIBs to adhere to this Guideline for frequency and format of reporting. D-SIBs may provide Pillar 3 reporting on a more frequent basis than is required by this Guideline.

15. OSFI expects the D-SIBs to continue to apply the market risk disclosures under Basel 2.5 revisions to the *Basel II market risk framework* until the market risk disclosures under the BCBS Pillar 3 Framework come into effect in Canada. However, D-SIBs may, at their discretion, adopt and disclose any of the tables or templates from the BCBS Pillar 3 Framework that are relevant in reflecting the market risk and related activities of the institution.

16. OSFI's existing disclosure requirements for remuneration, composition of capital, global systemically important banks, liquidity coverage ratio, liquidity principles, leverage ratio, TLAC, NSFR and Interest Rate Risk Management continue to be in force.<sup>6</sup>

## V. Frequency of reporting

17. The reporting frequency varies between quarterly and annually depending upon the nature of the specific disclosure requirement. [Basel Framework, DIS 10.5]

## VI. Disclosure format

18. The Annexes of this Guideline designate the required tables and templates in this Guideline as either fixed format or flexible format. Templates must be completed with quantitative data in accordance with the definitions provided. Tables generally relate to qualitative requirements, but quantitative information is also required in some instances. [Basel Framework, DIS 10.21]
19. D-SIBs are required to follow the disclosure format designated by the Annexes of this draft Guideline, which are:

### Fixed format

20. Fixed format templates should be completed in accordance with the OSFI-prescribed instructions for each template and located in a separate Pillar 3 report. If a row or column in a template is not considered relevant or meaningful to users (i.e. because it would contain a nil balance), D-SIBs may delete the specific row or column, while keeping the numbering of subsequent rows or columns for ease of reference. D-SIBs may also add extra sub-rows and sub-columns to provide additional granularity, such as to meet other disclosure requirements outside of Pillar 3, but the numbering of prescribed rows and columns in the template must not be altered. [Basel Framework, DIS 10.23(1)]

### Flexible format

21. Flexible format tables and templates allow D-SIBs to present the required information either in the format provided in this document or in a format that better suits the D-SIB, as long as the information provided is comparable to and at a similar level of granularity as required in this Guideline.

22. D-SIBs can disclose flexible format tables and templates in a separate document other than in a Pillar 3 report (e.g., in the management discussion and analysis, financial statement notes or supplemental information) but must clearly indicate in the Pillar 3 report where the disclosure requirements have been published. [Basel Framework, DIS 10.23(2)]

## EDTF Disclosures

23. To help minimise duplication of disclosures, D-SIBs can remove those EDTF disclosures that are effectively disclosed by the templates of this Guideline. D-SIBs should retain those EDTF disclosures that are not covered by Pillar 3 requirements.
24. For those EDTF disclosures that are covered by this Guideline, OSFI expects D-SIBs to follow the reporting frequency included in this Guideline (refer to the Annexes). D-SIBs are permitted to provide EDTF disclosures on a more frequent basis than Pillar 3 requirements should they choose to do so.

## Limited disclosure exceptions

25. If a D-SIB considers that the information requested in a template or table would not be meaningful to users, for example because the exposures and risk-weighted asset (RWA) amounts are deemed immaterial, it may choose not to disclose part or all of the information requested. In such circumstances, however, the D-SIB will be required to explain in a narrative commentary why it considers such information not to be meaningful to users. It should describe the portfolios excluded from the disclosure requirement and the aggregate total RWA those portfolios represent. [Basel Framework, DIS 10.22]
26. OSFI believes that the disclosure requirements strike an appropriate balance between the need for meaningful disclosure and the protection of proprietary and confidential information. In exceptional cases, disclosure of certain items required by Pillar 3 may contravene its legal obligations by making public information that is proprietary or confidential in nature. In such cases, a D-SIB does not need to disclose those specific items but must disclose more general information about the subject matter of the requirement instead. It must also explain in the narrative commentary to the disclosure requirement the fact that the

specific items of information have not been disclosed and the reasons for this. [Basel Framework, DIS 10.12]

## VII. Qualitative narrative to accompany the disclosure requirements

27. D-SIBs are expected to supplement the quantitative information provided in both fixed and flexible templates with a narrative commentary to explain at least any significant changes between reporting periods and any other issues that management considers to be of interest to users. The form taken by this additional narrative is at the D-SIB's discretion. [Basel Framework, DIS 10.28]
28. Disclosure of additional quantitative and qualitative information provides market participants with a broader picture of an institution's risk position and promotes market discipline. [Basel Framework, DIS 10.29]

## VIII. Location of disclosures

29. The Pillar 3 report must be published concurrently with the D-SIB's financial report for the corresponding period. [Basel Framework, DIS 10.6]
30. Subject to OSFI discretion, D-SIBs may disclose in a document separate from their Pillar 3 reports (e.g. in a D-SIB's annual report or through published regulatory reporting) the templates / tables with a flexible format, and the fixed format templates where all of the following criteria are met: a) the disclosure in the signposted document is mandatory; b) the information contained in the signposted document i) is equivalent in terms of presentation and content to that required in the fixed template; ii) allows users to make meaningful comparison with information provided by D-SIBs disclosing the fixed format templates; iii) is based on the same scope of consolidation as the one used in the disclosure requirement. In such circumstances, the D-SIB must signpost clearly in its Pillar 3 report where the disclosure requirements have been published. This signposting in the Pillar 3 report must include: a) the title and number of the disclosure requirement; b) the full name of the separate document in which the disclosure requirement has been published; c) a web link, where relevant; and d) the page and paragraph number of the separate document where the disclosure requirements can be located. [Basel Framework, DIS 10.25-26]

31. D-SIBs can only make use of signposting to another document if the level of assurance on the reliability of data in the separate document is equivalent to, or greater than, the internal assurance level required for the Pillar 3 report. [Basel Framework, DIS 10.27]
32. D-SIBs are required to publish Pillar 3 disclosures concurrently with the financial statements. The Pillar 3 report should be easily located by users, such as in a standalone document, appended to or part of a discrete section of the D-SIB's financial reporting.
33. Pillar 3 disclosures should be publicly available (such as on a website) and D-SIBs should have an ongoing archive of all Pillar 3 disclosures relating to prior reporting periods. D-SIBs are required to ensure public access to previously issued Pillar 3 disclosures for a minimum of 12 months; where investor information is made available for longer periods, the same archive period should be used for Pillar 3 disclosures.
34. To facilitate ease of locating disclosures, D-SIBs should provide their respective Pillar 3 reports a complete mapping of all required tables and templates to their specific location, whether that location is in the Pillar 3 report or in a separate document. This disclosure mapping should include the template title, name of document referenced, specific page number or paragraph referenced and web link where relevant. For instances where entire, or portions of, certain tables or templates are not disclosed, explanations should be provided.

## IX. Compliance with Pillar 3

35. The Pillar 3 information disclosed must be subject, at a minimum, to the same level of internal review and internal control process as the information provided for their financial reporting (i.e. the level of assurance must be the same as for information provided within the management discussion and analysis part of the annual financial statements). [Basel Framework, DIS 10.10]
36. The internal audit function should review compliance with Annex 3 of this Guideline on initial application and, subsequently, on a periodic basis. The initial review should be conducted within one year after implementation of this Guideline. Subsequent reviews of disclosures from Annex 1, 2 and 3 should be

conducted on a periodic basis consistent with the D-SIB's normal reporting verification cycle. Issues of non-compliance with this Guideline will be addressed by OSFI on a case-by-case basis through bilateral discussions with the D-SIBs.

## Annex 1 – Existing Pillar 3 Tables / Templates to Continue Disclosing Format and reporting

**frequency**

Disclosure	Risk Category	Tables and Templates	Format	Frequency
1	Overview of risk management, key prudential metrics & RWA	KM2 – Key metrics – TLAC requirements (at resolution group level)	Fixed	Quarterly
2	Overview of risk management, key prudential metrics & RWA	OVA – Bank risk management approach	Flexible	Annual
3	Composition of capital & TLAC	CCA – Main features of regulatory capital instruments and of other TLAC-eligible instruments	Flexible	Quarterly
4	Composition of capital & TLAC	CC1 – Composition of regulatory capital	Fixed	Quarterly
5	Composition of capital & TLAC	CC2 – Reconciliation of regulatory capital to balance sheet	Fixed	Quarterly
6	Composition of capital & TLAC	TLAC1 – TLAC composition for G-SIBs (at resolution group level)	Fixed	Quarterly
7	Composition of capital & TLAC	TLAC2 – Material subgroup entity – creditor ranking at legal entity level	Fixed	Quarterly
8	Composition of capital & TLAC	TLAC3 – Resolution entity – creditor ranking at legal entity level	Fixed	Quarterly
9	Links between financial statements & regulatory exposures	LIA – Explanations of differences between accounting and regulatory exposure amounts	Flexible	Annual
10	Links between financial statements & regulatory exposures	LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	Flexible	Annual
11	Links between financial statements & regulatory exposures	LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Flexible	Annual
12	Credit risk	CRA – General information about credit risk	Flexible	Annual

13	Credit risk	CR1 – Credit quality of assets	Fixed	Quarterly
14	Credit risk	CR2 – Changes in stock of defaulted loans and debt securities	Fixed	Quarterly
15	Credit risk	CRB – Additional disclosure related to the credit quality of assets	Flexible	Annual
16	Credit risk	CRC – Qualitative disclosure requirements related to credit risk mitigation techniques	Flexible	Annual
17	Credit risk	CR3 – Credit risk mitigation techniques – overview	Fixed	Quarterly
18	Credit risk	CRD – Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	Flexible	Annual
19	Credit risk	CRE – Qualitative disclosures related to IRB models	Flexible	Annual
20	Credit risk	CR6 – IRB - Credit risk exposures by portfolio and PD range	Fixed	Quarterly
21	Credit risk	CR8 – RWA flow statements of credit risk exposures under IRB	Fixed	Quarterly
22	Credit risk	CR9 – IRB – Backtesting of probability of default (PD) per portfolio	Flexible	Annual
23	Counterparty credit risk	CCRA – Qualitative disclosure related to counterparty credit risk	Fixed	Quarterly
24	Counterparty credit risk	CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach	Fixed	Quarterly
25	Counterparty credit risk	CCR2 – Credit valuation adjustment (CVA) capital charge	Fixed	Quarterly
26	Counterparty credit risk	CCR6 – Credit derivatives exposures	Flexible	Quarterly
27	Counterparty credit risk	CCR7 – RWA flow statements of CCR exposures under the Internal Model Method (IMM)	Fixed	Quarterly
28	Counterparty credit risk	CCR8 – Exposures to central counterparties	Fixed	Quarterly
29	Securitisation	SECA – Qualitative disclosure requirements related to securitisation exposures	Flexible	Annual

30	Securitisation	SEC1 – Securitisation exposures in the banking book	Flexible	Quarterly
31	Securitisation	SEC2 – Securitisation exposures in the trading book	Flexible	Quarterly
32	Securitisation	SEC3 – Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	Fixed	Quarterly
33	Securitisation	SEC4 – Securitisation exposures in the banking book and associated capital requirements – bank acting as investor	Fixed	Quarterly
34	Macroprudential supervisory measures	GSIB1 – Disclosure of G-SIB indicators	Flexible	Annual
35	Leverage ratio	LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure	Fixed	Quarterly
36	Leverage ratio	LR2 – Leverage ratio common disclosure template	Fixed	Quarterly
37	Liquidity	LIQ1 – Liquidity Coverage Ratio (LCR)	Fixed	Quarterly
38	Liquidity	LIQ2 – Net Stable Funding Ratio (NSFR)	Fixed	Quarterly
39	Remuneration*	Remuneration - Table A	Fixed	Annual
40	Interest Rate Risk in the Banking Book	IRRBB Disclosure	Flexible	Annual

\* Effective Q4, 2023, replace OSFI Advisory on Basel II Pillar 3 Disclosure Requirements for Remuneration with Table REMA and Templates REM1, REM2, REM3 per Annex 3 of this Guideline

## Annex 2 – Existing Pillar 3 Tables / Templates to Continue Disclosing

Updated version to be implemented Q2, 2023

## Format and reporting frequency

Disclosure	Risk Category	Tables and Templates	Format	Frequency
41	Overview of risk management, key prudential metrics & RWA	OV1: Overview of RWA	Fixed	Quarterly
42	Credit risk	CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	Fixed	Quarterly
43	Credit risk	CR5: Standardised approach – exposures by asset classes and risk weights	Fixed	Quarterly
44	Credit risk	CR7: IRB – Effect on RWA of credit derivatives used as CRM techniques	Fixed	Quarterly
45	Credit risk	CR10: IRB (specialised lending under the slotting approach)	Flexible	Quarterly
46	Counterparty credit risk	CCR3: Standardised approach of CCR exposures by regulatory portfolio and risk weights	Fixed	Quarterly
47	Counterparty credit risk	CCR4: IRB – CCR exposures by portfolio and PD scale	Fixed	Quarterly
48	Counterparty credit risk	CCR5: Composition of collateral for CCR exposure	Flexible	Quarterly



## Annex 3 – New Pillar 3 Tables / Templates from Phases II and III To be implemented Q4, 2023

### Format and reporting frequency

Disclosure	Risk Category	Tables and Templates	Format	Frequency
49	Overview of risk management, key prudential metrics & RWA	KM1 – Key metrics (at consolidated group level)	Fixed	Quarterly
50	Comparison of modelled & standardised RWA	CMS1 – Comparison of modelled and standardised RWA at risk level	Fixed	Quarterly
51	Comparison of modelled & standardised RWA	CMS2 – Comparison of modelled and standardised RWA for credit risk at asset class level	Fixed	Quarterly
52	Links between financial statements & regulatory exposures	PV1 – Prudent valuation adjustments (PVA)	Fixed	Annual
53	Asset encumbrance	ENC – Asset encumbrance	Fixed	Quarterly
54	Remuneration	REMA – Remuneration policy	Flexible	Annual
55	Remuneration	REM1 – Remuneration awarded during the financial year	Flexible	Annual
56	Remuneration	REM2 – Special payments	Flexible	Annual
57	Remuneration	REM3 – Deferred remuneration	Flexible	Annual
58	Operational Risk	ORA – General qualitative information on a bank's operational risk framework	Flexible	Annual
59	Operational Risk	OR1 – Historical losses	Fixed	Annual
60	Operational Risk	OR2 – Business indicator and subcomponents	Fixed	Annual
61	Operational Risk	OR3 – Minimum required operational risk capital	Fixed	Annual
62	Macroprudential supervisory measures	CCyB1 – Geographical distribution of credit exposures used in the countercyclical buffer	Flexible	Quarterly
63	Liquidity	LIQA – Liquidity risk management	Flexible	Annual

- 1 Chapter 1 of the Capital Adequacy Requirements (CAR) Guideline identifies D-SIBs as Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, and Toronto-Dominion Bank.
- 2 For example, the Financial Stability Board considers disclosure of key importance. For additional information please see the FSB's [Enhanced Disclosure Task Force reports](#).
- 3 Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework – Comprehensive Version, June 2006 (the Basel II framework). Enhancements to the Basel II framework and revisions to the Basel II market risk framework, June 2009 (collectively referred to as the Basel 2.5 framework).
- 4 BCBS [Definitions and Applications](#) and [Disclosure Requirements](#).
- 5 OSFI CAR Guideline, Chapter 1, Annex 1.
- 6 See links to existing OSFI disclosure requirements for D-SIBs still in force for D-SIBs:

  - OSFI Advisory on Basel II Pillar 3 Disclosure Requirements for Remuneration
  - [OSFI Guideline on Capital Disclosure Requirements](#)
  - OSFI Advisory on Global Systemically Important Banks – Public disclosure requirements
  - [OSFI Guideline on Public Disclosure Requirements for D-SIBs on Liquidity Coverage Ratio \(D-11\)](#)
  - [OSFI Guideline on Liquidity Principles \(B-6\)](#)
  - [OSFI Guideline on Leverage Ratio Disclosure Requirements \(D-12\)](#)
  - [OSFI Guideline on Total Loss Absorbing Capacity \(TLAC\) Disclosure Requirements](#)
  - [OSFI Guideline on Net Stable Funding Ratio Disclosure Requirements](#)
  - [OSFI Guideline on Interest Rate Risk Management](#)