Consultation

Title	Consultation: Draft Capital Adequacy Requirements (CAR) Guideline
Category	Capital Adequacy Requirements
Date	February 20, 2025
Sector	Banks Trust and Loan Companies

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Consultation status: Closed

This is a 60-day public consultation on draft revisions to the:

- Capital Adequacy Requirements (CAR) Guideline
- Small and Medium-Sized Deposit-Taking Institutions (SMSB) Capital and Liquidity Requirements Guideline

Consultation closed April 22, 2025. We'll keep this draft on the site until the final guideline is released.

The proposed revisions are aimed at improving the financial resilience and stability of our deposit-taking institutions. Revisions clarify existing capital rules and support their more consistent application under the credit risk Standardized Approach (SA) and Internal Ratings-based (IRB) approaches in Chapters 4 and 5. This includes ensuring the treatment of Combined Loan Products is consistent with their risks and structure.

The Office of the Superintendent of Financial Institutions is also:

- updating how we define income-producing residential real estate exposures and clarifying the treatment of certain U.S. government-sponsored entities.
- proposing changes under the market risk Standardized Approach, so it aligns more closely with the Basel Framework, and we are clarifying the credit valuation adjustment framework.
- Following the end of Canadian Dollar Offered Rate (CDOR) last June, we are removing references to Bankers' Acceptances and CDOR.



60-day public consultation is underway on the draft revisions to the Capital Adequacy Requirements (CAR) Guideline

The CAR Guideline also clarifies next steps on the Basel III capital floor. We remain committed to Basel III principles because we believe our commitment will enhance the resilience of the Canadian banking system. At the same time, there remains uncertainty about when other jurisdictions will fully implement Basel III. We recognize that requiring

Canadian banks to conform to certain elements of Basel III while other jurisdictions are slower to adopt these standards creates competitive challenges for Canada's banks operating internationally.

We have therefore decided to defer increases to the Basel III standardized capital floor level for Canadian banks until further notice. This means that the output floor will remain at 67.5% until further notice. Moreover, we commit to notifying affected banks at least two years prior to resuming an increase in the output floor.

OSFI will continue to measure the implementation progress of the Basel III reforms in other jurisdictions and engage with stakeholders to ensure our approach remains balanced, informed, and aligned with evolving global standards.

Why it's important

The CAR guideline ensures financial institutions have adequate capital to cover Canadians' deposits even if financial institutions' expectations regarding the loans or investments they have made aren't borne out.

If banks have too little capital to absorb potential losses from the risks they take, it puts depositors' money at risk. Insufficient capital across the financial system can, in bad times, trigger economy-wide financial instability and cause problems for a country's financial system. The global financial crisis in 2007 is an example.

Way forward

Your feedback will help inform final changes to the guidelines and inform next steps in this process. Please provide your feedback to Consultations@osfi-bsif.gc.ca by April 22, 2025.

Contact us

For more information or for help submitting your feedback, please contact Consultations@osfi-bsif.gc.ca.