Letter

Title	Draft Guideline B-2 Large Exposure Limits (2028) - Letter
Category	Prudential Limits and Restrictions
Date	May 21, 2026
Sector	Banks Trust and Loan Companies

Today, we are launching a 90-day public consultation on draft revisions to Guideline B-2 – Large Exposure Limits.

The proposed revisions build on the current version of Guideline B 2 that we published in January 2019 and that applies to domestic systemically important banks (D SIBs). The draft amendments extend the scope of the guideline to Category 1 and Category 2 small and medium sized banks (SMSBs) and replace the 1994 large exposure guideline currently applicable to these institutions. Under the revisions, Category 3 SMSBs and foreign bank branches will no longer be subject to the large exposure guideline.

The comments we receive during the consultation will inform final changes to the guideline. The revised guideline will come into effect on November 1, 2027 or January 1, 2028 for institutions with a fiscal year ending October 31 or December 31, respectively.

The objective of a large exposure regime is to limit risks arising from exposures to a single counterparty or group of connected counterparties. The regime complements the risk based capital framework, which does not explicitly address concentration risk. The proposed revisions are intended to enhance consistency in the identification, measurement, and monitoring of large exposures across institutions while taking into account the size and nature of SMSBs.

The main revisions to Guideline B 2 include:

- expanding the scope of application of the guideline to Category 1 and Category 2 SMSBs at the consolidated entity level

- applying a general large exposure limit of 25% of Tier 1 capital for SMSBs, consistent with the approach for D SIBs
- aligning exposure measurement for SMSBs with the Capital Adequacy Requirements Guideline, including the recognition of eligible credit risk mitigation techniques
- updating the criteria for SMSBs to identify groups of connected counterparties to promote more consistent aggregation of exposures
- introducing quarterly large exposure reporting for SMSBs, using the same reporting template that currently apply to D SIBs
- making minor SMSB specific adjustments to certain measurement approaches to support proportionality and limit regulatory burden

We are also including various housekeeping updates to the guideline, including updating references to the Basel Framework and other guidelines.

Stakeholders who wish to submit comments on the draft revised Guideline B 2 should send them to consultations@osfi-bsif.gc.ca by August 19, 2026. We will publish a non attributed summary of the comments we receive, together with our responses, on our website alongside the final version of the guideline in February 2027.