Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada

Draft Guideline – Covered Bond Limit

Publication type	Guideline
Date	November 19, 2026
Sector	Banks, Trust and Loan Companies
Effective Date	May 1, 2027

Purpose

1. This guideline establishes OSFI's expectations for the covered bond limit. The guideline is intended to ensure that covered bond issuance remains consistent with prudent asset encumbrance practices and does not materially impair an institution's ability to access unencumbered assets for liquidity, recovery, and resolution purposes.

Scope of application

2. This guideline applies to banks (including federal credit unions), federally regulated trust companies, and federally regulated loan companies, collectively referred to as institutions.

3. This guideline establishes separate covered bond limits for domestic systemically important banks (D-SIBs)[1] and small and medium-sized banks (SMSBs)[2]. Institutions must comply with the limit applicable to their designation.

Covered bond calculation and limit for D-SIBs

4. Total assets pledged by a D-SIB for covered bonds must not, at any time, represent more than 7% of the issuer's on-balance sheet assets.

5. The covered bond ratio calculation for D-SIBs is as follows:

$$\frac{\text{Total assets pledged for covered bonds}}{\text{Total on} - \text{balance sheet assets}} \leq 7\%$$

Where:

[1] Institutions designated by OSFI as D-SIBs, as defined in Chapter 1 of OSFI's Capital Adequacy Requirements Guideline.
[2] SMSBs as defined in OSFI's SMSB Capital and Liquidity Requirements Guideline.

Total assets pledged for covered bonds = Canadian dollar equivalent of covered bonds outstanding multiplied by the level of overcollateralization, as calculated as per section 4.3.8 of the Canadian Registered Covered Bond Programs Guide and reported in the monthly investors' reports.

Total on-balance sheet assets = Total Assets reported on the Consolidated Balance Sheet (M4) return (Data Point Address (DPA) 1045).

Covered bond calculation and limit for SMSBs

6. Total assets pledged by an SMSB for covered bonds must not, at any time, represent more than 15% of the issuer's domestic on-balance sheet assets.

7. The covered bond ratio calculation for SMSBs is as follows:

$$\frac{\text{Total assets pledged for covered bonds}}{\text{Total domestic on} - \text{balance sheet assets}} \leq 15\%$$

Where:

Total assets pledged for covered bonds = Canadian dollar equivalent of covered bonds outstanding multiplied by the level of overcollateralization, as calculated as per section 4.3.8 of the Canadian Registered Covered Bond Programs Guide and reported in the monthly investors' reports.

Total domestic on-balance sheet assets = Total Assets reported on the Consolidated Balance Sheet (M4) return (DPA 1045) minus Foreign Currency Total Assets reported on the Consolidated Balance Sheet (M4) return (DPA 0563).

Ongoing requirements

8. The covered bond limit, as defined above, must be met on an ongoing basis. If at any time, the limit is exceeded, the institution must notify OSFI in a timely manner. Excesses due to factors beyond the control of the issuing institution, such as foreign exchange fluctuations, will not require the institution to take action to reduce the amount outstanding. For other excesses, the institution must provide a plan to OSFI showing how the institution proposes to eliminate the excess quickly.

9. OSFI expects pledging policies of institutions to specifically consider the issuance of covered bonds and the pledging of additional collateral to meet higher overcollateralization requirements, consistent with the limits and conditions contained in this guideline.