

RCAP jurisdictional assessments: self-reporting monitoring template for RCAP follow-up actions

Jurisdiction: Canada

Status as of: 31 December 2018

With reference to RCAP report: Assessment of Basel III regulations – Canada (June 2014) and LCR regulations – Canada (October 2017)

Part A¹

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

Table A

(1) Issue and/or relevant Basel paragraph number(s)	(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)	(3) Detailed reference to the domestic legislation/regulation that addresses the finding	(4) Summary description of amendment or rectification made
Basel III paragraphs 136-150	Implementation of provisions related to the countercyclical buffer	Capital Adequacy Requirements (CAR) Guideline – Chapter 1 – section 1.6.2 under Mandated Capital Buffers	OSFI has implemented the countercyclical buffer requirements as outlined in the BCBS documentation. OSFI has an inter-agency process to determine the conditions on which the buffer would be activated. At this time the buffer has been set at zero.
Planned issuance of Pillar 3 as a Guideline	To change the disclosure requirements from advisories to guidelines. While still compliant and advisories are eligible under RCAP criteria – it was the intention of OSFI to change the disclosure requirements into guidelines.	OSFI issued its final Pillar 3 Disclosure Requirements in April 2017, which came into effect as of October 31, 2018.	The final guideline covers the Pillar 3 Phase 1 disclosure requirements issued by the BCBS in January 2015.

¹ To be completed only for those findings where action has been taken or initiated. Any plans for addressing other findings may be indicated in Part B.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

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IRB – Purchased Receivables – Basel II paragraph 242	Minor deviation relating to the CAR guideline not specifying calculation method for concentration limit of 3.5%.	CAR guideline Chapter 6 – paragraph 46-48 – sets the limit of 3.5% but does not specify how calculated.	None of the banks use the purchased receivables approach as such, Chapter 6 of the guideline has not been adjusted. The 3.5% remains a limit on the size of any individual exposure. In October 2018, OSFI introduced a 4% limit under the top down approach for purchased receivables in Chapter 7 of the 2019 CAR Guideline.

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to liquidity coverage ratio standards (RCAP-LCR)

Table B

(1) Issue and/or relevant Basel paragraph number(s)	(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)	(3) Detailed reference to the domestic legislation/regulation that addresses the finding	(4) Summary description of amendment or rectification made
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Part B

Please detail here your plan(s), if any, for amendment/rectification of findings, including the expected or tentative time frame.

RCAP-Capital

OSFI has rectified the majority of the findings raised during the RCAP assessment. The few remaining identified deviations have also been rectified through subsequent updates to the CAR Guideline and Pillar 3 Disclosure Requirements Guideline.

RCAP-LCR

The Assessment of Basel III LCR regulations - Canada (October 2017) contained only one finding. Canadian authorities do not have specific risk retention regulations in place which would permit Canadian RMBS to be considered as eligible Level 2B assets under the Basel LCR rules (paragraph 54(a)). LAR Guideline Chapter 2 paragraph 47 and accompanying OSFI Notes in the LAR Guideline have not been adjusted.

For Canadian RMBS, OSFI continues to recognise enhanced disclosure and requirements to absorb the first loss as examples where the principles of risk retention are met. Further, private RMBS issuance in Canada is extremely small and is not expected to increase significantly in the short or medium term, thus the impact on LCRs of RCAP sample banks is not material.

For RMBS from foreign jurisdictions, local risk retention regulations should be followed which satisfies the criteria in the Basel rules.