



## News Release

For Immediate Release

### OSFI releases for public consultation revisions to its CAR Guideline

**OTTAWA – September 9, 2016 – Office of the Superintendent of Financial Institutions**

The Office of the Superintendent of Financial Institutions (OSFI) today released for public consultation revisions to its *Capital Adequacy Requirements Guideline* (CAR).

OSFI's CAR Guideline provides a framework for assessing the capital adequacy of federally regulated deposit-taking institutions and is updated periodically to ensure that capital requirements continue to reflect underlying risks and developments in the financial industry.

The CAR Guideline is based on requirements agreed by the Basel Committee on Banking Supervision. As a member of the Basel Committee, OSFI supports and applies the global risk-based framework to its regulated institutions through a measured and tailored approach that is suited to the Canadian context.

Captured in this set of revisions are OSFI's expectations on the domestic implementation of two global capital adequacy standards issued by the Basel Committee in recent years. In this draft, OSFI outlines its discretionary approach to the implementation of the Basel III countercyclical buffer regime in Canada as well as provides guidance on the application of Basel's equity investment in funds rules, which require institutions to hold adequate capital against equity investments in funds.

To reflect the changing risks in the Canadian mortgage market, the draft CAR Guideline has also been updated to include planned revisions to the treatment of insured residential mortgages (see OSFI's December 2015 [letter to industry](#)). Through the capital framework, OSFI is clarifying the conditions under which risk mitigation benefits of mortgage insurance are recognized for regulatory capital purposes. These changes aim to reinforce the need for banks to exercise prudent underwriting and proper due diligence when originating insured mortgages.

Finally, the revisions to the draft guideline provide clarification on how OSFI's capital framework will apply to federal credit unions.

### Quick facts

- The implementation date for these changes is set for November 1, 2016 for institutions with an October 31 year end, and January 1, 2017 for institutions with a December 31 year end.
- OSFI is inviting comments on the proposed updates, which it will consider during the development of the final version of the guideline. The deadline for submitting comments is October 18, 2016.
- A non-attributed summary of industry comments received along with OSFI's responses will be posted on OSFI's website when the final version of the guideline is released.

## Associated Links

- [Cover Letter](#)
- [Draft CAR Guideline](#)
- [Guideline Impact Analysis Statement](#)

## About OSFI

[The Office of the Superintendent of Financial Institutions](#) (OSFI) is an independent agency of the Government of Canada, established in 1987, to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks.

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