Federal Financial Institutions Legislative and Regulatory Reporter - April 2016

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April 2016

Institution	Published	Title and Brief Summary	Status
OSFI [Applicable to Banks, Bank Holding Companies, Federally Regulated Trust and Loan Companies, Cooperative Retail Associations]	Issued April 29, 2016	Updates to Chapter 6 of Guideline A — Capital Adequacy Requirements (CAR) The Office of the Superintendent of Financial Institutions Canada (OSFI) released for public consultation proposed updates to the regulatory capital requirements for loans secured by residential real estate. These updates will ensure that capital requirements remain prudent in periods where house prices are high relative to household	Comments should be provided no later than June 10, 2016

		income and/or house prices are increasing rapidly in nominal terms. The proposed updates apply to those federally regulated deposit-taking institutions (DTIs) approved by OSFI to use the internal ratings-based (IRB) approach to credit risk.	
BIS/Basel [Applicable to banks]	Published April 21, 2016	Standards for interest rate risk in the banking book issued by the Basel Committee The standards revise the Committee's 2004 Principles for the management and supervision of interest rate risk, which set out supervisory expectations for banks' identification, measurement, monitoring and control of IRRBB as well as its supervision. The standards reflect changes in market and supervisory practices since the Principles were first published in 2004, which is particularly pertinent in light of the current exceptionally low interest rates in many jurisdictions.	Expected to be implemented by 2018
Finance	Introduced (H of C) April 20, 2016	Bill C-15 Budget Implementation Measures Act, 2016 • Division 3 of Part 4 amends the sunset provisions of certain Acts governing federal financial institutions to extend by two years, namely,	Second Reading May 10, 2016

		from March 29, 2017 to March 29, 2019, the period during which those institutions may carry on business. • Division 4 of Part 4 amends the *Bank Act* to facilitate the continuance of local cooperative credit societies as federal credit unions by granting the Minister of Finance the authority to provide transitional procedural exemptions, as well as a loan guarantee. • Division 5 of Part 4 amends the *Canada Deposit Insurance Corporation Act* to, among other things, broaden the Corporation's powers to temporarily control or own a domestic systemically important bank and to convert certain shares and liabilities of such a bank into common shares. • It also amends the *Bank Act* to allow the designation of domestic	

		systemically important banks by the Superintendent of Financial Institutions and to require such banks to maintain a minimum capacity to absorb losses. • Lastly, it makes consequential amendments to the *Financial Administration Act*, the *Winding-up and Restructuring Act* and the *Payment Clearing and Settlement Act*. • Division 6 of Part 4 amends the *Office of the Superintendent of Financial Institutions Act* to change the membership of the committee established under that Act so that the Chairperson of the Canada Deposit Insurance Corporation is replaced by that Corporation's Chief Executive Officer.	
BIS/Basel [Applicable to banks]	Published April 14, 2016	Definitions and disclosure of non-performing exposures and forbearance proposed by the Basel Committee	Comments should be provided no later than July 15, 2016

		The definitions proposed by the Basel Committee aim to promote harmonisation in the measurement and application of two important measures of asset quality and thereby foster consistency in supervisory reporting and disclosures by banks. The proposed definitions complement the existing accounting and regulatory framework in relation to asset categorisation. They are intended to be used, for example, in the supervisory monitoring of a bank's asset quality as well as by banks in their credit risk management and as part of their internal credit categorisation systems.	
BIS/Basel [Applicable to banks]	Published April 6, 2016	Revisions to the Basel III leverage ratio framework The proposed revisions cover the following issues: • measurement of derivative exposures; • treatment of regular-way purchases and sales of financial assets; • treatment of provisions; • credit conversion factors for off-balance sheet items; and • additional requirements for global systemically	Comments should be provided no later than July 6, 2016

		important banks. The final design and calibration of the proposals will be informed by a comprehensive quantitative impact study.	
BIS/Basel [Applicable to banks]	Published April 1, 2016	Regulatory consistency assessment programme (RCAP) — Analysis of risk-weighted assets for credit risk in the banking book This report is the second by the Basel Committee to analyse variation in risk-weighted assets (RWA) in banks using internal ratings-based models to calculate credit risk capital requirements. The study evaluates two types of risk estimates. First, it considers those risk estimates used for exposures to retail customers and small and medium-sized enterprises. Second, it explores the way banks evaluate the likely exposure at default across all asset classes. This report is part of the Committee's wider Regulatory Consistency Assessment Programme (RCAP), which is intended to ensure consistent implementation of the Basel III framework. Its analysis of regulatory outcomes complements other reports by the Committee on variation in RWA for market risk and counterparty credit risk, as well as an earlier	

		report on RWA variation for credit risk published in July 2013.	

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By

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