



Guideline Impact Analysis Statement

Guidelines A and A-1 Capital Adequacy Requirements

November 2007

I. Background

In December 2006, OSFI released the final versions of Capital Adequacy Requirements (CAR) Guidelines A and A-1. The guidelines reflected the requirements set out in the *International Convergence of Capital Measurements and Capital Standards* (the Framework) as well as the additional guidance set forth in the BCBS document *The Application of Basel II to Trading Activities and the Treatment of Double Default Effects*.

II. Problem Identification

After the last versions of the Guidelines were released in December 2006, both OSFI and the industry identified several minor issues requiring clarification, amendment or revision of the Guidelines.

III. Objective

The objective of releasing a new version of the CAR Guidelines is to ensure that federally regulated deposit-taking institutions have comprehensive and clear guidance available to them once the implementation of Basel II commences at year-end 2007.

IV. Options

OSFI considered two options for the release of the CAR Guidelines:

Option 1: Do not update the versions of the Guidelines that were released in December 2006.

This option would have minimized the use of OSFI resources with respect to the need to update the guidelines, but would have left several material questions and issues unresolved, to the detriment of companies seeking guidance. OSFI would also be required to devote resources on an ongoing basis in order to respond to enquiries from the industry related to issues that have been addressed in the updated versions of the guidelines.



Option 2: Issue new versions of the CAR Guidelines that are updated to reflect the resolution of issues that have been identified since the previous versions were released.

While this option would require additional OSFI resources to update the guidelines, it would provide additional clarity to institutions implementing Basel II and would lead to fewer industry and institution requests for guidance over the long term.

V. Consultations

On September 13, 2007, OSFI released draft updated versions of the Guidelines that incorporated comments and queries received from industry associations and individual banks, and that corrected errors identified in the December 2006 versions. OSFI held a 30-day consultation period in order to ensure that the final versions properly reflected the interpretations and guidance that had been sent to individual institutions. The final versions of the Guidelines that are being released reflect all comments that were received. These versions contain only minor revisions to the draft Guidelines released previously.

VI. Recommendation

It is recommended that OSFI issue an updated guideline incorporating additional guidance on all outstanding issues that were resolved subsequent to the release of the final version of the Guidelines in December 2006.