



Reference: Guideline for Banks,
FBBs and T&L

Our File: P2050-15

July 11, 2007

To: Banks
Foreign Bank Branches
Federally Regulated Trust and Loan Companies

Subject: Revised Guideline C-5 – General Allowances for Credit Risk

In 2001, OSFI released Guideline C-5, which provides banks, authorized foreign banks and federally regulated trust and loan companies with guidance on the regulatory framework for general allowances.

OSFI has revisited the disclosure requirements appearing in Guideline C-5 given that Canadian generally accepted accounting principles (GAAP) require similar disclosures and that general allowances have gained general acceptance and understanding in the marketplace. OSFI has concluded that it is satisfied with the disclosure requirements under GAAP and is prepared to rely on them without the need for greater specification at this time. Accordingly, in the interest of avoiding duplication and considering the disclosure requirements and practices of other major jurisdictions, OSFI is withdrawing the specific disclosure requirements in Guideline C-5. Going forward, OSFI will monitor the public disclosure practices of institutions in this area and may revisit them at a future date if needed. A consequential amendment to Guideline C-1, *Impaired Loans*, in which similar disclosures appear, has also been made for consistency.

OSFI intends to conduct a comprehensive review of Guideline C-5 once OSFI and the industry gain experience and comfort with the robustness of new risk management systems under Basel II.

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Regulation Sector

