

# Manual of Reporting Forms and Instructions for Deposit-Taking Institutions

## AMENDMENT CONTROL LOG

### Capital Adequacy Return

Amendment Number	Effective Date	Page Number	Description
<b>Please note that as of November 2002, all changes are highlighted:</b>			
1	October 31, 1997		<u>Add:</u> <ul style="list-style-type: none"> <li>◆ A new line for “Eligible General Allowance”, to be included in Tier 2A on CAR 2</li> <li>◆ A new line for “Memo Item - Authorized Asset to Capital Multiple”, last line on CAR 1</li> </ul> <p>* Please note the changes to Guideline A, Capital Adequacy Requirements will be issued under separate cover at a future date.</p>
2	November 1999	2	<u>Add:</u> <ul style="list-style-type: none"> <li>◆ Section 600 of the Bank Act (applies to Foreign Bank Branches)</li> <li>◆ Information on disclosure</li> </ul> <u>Change:</u> <ul style="list-style-type: none"> <li>◆ Section 523 of the Bank Act is now Section 628</li> </ul>
		(Return)	<u>Add:</u> <p>The following lines have been added to CAR 1</p> <ul style="list-style-type: none"> <li>◆ Net Tier 1 Capital</li> <li>◆ Risk-based Tier 1 Capital Ratio</li> <li>◆ Deduct: Intangible assets in excess of limit</li> <li>◆ Deduct: Assets of little or no realizable value in excess of 10% of total capital (for Trust and Loan Companies only)</li> <li>◆ Total capital</li> <li>◆ Less: Assets of little or no realizable value in excess of 10% of total capital (for Trust and Loan Companies only)</li> <li>◆ Total capital (adjusted)</li> </ul> <p>The following lines have been added to CAR 2</p> <ul style="list-style-type: none"> <li>◆ Innovative instruments included in Tier 1 capital</li> <li>◆ Deduct from Gross Tier 1 capital: Intangible assets in excess of limit</li> <li>◆ Deduct from Gross Tier 1 capital: For future use</li> <li>◆ Deduct from Gross Tier 1 capital: For future use</li> <li>◆ Deduct from Gross Tier 2 capital: For future use</li> <li>◆ Net Tier 2 capital</li> <li>◆ Limitations</li> <li>◆ Innovative Instruments included in Tier1 Capital as a % of Net Tier 1 Capital</li> </ul> <p>The following lines have been added to CAR 3 (the last 2 lines on CAR 3)</p> <ul style="list-style-type: none"> <li>◆ Plus: Eligible general allowance included in Tier 2A capital</li> <li>◆ Total on-balance sheet assets, adjusted</li> </ul> <u>Change:</u> <ul style="list-style-type: none"> <li>◆ As a result of adding new lines on CAR 1 and CAR 2 all existing letter references, except A, B and C, for all lines on CAR 1, 2 and 4 have been changed accordingly</li> </ul>

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**Capital Adequacy Return**

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<b>Please note that as of November 2002, all changes are highlighted:</b>			
3	November 2000	Return	<p><u>Add:</u></p> <ul style="list-style-type: none"> <li>◆ In the "Net Asset" column on CAR 3 the line for "Plus: Eligible general allowance included in Tier 2A capital" has been unshaded and given a datapoint.</li> <li>◆ New line added to CAR 1 Impact of Master netting agreement.</li> <li>◆ In the "balance" column on CAR 3 the 20% Risk weighted category for deposits with regulated financial institutions, (e) other and for non-mortgage loans (b) to regulated financial institutions (v) other have been unshaded and given a datapoint.</li> <li>◆ On CAR 4, Appendix III "Before netting" and "after netting" has been added to the headings in table 1.</li> </ul> <p><u>Change:</u></p> <ul style="list-style-type: none"> <li>◆ As a result of adding a new line on CAR 1, all existing letter references starting with T on CAR 1, 2 and 3 have been changed accordingly.</li> <li>◆ On CAR IV, Appendix III, Table 1, the 50% Risk weight line for Collateral and Guarantees has been shaded.</li> <li>◆ On CAR 3, the Adjustment for Collateral and Adjustment for Guarantees columns for the Land, buildings and equipment line have been shaded.</li> </ul>
4	November 2001	Return	<p><u>Add:</u></p> <ul style="list-style-type: none"> <li>◆ The "non-controlling Tier 1 interests in subsidiaries" line on CAR 2 has been split into 2 lines, common equity and non-cumulative perpetual preferred shares.</li> </ul> <p><u>Delete:</u></p> <ul style="list-style-type: none"> <li>◆ From CAR 1 the following 3 lines:               <ol style="list-style-type: none"> <li>1) Deduct: Assets of little or no realizable value in excess of 10% of total capital (for Trust and Loan Companies only)</li> <li>2) The line after Total Capital (CAR 2) – Less: Assets of little or no realizable value in excess of 10% of total capital (for Trust and Loan Companies only)</li> <li>3) Total Capital (adjusted)</li> </ol> </li> </ul>
5	November 2002	1	<p><u>Change:</u></p> <ul style="list-style-type: none"> <li>◆ Ivation Data Systems Inc. to Beyond 20/20 Inc.</li> </ul>
		2 to 14	<p><u>Add:</u></p> <ul style="list-style-type: none"> <li>◆ Mock up of G3 return</li> </ul>
		15	<p><u>Add:</u></p> <ul style="list-style-type: none"> <li>◆ General instructions</li> </ul>
6	November 2003	1	<p><u>Add:</u></p> <ul style="list-style-type: none"> <li>◆ Address for OSFI Website</li> </ul> <p><u>Delete:</u></p> <ul style="list-style-type: none"> <li>◆ Reference to Beyond 20/20</li> </ul>
		14	<p><u>Change:</u></p> <ul style="list-style-type: none"> <li>◆ Supplementary information changed from required to available on request.</li> </ul>

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<b>Please note that as of November 2002, all changes are highlighted:</b>			
7	November 2004	3	<u>Add:</u> ♦ Foreign Currency Translation Adjustment ♦ Trading in short positions of own shares (gross) ♦ Three memo items
		8	<u>Add:</u> ♦ Asset Securitization Commitments ♦ Footnote
8	November 2006	3	<u>Add:</u> ♦ Less: Accumulated net after tax fair value gains/(losses) arising from changes in institution's own credit risk ♦ Accumulated net after tax foreign currency translation adjustment reported in other comprehensive income (OCI) ♦ Accumulated net after tax unrealized holding gain on available for sale equity securities reported in OCI ♦ Future use: fair value option  <u>Delete:</u> ♦ Foreign Currency Translation Adjustment

## **CAPITAL ADEQUACY RETURN**

### **PURPOSE**

This return provides the capital to risk-based assets ratio and assets-to-capital multiple of the reporting institution, as well as details of the calculation.

### **STATUTORY**

Sections 628 and 600 of the Bank Act and Section 495 of the Trust and Loan Companies Act.

### **APPLICATION**

This return applies to all deposit-taking institutions.

### **PUBLICATION**

Certain information from this return is available on a total and institution-by-institution basis on the OSFI website at [www.osfi-bsif.gc.ca](http://www.osfi-bsif.gc.ca).

### **FREQUENCY**

Institutions with fiscal year-ends of October	-	Quarterly	-	January, April, July and October
Institutions with fiscal year-ends of December	-	Quarterly	-	March, June, September and December

### **CONTACT PERSON**

Provide name and phone number of person to contact regarding any questions about this return.

### **REPORTING DATES**

The return is to be completed as of the last day of each quarter and submitted within 45 days of the reporting date as follows:

Institutions with fiscal year-ends of October	-	January, April, July and October
Institutions with fiscal year-ends of December	-	March, June, September and December

### **WHERE TO SUBMIT**

OSFI.

CAPITAL RATIO CALCULATIONS

CAR I

<b>Risk-based capital ratio:</b>		
<b>Risk-weighted assets</b>		
On-balance sheet assets (CAR 3)		<b>A</b>
Off-balance sheet exposures (CAR 4)		<b>B</b>
Total risk-weighted assets	A+B	<b>C</b>
<b>Net Tier 1 capital (CAR 2)</b>		<b>D</b>
<b>Total capital (CAR 2)</b>		<b>E</b>
<b>Risk-based Tier 1 Capital Ratio</b>	(D÷C)x100	
<b>Risk-based Total Capital Ratio</b>	(E÷C)x100	
<b>Assets to capital multiple:</b>		
<b>On-balance sheet assets-book value (CAR 3)</b>		<b>F</b>
<b>Off-balance sheet exposures (CAR 4)</b>		
Direct credit substitutes		<b>G</b>
Transaction-related contingents		<b>H</b>
Short-term self-liquidating trade-related contingents		<b>I</b>
Sale and repurchase agreements		<b>J</b>
<b>Total on- and off-balance sheet assets</b>	F+G+H+I+J	<b>K</b>
Deduct:		
Intangible assets in excess of limit		<b>L</b>
Goodwill		<b>M</b>
Investments in unconsolidated subsidiaries / substantial investments		<b>N</b>
Other facilities treated as capital		<b>O</b>
Back-to-back inter-institutional placements of new capital issues		<b>P</b>
First loss protection		<b>Q</b>
Securities lending guarantees		<b>R</b>
Impact of master netting agreements		<b>T</b>
Other		<b>U</b>
<b>Total deductions</b>	L+M+N+O+P+Q+R+T+U	<b>V</b>
<b>Net on- and off-balance sheet assets</b>	K-V	<b>W</b>
<b>Total capital (CAR 2)</b>		<b>E</b>
<b>Assets to capital multiple</b>	W÷E	
<b>Memo item</b>		
Authorized assets to capital multiple		

**CAPITAL ELEMENTS** **CAR 2**

<b>Tier 1</b>		
Common shares		
Contributed surplus		
Retained earnings		
Less: Accumulated net after tax fair value gains/(losses) arising from changes in institution's own credit risk		
Accumulated net after tax foreign currency translation adjustment reported in other comprehensive income (OCI)		
Accumulated net after tax unrealized holding loss on available-for-sale equity securities reported in OCI		
Future use: fair value option		
Non-cumulative perpetual preferred shares		
Innovative instruments included in Tier 1 capital		Y
Non-controlling Tier 1 interests in subsidiaries (excluding innovative Tier 1)		
Common equity		
Non-cumulative perpetual preferred shares		
<b>Gross Tier 1 capital</b>		
Deduct:		
Intangible assets in excess of limit		L
Goodwill		M
Trading in short position of own shares (gross)		
For future use		
<b>Net Tier 1 capital</b>		D
<b>Tier 2A</b>		
Preferred shares		
Subordinated debt (Qualifying 99-year debentures)		
Eligible general allowance		Z
Non-controlling interests in subsidiaries (hybrid capital instruments)		
Accumulated net after tax unrealized holding gain on available-for-sale equity securities reported in OCI		
Future use: fair value option		
<b>Gross Tier 2A capital</b>		AA
<b>Tier 2B</b>		
Preferred shares		
Subordinated debt		
Non-controlling interests in subsidiaries (subordinated term instruments)		
<b>Gross Tier 2B capital</b>		AB
<b>Gross Tier 2 Capital</b>	AA+AB	
Deduct: For future sue		
<b>Net Tier 2 Capital</b>		AC
<b>Total Tier 1 and 2 Capital</b>	D+AC	
Deduct:		
Investments in unconsolidated subsidiaries / substantial investments		N
Other facilities treated as capital		O
Back-to-back inter-institutional placements of new capital issues		P
First loss protection		Q
Other		AD
<b>Total capital</b>	(D+AC)-(N+O+P+Q+AD)	E

Note: Tier 2 instruments should be reported net of amortization; attach details of amortization calculation

<b>Limitations</b>		
Net Tier 2 Capital as a % of Net Tier 1 Capital	(AC÷D)x100	
Gross Tier 2B Capital as a % of Net Tier 1 Capital	(AB÷D)x100	
Innovative Instruments included in Tier 1 Capital as a % of Net Tier 1 Capital	(Y÷D)x100	

**Memo Items**

Financial instruments included in Tier 1 capital, accounted for as liabilities or not consolidated, but grandfathered under OSFI July 2003 and/or February 2004 Advisories, and reported above in:		
Non-cumulative perpetual preferred shares (datapoint 0322)		
Innovative instruments (datapoint 2289)		
Non-controlling interests – Non cumulative perpetual preferred shares (0522)		

**CAR 3**

<b>On-balance sheet assets</b>	<b>Risk-Weighting</b>	<b>Balance</b>	<b>Adjustment for Collateral</b>	<b>Adjustment for Guarantees</b>	<b>Net Assets</b>	<b>Net Risk-Weighted Assets</b>
Gold coin and gold and silver bullion	100%					
	20%					
	0%					
Bank notes and other coin	0%					
Deposits with Bank of Canada	0%					
Deposits with regulated financial institutions, less allowance for impairment						
(a) OECD central banks	0%					
(b) Non-OECD central banks denominated and funded in local currency	0%					
(c) OECD banks and Canadian deposit-taking institutions	20%					
	0%					
(d) Non-OECD banks with residual maturity 1 year and less	20%					
	0%					
(e) Other	100%					
	20%					
	0%					
Cheques and other items in transit	20%					
	0%					
Securities issued or guaranteed by Canada	0%					
Securities issued or guaranteed by a Canadian province or territory	0%					
Securities issued or guaranteed by a Canadian municipal or school corporation	20%					
	0%					
Other securities, less allowance for impairment	100%					
	50%					
	20%					
	0%					
Non-mortgage loans, less allowance for impairment						
(a) call and other short loans to investment dealers and brokers, secured	100%					
	20%					



						<b>CAR 3</b>
<b>On-balance sheet assets</b>	<b>Risk-Weighting</b>	<b>Balance</b>	<b>Adjustment for Collateral</b>	<b>Adjustment for Guarantees</b>	<b>Net Assets</b>	<b>Net Risk-Weighted Assets</b>
	0%					
(b) to regulated financial institutions						
(i) OECD central banks	0%					
(ii) multilateral development banks	20%					
	0%					
(iii) OECD banks and Canadian deposit-taking institutions	20%					
	0%					
(iv) non-OECD incorporated banks with residual maturity 1 year and less	20%					
	0%					
(v) other	100%					
	20%					
	0%					
(c) to Canadian federal Government, Provinces, Municipal or school corporations	20%					
	0%					
(d) to Foreign governments	100%					
	50%					
	20%					
	0%					
(e) Lease receivables	100%					
	20%					
	0%					
(f) to Individuals for non-business purposes	100%					
	50%					
	20%					
	0%					
(g) to Individuals and others for business purposes and reverse repurchase agreements	100%					
	50%					
	20%					
	0%					

**CAR 3**

<b>On-balance sheet assets</b>	<b>Risk-Weighting</b>	<b>Balance</b>	<b>Adjustment for Collateral</b>	<b>Adjustment for Guarantees</b>	<b>Net Assets</b>	<b>Net Risk-Weighted Assets</b>	
Mortgages, less allowance for impairment							
(a) Residential							
(i) Insured							
(a) NHA	0%						
(b) Other	50%						
	0%						
(ii) Uninsured	100%						
	50%						
	0%						
(b) Non-residential	100%						
	20%						
	0%						
Customers' liability under acceptances, less allowance for impairment	100%						
	20%						
	0%						
Land, buildings and equipment, less accumulated depreciation	100%						
Insurance-related assets and other assets	100%						
	50%						
	20%						
	0%						
<b>Total on-balance sheet assets</b>							
Plus: Eligible general allowance included in Tier 2A capital	100%					<b>Z</b>	
<b>Total on-balance sheet assets, adjusted</b>							<b>A</b>

OFF-BALANCE SHEET EXPOSURES

CAR 4

Instrument	Nominal Principal Amount (1)	Credit Conversion Factor (2)	Risk-Weight (3)	Risk Weighted Equivalent (1x2x3)
Direct credit substitutes		100%	0%	
		100%	20%	
	G	100%	100%	
Transaction-related contingents		50%	0%	
		50%	20%	
	H	50%	100%	
Short-term self-liquidating trade-related contingents		20%	0%	
		20%	20%	
	I	20%	100%	
Sale and repurchase agreements		100%	0%	
		100%	20%	
	J	100%	100%	
Forward asset purchases		100%	0%	
		100%	20%	
		100%	100%	
Forward forward deposits		100%	0%	
		100%	20%	
		100%	100%	
Other commitments with certain drawdown		100%	0%	
		100%	20%	
		100%	100%	
NIFs and RUFs		50%	0%	
		50%	20%	
		50%	100%	

CAR 4

Instrument	Nominal Principal Amount (1)	Credit Conversion Factor (2)	Risk-Weight (3)	Risk Weighted Equivalent (1x2x3)
Asset Securitization Commitments – Eligible liquidity facilities <sup>1</sup>				
- with general market disruption clause		0%	0%	
- without general market disruption clause		10%	100%	
Other commitments		0%	0%	
		50%	0%	
		50%	20%	
		50%	100%	
Derivative contracts (Appendix II)				
Interest rate contracts				
Foreign exchange and gold contracts				
Equity-linked contracts				
Precious metals (other than gold contracts)				
Other commodity contracts				
<b>Total off-balance sheet exposures</b>				<b>B</b>

<sup>1</sup> Effective on implementation of the 2004 revisions to Guideline B-5

**CAR 4 - APPENDIX I**

Derivative contracts – notional amounts	Contracts held for trading purposes	Total Contracts	Total contracts – Remaining term to maturity		
			One year or less	Over 1 year to 5 years	Over 5 years
Interest rate contracts					
OTC contracts					
Forwards					
Swaps					
Purchased options					
Written options					
Total					
Exchange – Traded contracts					
Futures – long positions					
Futures – short positions					
Purchased options					
Written options					
Total					
Foreign exchange and gold contracts					
OTC contracts					
Forwards					
Swaps					
Purchased options					
Written options					
Total					
Exchange – Traded contracts					
Futures – long positions					
Futures – short positions					
Purchase options					
Written options					
Total					

**CAR 4 - APPENDIX I**

Derivative contracts – notional amounts	Contracts held for trading purposes	Total Contracts	Total contracts – Remaining term to maturity			
			One year or less	Over 1 year to 5 years	Over 5 years	
Equity-linked contracts						
OTC contracts						
Forwards						
Swaps						
Purchased options						
Written options						
Total						
Exchange – Traded contracts						
Futures – long positions						
Futures – short positions						
Purchased options						
Written options						
Total						
Precious metals (other than gold contracts)						
OTC contracts						
Forwards						
Swaps						
Purchased options						
Written options						
Total						
Exchange – Traded contracts						
Futures – long positions						
Futures – short positions						
Purchased options						
Written options						
Total						

**CAR 4 - APPENDIX I**

Derivative contracts – notional amounts	Contracts held for trading purposes	Total Contracts	Total contracts – Remaining term to maturity		
			One year or less	Over 1 year to 5 years	Over 5 years
Other commodity contracts					
OTC contracts					
Forwards					
Swaps					
Purchased options					
Written options					
Total					
Exchange – Traded contracts					
Futures – long positions					
Futures – short positions					
Purchased options					
Written options					
Total					
Total					

**OTC derivative contracts – replacement cost, potential credit exposure  
credit equivalent and risk-weighted equivalent**

**CAR 4 - APPENDIX II**

	<b>Interest rate contracts</b>	<b>Foreign exchange and gold contracts</b>	<b>Equity-linked contracts</b>	<b>Precious metals (other than gold contracts)</b>	<b>Other commodity contracts</b>
Replacement cost (market value)					
(a) Contracts held for trading purposes – all contracts before permissible netting					
Gross positive replacement cost					
Gross negative replacement cost					
(b) Contracts held for other than trading – all contracts before permissible netting					
Gross positive replacement cost					
Gross negative replacement cost					
(c) Contracts subject to permissible netting – included in (a) and (b)					
Gross positive replacement cost					
Gross negative replacement cost					
Net positive replacement cost					
(d) Total contracts – after permissible netting					
Gross positive replacement cost					
Potential credit exposure					
Contracts not subject to permissible netting					
Contracts subject to permissible netting					
Credit equivalent amount (after taking into account collateral and guarantees)					
Contracts not subject to permissible netting					
Contracts subject to permissible netting					
Risk-weighted equivalent (after taking into account collateral and guarantes)					
Contracts not subject to permissible netting	20%				
	50%				
Contracts subject to permissible netting	20%				
	50%				
Total contracts (carry forward to CAR 4)					



**CAR 4 - APPENDIX III**

**OTC derivative contracts – credit quality**

Table 1 – Information on credit quality of OTC derivative contracts

		Exposure before collateral and guarantees			Credit equivalent amount after collateral and guarantees
		Gross positive market value (before netting)	Current credit exposure (after netting)	Potential credit exposure	
Counterparty risk-weight	0%				
	20%				
	50%				
Total					

		Collateral	Guarantees
Risk-weight of collateral and guarantees	0%		
	20%		
	50%		
Total			

Table 2 – Information about past due OTC derivatives and credit losses

Derivatives past due 30 – 89 days	
Book value	
Gross positive replacement cost	
Derivatives past due 90 days or more	
Book value	
Gross positive replacement cost	
Credit losses on derivatives – year-to-date losses	

**CAR 5**

<b>Memorandum Items – to be completed for year end only</b>	<b>Canadian Banks</b>	<b>Foreign Banks</b>
Investments in tier 1 instruments of other banks		
Investments in tier 2A instruments of other banks		
Investments in tier 2B instruments of other banks		
<b>Total investments in instruments of other banks</b>		

Investments carried on the equity method of accounting included in total above		
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<b>Supplementary Information</b>
<p>The following information should not be submitted to OSFI, but the information should be available to OSFI upon request.</p> <p>1) Details of all issues of Subordinated Debt and Preferred Shares included in Tier 2 Capital.</p> <p>2) An amortized schedule for issues maturing within five years.</p> <p>Distinguish between Tiers 2(A) and 2(B).</p>

**GENERAL INSTRUCTIONS**

**CAPITAL ADEQUACY RETURN (G3)**

Refer to Guideline A – Part I, Capital Adequacy Requirements for Banks/T&L