



October 5, 2007

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

**Subject: Basel I Reporting at Q1 2008**

When Basel II Capital Adequacy Reporting (BCAR) is implemented in the first quarter of 2008, OSFI will no longer require institutions to file Basel I capital returns (G3 Capital Adequacy and M3 Capital Adequacy Market Risk) electronically. However, OSFI expects institutions to retain the ability to produce a Basel I capital adequacy calculation as set out below.

**IRB Institutions**

IRB institutions should retain the ability to produce a Basel I capital calculation as long as a floor based on Basel I rules remains in place. This calculation should be at a level of detail comparable to the Basel I return and to allow OSFI to review Basel I ratios included in the BCAR Schedule 1 memo item.

**Standardized Institutions**

Institutions adopting the Standardized Approach have been invited to participate in a parallel run period in Q3 and Q4 2007. If an individual institution does not participate in the parallel run and cannot file acceptable standardized BCAR returns, the institution should be prepared to also provide OSFI with Basel I capital calculations until advised otherwise. The calculations should be at a level of detail comparable to the Basel I return to allow OSFI to assess the capital strength of the institution.

**Foreign Bank Branches**

The capital test for foreign bank branches is the Capital Equivalency Deposit. Effective Q1 2008, foreign bank branches are no longer required to prepare or submit schedules CAR 3 and CAR 4 of the G3 Capital Adequacy return.

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