OSFI EXTENDS IMPLEMENTATION DATE FOR PILLAR 3 DISCLOSURE REQUIREMENTS

Posted on August 31, 2016

Categories: Insights, Publications

In January 2015, the Basel Committee on Banking Supervision (the "**Basel Committee**"), an international banking regulator, issued the Revised Pillar 3 Disclosure Requirements.[1] As discussed in our previous bulletin, the Pillar 3 Disclosure Requirements aim to promote market discipline through disclosure requirements enabling market participants to access information relating to a financial institution's exposure to risk and regulatory capital.

In January 2016, the Office of the Superintendent of Financial Institutions ("**OSFI**") issued for comment a draft guideline which provided clarification regarding the domestic implementation of the Revised Pillar 3 Disclosure Requirements and therein proposed the fiscal year ending 2017 for implementation of the Revised Pillar 3 Disclosure Requirements for Canadian domestic systemically important banks ("**D-SIBs**").[2]

Extended Implementation date for D-SIBs

On August 17, 2016, OSFI published a letter (the "**August Letter**") to all federally regulated deposit-taking institutions ("**FRDTIs**") notifying them that the implementation date of the Revised Pillar 3 Disclosure Requirements for Canadian D-SIBs has been extended to the fiscal year ending October 31, 2018 (rather than the initially proposed date of October 31, 2017).

Following an external consultation process, OSFI reasoned that the delayed implementation date will allow D-SIBs to focus on implementation of OSFI's IFRS 9 Financial Instruments and Disclosures Guideline published in June, 2016, which will require a significant level of effort. The 2018 implementation date will also enable Canadian D-SIBs to align their disclosure implementation date with internationally active banks.

Small and medium size banks

Small and medium size banks3 are expected to continue with their existing Pillar 3 disclosure practices, since full implementation of the Revised Pillar 3 Disclosure Requirements would be unsuitable considering the nature, size and complexity of these banks.

In the August Letter, OSFI also clarified that the following types of FRDTIs are exempt from Pillar 3 disclosure requirements (as of August 17, 2016):

i. Foreign bank branches;
ii. Financial institutions that do not take deposits; and,
iii. Subsidiaries of FRDTIs that report consolidated results to OSFI.

Although these FRDTIs are exempt from Pillar 3 disclosure requirements, voluntary disclosure is permitted.

OSFI expects to issue the final guideline regarding the implementation of the Revised Pillar 3 Disclosure Requirements in 2017 which may be informed, in part, by further guidance from the Basel Committee as it completes each phase of its disclosure project.

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1. January 2015 Basel Committee *Revised Pillar 3 Disclosure Requirements:* www.bis.org/bcbs/publ/d309.pdf

2. Chapter 1 of the Capital Adequacy Requirements (CAR) Guideline identifies D-SIBs as Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and Toronto-Dominion Bank.

3. Small and medium size banks consist of all federally regulated deposit-taking institutions that are not D-SIBs.

A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.