



Letter

Title	Internal capital adequacy assessment process expectations and related internal audit requirements
Category	Supervisory Advisories
Date	September 18, 2024
Sector	Banks Trust and Loan Companies
To	Small and medium-sized banks

The purpose of this communication is to outline our expectations with respect to the 2024 internal capital adequacy assessment process (ICAAP) submission as well as the internal audit review relating to ICAAP. This applies to all small and medium-sized banks (SMSBs) including Category III institutions using the simplified risk-based approach.

Expectations on the 2024 ICAAP and related internal audit

For 2024, we are not requesting all SMSBs to submit their 2024 ICAAP documents and internal audit of the ICAAP. However, lead supervisors may request specific institutions to submit their 2024 ICAAP and related internal audit as part of our ongoing supervisory process in 2025.

The ICAAP is, first and foremost, an important internal process and should not be considered a regulatory exercise. We expect SMSBs to update their ICAAP as part of their annual planning process to assist the capital planning process, including the confirmation of internal capital targets. We have attached an appendix that serves as a guide on the elements SMSBs should cover within the scope of their ICAAP document.

We expect all SMSBs to complete the ICAAP data return on an annual basis (using actual year-end data) and file the return within 90 days of their fiscal year-end date through the Regulatory Reporting System. We may direct an SMSB to submit the ICAAP data return on a more frequent basis. If you prepare your ICAAP on other than year-end data, you should have a board-approved addendum to the ICAAP document available to explain significant differences between what was previously approved by the board and what ICAAP results would be using actual year-end



numbers.

Finally, as in previous years, we will communicate directly to each institution, by no later than September 30, 2024, the specific risks and downturn severity for the prescribed single-factor stress tests that you should undertake as part of your 2024 ICAAP and ICAAP data return.

Should you have any questions or concerns, please contact your lead supervisor.

Yours sincerely,

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