



Guideline impact analysis statement

Title	Total Loss Absorbing Capacity (TLAC) Disclosure Requirements Guideline and Capital Disclosure Requirements Guideline – Guideline impact analysis statement (2018)
Category	Capital Adequacy Requirements
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Sector	Banks Trust and Loan Companies

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I. Background

The Basel Committee on Banking Supervision (BCBS) published the *Pillar 3 Disclosure Requirements – consolidated and enhanced framework standards* BCBS, March 2017: <https://www.bis.org/bcbs/publ/d400.htm> in March 2017 (also referred to as Phase II of Pillar 3). Phase II of Pillar 3 includes new Total Loss Absorbing Capacity (TLAC) disclosure templates as well as amendments to existing capital disclosures templates that are effective January 1, 2019 for Global Systemically Important Banks (G-SIBs).

The *TLAC Disclosure Requirements* guideline and related revisions to the *Capital Disclosure Requirements* guideline Formerly the advisory entitled *Public Capital Disclosure Requirements related to Basel III Pillar 3*, last revised in April 2014, implements the TLAC disclosure requirements for Canadian Domestic Systemically Important Banks (D-SIBs), including any designated Canadian G-SIBs. The removal of previous transitional guidance applies to all federally regulated deposit-taking institutions.

II. Problem Identification

D-SIBs that issue or hold TLAC instruments lack guidance on the public disclosure of their TLAC positions. The absence of robust TLAC disclosure reduces transparency and could inhibit public confidence.

III. Objective

OSFI's objective is to promote transparency, market discipline and comparability among institutions. The TLAC disclosure requirements applicable to D-SIBs promote robust disclosures that are comparable across D-SIBs and with their international peers. The disclosures are based on the final TLAC guideline<p>Final TLAC Guideline, April 2018:http://www.osfi-bsif.gc.ca/Eng/finance/if/rg-ro/gdn-ort/gl-ld/Pages/TLAC.aspx.</p> issued by OSFI in April 2018.

Public disclosure of D-SIBs' TLAC information will commence with the quarterly reporting period ending January 31, 2019. This aligns D-SIB disclosure requirements with those of G-SIBs under the BCBS requirements. D-SIBs will continue to have disclosure practices that are among the best of their international peers. Although disclosures are to commence for Q1 2019, D-SIBs will have until November 1, 2021 to fully meet the minimum TLAC requirements.

IV. Options and Assessment

Option 1 – *Incorporate into one comprehensive guideline both TLAC disclosure and other disclosure elements stemming from Phase II*

This option would enable OSFI to incorporate within one comprehensive guideline all disclosure elements stemming from Phase II of Pillar 3. This could be done as part of one process and a single guideline. However, creating a single comprehensive guideline would impede the timely issuance of TLAC disclosure requirements. This option would also make it more difficult to incorporate Canadian amendments to individual templates or their associated instructions.

Option 2 – *Create a standalone TLAC Disclosure Requirements Guideline and revise the Capital Disclosure Requirements Guideline for conforming amendments*

This option would allow OSFI to communicate its expectations specific to TLAC disclosures (e.g. timing, frequency, location of disclosures and any Canadian amendments to the templates). Although developing a separate TLAC disclosure guideline requires more time, OSFI can tailor its guidance to the specific subsets of institutions subject to the disclosure requirements given that only D-SIBs are subject to minimum TLAC requirements.

V. Consultations

The draft guidelines were published on OSFI's website for consultation in March 2018. Comments received from the public consultation resulted in minor adjustments to the guidelines to clarify the frequency of reporting.

VI. Recommendation

OSFI recommends the issuance of the final standalone TLAC Disclosure Requirements guideline for the new TLAC disclosure templates. OSFI further recommends the issuance of consequential amendments to the Capital Disclosures Requirements guideline. This provides D-SIBs with guidance on how to appropriately apply and understand OSFI's TLAC disclosure expectations.

VII. Implementation

The TLAC Disclosure Requirements guideline and consequential amendments to the Capital Disclosure Requirements guideline are effective for D-SIBs commencing with the quarterly reporting period ending January 31,

2019. The removal of previous transitional guidance in the Capital Disclosure Requirements guideline applies to all federally regulated deposit-taking institutions for reporting periods in 2018.

OSFI will review the guidelines on a regular basis after this date and provide updates as required.