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# Guideline impact analysis statement

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Title	Total Loss Absorbing Capacity (TLAC) Guideline - Guideline impact analysis statement (2018)
Category	Capital Adequacy Requirements
Date	April 30, 2018
Sector	Banks Trust and Loan Companies

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## Table of Contents

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[I. Background](#)

[II. Problem Identification](#)

[III. Objectives](#)

[IV. Consultations](#)

[V. Recommendation](#)

[VII. Implementation](#)

## I. Background

Subsection 485(1.1) of the *Bank Act* requires domestic systemically important banks (D-SIBs) to maintain a minimum capacity to absorb losses. The TLAC guideline together with the requirements set out in the Capital Adequacy Requirements (CAR) guideline and the Leverage Requirements guideline provide the framework within which the Superintendent will assess whether a D-SIB maintains its minimum capacity to absorb losses pursuant to the *Bank Act*.



## II. Problem Identification

Existing OSFI guidance alone cannot adequately set out the framework within which the Superintendent will assess whether a D-SIB maintains its minimum capacity to absorb losses pursuant to the *Bank Act* given its systemic importance .

## III. Objectives

The TLAC guideline sets out OSFI's approach and expectations in assessing a D-SIB's Total Loss Absorbing Capacity (TLAC). The purpose of the TLAC requirements is to provide a non-viable D-SIB with sufficient additional loss absorbing capacity to support its recapitalization (i.e. bail-in). This would, in turn, facilitate an orderly resolution of the D-SIB while minimizing adverse impacts on the stability of the financial sector, ensuring the continuity of critical functions, enhancing market discipline, and minimizing taxpayers' exposure to loss.

Canada, as a member of the Financial Stability Board and the Basel Committee on Banking Supervision, participated in the development of the *Principles on Loss-Absorbing and Recapitalisation Capacity of G-SIBs in Resolution: Total Loss-Absorbing Capacity (TLAC) Term Sheet* (the FSB TLAC Term Sheet) . This guideline, which is applicable to D-SIBs, is consistent with the FSB TLAC Term Sheet.

## IV. Consultations

OSFI issued the draft TLAC guideline for public consultation in June 2017. A summary of material comments received from stakeholders and an explanation of how they have been addressed has been provided along with the final guideline.

## V. Recommendation

It is recommended that the TLAC guideline be updated periodically to reflect underlying risks, provide clarification on OSFI's expectations around the aforementioned requirements, and to take into account developments in international standards and best practices.

## VII. Implementation

The final version of the TLAC guideline will be effective on September 23, 2018.

