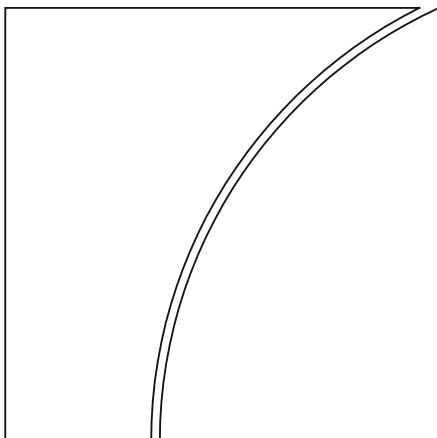


Basel Committee on Banking Supervision



Regulatory Consistency Assessment Programme (RCAP)

Assessment of the leverage ratio framework – Canada

October 2026



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Glossary

C	Compliant (grade)
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
D-SIBs	Domestic systemically important banks
G-SIBs	Global systemically important banks
LC	Largely compliant (grade)
LEV	Leverage ratio framework
LR	Leverage ratio
NC	Non-compliant (grade)
OSFI	Office of the Superintendent of Financial Institutions
OBS	Off-balance sheet
PFE	Potential future exposure
PNC	Partially non-compliant (grade)
PSE	Public sector entity
QCCP	Qualifying central counterparty
RBC	Risk-based capital framework
RC	Replacement cost
RCAP	Regulatory consistency assessment programme
SA-CCR	Standardised approach to counterparty credit risk
SMSB	Small and medium-sized deposit-taking institution
SFT	Securities financing transactions
VM	Variation margin

Preface

The Basel Committee on Banking Supervision places a high priority on the implementation of regulatory standards underpinning the Basel III Framework. The prudential benefits from adopting Basel standards can only fully accrue if they are implemented in a full, timely and consistent manner by all member jurisdictions. The Basel Committee established the Regulatory Consistency Assessment Programme (RCAP) to monitor, assess and evaluate its members' implementation of the Basel III Framework.

This report presents the findings of an RCAP Assessment Team (Assessment Team) on the adoption of the Basel leverage ratio framework (LEV) in Canada. The assessment focused on the completeness and consistency of Canadian leverage ratio regulations with the Basel standards and relied on information provided by the Canadian authorities. In addition, the report includes the outcome of assessing follow-up items identified in previous RCAPs. The assessments of these items and of the Basel III revisions to risk-weighted assets are entirely independent.

The Assessment Team was led by Mr Arthur Yuen, Deputy Chief Executive of the Hong Kong Monetary Authority (HKMA), and comprised technical experts from the Central Bank of Brazil, the Reserve Bank of India, Sveriges Riksbank, and the Bank of Spain (see Annex 1). The main counterpart for the assessment was the Office of the Superintendent of Financial Institutions (OSFI). The work was coordinated by the Basel Committee Secretariat, with support from staff of HKMA.

The assessment began in October 2025 and comprised: (i) a self-assessment by OSFI (October 2025 to January 2026); (ii) an assessment phase (January to June 2026); and (iii) a review phase (July to October 2026) including a review of the Assessment Team's findings by a separate RCAP Review Team and the Basel Committee. This assessment report ultimately reflects the view of the Basel Committee.

The Assessment Team acknowledges the cooperation received from OSFI throughout the assessment process.

Executive summary

In Canada, the Basel leverage ratio standard has been implemented by the Leverage Requirements Guideline, which became effective on 1 February 2023. The leverage ratio standard is applied to 89 of the 100 banks established in Canada, representing 99.99% of the banking sector's total assets.

Overall, as of 30 June 2026, the regulations implementing the leverage ratio framework in Canada are assessed as largely compliant with the Basel Committee standards. This is one notch below the highest overall grade.

The four components of the Basel leverage ratio standard – definitions and application, and calculation; exposure measurement; buffer requirements and transitional arrangements for global systemically important banks (G-SIBs); and disclosure requirements – are assessed as compliant, partially non-compliant, compliant, and largely compliant, respectively.

The overall grade is mainly driven by two material findings related to the exposure measurement, a potential material finding regarding disclosure requirements, and seven findings that were deemed non-material. Regarding the exposure measurement of counterparty credit risk (CCR), the Canadian leverage ratio regulation refers to the unmodified standardised approach to CCR instead of the modified version that the Basel Framework requires for leverage ratio purposes. For disclosure, the Canadian regulation does not make mandatory the disclosure of daily average securities financing transactions, which the Basel standard requires as a measure against banks' potential window-dressing behaviour around leverage ratio reporting dates.

In addition to the assessment of the leverage ratio standard, this report contains an assessment of a follow-up item raised in the RCAP of the net stable funding ratio (NSFR) standard for Canada (2019)¹ concerning the treatment of a specific Canadian liability, namely the "Banker's Acceptance". As the deviating treatment of these liabilities has been corrected in the Canadian regulation, the follow-up item is assessed as compliant.

¹ See Basel Committee on Banking Supervision, *Regulatory Consistency Assessment Programme (RCAP) assessment of the Net Stable Funding Ratio – Canada, 2019*; www.bis.org/publications/201907-implementation-reports-rcap-assessment-basel-committees-nsfr-standard-canada

Response from the Canadian authorities

We wish to express our sincerest thanks to Mr Arthur Yuen and to all the members of the Assessment Team and the Secretariat for their professionalism and thoroughness during the review process. Their expertise and integrity throughout the assessment led to productive and insightful discussions on the Canadian leverage ratio framework.

We welcome and share the assessment that the implementation of the leverage ratio framework is overall largely compliant with the Basel standard. This reflects our decision to incorporate the Basel standard in substance into our domestic leverage requirements guideline, while applying a consistent counterparty credit risk (CCR) framework across the leverage and risk-based capital frameworks. We made this decision in the interest of operational simplicity.

We fully support the RCAP process, which strives to foster a consistent implementation of Basel standards across jurisdictions, and remain committed to cooperating and participating in future RCAP assessments.

1 Assessment context

1.1 Regulatory system

The Office of the Superintendent of Financial Institutions (OSFI) is the sole prudential regulator in Canada, established under the Office of the Superintendent of Financial Institutions Act (OSFI Act) on 2 July 1987. It is an independent government agency, funded by levies on the institutions that it regulates. It reports to Parliament through the Minister of Finance. The OSFI Act grants OSFI the power to issue guidance in the form of Guidelines, Advisories and public letters. These documents are used to establish policy on minimum, best or prudent practices and to set out OSFI's expectations and requirements for banks.

OSFI is responsible for banking regulation and supervision. The Bank of Canada, Canada Deposit Insurance Corporation, and the Department of Finance each have complementary responsibilities for financial stability.

In the second quarter of 2025, 100 banks were operating in Canada, with assets and off-balance sheet exposures of around CAD 9.8 trillion. The financial system is dominated by the six largest banks, two of which have been designated as global systemically important banks (G-SIBs) and the others as domestic systemically important banks (D-SIBs). These banks comprise approximately 96% of the total assets of the Canadian banking system and all the exposures of the internationally active banks in Canada.

1.2 Status of implementation of the leverage ratio framework

The Basel leverage ratio framework has been implemented in Canada by the leverage requirements guideline which became effective on 1 February 2023. The guideline applies the leverage ratio framework to all federally regulated banks in Canada, including federal credit unions, bank holding companies, federally regulated trust companies and federally regulated loan companies. The guideline applies to the entire population of these institutions, except for the smallest of the small and medium-sized deposit-taking institutions (SMSBs) that have total assets of less than CAD 10 billion, total loans of less than CAD 100 million, off-balance sheet exposures of less than 100% of total capital, and no significant derivative exposures.

1.3 Scope of the assessment

The Assessment Team considered the leverage ratio framework (LEV) applicable to a sample of internationally active banks in Canada as of 30 April 2025. The assessment had two dimensions:

- a comparison of the Canadian regulations with the Basel LEV standards to ascertain that all the required provisions have been adopted (completeness of the regulations); and
- whether there are any differences in substance between the Canadian regulations and the Basel LEV and, if so, their significance (consistency of the regulations).

In its assessment, the Assessment Team considered all binding documents that effectively implement the Basel LEV in Canada. Annex 2 lists the Basel standards used as the basis for the assessment. The assessment did not evaluate the resilience of the banking system in Canada or the supervisory effectiveness of the Canadian authorities.

The Assessment Team evaluated the materiality and potential materiality of identified deviations between the Basel LEV standard and the Canadian regulations. The evaluation was made using a sample of six internationally active banks in Canada. Together, as of the second quarter of 2025, these banks comprised about 96% of the total assets of all banks in Canada. In addition, the Assessment Team reviewed the non-quantifiable impact of identified deviations and applied expert judgment as to whether the

Canadian LEV regulations meet the Basel standards in letter and in spirit. The materiality assessment is summarised in Annex 3, which also lists the sample of banks.

The outcome of the assessment is summarised using a four-grade scale, both at the level of each of the four key components of the Basel leverage ratio framework and of the overall assessment of compliance. The four grades are compliant (C), largely compliant (LC), partially non-compliant (PNC) and non-compliant (NC). The overall grade reflects the level of compliance with the leverage ratio framework, but not with the Basel standards on the definition of the capital, which determines the leverage ratio's numerator. Compliance with the Basel standards on the definition of capital was assessed as a component of the RCAP Risk-Based Capital assessment conducted in 2014. The definition of capital component of this assessment was graded largely compliant.²

1.4 Assessment of follow-up items of previous RCAPs

In addition to assessing the implementation of the Basel LEV, a follow-up item has been assessed within the context of this RCAP. This follow-up item, from the RCAP assessment of the net stable funding ratio (NSFR) standard for Canada (2019),³ relates to the treatment of a specific Canadian liability, namely the "Banker's Acceptance" (BA), which was subject to a 35% available stable funding (ASF) factor in Canada (Paragraph 22, LAR Chapter 3 – Net Stable Funding Ratio, April 2019), for which the Basel standard requires a 0% ASF as the counterparty after issuance cannot be determined (NSF30.14(1)). This deviation was assessed as potentially material in view of the expected growth of the BA market and was listed for reassessment.

In November 2024, OSFI published a revision to the "Liquidity Adequacy Requirements – Guideline", which became effective 1 April 2025. This revision removed the 35% ASF factor for BAs as this instrument became obsolete following the discontinuation of the Canadian Dollar Offered Rate (CDOR) benchmark in June 2024. With this revision to the Canadian regulation, the deviation from the Basel NSFR standard has been corrected. The assessment of this follow-up item has no impact on the component or overall grading of the RCAP NSFR for Canada; both of which remain compliant.

2 Assessment findings

2.1 Assessment grades and summary of findings

Overall, the Assessment Team finds the implementation of the Basel LEV in Canada to be largely compliant. This grade is based on the materiality assessment as summarised in Annex 3.

² See Basel Committee on Banking Supervision, *Regulatory Consistency Assessment Programme (RCAP) assessment of Basel III regulations – Canada*, 2014; www.bis.org/publications/201406-implementation-reports-rcap-assessment-basel-iii-regulations-canada

³ See Basel Committee on Banking Supervision, *Regulatory Consistency Assessment Programme (RCAP) assessment of the Net Stable Funding Ratio – Canada*, 2019; www.bis.org/publications/201907-implementation-reports-rcap-assessment-basel-committees-nsfr-standard-canada

Assessment grades		Table 1
Component of the Basel leverage ratio framework	Grade	
Overall grade	LC	
Definitions and application, and calculation	C	
Exposure measurement	PNC	
Buffer requirements and transitional arrangements for global systemically important banks	C	
Disclosure requirements	LC	
Assessment scale: C (compliant), LC (largely compliant), PNC (partially non-compliant) and NC (non-compliant).		

2.1.1 Definitions and application, and calculation

This component is assessed as compliant with the Basel standard. No findings were identified.

2.1.2 Exposure measurement

This component is assessed as partially non-compliant with the Basel standard. Seven findings were identified, of which two were assessed as material. Both deviations relate to the treatment of counterparty credit risk under the Canadian leverage ratio regulation. While the Basel Framework specifies a modification for leverage ratio purposes of the standardised approach to CCR (SA-CCR), the Canadian regulation refers to its implementation of the unmodified SA-CCR.

2.1.3 Buffer requirements and transitional arrangements for global systematically important banks (G-SIBs)

This component is assessed as compliant with the Basel standard. No findings were identified.

2.1.4 Disclosure requirements

This component is assessed as largely compliant with the Basel standard. Three findings were identified, of which one was assessed as potentially material. Canadian disclosure templates KM1, LR1, and LR2 do not require disclosure of several rows, mainly regarding certain adjustments to the exposure measures. Assessed as potentially material is the omitted disclosure requirement for daily average securities financing transactions (SFTs) without which potential material differences between quarter-end and average leverage ratios are not observable.

2.1.5 Follow-up item

This component is assessed as compliant with the Basel standard. No findings were identified, the earlier identified deviation of the Canadian regulation from the net stable funding ratio (NSFR) Basel standard has been corrected as stated in Section 1.4 above.

2.2 Detailed assessment findings

2.2.1 Definitions and application, and calculation

This component is assessed as compliant with the Basel standard. No findings were identified.

2.2.2 Exposure measurement

Section grade	Partially non-compliant
Basel paragraph number	LEV30.2: Netting of assets and liabilities
Reference in the domestic regulation	Leverage Requirements – Guideline (2023) – Paragraph 19
Finding	LEV30.2 establishes a general prohibition on netting “assets and liabilities” for the leverage ratio, unless specific netting is permitted elsewhere in the standard. In contrast, the Canadian regulations prohibit the netting of loans and deposits unless otherwise specified. As loans and deposits are narrower terms than assets and liabilities, the Canadian rules may allow netting in circumstances beyond those permitted by the Basel Framework. According to data provided by OSFI, this deviation has no practical impact at present, as Canadian banks do not net assets and liabilities. However, the broader scope of permissible netting under Canadian rules remains a potential source of divergence.
Materiality	Not material
Basel paragraph number	LEV30.5: Exclusion of securitised exposures
Reference in the domestic regulation	Leverage Requirements – Guideline (2023) – Paragraph 34
Finding	LEV30.5 allows an originating bank to exclude securitised exposures from its leverage ratio exposure measure if the transaction meets the operational requirements for risk transfer in CRE40.24. Importantly, even when risk transfer is recognised, banks “must include any retained securitisation exposures in their leverage ratio exposure measure.” The Canadian regulation adopts this requirement but introduces a supervisory discretion through the additional clause: “unless otherwise instructed by OSFI”. This discretion is not foreseen in the Basel standard and may result in the exclusion of exposures that do not meet the prescribed risk-transfer criteria. OSFI stated that this option was introduced to provide flexibility during a crisis and has not been activated to date, and as such this deviation has been assessed as not material by the Assessment Team.
Materiality	Not material
Basel paragraph number	LEV30.9: Netting of on-balance sheet exposures
Reference in the domestic regulation	Leverage Requirements – Guideline (2023) – Paragraph 27
Finding	LEV30.9 requires on-balance sheet, non-derivative assets to be included in the leverage ratio exposure measure at their accounting values, less deductions for associated specific provisions. However, the Canadian regulations permit additional deductions for accounting valuation adjustments (eg accounting credit valuation adjustments), potentially resulting in a lower exposure measure than the Basel standard. OSFI stated that the treatment is included in its regulations in line with the original Basel 2014 leverage ratio framework but has not been updated to reflect the revisions to the relevant Basel requirements. OSFI also stated that it is not aware of any examples in which valuation adjustments are applied to non-derivative exposures. According to data provided by OSFI, this deviation currently has no practical impact, since banks do not apply accounting valuation adjustments to non-derivative exposures.
Materiality	Not material
Basel paragraph number	LEV30.16 to LEV30.25: Derivative exposures
Reference in the domestic regulation	Leverage Requirements – Guideline (2023) – Paragraph 37
Finding	The Basel LEV framework requires banks to calculate the counterparty credit risk (CCR) exposure for derivative transactions according to LEV30.16 to LEV30.25. These paragraphs set out a version of the SA-CCR that has been modified for leverage ratio purposes. The Canadian regulation refers, for the calculation of these exposures, to its implementation of the Basel SA-CCR standard (ie the unmodified version used for risk-

	based capital purposes). Unmodified SA-CCR, however, may lead to a lower leverage ratio exposure measure for derivative transactions as it allows broader recognition of collateral in the calculation of replacement costs (RC) and a reduction of the multiplier for the potential future exposure (PFE) below the threshold fixed at one in the Basel LEV standard. For margined derivative transactions, LEV30.25 standard permits RC to be reduced in the calculation of the leverage ratio exposure measure of derivative transactions by the cash portion of variation margin (VM) received and the deduction of receivables from the cash VM, but only if the cash exchanged can be viewed as a form of pre-settlement payment, for which the conditions in LEV30.24 must be met. As a consequence of OSFI's use of the unmodified SA-CCR framework, the Canadian rules permit RC to be reduced by net VM without restricting the VM to cash. In addition, the Canadian regulation does not explicitly require LEV30.24's leverage specific conditions for recognising the VM. OSFI explained that the choice for a single CCR framework has been made in the interest of operational simplicity and the expected limited impact on banks' leverage ratios. This deviation and the deviation below (LEV30.31) decrease the leverage ratio exposure measure by 0.89% on average for the sample banks and by 2.12% for the most affected bank, which the Assessment Team considers material.
Materiality	Material
Basel paragraph number	LEV30.31: Written credit derivatives
Reference in the domestic regulation	Leverage Requirements – Guideline (2023) – Paragraph 43–45 and 50
Finding	LEV30.31 requires the effective notional amount of written credit derivatives to be included in the leverage ratio exposure measure. In contrast, Canadian rules permit the effective notional amount to be reduced by “any cash independent amount pledged by a counterparty” (OSFI Leverage Guideline paragraph 50). This approach is not provided for in LEV30.31 and does not align with LEV30.22 to LEV30.25, which prohibit the recognition of collateral to reduce the leverage ratio exposure measure. The impact of this deviation is included in the impact of the deviation for LEV30.16 to LEV30.25 set out above.
Materiality	Material
Basel paragraph number	LEV30.37: Securities financing transactions with no explicit end date
Reference in the domestic regulation	Leverage Requirements - Guideline (2023) - Paragraph 53
Finding	LEV30.37 permits netting cash payables and cash receivables of SFTs only when strict conditions are met. In particular, transactions without an explicit final settlement date that can be unwound any time by either party to the transaction are not eligible for netting. In contrast, the Canadian regulation allows netting for “open-maturity” SFT by treating them as having an “overnight maturity.” OSFI explains that because an open-maturity repo can be structured in a manner that readily complies with the leverage ratio netting requirements, OSFI has determined to treat such repos as having an overnight maturity when structured in a specific way that closely resembles an overnight repo agreement. This deviation decreases the leverage ratio exposure measure by 0.10% on average for the sample banks and by 0.24% for the most affected bank and is thus assessed as not material.
Materiality	Not material
Basel paragraph number	LEV30.54: Unconditionally cancellable commitments
Reference in the domestic regulation	Leverage Requirements – Guideline (2023) – Paragraph 64
Finding	LEV30.54 applies a 10% credit conversion factor (CCF) to commitments that are unconditionally cancellable at any time without prior notice, or that automatically cancel upon credit deterioration. It states, however, that “supervisors should evaluate various factors in the jurisdiction, which may constrain banks' ability to cancel the commitment in practice, and consider applying a higher CCF to certain commitments as appropriate.” The Canadian regulation adopts the 10% CCF and deems retail commitments “unconditionally cancellable” if cancellation is permitted to the full extent allowed under consumer protection legislation. As a result, some retail commitments may be classified as

	“unconditionally cancellable” even though consumer protection rules require prior notice or otherwise restrict immediate cancellation. Such commitments would not meet Basel’s “without prior notice” requirement and should either not be treated as unconditionally cancellable or, because cancellation is constrained in practice, should arguably attract a higher CCF. Based on information provided by OSFI, no sample bank would be restricted by consumer protection laws from cancelling unconditionally cancellable commitments without notice. As such, the impact of this deviation is zero and the Assessment Team considers this deviation as not material.
Materiality	Not material

2.2.3 Buffer requirements and transitional arrangements for G-SIBs

This component is assessed as compliant with the Basel standard. No findings were identified.

2.2.4 Disclosure requirements

Section grade	Largely compliant
Basel paragraph number	DIS80.2 Template LR1 Summary comparison of accounting assets vs leverage ratio exposure measure
Reference in the domestic regulation	Pillar 3 Disclosure Guideline for Domestic Systemically Important Banks (D-SIBs) (2025) Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions (SMSBs) (2025)
Finding	The Basel LR1 template requires the disclosure of rows 4, 6, 7 and 11, ie of adjustments to the leverage ratio exposure measure for (i) temporary exemption of central bank reserves; (ii) regular way purchases and sales of financial assets subject to trade date accounting; (iii) eligible cash pooling transactions; and (iv) prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital. The Canadian regulation requires the disclosure of template LR1 without rows 4, 6, 7 and 11. While row 4 is currently not relevant as national discretion has not been exercised, OSFI notes that the adjustments captured in rows 6, 7 and 11 are disclosed in aggregate under the item “other adjustments” (row 8 of OSFI’s template) such that the disclosed leverage ratio exposure measure is correct. The adjustment amounts are disclosed, but not with the same granularity as required by the Basel template. As the less granular disclosure of adjustments to the leverage ratio measure does not affect the correct assessment of the financial soundness of the bank, the Assessment Team assesses the deviation as not material.
Materiality	Not material
Basel paragraph number	DIS80.2 LR2 Leverage ratio common disclosure template
Reference in the domestic regulation	Pillar 3 Disclosure Guideline for Domestic Systemically Important Banks (D-SIBs) (2025) Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions (SMSBs) (2025)
Finding	The Basel LR2 template requires a detailed breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers and disclosure of certain mean values. The Canadian disclosure requirements omit the following disclosure items: 1. Basel LR2 row 4 is omitted as securities sold as part of an SFT remain on the balance sheet of the seller under the applicable International Financial Reporting Standards (IFRS) guidelines. 2. Basel LR2 rows 5 and 21 are aggregated under row 4 of OSFI’s LR2 template as “asset amounts deducted in determining Tier 1 capital” such that the disclosed leverage ratio exposure measure in OSFI’s template is correct. The adjustment amounts are disclosed, but not with the same granularity as in the Basel template.

	3. The disclosure of the national minimum leverage ratio requirements and of the applicable leverage buffers (LR2 rows 26–27) have been omitted, with OSFI stating that this information is published in its Leverage Requirements Guideline; and 4. Basel LR2, rows 28–31A, regarding the disclosure of mean values are omitted, because OSFI requires banks to calculate the leverage ratio on a quarter-end basis only. Regarding the last omission, the Basel Framework requires banks to disclose their leverage ratios based on quarter-end <i>and</i> on daily average values of securities financing transactions. This disclosure requirement has been implemented with the revisions to the leverage ratio disclosure requirements in 2019. The revision addressed concerns regarding potential regulatory arbitrage by banks in the form of “window dressing”, whereby temporary reductions of transaction volumes around reference dates result in the reporting and public disclosure of artificially elevated leverage ratios. The disclosure of quarter-end and daily average values of SFTs allows market participants to better assess banks’ actual leverage throughout the reporting period. The Assessment Team considers the omission of the last disclosure element as potentially material since market participants cannot assess whether Canadian banks’ disclosed leverage ratios are affected by potential window-dressing behaviour. As such, it potentially has an impact on the international level playing field and financial stability.
Materiality	Potentially material
Basel paragraph number	DIS20.5 Template KM1: Key metrics
Reference in the domestic regulation	Pillar 3 Disclosure Guideline for Domestic Systemically Important Banks (D-SIBs) (2025) Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions (SMSBs) (2025)
Finding	The Basel KM1 template provides an overview of a bank’s prudential regulatory metrics. The Canadian disclosure rules implement the KM1 template but omit certain key metrics from the disclosure, specifically: 1. KM1 row 14b “Basel III leverage ratio excluding impact of any applicable temporary exemption of central bank reserves”, with OSFI reporting that the exemption has not been activated in Canada; and 2. KM1 rows 14c–d “Basel III leverage ratio incorporating mean values for SFT assets” as OSFI requires leverage ratio computation only on an end of quarter basis. The Assessment Team considers this finding as not material, as the first element is not relevant in the Canadian context, while the impact of the second aspect has been included in the previous finding.
Materiality	Not material

2.3 Observations

The following observations highlight certain special features of the regulatory implementation of the Basel leverage ratio framework in Canada. These are presented to provide additional context and information. Observations are considered compliant with the Basel standards and do not have a bearing on the assessment outcome.

2.3.1 Exposure measurement

Basel paragraph number	LEV30.56 Treatment of off-balance sheet securitisation exposures
Reference in the domestic regulation	Leverage Requirements - Guideline (2023) - Paragraph 74
Observation	LEV30.56 requires that off-balance sheet securitisation exposures be treated in accordance with CRE40.20(2), which applies a 100% CCF to such exposures. The Canadian regulation (Capital Adequacy Requirements (CAR) Chapter 6, Section 6.5.1.1, paragraph 47), however, applies a CCF of 40% for the undrawn portion of securitisation commitments extended to a client to fund the acquisition of assets by a client vehicle in a securitisation subject to asset eligibility criteria.

	As the treatment of off-balance sheet securitisation exposure in the leverage ratio standard originates from the securitisation requirements outlined in CRE40, which have not been subject to a prior RCAP, it is treated as an observation, in accordance with the RCAP Handbook, and as a follow-up item for future RCAPs.
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Annexes

Annex 1 RCAP Assessment Team and Review Team

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Annex 2 List of Basel standards and implementing regulations issued by the Canadian authorities

The RCAP-LEV assesses the member jurisdictions' compliance with the Basel leverage ratio framework. The scope of RCAP-LEV includes:

- The revised leverage ratio as published by the Basel Committee in December 2017 that includes the various refinements to the 2014 definition of the leverage ratio exposure measure. These refinements include modifying the way in which derivatives are reflected in the exposure measure and updating the treatment of off-balance sheet exposures to ensure consistency with their measurement in the standardised approach to credit risk.
- The June 2019 revision to the leverage ratio related to the treatment of client cleared derivatives.
- The leverage ratio global systemically important bank (G-SIB) buffer introduced by the 2017 reforms. The G-SIB buffer must be met with Tier 1 capital and is set at 50% of a G-SIB's risk-weighted higher-loss absorbency requirements.
- The disclosure requirements for the leverage ratio, including the key prudential metrics related to that framework. This will capture the revisions to the LEV disclosure requirements published by the Basel Committee in June 2019 (the requirements for banks to disclose their leverage ratios based on quarter-end and on daily average values of securities financing transactions).

In accordance with this scope, the chapters of the consolidated Basel Framework listed in Table A.1 were used as the basis of this RCAP assessment.

Chapters of the Basel Framework	Table A.1
	Chapter
Definitions and application	LEV10
Calculation	LEV20
Exposure measurement	LEV30
Buffer requirements for global systemically important banks	LEV40
Transition	LEV90
Disclosure requirements (key metrics related to leverage ratio and disclosure requirements for the leverage ratio)	DIS20 (Template KM1, rows 13–14d) and DIS80

Table A.2 lists the regulations issued by the Canadian authorities to implement the Basel III leverage ratio framework in Canada. A previous RCAP assessment of the Canadian implementation of the Basel standards considered the binding nature of its regulatory documents.⁴ This RCAP Assessment Team did not repeat that assessment but instead relied on its findings. That assessment concluded that the types of instruments described in Table A.2 could be considered as binding on banks and supervisors for the purposes of an RCAP assessment.

⁴ See Annex 6 of Basel Committee on Banking Supervision, *Regulatory Consistency Assessment Programme (RCAP) assessment of Basel III LCR regulations – Canada*, 2017, www.bis.org/bcbps/publ/d421.pdf.

Overview of relevant Basel III regulations in Canada

Table A.2

Domestic regulations	Type, version and date
Leverage Requirements – Guideline (2023)	• Leverage Requirements Guideline (2015) issued in October 2014 • Leverage Requirements Guideline (2019) revised in November 2018 • Leverage Requirements Guideline (2023) revised in January 2022
Pillar 3 Disclosure Guideline for Domestic Systemically Important Banks (D-SIBs) (2025)	• Pillar 3 Disclosure Guideline for D-SIBs (2018) issued in April 2017 • Pillar 3 Disclosure Guideline for D-SIBs (2023) revised in January 2022 • Pillar 3 Disclosure Guideline for D-SIBs (2025) revised in February 2025
Pillar 3 Disclosure Guideline for Small and Medium-Sized Deposit-Taking Institutions (SMSBs) (2025)	• Pillar 3 Disclosure Guideline for SMSBs (2023) issued in January 2022 • Pillar 3 Disclosure Guideline for SMSBs (2025) revised in February 2025

Source: OSFI.

Annex 3 Materiality assessment

The outcome of the RCAP assessment is based on the materiality of the findings described in Section 2.2 and summarised in Table A.3. The Assessment Team evaluates the materiality of findings quantitatively where possible or using expert judgment when the impact cannot be quantified.

The materiality assessment for quantifiable gaps is based on the cumulative impact of the identified deviations on the reported leverage ratio exposure measure of banks in the RCAP sample. These banks are listed in Table A.4.

Number of deviations by component			Table A.3
Component	Not material	Potentially material	Material
Definitions and application, and calculation	0	0	0
Exposure measurement	5	0	2
Buffer requirements and transitional arrangements for global systemically important banks	0	0	0
Disclosure requirements	2	1	0

RCAP sample banks		Table A.4
Banking group	Share of banks' assets in the total assets of internationally active banks in the Canadian banking system as of 30 April 2025 (in per cent)	
Royal Bank of Canada	25.2%	
Toronto-Dominion Bank	23.4%	
Bank of Nova Scotia	16.6%	
Bank of Montreal	15.8%	
Canadian Imperial Bank of Commerce	12.8%	
National Bank of Canada	6.2%	

For this purpose, banking assets are based on the measure of total exposures used in the leverage ratio, which include both on- and off-balance sheet exposures. Out of the above sample banks, for no bank the leverage ratio was the binding capital requirement. That is, no banks have Tier 1 capital required for the leverage ratio (including any G-SIB buffer) that is higher than the Tier 1 capital required to meet risk-based capital requirements (including the capital conservation buffer plus any higher loss absorbency requirements for G-SIBs, any countercyclical capital buffer requirements and any other higher domestic Pillar 1 loss absorbency requirements, including for D-SIBs).

Source: OSFI.

Annex 4 Issues for follow-up RCAP assessments

LEV30.56 requires that off-balance sheet securitisation exposures be treated in accordance with CRE40.20(2), which applies a 100% credit conversion factor (CCF) to such exposures. The Canadian regulation (CAR Chapter 6, Section 6.5.1.1, paragraph 47), however, applies a CCF of 40% for the undrawn portion of securitisation commitments extended to a client to fund the acquisition of assets by a client vehicle in a securitisation subject to asset-eligibility criteria.

As the paragraph of the Basel Framework on which this finding is based (CRE40.20(2)) is not within the scope of the RCAP-LEV, it is treated as an issue for follow-up RCAP assessment.

Annex 5 National discretions implemented by Canadian authorities

Implementation of national discretions by Canadian authorities

Table A.5

Basel paragraph	Description	National implementation
<u>LEV30.7</u>	Treatment of central bank reserves in exceptional circumstances	OSFI's Leverage Requirements Guideline, paragraph 23, implements LEV30.7 and allows OSFI to use national discretion to exempt central bank reserves from the leverage ratio exposure measure in exceptional macroeconomic circumstances.
<u>LEV30.47</u>	Exemption of certain arrangements from the definition of commitment	OSFI did not apply the national discretion described in LEV30.47.
<u>LEV30.56</u>	Treatment of certain off-balance sheet securitisation exposures	OSFI applied national discretion in Chapter 6, section 6.5.1.1, paragraph 47 of OSFI's Capital Adequacy Requirements (CAR) Guideline, to allow the undrawn portion of servicer cash advances or facilities that are unconditionally cancellable without prior notice to receive the CCF for unconditionally cancellable commitments. OSFI's Leverage Requirements Guideline, paragraph 74, references CAR Chapter 6, section 6.5.11 in the same way that LEV30.56 references CRE40.20(2).

Source: OSFI.

Annex 6 Key leverage indicators of the banking system in Canada

Overview of leverage of the Canadian banking system as of end-April 2025

Table A.6

Size of banking sector		
	Number of banks	Total assets (CAD, millions)
All banks incorporated in Canada, of which	100	9,836,969
G-SIBs, headquartered in Canada	2	4,592,838
Subsidiaries of foreign banks	16	39,074
Banks to which the Basel leverage ratio framework is applied	89	9,836,138
Breakdown of leverage ratio for six RCAP sample banks (CAD, millions)		
Tier 1 capital		421,859
Total on-balance sheet exposures (excluding derivatives and SFTs, but including collateral)		7,042,944
Total derivative exposures		357,637
Total SFT exposures		995,896
Off-balance sheet items		1,042,944
Total leverage ratio exposure measure		9,450,422
Adjustments for temporary exemption of central bank reserves (if applicable)		0
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)		4.46%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		4.46%
Source: OSFI.		