CANADA DEPOSIT INSURANCE CORPORATION

DIFFERENTIAL PREMIUMS BY-LAW

CONSULTATION PAPER

July 10, 2014

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FOREWORD

The Canada Deposit Insurance Corporation (CDIC) conducted its initial consultation as part of its comprehensive review of its *Differential Premiums By-law* (By-law)[1] by issuing a paper in October 2013[2] requesting comments by the end of January 2014. The current document summarizes and responds to the comments received and presents CDIC's proposed amendments to the By-law. A preliminary draft Amending By-law implementing the changes is also provided.

In February 2014, the federal government launched a review of the federal deposit insurance framework (DI Review). It is unknown at this time whether the DI Review will impact premium assessment. CDIC has therefore concluded that it will proceed with its comprehensive review of the By-law as planned. The proposals for change to the By-law enhance existing measures. However, future changes to the By-law will be considered as the regulatory environment evolves.

CDIC's intention is to have the changes in effect for the 2015 premium year. In order to do so, the Amending By-law should be in effect in mid-March 2015. To meet this deadline, member institutions, their associations, regulators and other interested parties are requested to provide their written comments no later than August 31, 2014. They are to be directed to:

> Ms. Sandra Chisholm
> Director, Special Advisor, Insurance
> Canada Deposit Insurance Corporation
> By hand or mail to: 17th Floor, 50 O'Connor Street, Ottawa, Ontario K1P 6L2
> By email to: schisholm@cdic.ca

[1] Available on the CDIC web site www.cdic.ca
[2] Ibid

I. INTRODUCTION

This Consultation Paper presents CDIC's proposed amendments with respect to each of the quantitative and qualitative criteria or factors included in the differential premiums system (DPS). It takes into account the comments received to the earlier consultation paper which, overall, were supportive of the changes proposed by CDIC.

Set out below are CDIC's recommendations from the October 2013 consultation paper, a summary of comments received, together with our proposed changes going forward. We have highlighted CDIC's response to comments received as well as differences from the initial proposals. A preliminary draft of the Amending By-law incorporating the proposed changes is appended.

II. OVERVIEW OF THE PROPOSED SYSTEM

CDIC is proposing no changes to the following characteristics of the DPS:

***Scorecard*:** Institutions will continue to be scored out of 100 marks based on a combination of both quantitative and qualitative indicators. 60% of the marks are to be attributed to quantitative criteria with the balance attributed to qualitative criteria (35% being assigned to the examiner rating).

***Categories*:** Classification will continue to be into one of four categories and the mark distribution by category will remain unchanged:

Premium Categories	
Score	Premium Category
≥ 80	1
≥ 65 but < 80	2
≥ 50 but < 65	3
< 50	4

The following Table 1 summarizes the proposed DPS – as applied to domestic systemically important banks (DSIBs) and to non-DSIBs. Changes are proposed to those indicators appearing in italics.

Table 1: Proposed Differential Premiums System Scorecard

Criteria	**Maximum Score**
Quantitative:	
Capital Adequacy Measure	
• *Leverage Ratio: Based on ACM and will be formula driven based on member specific requirements.*	10
• *Tier 1 Capital Ratio will be formula driven based on member specific requirements*	10
Profitability	
• *Return on Risk-Weighted Assets*	5
• *Mean Adjusted Net Income Volatility*	5
• *Stressed Tested Net Income*	5
Efficiency	5
Asset Quality / Concentration	
• *Net Impaired Assets to Total Capital Ratio*	5
• *Three-Year Moving Average Asset Growth Ratio*	5
• *Real Estate Asset Concentration Ratio (non-DSIBs only) or Asset Encumbrance Measure (DSIBs only)*	5
• *Aggregate Commercial Loan Concentration Ratio*	5
Sub-total: Quantitative Score	60
Qualitative:	
• Examiner's Rating	35
• Other Information	5
Sub-total: Qualitative Score	40
Total Score	**100**

III. QUANTITATIVE CRITERIA

#1 - CAPITAL ADEQUACY

***Initial Recommendation*:**

The October 2013 consultation paper contained the following recommendation:

> CDIC is proposing to continue to use a combination of a leverage ratio with a capital ratio. The three tests currently used would be reduced to two: Leverage Ratio (percentage of authorized assets to capital multiple) and a Tier 1 Capital Ratio (including capital conservation buffer). Each ratio would be independently scored out of 10 marks. Institutions will score full marks if they exceed regulatory targets.

***Summary of Comments*:**

General comments received were supportive of the revised approach to the measure. However CDIC was asked to use caution with respect to terminology since the terminology used to describe various components of capital is evolving. To avoid any misunderstanding about the elements included in the measure, CDIC was asked to ensure the language used was consistent with that used by the regulator and that it be well understood by member institutions.

The redrafted Reporting Form describes capital requirements and capital targets as they are referenced in the *Capital Adequacy Requirements Guideline* effective April 2014 subject to necessary adjustment to take into account any capital surcharge imposed on DSIBs (referenced in the Superintendent of Financial Institution's letter issued March 26, 2013). As the terminology adopted by the Superintendent evolves, so will the terminology used in the By-law.

***Proposal for Change*:**

Set out in the following Table is the proposed Capital Adequacy criterion. There is a discrete score out of ten for each of its components.

Proposed Capital Adequacy Criterion			
Leverage Ratio	**Score**	**Tier 1 Capital Ratio**	**Score**
Assets to capital multiple is ≤ 23 and ≤ 90 % of multiple authorized by the regulator	10	Tier 1 capital ratio is > 'all in' capital target Tier 1 capital ratio set by the regulator for the member institution including capital conservation buffer and DSIB capital surcharge if applicable	10
Assets to capital multiple is ≤ 23 and ≤ 100% of multiple authorized by the regulator	7	Tier 1 capital ratio is ≤ 'all in' capital target Tier 1 capital ratio set by the regulator for the member institution including capital conservation buffer and DSIB capital surcharge if applicable but > minimum Tier 1 capital ratio required by regulator	6
Assets to capital multiple is > 23 or > 100 % of the multiple authorized by the regulator	0	Tier 1 capital ratio is ≤ minimum Tier 1 capital ratio required by regulator	0
Leverage Ratio Score plus Tier 1 Capital Ratio Score =			

Under its Leverage Ratio component, an institution that manages its leverage prudently is recognized and rewarded with a better score than one that utilizes fully its authorized Assets to Capital Multiple (ACM). Any institution that operates within its authorized ACM does score a better than average mark. While CDIC would prefer that institutions limit their ACM, it is not proposing that the threshold be set lower than 90%. This threshold was chosen as it acts as a deterrent to full utilization of, yet does not compromise, the authorized ACM. Once the Basel III Leverage Ratio is applied to each member institution in Canada, CDIC would consider substituting that ratio for the ACM presently used within the DPS Capital Adequacy criterion.

Under the proposed Tier 1 Capital Ratio component, any institution that exceeds its 'all in' capital target Tier 1 ratio (inclusive of capital conservation buffer and DSIB surcharge if applicable) would score full marks. A member institution that does not exceed its 'all in' capital target but exceeds its minimum capital ratio would score slightly more than 50% of the available marks, while any institution that does not meet the minimum Tier 1 capital requirement would not score any marks under this component.

For a member institution to score full marks it would need a leverage ratio equal to or less than 90% of its authorized ACM and its Tier 1 Capital Ratio would need to exceed regulatory 'all in' Tier 1 targets imposed on the member institution.

Through the Tier 1 capital component thresholds, CDIC recognizes that differing requirements and/or targets may apply to individual member institutions (i.e. capital surcharge on DSIBs). We reference as well the possibility that different requirements vs target may be set, for example, if an institution is implementing a capital conservation buffer restoration plan. The formulaic approach taken also recognizes that certain requirements are being phased in over time. It ensures alignment with regulatory recommendations yet emphasizes the importance to CDIC that a member not be overly leveraged and maintains high quality capital.

#2 - RETURN ON RISK-WEIGHTED ASSETS

CDIC is proposing no change to this criterion. No comments were received with respect to this proposal.

#3 - MEAN ADJUSTED NET INCOME VOLATILITY and
#4 - STRESS TESTED NET INCOME

***Initial Recommendations*:**

The October 2013 consultation paper contained the following recommendations:

> Re: Mean Adjusted Net Income Volatility: CDIC proposes to amend the Mean Adjusted Net Income Volatility criterion by calculating the volatility over a ten year period (with new members beginning calculation after five years of available data) and use standard deviation rather than semi-deviation in the calculation. Thresholds for mark allocation would change to accommodate standard deviation.
>
> Re: Stress Tested Net Income: CDIC is proposing that the Stress Tested Net Income criterion remain unchanged except insofar as the proposed changes to the Mean Adjusted Net Income Volatility criterion may impact this measure. New member institutions will begin calculating the measure when they have five years of data.

***Summary of Comments*:**

With respect to the use of ten years of data, it was suggested that this could adversely impact institutions for events that took place six to ten years prior without recognizing advances toward consistent sustainable earnings. Further, it was suggested that the different accounting approaches used over the last ten years may not produce the expected normalizing effect (countering the impact of using standard deviation) and might unnecessarily negatively impact an institution's score.

***Proposal for Change*:**

It is proposed that both ratios be calculated using standard deviation in the place of semi-deviation of net income and that it be calculated over ten years rather than the current five years. The proposed statistical measure (standard deviation) will capture all variations in net income, both positive and negative, as compared to the mean rather than only the volatility associated with drops in net income (semi-deviation). Further, to enhance the statistical significance of the measure, ten years of data will be used in the calculation (if available)[3].

CDIC looked at the effect of using ten years of data in conjunction with the move to standard deviation and determined that the use of ten years has an appropriate smoothing effect. In response to the comment about the use of ten years of data negatively impacting institutions for events that took place more than five years prior, CDIC's view is that this is a measure of the volatility of earnings and the more years of data included, the more statistically sound the measure is. Previously, CDIC did not have access to more than five years of data. CDIC has back tested the proposed measure and it appropriately captured the institutions experiencing volatility of earnings. Further, our back testing did not support the conclusion that the use of different accounting bases (GAAP vs IFRS) produced skewed results.

#5 - EFFICIENCY RATIO

CDIC is proposing no change to this criterion. No comments were received with respect to this proposal.

[3] Once an institution has five years of data available, the measure will be calculated.

#6 - NET IMPAIRED ASSETS TO TOTAL CAPITAL

***Initial Recommendation and Proposal for Change*:**

The October 2013 consultation paper contained the following recommendation to which no comments were received:

> CDIC is proposing that this criterion continue to be included but net unrealized losses on securities be eliminated from the calculation of total net impaired assets within the formula.

CDIC will proceed with this change.

#7 - THREE YEAR MOVING AVERAGE ASSET GROWTH RATIO

***Initial Recommendation*:**

The October 2013 consultation paper contained the following recommendation to which no comments were received:

> CDIC is proposing two changes to this criterion: (i) alter its upper scoring threshold (from ≤ 20% to ≤ 15%); and (ii) alter the threshold for relief from the impact of large asset acquisitions.

CDIC will proceed with these changes.

#8 - REAL ESTATE ASSET CONCENTRATION RATIO

***Initial Recommendation*:**

The October 2013 consultation paper contained the following recommendations:

> 1) CDIC is recommending that this criterion not be applied to DSIBs.
>
> 2) For non-DSIBs, the measure would continue to apply with a slight change to the sub-criteria used in relation to land development lending as well as the inclusion of Home Equity Lines of Credit (HELOCs) in Total Mortgage Loans.

DSIB application: A comment was received suggesting that it was unfair to base the choice of which measure to no longer apply to DSIBs on the fact that the DSIBs scored consistently full marks for that measure. While this was a factor, it was not the sole factor. The size and diversity of business models of the DSIBs means that a real estate asset concentration measure does not contribute to differentiation on the basis of risk for these institutions. Given that they consistently scored full marks, a better differentiator was needed. Another measure considered for elimination since DSIBs scored consistently full marks was the Net Impaired Assets measure. However, this result is a function of the good economic cycle and cannot be attributed to the type of institution.

Non-DSIB application: CDIC is proposing that two changes be made to the measure which will continue to be applied to all non-DSIBs. The first change is that HELOCs will be included in the calculation of total mortgage loans, and secondly, the Land Banking and Development Mortgage Loans sub-criterion will be combined with the Residential Interim Construction Mortgage Loans sub-criterion creating a new sub-criterion. The thresholds for the proposed sub-criterion would be: concentration levels of ≤ 5% score five marks whereas concentration levels of ≥10% score no marks. No comments were received to these proposed changes.

#8-1 - ASSET ENCUMBRANCE MEASURE

***Initial Recommendation*:**

The October 2013 consultation paper contained a proposal for a new criterion to be applied only to DISBs:

CDIC is proposing a criterion that would combine both a Domestic Unencumbered Asset Concentration Measure with a Pledged Asset Measure.

***Comments*:**

It was suggested that care be taken to ensure that the measure not include mismatches of some terms and data elements, that there be clarification around what assets and liabilities are included and that a consolidated approach be used for both liabilities and assets rather than an unconsolidated approach (highlighting domestic assets) which was proposed in the October 2013 consultation paper. Primarily, the comments focused on two issues:

- Whether the assets and liabilities should be considered on a consolidated or unconsolidated basis; and,
- Mismatches of some terms and data elements as pledged assets may not be held domestically. Similarly, foreign liabilities were included yet foreign assets were excluded.

***Proposal*:**

The proposed Asset Encumbrance Measure would be calculated as follows:

> Step 1: calculate the Unencumbered Asset Concentration ratio. If the institution's ratio is equal to or less than 100%, the member would score full marks. If the ratio is greater than 100%, the institution would go to the next step.

$$\frac{\text{Total liabilities} - (\text{Subordinated Debt} + \text{Covered Bond Liabilities} + \text{Securitization Liabilities} + \text{Repos} + \text{Shorts})}{\text{Total assets} - (\text{Impairment} + \text{Total Pledged Assets})} \times 100$$

> Step 2: calculate the Pledged Asset Ratio. If the institution's ratio is less than 25%, it would score 3 marks and if it is equal to or more than 25%, it would score no marks.

$$\frac{\text{Total Pledged Assets}}{\text{Total Assets}} \times 100$$

Consolidated vs Unconsolidated: It was suggested that CDIC use a consolidated approach for both liabilities and assets rather than an unconsolidated approach which was proposed in the consultation paper. A consolidated approach has been adopted. Also, the measure no longer considers a domestic component. With respect to clarifying which assets and liabilities are to be included, CDIC is, as much as possible, using the assets and liabilities included in regulatory filings. The draft amending by-law provides the data points required to complete this measure.

Client assets available for pledging: Member institutions pledge against liabilities not only their own assets but also sell or re-pledge third party assets (referred to as "client assets"). An additional issue that has been identified is with respect to the inclusion of non-bank assets (i.e. client assets) available to pledge and whether they should be included in the measure as an addition to the unencumbered asset base (as part of the denominator Total Unencumbered Assets). It is our view that the inclusion of unused client assets which are available but not yet sold or re-pledged should not be permitted and that they be excluded as they are unavailable to CDIC or to the bank in a recovery and resolution scenario. In a stressed scenario, the bank would not have access to these third party assets and, with respect to those already pledged, would need to replace these pledged assets with the bank's own assets. In the circumstances, CDIC is proposing the measure without permitting the inclusion of unused client assets.

#9 - AGGREGATE COMMERCIAL LOAN CONCENTRATION RATIO

***Initial Recommendation and Proposal for Change*:**

The October 2013 consultation paper contained the following recommendation to which no comments were received:

CDIC is considering altering the scoring thresholds to improve the contribution to differentiation of this criterion.

***Proposal*:**

Our analysis has revealed that the contribution to differentiation of this measure is limited. When the measure was changed in 2005 to make use of readily available data, CDIC had set the thresholds with a view to maintaining a similar score distribution. This did not occur. Therefore, it is proposed that the scoring grid be changed such that institutions with an aggregate commercial loan concentration ratio of less than 100% will score full marks whereas those members whose ratio is greater than 300% will score no marks. With these parameters, the measure better captures those institutions known to CDIC as exhibiting higher concentration risk.

QUALITATIVE CRITERIA

In addition to the 60 marks assigned to the quantitative measures, 40 marks are assigned to qualitative factors (35 marks to the examiner rating and 5 marks to Other Information).

***Initial Recommendation*:**

The October 2013 consultation paper contained the following recommendations to which no comments were received:

CDIC is proposing no change to the examiner rating criterion or the Other Information criterion.

CONCLUSION

In conclusion, our review has shown that the enhancements proposed will make the DPS even more effective and at the same time will not impose additional burden for member institutions. Further, the review has identified that regulatory regimes no longer treat all institutions in the same way and this should be taken into account in classifying members for premium assessment purposes.

We look forward to receiving your written comments prior to August 31, 2014. We also welcome comments on any other aspect of the DPS.

Appendix I

Proposed By-law to Amend the *Differential Premiums By-law*

BY-LAW AMENDING THE CANADA DEPOSIT INSURANCE CORPORATION DIFFERENTIAL PREMIUMS BY-LAW

AMENDMENTS

1. (1) Subsection 1(1) of the *Canada Deposit Insurance Corporation Differential Premiums By-law*[1] is amended by adding the following in alphabetical order:

"domestic systemically important bank" means a bank designated as such by the Superintendent . (*banque d'importance systémique nationale*)

"guidelines for member institutions" means the *Guidelines for Banks* or the *Guidelines for Trust and Loan Companies*, as applicable. (*Lignes directrices à l'intention des institutions membres*)

(2) Subsections 1(2) and (3) of the By-law are replaced by the following:

(2) Unless otherwise provided in this By-law, terms and expressions used in this By-law have the same meaning as in the guidelines for member institutions or the Reporting Manual.

(3) For the purpose of determining the annual premium of a member institution for a premium year, a reference in this By-law to the guidelines for member institutions or the Reporting Manual is a reference to those guidelines or that Reporting Manual as amended up to and including October 31 preceding the premium year.

2. Paragraph 6(1)(*a*) and (*b*) of the By-law are replaced by the following:

(*a*) if the institution is an institution described in paragraph 12(1)(*a*), audited financial statements and a revised Reporting Form or a declaration that the audited financial statements confirm the information set out in the Reporting Form and no modifications are required to be made to the Reporting Form or to the returns and documents referred to in paragraphs 15(1)(*c*) and (*e*) as previously submitted; and

(*b*) if the institution is an institution described in paragraph 12(1)(*b*), the declaration referred to in paragraph 7(1)(*b*) or the documents required by paragraphs 15(1)(*a*) to (*c*) and (*e*) or section 16.

3. The portion of subsection 8.1(1) of the By-law before paragraph (*a*) is replaced by the following:

8.1 (1) Subject to section 8.2, for any premium year that begins after 2013, a member institution, other than one classified in accordance with section 7, that was not in compliance with the Data Requirements By-law as of April 30 of the preceding premium year shall

4. (1) Subsections 8.2(1) and (2) of the By-law are repealed.

(2) Subsection 8.2(3) of the By-law is renumbered as section 8.2.

5. Subsection 12(1) of the By-law is replaced by the following:

[1] SOR/99-120

12. (1) Notwithstanding sections 8, 8.1, 8.2, 9 and 11, a member institution shall be classified in premium category 4 as set out in column 1 of Schedule 1 if it

(*a*) has submitted a Reporting Form in accordance with paragraph 15(4)(*a*) or 16(2)(*a*), as the case may be, but has not, before July 1 of the filing year, submitted audited financial statements and a revised Reporting Form or a declaration that the audited financial statements confirm the information set out in the Reporting Form and no modifications are required to be made to the Reporting Form or to the returns and documents referred to in paragraphs 15(1)(*c*) and (*e*), as previously submitted; or

(*b*) has not, by April 30 of the filing year, submitted the declaration referred to in paragraph 7(1)(*b*) or the documents required by paragraphs 15(1)(*a*) to (*c*) and (*e*) or section 16.

6. Subsection 14(3) of the By-law is repealed.

7. (1) Paragraphs 15(1)(*c*) and (*d*) of the By-law are replaced by the following:

(*c*) the *Basel III Capital Adequacy Reporting – Credit, Market and Operational Risk* return, set out on the website of the Office of the Superintendent of Financial Institutions, completed in accordance with the guidelines for member institutions, as of the end of each of its two preceding fiscal years, that is, as of the end of the fiscal year ending in the year preceding the filing year and the end of the fiscal year ending in the second year preceding the filing year, unless the return has been previously submitted to the Corporation;

(2) Subparagraphs 15(1)(*e*)(i) to (vi) of the By-law are replaced by the following:

(i) the *Consolidated Statement of Income, Retained Earnings and AOCI*, completed in accordance with that Manual, for its preceding fiscal year,

(ii) the Return of Impaired Assets, completed in accordance with that Manual as of the end of its preceding fiscal year,

(iii) the Consolidated Monthly Balance Sheet, completed in accordance with that Manual as of the end of its preceding fiscal year,

(iv) Section III of the Mortgage Loans Repor, completed in accordance with that Manual as of the end of its preceding fiscal year,

(v) the Non-Mortgage Loans Report, completed in accordance with that Manual as of the end of its preceding fiscal year; and

(vi) the Pledging and REPOS Report, completed in accordance with that Manual as of the end of its preceding fiscal year; and

(3) Paragraph 15(1)(*f*) of the By-law is replaced by the following:

(*f*) the audited financial statements on which the information provided in the Reporting Form and the returns and documents referred to in paragraphs (*c*) and (*e*) are based, unless those financial statements have been submitted to the Corporation under the *Canada Deposit Insurance Corporation Deposit Insurance Policy By-law*.

(4) The portion of subsection 15(2) of the Regulations before paragraph (*a*) is replaced by the following:

(2) The information provided by a member institution in the Reporting Form and in the returns and documents referred to in paragraphs (1)(*c*) and (*e*) must

(5) Subsection 15(3) of the By-law is replaced by the following:

(3) Unless otherwise provided in this By-law, financial information that is provided under this By-law shall be prepared in accordance with the *International Financial Reporting Standards* established by the International Accounting Standards Board, the primary source of which is, in Canada, the *CPA Canada Handbook – Accounting.*

(6) Paragraph 15(4)(*a*) of the By-law is replaced by the following:

(*a*) complete the Reporting Form and the returns and documents referred to in paragraphs (1)(*c*) and (*e*) based on its unaudited financial statements and submit them to the Corporation within the time required by subsection (1); and

(7) Subparagraphs 15(4)(*b*)(i) and (ii) of the Regulations are replaced by the following:

(i) provide the Corporation with a declaration that the audited financial statements confirm the information that was previously provided and that no modifications are required to be made to the Reporting Form or to the returns and documents referred to in paragraphs (1)(*c*) and (*e*) as previously submitted, or

(ii) submit a revised Reporting Form and the returns and documents referred to in paragraphs (1)(*c*) and (*e*) in revised form if they have been revised to conform with the audited financial statements.

8. (1) Subparagraph 16(1)(*b*)(ii) of the By-law is replaced by the following:

(ii) the Reporting Form and the returns referred to in paragraph 15(1)(*c*) and the documents referred to in paragraph 15(1)(*e*), which returns and documents must consist of information that is based on and consistent with the audited financial statements referred to in subparagraph (i), and must be based on consolidated financial information as of the day preceding the date of amalgamation.

(2) Subparagraphs 16(2)(*b*)(i) and (ii) of the By-law are replaced by the following:

(i) provide the Corporation with a declaration that the audited financial statements confirm the information that was previously provided and that no modifications are required to be made to the Reporting Form or to the returns and documents referred to in paragraphs 15(1)(*c*) and (*e*) as previously submitted, or

(ii) submit a revised Reporting Form and the returns and documents referred to in paragraphs 15(1)(*c*) and (*e*) in revised form if they have been revised to conform with the audited financial statements.

9. The portion of section 17 of the By-law before paragraph (*a*) is replaced by the following:

17. Section 15 does not apply to a member institution

10. Section 21 of the By-law is replaced by the following:

21. The Corporation shall assign to the member institution a score in respect of its capital adequacy that is equal to the sum of its scores for elements 1.2 and 1.3 of item 1 of the Reporting Form. To determine its scores for those elements, the Corporation shall compare the results obtained for the member institution in respect of its capital adequacy under elements 1.2 and 1.3 of that item with the range of results set out in Part 1 of Schedule 3.

11. The portion of section 25 of the By-law before paragraph (*a*) is replaced by the following:

25. The Corporation shall assign the score for the factor in item 8 of the Reporting Form to a member institution that is not a domestic systemically important bank as follows:

12. The By-law is amended by adding the following after section 25:

25.1 The Corporation shall assign the score for the factor in item 8-1 of the Reporting Form to a member institution that is a domestic systemically important bank as follows:

(*a*) if the result of the threshold formula in element 8-1.1 of the Reporting Form is equal to or less than 100 per cent, the score to be assigned is 5; and

(*b*) if the result of the threshold formula in element 8-1.1 of the Reporting Form is greater than 100 per cent, the score to be assigned is

(i) 3, if the result of the formula in element 8-1.2 is less than 25 per cent; and

(ii) 0, if the result of the formula in element 8-1.2 is equal to or greater than 25 per cent.

13. The portion of item 4 in column 3 of Schedule 1 to the By-law is replaced by the following:

Item	Column 3 Percentage
4.	100%

14. Paragraph (*a*) of the definition "Guidelines" in subsection 1(1) of Part 1 of Schedule 2 to the By-law is replaced by the following:

(*a*) in the case of a bank or a federal credit union, the *Guidelines for Banks*; and

15. Item 1 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following:

1. CAPITAL ADEQUACY MEASURES
1.1 Leverage Ratio
Formula: $\frac{\text{Net on- and off-balance sheet assets}}{\text{Total Capital for Purposes of ACM}}$
Complete the following: $\frac{1.1.1\ \text{———}}{1.1.2\ \text{———}} = 1.1\ \underline{\qquad\qquad}$

Elements

Use the instructions below to arrive at the elements of the formula.

Refer to the *Basel III Capital Adequacy Reporting — Credit, Market and Operational Risk* (BCAR) form, Reporting Manual, completed in accordance with that Manual as of the end of the fiscal year ending in the year preceding the filing year.

1.1.1 Net On- and Off-Balance Sheet Assets

Indicate the net on- and off-balance sheet assets as set out in Schedule 1 – Ratios and Assets to Capital Multiple Calculations of the BCAR form.

1.1.2 Total Capital for Purposes of ACM

Indicate the total capital for purposes of ACM as set out in Schedule 1 – Ratios and Assets to Capital Multiple Calculations of the BCAR form.

1.1.3 Multiple Authorized by the Regulator

For a federal member institution, indicate the assets to capital multiple authorized by the institution's regulator.

For a provincial member institution, indicate the borrowing multiple or non-risk-weighted assets multiple authorized by the institution's regulator.

1.1.3 ________

1.2 Leverage Ratio

Use the scoring grid below to determine the member institutions's leverage ratio score.

Range of Scores for Leverage Ratio	**Score**
Assets to capital multiple is ≤ 23% and ≤90% of the multiple authorized by the regulator	10
Assets to capital multiple is ≤ 23% and ≤ 100% of the multiple authorized by the regulator	7
Assets to capital multiple is > 23% or >100% of the multiple authorized by the regulator	0
1.2 Leverage Ratio Score	

1.3 Tier 1 Capital Ratio (%)

Formula:

$$\frac{\text{Net Tier 1 Capital}}{\text{Adjusted Tier 1 Capital Risk-weighted Assets}} \times 100$$

Complete the following:

$$\frac{1.3.1\ \_\_\_\_}{1.3.2\ \_\_\_\_} \times 100 = 1.3\ \_\_\_\_\_\%$$

Elements

Use the instructions below to arrive at the elements of the formula.

Refer to the *Basel III Capital Adequacy Reporting — Credit, Market and Operational Risk* (BCAR) form, completed in accordance with the Reporting Manual as of the end of the fiscal year ending in the year preceding the filing year.

1.3.1 Net Tier 1 Capital

Indicate the net tier 1 capital as set out in Schedule 1 – Ratios and Assets to Capital Multiple Calculations of the BCAR form.

1.3.2 Adjusted Tier 1 Capital Risk-Weighted Assets Indicate the adjusted Tier 1 capital risk-weighted assets as set out in Schedule 1 – Ratios and Assets to Capital Multiple Calculations of the BCAR form.	
1.3.3 Minimum Required Tier 1 Capital Ratio Indicate the minimum required Tier 1 capital ratio set by the regulator.	
1.3.4 "All in" Capital Target Tier 1 Capital Ratio Indicate the "all in" capital target Tier 1 capital ratio (including capital conservation buffer and domestic systemically important bank surcharge as applicable) set by the regulator.	
Use the scoring grid below to determine the member institutions's score.	
Range of Scores for Tier 1 Capital Ratio	**Score**
Tier 1 capital ratio (1.3) is > "all in" capital target Tier 1 capital ratio (1.3.4) set by the regulator for the member institution	10
Tier 1 capital ratio (1.3) is ≤ "all in" capital target Tier 1 capital ratio (1.3.4) set by the regulator for the member institution but > minimum Tier 1 capital ratio (1.3.3) required by the regulator	6
Tier 1 capital ratio (1.3) is < minimum Tier 1 capital ratio (1.3.3) required by the regulator	0
1.3 Tier 1 Capital Ratio Score	
1.4 Capital Adequacy Score Calculate the capital adequacy score by completing the following formula.	
Formula: Leverage Ratio Score + Tier 1 Capital Ratio Score = Capital Adequacy Score	
Complete the following: 1.2 ________ + 1.3 ________ = 1.4________	
1.4 Capital Adequacy Score	

16. (1) The formula under the heading "Formula" in item 2 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following.

$$\frac{\text{Net Income or Loss}}{\left(\text{Adjusted Tier 1 risk - weighted assets as of the end of the preceding fiscal year} + \text{Adjusted Tier 1 risk - weighted assets as of the end of the fiscal year ending in the second year proceding the filing year}\right) / 2} \times 100$$

(2) The portion of item 2 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning with the heading "Elements" and ending before the heading "Score" is replaced by the following:

Elements Use the instructions below to arrive at the elements of the formula. Refer to the following documents: (*a*) the *Consolidated Statement of Comprehensive Income, Retained Earnings and AOCI*, Reporting Manual, completed in accordance with that Manual as of the fiscal year ending in the year preceding the filing year; and (*b*) the *Basel III Capital Adequacy Reporting — Credit, Market and Operational Risk* (BCAR) form, Reporting Manual, completed in accordance with that Manual as of the end of the fiscal year ending in the year preceding the filing year.
2.1 Net Income or Loss The net income or loss attributable to equity holders and non-controlling interests (the latter to be reported as a negative number) as set out in the *Consolidated Statement of Comprehensive Income, Retained Earnings and AO-CI.*
2.2 Adjusted Tier 1 Risk-Weighted Assets as of the End of the Preceding Fiscal Year Indicate the adjusted Tier 1 risk-weighted assets as set out in the BCAR form .
2.3 Adjusted Tier 1 Risk-Weighted Assets as of the End of the Fiscal Year Ending in the Second Year Preceding the Filing Year Calculate the adjusted Tier 1 risk-weighted assets as of the end of the fiscal year ending in the second year preceding the filing year in the same manner as for element 2.2. If the member institution did not report its adjusted risk-weighted assets using the BCAR form as of the end of the fiscal year ending in the second year preceding the filing year, it must report the same amount as for element 2.2. If the member institution does not have a fiscal year ending in the second year preceding the filing year, it must report "zero", unless it is an amalgamated institution described below. If the member institution is an amalgamated member institution formed by an amalgamation involving one or more member institutions and does not have a fiscal year ending in the second year preceding the filing year, it must report the same amount as for element 2.2.

17. Item 3 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following:

3. MEAN ADJUSTED NET INCOME VOLATILITY

If a member institution has been operating as a member institution for less than five fiscal years consisting of at least 12 months each (with the fifth fiscal year ending in the year preceding the filing year), it must indicate "N/A" ("not applicable") for elements 3, 3.1, 3.2 and 3.13 and fill in any of elements 3.3 to 3.12 that apply to it.

If a member institution has been operating as a member institution for more than five years but less than ten fiscal years consisting of at least 12 months each (with the last fiscal year of operation ending in the year preceding the filing year), it must complete the formula using the available fiscal years with the appropriate adjustment to the value of "n".

If a member institution formed by an amalgamation involving only one member institution has been operating as a member institution for less than three fiscal years consisting of at least 12 months each (with the third fiscal year ending in the year preceding the filing year), in addition to filling in the applicable elements as an amalgamated member institution, it must also fill in the applicable elements for the amalgamating member institution.

If a member institution formed by an amalgamation involving two or more member institutions has been operating as a member institution for less than three fiscal years consisting of at least 12 months each (with the third fiscal year ending in the year preceding the filing year), it must indicate "N/A" ("not applicable") for elements 3, 3.1, 3.2 and 3.13 and fill in any of elements 3.3 to 3.12 that apply to it.

Formula:

$$\frac{\text{Standard deviation of the net income or loss}}{\text{Mean net income or loss}}$$

Complete the following:

$$\frac{3.1\ \text{————}}{3.2\ \text{————}} = 3\ \underline{\hspace{3cm}}$$

Elements

Use the instructions below to arrive at the elements of the formula.

3.1 Standard deviation of the Net Income or Loss

Determine the standard deviation of the net income or loss using the formula

$$\sqrt{\frac{((3.3-3.2)^2+(3.4-3.2)^2+(3.5-3.2)^2+(3.6-3.2)^2+(3.7-3.2)^2+(3.8-3.2)^2+(3.9-3.2)^2+(3.10-3.2)^2+(3.11-3.2)^2+(3.12-3.2)^2)}{(n-1)}}$$

If a member institution has been operating as a member institution for twelve or more fiscal years consisting of at least 12 months each, "n" will be equal to 10.

If a member institution has been operating as a member institution for more than seven but less than twelve fiscal years consisting of at least 12 months each, for each year that it is not operating the portion of the formula in the numerator referencing that year would be removed and "n" will be equal to the number of years that it has been so operating less 2 (e.g, if operating for eleven years, remove $(3.12 - 3.2)^2$ from the numerator and "n" will be equal to 9.

If a member institution has been operating as a member institution for six fiscal years consisting of at least 12 months each, "$+ (3.7 - 3.2)^2 + (3.8 - 3.2)^2 + (3.9 - 3.2)^2 + (3.10 - 3.2)^2 + (3.11 - 3.2)^2 + (3.12 - 3.2)^2$" must be removed from the formula and "n" will be equal to 4.

If a member institution has been operating as a member institution for five fiscal years consisting of at least 12 months each, "$+ (3.6 - 3.2)^2 + (3.7 - 3.2)^2 + (3.8 - 3.2)^2 + (3.9 - 3.2)^2 + (3.10 - 3.2^2) + (3.11 - 3.2)^2 + (3.12 - 3.2)^2$ " must be removed from the formula and "n" will be equal to 3.

3.2 Mean Net Income or Loss

Determine the mean net income or loss (the latter to be reported as a negative number) using the formula

$$\frac{(3.3 + 3.4 + 3.5 + 3.6 + 3.7 + 3.8 + 3.9 + 3.10 + 3.11 + 3.12)}{n}$$

If a member institution has been operating as a member institution for twelve or more fiscal years consisting of at least 12 months each, "n" will be equal to 10.

If a member institution has been operating as a member institution for more than seven but less than twelve fiscal years consisting of at least 12 months each, the portion of the formula in the numerator referencing the years that it was not operating is to be removed and "n" will be equal to the number of years that it has been so operating less 2 (e.g., if operating for eleven years, "+ 3.12" is removed from the numerator and "n" will be equal to 9).

If a member institution has been operating as a member institution for six fiscal years consisting of at least 12 months each, "+ 3.7" up to and including "+ 3.12" must be removed from the formula and "n" will be equal to 4.

If a member institution has been operating as a member institution for five fiscal years consisting of at least 12 months each, "+ 3.6" up to and including "+ 3.12"" must be removed from the formula and "n" will be equal to 3.

Net income or loss (the latter to be reported as a negative number) after tax for each of the last ten fiscal years.

Indicate the net income or loss as determined for element 2.1 for the fiscal year ending in the year preceding the filing year. 3.3 ________

Indicate the net income or loss after tax from the audited financial statements for the fiscal year preceding the fiscal year referred to in element 3.3. 3.4 ________

Indicate the net income or loss after tax from the audited financial statements for the fiscal year preceding the fiscal year referred to in element 3.4. 3.5 ________

Indicate the net income or loss after tax from the audited financial statements for the fiscal year preceding the fiscal year referred to in element 3.5. 3.6 ________

Indicate the net income or loss after tax from the audited financial statements for the fiscal year preceding the fiscal year referred to in element 3.6. 3.7 ________

Indicate the net income or loss after tax from the audited financial statements for the fiscal year preceding the fiscal year referred to in element 3.7. 3.8 ________

Indicate the net income or loss after tax from the audited financial statements for the fiscal year preceding the fiscal year referred to in element 3.8. 3.9 ________

Indicate the net income or loss after tax from the audited financial statements for the fiscal year preceding the fiscal year referred to in element 3.9. 3.10 ________

Indicate the net income or loss after tax from the audited financial statements for the fiscal year preceding the fiscal year referred to in element 3.10. 3.11 ________

Indicate the net income or loss after tax from the audited financial statements for the fiscal year preceding the fiscal year referred to in element 3.11. 3.12 ________

Indicate the number of fiscal years that the member institution has been operating as a member institution (if less than 12).________

A member institution must report net income or loss for the last ten fiscal years.

If a member institution has been operating as a member institution for less than three fiscal years of at least 12 months each and it is a member institution formed by an amalgamation involving only one member institution, it must report the net income or loss of the amalgamating member institution for the three fiscal years or less preceding the amalgamation, as applicable.

If a member institution has been operating as a member institution for less than five fiscal years of at least 12 months each, it must report "N/A" ("not applicable") for the elements corresponding to the fiscal years for which it was not operating as a member institution.

Score

Use the scoring grid below to determine the member institution's score.

Range of results	**Score**
Mean adjusted net income volatility (3) is ≥ 0 and ≤ 0.5	5
Mean adjusted net income volatility (3) is > 0.5 and ≤ 1.25	3
Mean adjusted net income volatility (3) is > 1.25	0
Mean adjusted net income volatility (3) is negative or the mean net income or loss (3.2) is "zero"	0
3.13 Mean adjusted net income volatility score	

18. Item 4 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following:

4. STRESS-TESTED NET INCOME	
If a member institution has reported "N/A" ("not applicable") in element 3.13, it must report "N/A" for elements 4A, 4B and 4.3.	
Formulas: (Net income or loss) – 1 (Standard deviation of the net income or loss) = (Stress-tested net income using one standard deviation) (Net income or loss) – 2 (Standard deviation of the net income or loss) = (Stress-tested net income using two standard deviations)	
Complete the following: **Stress-tested net income using one standard deviation:** 4.1 ________ – (1 × 4.2________) = 4A ________ **Stress-tested net income using two standard deviations:** 4.1 ________ – (2 × 4.2 ________) = 4B________	
Elements Use the instructions below to arrive at the elements of the formulas.	
4.1 Net Income or Loss Net income or loss as determined for element 2.1.	
4.2 Standard deviation of the Net Income or Loss The standard deviation of the net income or loss as determined for element 3.1.	
Score	
Use the scoring grid below to determine the member institution's score.	
Range of results	**Score**
Stress-tested net income using two standard deviations (4B) is ≥ 0	5
Stress-tested net income using one standard deviaton (4A) is ≥ 0, but stress-tested net income using two standard deviations (4B) is < 0	3
Stress-tested net income using one standard deviation (4A) is < 0	0
4.3 Stress-tested net income score	

19. The portion of item 5 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning with the heading "Elements" and ending before the heading "Score" is replaced by the following:

Elements

Use the instructions below to arrive at the elements of the formula.

Refer to the *Consolidated Statement of Comprehensive Income, Retained Earnings and AOCI*, Reporting Manual, completed in accordance with that Manual for the fiscal year ending in the year preceding the filing year.

5.1 Total Non-Interest Expenses

Indicate the total non-interest expenses, as set out in the *Consolidated Statement of Comprehensive Income, Retained Earnings and AOCI*, less any charges for impairment included in that total.

5.2 Net Interest Income

Determine the net interest income by adding (*a*) and (*b*):

(*a*) Net interest income as set out in the *Consolidated Statement of Comprehensive Income, Retained Earnings and AOCI* ____________________

(*b*) Taxable equivalent adjustment (if any) ____________________

Total (insert as element 5.2 of the formula) ____________________

5.3 Non-Interest Income

Determine the non-interest income by adding (*a*) and (*b*):

(*a*) Non-interest income as set out in the *Consolidated Statement of Comprehensive Income, Retained Earnings and AOCI* ____________________

(*b*) Taxable equivalent adjustment (if any) ____________________

Total (insert as element 5.3 of the formula) ____________________

20. (1) The heading of item 6 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following:

6. NET IMPAIRED ASSETS TO TOTAL CAPITAL (%)

(2) The formula after the heading "Formula" in item 6 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is amended by repealing the reference to " + Net unrealized losses on securities" in the numerator of the formula.

(3) The portion of item 6 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning with the heading "Complete the following:" and ending before Table 6A is replaced by the following:

Complete the following:

$$\frac{6.1 \text{ ———— } + 6.2 \text{ ————}}{6.3 \text{ ————}} \times 100 = 6 \text{ \_\_\_\_\_\_\_\_ }\%$$

Elements Use the instructions below to arrive at the elements of the formula. Refer to the following documents: (*a*) the *Return of Impaired Assets*, Reporting Manual, completed in accordance with that Manual as of the end of the fiscal year ending in the year preceding the filing year; (*b*) the *Basel III Capital Reporting — Credit, Market and Operational Risk* (BCAR) form, Reporting Manual, completed in accordance with that Manual as of the end of the fiscal year ending in the year preceding the filing year.
6.1 Net Impaired On-Balance Sheet Assets Indicate the net impaired on-balance sheet assets as set out for the total of the column "Carrying Amount" in the *Return of Impaired Assets*. If the result is negative, report "zero".
6.2 Net Impaired Off-Balance Sheet Assets Calculate the net impaired off-balance sheet assets by subtracting the total of the column "Individual allowance for impairment" in Table 6A from the total of the column "Credit equivalent" in that Table. If the result is negative, report "zero".
6.3 Total Capital Indicate the total capital set out in Schedule 1 of the BCAR form.

(4) The portion of Table 6A of item 6 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law under the heading "Table 6A — Impaired Off-balance Sheet Assets" beginning with "Complete Table 6A" and ending with "*Capital Adequacy Requirements (CAR) 2013 Guideline* of the Guidelines" is replaced by the Following

(Complete Table 6A as of the end of the fiscal year ending in the year preceding the filing year, referring to Schedule 39 - Off-balance Sheet Exposures Excluding Derivatives and Securitization Exposures and Schedule 40 - Derivative Contracts of the BCAR form and to the *Capital Adequacy Requirements* Guideline of the Guidelines.)

(5) The second footnote after Table 6A of item 6 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following:

** Refer to the *Capital Adequacy Requirements* Guideline to determine the applicable credit conversion factor.

(6) The portion of Table 6B of item 6 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law after the heading "Table 6B — Impaired OTC Derivative Contracts" beginning with "(Complete Table 6B" and ending with "*Capital Adequacy Requirements (CAR) 2013 Guideline* of the Guidelines" is replaced by the following:

(Complete Table 6B as of the end of the fiscal year ending in the year preceding the filing year, referring to Schedule 39 - Off-balance Sheet Exposures Excluding Derivatives and Securitization Exposures and Schedule 40 - Derivative Contracts of the BCAR form and to the *Capital Adequacy Requirements* Guideline of the Guidelines.)

(7) The portion of item 6 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law after Table 6B is replaced by the following.

Score	
Use the scoring grid below to determine the member institution's score.	
Range of results	**Score**
Net impaired assets to total capital (6) is < 20%	5
Net impaired assets to total capital (6) is ≥ 20% and < 40%	3
Net impaired assets to total capital (6) is ≥ 40%	0
6.4 Net impaired assets to total capital score	

21. (1) The paragraph before the heading "Formula" in item 7 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following:

If a member institution acquires assets in the fiscal year ending in the year preceding the filing year as a result of a merger with or the acquisition of a regulated deposit-taking institution or as a result of the acquisition of the deposit-taking business of a regulated institution, and the value of those acquired assets on the date of their acquisition exceeds 15% of the value of the consolidated assets of the member institution immediately before that merger or acquisition, the member institution must include the value of those acquired assets in elements 7.1 to 7.3.

(2) The portion of item 7 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning with the heading "Elements" and ending before the heading "Assets for Years 1 to 4" is replaced by the following:

Elements
Use the instructions below to arrive at the elements of the formula.
Refer to Section I of the *Consolidated Monthly Balance Sheet*, Reporting Manual, completed in accordance with that Manual as of the end of the fiscal year indicated under the heading "Assets for Years 1 to 4" below and to the *Basel III Capital Adequacy Reporting — Credit, Market and Operational Risk* (BCAR) form, Reporting Manual, completed in accordance with that Manual as of the end of the fiscal year indicated under the heading "Assets for Years 1 to 4" below.

(3) The portion of item 7 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning after the heading "Assets for Years 1 to 4" and ending before the reference to "Year 1" is replaced by the following:

The total of (*a*) the amount of net on- and off-balance sheet assets set out in Schedule 1 of the BCAR form plus the transitional adjustment, if any, for grandfathered treatment of certain assets not derecognized under IFRS set out in Schedule 45 of the BCAR form; (*b*) the total of the amounts set out in the column "Total" for (Securitized Assets – Unrecognized – Institution's own assets (bank originated or purchased) – Traditional securitizations) of Section I – Memo Items of the *Consolidated Monthly Balance Sheet*; and (*c*) if applicable, the value of assets, acquired by the member institution in the fiscal year ending in the year preceding the filing year as a result of a merger or acquisition referred to in the fourth paragraph under the heading "THREE-YEAR MOVING AVERAGE ASSET GROWTH (%)", for years 1, 2 and 3 below, where the value of those assets on the date of their acquisition exceeds 15% of the value of the consolidated assets of the member institution immediately before that merger or acquisition.

(4) The portion of item 7 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning with the heading "Score" and ending before item 8 is replaced by the following:

Score	
Use the scoring grid below to determine the member institution's score.	
Range of Results	**Score**
Three-year moving average asset growth is ≤ 15%(including negative results)	5
Three-year moving average asset growth is > 15% but ≤ 40%	3
Three-year moving average asset growth is > 40%	0
7.5 Three-year moving average asset growth score	

22. (1) Item 8 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is amending by adding the following after the heading "8. REAL ESTATE ASSET CONCENTRATION":

A member institution that is a domestic systemically important bank (DSIB) is not required to complete item 8 and will insert "N/A" as its score for element 8.5. All DSIBs must complete element 8-1.

(2) The portion of item 8 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning with the heading "Elements" and ending before the heading "Score" is replaced by the following:

Elements
Use the instructions below to arrive at the elements of the threshold formula. Refer to Section I of the *Consolidated Monthly Balance Sheet*, Reporting Manual, , completed in accordance with that Manual as of the end of the fiscal year ending in the year preceding the filing year.
8.1 Total Mortgage Loans
The total mortgage loans is the total of the amounts set out in the column "Total" describing Mortgages, less allowance for impairment of Section I — Assets of the *Consolidated Monthly Balance Sheet*.

8.2 Total Non-Mortgage Loans

The total non-mortgage loans is the total of the amounts set out in the column "Total" describing Non-Mortgage Loans, less allowance for impairment of Section I — Assets of the*Consolidated Monthly Balance Sheet.*

8.3 Total Securities

The total securities is the total of the amounts set out in the column "Total" for Securities set out in Section I — Assets of the *Consolidated Monthly Balance Sheet.*

8.4 Total Acceptances

The total acceptances is the total of the amounts set out in the column "Total" for Customers liability under acceptances, less allowance for impairment set out in Section I — Assets of the *Consolidated Monthly Balance Sheet.*

If the result of the threshold formula is less than 10%, score five for element 8.5 and do not complete the rest of section 8.

If that result is greater than or equal to 10%, complete the rest of section 8.

Fill in Table 8 using the definitions and instructions below.

Refer to Section III of the *Mortgage Loans Report*, Reporting Manual, completed in accordance with that Manual as of the end of the fiscal year ending in the year preceding the filing year. A member institution may complete these calculations using the information reported in the *Mortgage Loans Report* filed at its year-end or, if not filed at its year-end, at the calendar quarter-end preceding that year-end.

Fill in Table 8 for each of the following types of mortgages.

Residential Properties Mortgage Loans

Mortgage loans of this type, secured by properties located in Canada, are to be classified in accordance with the instructions in the Reporting Manual.

Calculate the total mortgage loans of this type by adding together the amounts set out for "Total Residential" in the columns "Insured Gross Mortgage Loans Outstanding" and "Uninsured Gross Mortgage Loans Outstanding", respectively, in the first table of Section III of the *Mortgage Loans Report*, before deducting any allowance for impairment.

Land Development Mortgage Loans

Mortgage loans of this type, secured by properties located in Canada, are to be classified in accordance with the instructions in the Reporting Manual.

Calculate by adding together

(*a*) the total land banking and development mortgage loans by adding together the amounts set for Land Banking and Development in the columns "Insured Gross Mortgage Loans Outstanding" and "Uninsured Gross Mortgage Loans Outstanding", described in the first table of Section III of the *Mortgage Loans Report*, before deducting any allowance for impairment; and

(*b*) the total residential interim construction mortgage loans by adding together the amounts set out for "Of Which Residential Interim Construction Mortgages" in the columns "Insured Gross Mortgage Loans Outstanding" and "Uninsured Gross Mortgage Loans Outstanding", described in the first table of Section III of the *Mortgage Loans Report*, before deducting any allowance for impairment.

Hotel and Motel Properties Mortgage Loans

Mortgage loans of this type, secured by properties located in Canada, are to be classified in accordance with the instructions in the Reporting Manual.

Calculate the total mortgage loans of this type by adding together the amounts set out for Hotels/Motels in the columns "Insured Gross Mortgage Loans Outstanding" and "Uninsured Gross Mortgage Loans Outstanding", respectively, in the first table of Section III of the *Mortgage Loans Report*, before deducting any allowance for impairment.

Industrial Properties Mortgage Loans

Mortgage loans of this type, secured by properties located in Canada, are to be classified in accordance with the Reporting Manual.

Calculate the total mortgage loans of this type by adding together the amounts set out for Industrial Buildings in the columns "Insured Gross Mortgage Loans Outstanding" and "Uninsured Gross Mortgage Loans Outstanding", respectively, in the first table of Section III of the *Mortgage Loans Report*, before deducting any allowance for impairment.

Single Family Dwelling Properties Mortgage Loans

Mortgage loans of this type, secured by properties located in Canada, are to be classified in accordance with the Reporting Manual.

Calculate the total mortgage loans of this type by adding together the amounts set out for Single Detached and Condominiums in the columns "Insured Gross Mortgage Loans Outstanding" and "Uninsured Gross Mortgage Loans Outstanding", respectively, in the first table of Section III of the *Mortgage Loans Report*, before deducting any allowance for impairment.

Second or Subsequent Mortgage Loans

Mortgage loans of this type, secured by properties located in Canada, are to be classified in accordance with the Reporting Manual.

The total mortgage loans of this type is the amount set out for Second and Subsequent Mortgages in the column "Amounts Outstanding" in the second table of Section III of the *Mortgage Loans Report*, before deducting any allowance for impairment.

Real Estate Under Power of Sale or Foreclosed Properties

Properties of this type, located in Canada, are to be classified in accordance with the Reporting Manual.

Calculate by adding together

(*a*) for foreclosed properties located in Canada, the amount set out in the column "Total" for Foreclosed long-lived assets acquired in the liquidation of a loan — held for sale of Section I — Memo Items of the *Consolidated Monthly Balance Sheet*; and

(*b*) for real estate under power of sale, the amount set out in the column "Total" for Power of Sale Loans related to Real Estate of Section I — Memo Items of the *Consolidated Monthly Balance Sheet*.

Table 8

A	B	C	D	E
Type	**Amount**	**Percentage of Total Mortgage Loans** (Amount from Column B ÷ Total Mortgage Loans*) x 100	**Range of Results**	**Score****
Residential Properties Mortgage Loans			< 50% = 0 ≥ 50% and < 75% = 3 ≥ 75% = 5	
Land Development Mortgage Loans			> 10% = 0 > 5% and ≤ 10% = 3 ≤ 5% = 5	
Hotel and Motel Properties Mortgage Loans			> 10% = 0 > 5% and ≤ 10% = 3 ≤ 5% = 5	
Industrial Properties Mortgage Loans			> 15% = 0 > 10% and ≤ 15% = 3 ≤ 10% = 5	
Single Family Dwelling Properties Mortgage Loans			< 35% = 0 ≥ 35% and < 50% = 3 ≥ 50% = 5	
Second or Subsequent Mortgage Loans			> 10% = 0 > 5% and ≤ 10% = 3 ≤ 5% = 5	
Real Estate Under Power of Sale or Foreclosed Properties			> 8% = 0 > 5% and ≤ 8% = 3 ≤ 5 % = 5	

* "Total Mortgage Loans" used in the calculation in column C must correspond to the amount of the Total Mortgage Loans determined for element 8.1.

** Fill in the score in column E for a type of mortgage loan or property set out in column A that corresponds to the percentage set out in column C, in accordance with the appropriate range set out in column D.

23. The Reporting Form set out in Part 2 of Schedule 2 to the By-law is amended by adding the following after item 8:

8-1. ASSET ENCUMBRANCE MEASURE
Only a member institution that is a domestic systemically important bank must complete item 8-1. All other member institutions are to insert "N/A" for item 8-1.3.
8-1.1 Unencumbered Asset Concentration

Threshold Formula:

$$\frac{\text{Total Liabilities} - (\text{Subordinated Debt} + \text{Covered Bonds Liabilities} + \text{Securitization Liabilities} + \text{Repos} + \text{Shorts})}{\text{Total Assets} - (\text{Impairment} + \text{total Pledged Assets})} \times 100$$

Complete the following:

$$\frac{\text{8-1.1.1 ——— - (8-1.1.2 ——— + 8-1.1.3 ——— + 8-1.1.4 ——— + 8-1.1.5 ——— + 8-1.1.6 ———)}}{\text{8-1.1.7 ——— - (8-1.1.8 ——— + 8-1.1.9 ———)}} \times 100 =$$

8-1.1 ________%

Elements

Use the instructions below to arrive at the elements of the formula.

Refer to the *Consolidated Monthly Balance Sheet* and Section I of the *Pledging and Repos Report*, Reporting Manual, all completed in accordance with that Manual as of the end of the fiscal year ending in the year preceding the filing year.

8-1.1.1 Total Liabilities

The total liabilities is calculated by deducting from the amount set out in the column "Total" for Total Liabilities and Shareholders' Equity the amounts included as shareholders' equity in Section II – Liabilities of the *Consolidated Monthly Balance Sheet* .

8-1.1.2 Subordinated Debt

The total subordinated debt is the amount set out in the column "Total" for Subordinated Debt in Section II – Liabilities of the *Consolidated Monthly Balance Sheet.*

8-1.1.3 Covered Bonds Liabilities

The covered bonds liabilities is the total of the amounts set out in the column "Total" for Selected information on covered bonds liabilities in Section II – Memo Items of the *Consolidated Monthly Balance Sheet.*

8-1.1.4 Securitization Liabilities

The securitizaton liabilities is the total of the amounts set in the column "Total" for securitization notes payable (institution's own assets) and securitization notes payable (third party assets) as set out for the Mortgages and Loans Payable in Section II – Memo Items of the *Consolidated Monthly Balance Sheet.*

8-1.1.5 Repos

The obligations related to assets sold under repurchase agreements is set out in the column "Total" for Obligation related to assets sold under repurchase agreements in Section II – Liabilities of the *Consolidated Monthly Balance Sheet.*

8-1.1.6 Shorts

The obligations related to borrowed securities is the amount set out in the column "Total" for Obligation related to borrowed securities in Section II – Liabilities of the *Consolidated Monthly Balance Sheet.*

8-1.1.7 Total Assets

The Total Assets is the amount set out in the column "Total" for Total assets in Section I – Assets of the *Consolidated Monthly Balance Sheet.*

8-1.1.8 Impairment

Impairment is the total amount set out in the column "Gross Impaired Assets" under Impaired Assets and Allowances in Section I – Memo Items – of the *Consolidated Monthly Balance Sheet.*

8-1.1.9 Total Pledged Assets
The Total Pledged Assets is the total of the amounts set out in the column "Outstanding end of period – Consolidated Entity" for items 1 to 12 (Total) and item 13 (Repurchase Agreements (REPOS)) of Section I – Pledging and Repurchase Agreements of the *Pledging and Repos Report*.
If the result of the threshold formula is equal to or less than 100%, score five for element 8-1.3 and **do not** complete the rest of item 8-1. If the result is greater than 100%, **complete** the rest of item 8-1.
8-1.2 Pledged Asset Ratio
Formula: $\frac{\text{Total Pledged Assets}}{\text{Total Assets}} \times 100$
Complete the following: $\frac{\text{8-1.2.1 ————}}{\text{8-1.2.2 ————}} \times 100 = \text{8-1.2\_\_\_\_\_\_\_\_\%}$
8-1.2.1 Total Pledged Assets
Indicate the Total Pledged Assets as determined for element 8-1.1.9.
8-1.2.2 Total Assets
Indicate the Total Assets as determined for element 8-1.1.7.

Score	
Use the scoring grid below to determine the member institution's score.	
Range of Results	**Score**
Result of the threshold formula in 8-1.1 is ≤100%	5
Result of the formula in 8-1.2 is < 25%	3
Result of the formula in 8-1.2 is ≥ 25%	0
8-1.3 Asset Encumbrance Measure Score	

24. (1) The paragraph before the heading "Formula" in Item 9 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following:

If the result of the threshold formula in section 8 is equal to or less than 90%, or the member institution is a domestic systemically important bank, complete section 9.

(2) The portion of item 9 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning with the heading "Elements" and ending before element 9.1 is replaced by the following

Elements
Refer to the *Non-Mortgage Loan Report*, Reporting Manual, completed in accordance with that Manual. Use the instructions below to arrive at the elements of the formula. A member institution may complete these calculations using the information reported in the *Non-Mortgage Loan Report* filed at its year-end or, if not filed at its year-end, at the calendar quarter-end preceding that year-end.

(3) The paragraph after the heading of element 9.2 of item 9 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following:

The total capital as determined for element 6.3, expressed in thousands of dollars.

(4) The portion of item 9 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning with the heading "Industry Sector List" and ending before Table 9 is replaced by the following:

Industry Sector List

Calculate the commercial loans for each of the industry sectors in accordance with the following list and insert the total on the appropriate line in column A in Table 9. Refer to the *Non-Mortgage Loan Report*, Reporting Manual, completed in accordance with that Manual.
Agriculture Commercial loans of this type are to be classified in accordance with the Reporting Manual. Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Agriculture in the *Non-Mortgage Loan Report.*
Fishing & Trapping Commercial loans of this type are to be classified in accordance with the Reporting Manual. Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Fishing & Trapping in the *Non-Mortgage Loan Report.*
Logging & Forestry Commercial loans of this type are to be classified in accordance with the Reporting Manual. Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Logging & Forestry in the *Non-Mortgage Loan Report.*
Mining, Quarrying & Oil Wells Commercial loans of this type are to be classified in accordance with the Reporting Manual. Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Mining, Quarrying & Oil Wells in the *Non-Mortgage Loan Report.*
Manufacturing Commercial loans of this type are to be classified in accordance with the Reporting Manual. Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Manufacturing in the *Non-Mortgage Loan Report.*

Construction/Real Estate
Commercial loans of this type are to be classified in accordance with the Reporting Manual.
Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Construction/Real Estate in the *Non-Mortgage Loan Report.*
Transportation, Communication & Other Utilities
Commercial loans of this type are to be classified in accordance with the Reporting Manual.
Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Transportation, Communication & Other Utilities in the *Non-Mortgage Loan Report.*
Wholesale Trade
Commercial loans of this type are to be classified in accordance with the Reporting Manual.
Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Wholesale Trade in the *Non-Mortgage Loan Report.*
Retail
Commercial loans of this type are to be classified in accordance with the Reporting Manual.
Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Retail in the *Non-Mortgage Loans Report.*
Service
Commercial loans of this type are to be classified in accordance with the Reporting Manual.
Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Service in the *Non-Mortgage Loan Report.*
Multiproduct Conglomerates
Commercial loans of this type are to be classified in accordance with the Reporting Manual.
Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Multiproduct Conglomerates in the *Non-Mortgage Loan Report.*
Others (Private Not for Profit Institutions, Religious, Health & Educational Institutions)
Commercial loans of this type are to be classified in accordance with the Reporting Manual.
Calculate the total by adding together the amounts in the columns "Resident, Loan Balances, TC"" and "Non-Resident, Loan Balances, TC" and subtracting the amount in the column "Total, Allowance for Impairment, TC", all as set out for Others (Private Not for Profit Institutions, Religious, Health & Educational Institutions) in the *Non-Mortgage Loan Report.*

(5) The instruction after the heading "Instructions" in Table 9 of item 9 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law is replaced by the following:

Insert 10% of total capital as determined for element 6.3: **9.3**________

(6) The portion of item 9 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law beginning with the heading "Score" and ending before item 10 is replaced by the following:

Score	
Use the scoring grid below to determine the member institution's score.	
Range of Results	**Score**
Result of the threshold formula in section 8 is > 90%	5
Aggregate commercial loan Concentration Ratio (9) < 100%	5
Aggregate commercial loan Concentration Ratio (9) ≥ 100% and < 300%	3
Aggregate commercial loan Concentration Ratio (9) ≥ 300%	0
9.4 Aggregate commercial loan Concentration Ratio score	

25. Item 10 of the Reporting Form set out in Part 2 of Schedule 2 to the By-law before the statement "The information provided in this Reporting Form is based on" is replaced by the following:

10. TOTAL QUANTITATIVE SCORE		
Using the scores from each of the preceding sections, fill in the scoring grid below to determine the total quantitative score.		
Factor	Element	Score
Capital Adequacy	1.4	
Return on Risk-Weighted Assets	2.4	
Mean Adjusted Net Income Volatility	3.13	
Stress-tested Net Income	4.3	
Efficiency Ratio	5.4	
Net Impaired Assets (Including Net Unrealized Losses on Securities) to Total Capital	6.4	
Three-Year Moving Average Asset Growth	7.5	
Real Estate Asset Concentration*	8.5	
Asset Encumbrance**	8-1.3	
Aggregate Commercial Loan Concentration Ratio	9.4	
Subtotal		
If elements 3.8, 4.3 and 7.5 are all "N/A", fill in the result determined in accordance with the following formula: (Subtotal / 45) x 15 If none of elements 3.8, 4.3 and 7.5 are "N/A", fill in "zero". If only element 7.5 is "N/A", fill in the result determined in accordance with the following formula: (Subtotal / 55) x 5		

Total Quantitative Score		

* Every member institution that is not a domestic systemically important bank must complete this item.

** Only a member institution that is a domestic systemically important bank must complete this item.

26. Schedule 3 to the By-law is replaced by the following:

SCHEDULE 3
(Subsection 1(5) and sections 21 to 24 and 26)

SCORING GRID — QUANTITATIVE ASSESSMENT

PART 1

CAPITAL ADEQUACY

			Range of Results	
	Column 1	Column 2	Column 3	Column 4
Item	Leverage Ratio	Score	Tier 1 Capital Ratio	Score
1.	Assets to capital multiple is ≤ 23% and ≤ 90% of the multiple authorized by the regulator	10	Tier 1 capital ratio is > the "all in" capital target Tier 1 capital ratio set by the regulator for the member institution	10
2.	Assets to capital multiple is ≤ 23% and ≤100% of the multiple authorized by the regulator	7	Tier 1 capital ratio is ≤ the "all in" capital target Tier 1 capital ratio set by the regulator for the member institution but > the minimum Tier 1 capital ratio required by the regulator	6
3.	Assets to capital multiple is > 23% or > 100% of the multiple authorized by the regulator	0	Tier 1 capital ratio is < the minimum Tier 1 Capital ratio required by the regulator	0
			Total of Leverage Ratio Score plus Tier 1 Capital Ratio Score	

PART 2

OTHER QUANTITATIVE FACTORS OR CRITERIA

	Column 1	Column 2	Column 3
Item	Factors or Criteria	Range of Results	Score
4.	Return on Risk-Weighted Assets	≥ 1.15	5
		≥ 0.75 and < 1.15	3
		< 0.75 (including negative results)	0
5.	Mean Adjusted Net Income Volatility	≥ 0 and ≤ 0.5	5

Item	Column 1 Factors or Criteria	Column 2 Range of Results	Column 3 Score
		> 0.5 and ≤ 1.25	3
		> 1.25	0
		if the result is negative or the mean net income or loss is zero	0
6.	Stress-tested Net Income		
	(*a*) using two standard deviations	≥ 0	5
	(*b*) using one and two standard deviations	≥ 0 and < 0 respectively	3
	(*c*) using one standard deviation	< 0	0
7.	Efficiency Ratio	≤ 65%	5
		> 65% and ≤ 85%	3
		> 85%	0
8.	Net Impaired Assets To Total Capital	< 20%	5
		≥ 20% and < 40%	3
		≥ 40%	0
9.	Three Year Moving Average Asset Growth	≤ 15% (including negative results)	5
		> 15% and ≤ 40%	3
		> 40%	0
10.	Aggregate Commercial Loan Concentration Ratio	< 100%	5
		≥ 100% and < 300%	3
		≥ 300%	0

27. The expression "vérifiés" is replaced by "audités" wherever it occurs in the French version of the following provisions of the By-law:

(*a*) the portion of subsection 1(4) before paragraph (*a*);

(*b*) paragraph 15(2)(*a*), the portion of subsection 15(4) before paragraph (*a*) and the portion of paragraph 15(4)(b) before subparagraph (i);

(*c*) paragraph 16(1)(*b*)(i) and the portion of subsection 16(2) before subparagraph (*b*)(i);

(*d*) the portion of item 10 of Part 2 of Schedule 2 after the statement "Les renseignements inscrits sur ce formulaire sont fondés sur (*cocher selon ce qui est applicable*) :".

COMING INTO FORCE

28. This By-law comes into force on the day on which it is registered.