



January 7, 2015

Circular Number C-06-2451

To:

The banking corporations and the credit card companies

Issue: Regulatory Capital—Transitional Provisions
(Proper Conduct of Banking Business Directive 299)

Introduction

1. In Circular number C-06-2416, dated April 9, 2014, US accounting rules with regard to employee rights were adopted.
2. In accordance with Reporting to the Public Directives, part of the impact of adopting these rules is to be attributed to “Retained Earnings”, and part to the “Accumulated Other Comprehensive Income”.
3. Proper Conduct of Banking Business Directive 299 on “Regulatory Capital—Transitional Provisions” (below, “Directive 299”) clarifies how to refer to the impact in respect of adoption of these rules in the “Accumulated Other Comprehensive Income” section, but does not include a reference to the impact recorded in the “Retained Earnings” section. In light of the above, the need has arisen to revise Directive 299.
4. Following consultations with the Advisory Committee on Banking Business, and with the approval of the Governor, I have amended Directive 299.

Main amendments to the directive

5. It is established that the transitional provisions in Section 2 of Directive 299 will also apply to the impact of the adoption of US accounting rules with regard to employee rights dated 1.1.2013 that is recorded in the “Retained Earnings” section.

Explanation

Consistent with the treatment established regarding the impact of adopting US accounting regulations with regard to employee rights, in respect of employee benefits for which changes are attributed according to these regulations to the



“Accumulated Other Comprehensive Income” section(as detailed in Section 4 of Directive 299).

Effective date

6. The effective date of this change is January 1, 2015.

File update

7. The updated pages of the Proper Conduct of Banking Business file are attached. The following are the update instructions:

Remove page:	Insert page:
299-1-5 [1] (5/13)	299-1-5 [2] (1/15)

Sincerely,

David Zaken
Supervisor of Banks