

## GLOSSARY OF TERMS

**Branches (Operating on a Branch Basis):** Branches are integral parts of an institution, as opposed to subsidiaries or joint ventures. Canada now allows foreign banks to apply for the right to directly operate via branches in this country as well as via representative offices or separately capitalized subsidiaries.

**Deposit-taking Institutions:** Deposit-taking institutions take money from individuals or corporations in the form of deposits or similar financial instruments that are repayable at some time in the future. In Canada, banks, trust and loan companies, and credit unions are deposit-taking institutions.

**Demutualization:** The process whereby a mutual insurance company converts to a stock company. A mutual company is owned by its participating policyholders, and can issue debentures and similar financial instruments, but not common stock. A stock company is owned by stockholders and can issue debentures, common stocks and a wide variety of related financial instruments.

**MCCSR:** The Minimum Continuing Capital and Surplus Requirement is a measure of capital adequacy for life insurance companies. It is a risk-based minimum requirement determined by applying factors for a number of risk components to specific on- and off-balance sheet assets or liabilities.

**Regulation:** Regulation is the setting of rules of good prudential behaviour for financial institutions and pension plans. This involves input into developing and interpreting legislation and regulations, issuing guidelines and considering requests from institutions and pension plans as required by law.

**Staging (Staged Institutions):** Staging is OSFI terminology for placing an institution on a graduated watch list, where each graduation, or stage, indicates more serious financial difficulty and more aggressive supervisory intervention. Five stages are outlined in the *Guide to Intervention for Financial Institutions*. Staged institutions are those where problems have been identified (i.e., at Stage 1 or higher).

**Supervision:** Supervision involves assessing the safety and soundness of financial institutions, providing them with feedback, and intervening in a timely manner to achieve OSFI's mandate. This entails the evaluation of their risk profiles, financial condition, risk-management processes, and compliance with applicable laws and regulations.

**Tier 1 and Tier 2 Capital:** These are components of capital for both deposit-taking institutions and insurance companies. Tier 1 (core capital) comprises the highest quality capital elements, and is regarded as permanent capital, while Tier 2 (supplementary capital), though contributing to the overall strength of a company, does not fully meet OSFI's considerations for highest quality capital.

**Y2K or Year 2000 Computer Problem:** Many older computer systems used to two-digit numbers (e.g., 55) to represent four-digit dates (e.g., 1955) in order to economize on memory requirements. When such systems operate on or after January 1, 2000, errors may occur. To deal with this potential problem, computer users have spent billions of dollars fixing or replacing these systems so they can handle dates in the next century.

## ANNEX 1 - 1998-99 FINANCIAL STATEMENTS

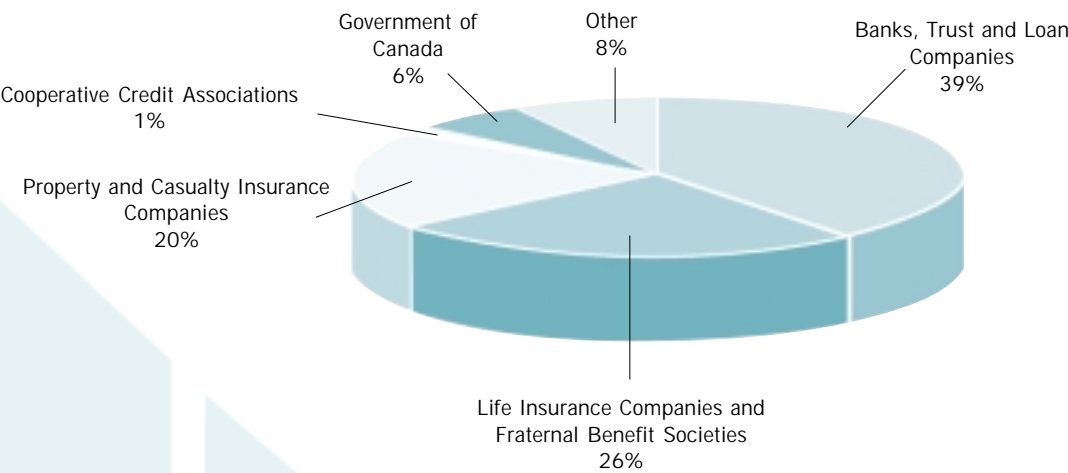
### Office of the Superintendent of Financial Institutions

#### Actual Expenditure by Budget Item

(Dollars)

	1998/99	1997/98
Salary		
Salary	30,711,090	29,229,789
Overtime	94,097	207,095
	<u>30,805,187</u>	<u>29,436,884</u>
Training		
Travel - training	238,091	208,100
Training & development	784,920	846,002
	<u>1,023,011</u>	<u>1,054,102</u>
Other expenses		
Travel	1,585,795	1,400,191
Relocation	80,493	15,986
Liquidation expenses	969,516	1,339,509
Membership fees & expenses	107,283	127,604
Hospitality	68,149	49,533
Instant awards	20,843	13,601
Credit consultants fees & expenses	212,597	332,557
Temporary help	150,471	132,048
Other contracts	1,836,493	1,475,431
EDP consultants	845,565	714,544
EDP hardware & software	1,278,149	700,614
EDP other expenses	406,422	509,315
Subscriptions & reference books	203,160	147,661
Publishing & advertising services	160,396	132,899
Postage & courier	105,092	109,023
Printing	140,386	194,073
Stationery & office supplies	233,327	205,255
Furniture & fixture	70,383	56,834
Telephones	359,620	388,249
Maintenance - office equipment	11,866	12,064
Accommodation expenses	3,172,904	2,412,059
Rental - other	118,533	122,264
Miscellaneous	143,775	129,495
Reorganization cost	2,877,584	-
Demutualization expenses	4,014,867	-
	<u>19,173,669</u>	<u>10,720,809</u>
Total expenditures	<u>51,001,867</u>	<u>41,211,795</u>

BREAKDOWN OF REVENUE BY INDUSTRY TYPE



## ANNEX 2 - COMPLAINTS AND ENQUIRIES

OSFI's Complaints and Enquiries Unit responds to, and ensures the follow-up on, all enquiries or complaints customers may have with respect to federally-regulated financial institutions and pension plans. By legislation, financial institutions are required to establish specific procedures for handling customer complaints. These procedures must be readily available to customers and include information on how to contact OSFI.

When someone contacts OSFI, a complaints and enquiries officer analyzes the situation and, whenever possible, offers suggestions on how it can best be handled. Officers often respond directly to enquiries that are of a general nature. Complaints or enquiries of a

specific nature or relating to a specific institution are directed to individuals in the institution. Many financial institutions have an ombudsman who offers an impartial appeal process for dissatisfied customers.

OSFI's toll-free telephone line, that has been available to the public for four years, has resulted in a significant increase in the number of incoming calls. OSFI also receives complaints and enquiries through the mail and via the Internet. During 1998-99, OSFI received 1,919 complaints and 13,452 enquiries. Tables 1 and 2 provide detail on the complaints and enquiries received throughout the year (13,680 by telephone, 1,188 in writing, 498 Internet messages and five interviews).

**TABLE 1: OSFI COMPLAINTS AND ENQUIRIES**    **APRIL 1, 1998 TO MARCH 31, 1999**

	Banks	Trust	Life	P&C	Pensions	Loan	Co-op	Other	TOTAL
<b>ENQUIRIES</b>									
General	1,459	184	227	85	195	26	3	2,101	4,280
Specific	2,665	272	248	118	919	21	1	4,928	9,172
<b>COMPLAINTS</b>									
Cost of Borrowing	12	1	0	0	0	0	0	1	14
Service Charges	86	7	1	0	0	0	0	6	100
Quality of Service	239	18	5	1	0	0	0	13	276
Small Business	82	5	1	0	0	0	0	5	93
Legal/Contractual/Products <sup>1</sup>	978	175	138	43	7	2	0	80	1,423
Floating Issues	2	0	2	0	0	0	0	3	7
Tied Selling <sup>2</sup>	6	0	0	0	0	0	0	0	6
<b>TOTAL</b>	<b>5,529</b>	<b>662</b>	<b>622</b>	<b>247</b>	<b>1,121</b>	<b>49</b>	<b>4</b>	<b>7,137</b>	<b>15,371</b>

Notes: <sup>1</sup> The tracking for tied selling (calls/letters) only started in October 1998. Anything received prior to October would not have been identified specifically as tied selling.

<sup>2</sup> Definition of legal/contractual/products: under that section, we find: credit cards, accounts, ABMs, mortgages, loans, lines of credit, RRSPs, GICs, insurance policy issues, estates issues.

**TABLE 2 OSFI COMPLAINTS AND INQUIRIES - BY YEAR AND MONTH (1989-99)**

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
1989	536	519	535	493	592	374	582	490	229	335	427	260	5,382
1990	608	623	577	390	721	600	637	621	592	624	739	445	7,177
1991	708	767	659	689	849	733	788	711	582	920	857	695	8,958
1992	899	902	971	952	774	957	1,061	949	856	942	994	847	11,104
1993	1,067	1,178	1,271	939	950	1,070	982	965	979	876	1,107	798	12,182
1994	1,045	1,161	1,181	943	958	1,038	928	1,157	833	907	1,076	749	11,976
1995	1,056	1,153	1,237	995	1,087	1,030	873	983	986	1,191	1,093	739	12,423
1996	1,195	1,239	1,116	1,118	1,111	1,059	1,089	994	1,053	1,224	1,096	865	13,159
1997	1,213	1,245	1,225	1,231	1,180	1,041	1,236	979	1,191	1,200	1,268	1,005	14,014
1998	1,064	1,333	1,444	1,336	1,346	1,430	1,206	1,099	1,228	1,337	1,182	945	14,950
1999	1,277	1,297	1,611	-	-	-	-	-	-	-	-	-	4,185

### ANNEX 3 - DISCLOSURE OF INFORMATION

Under the *OSFI Act*, the Superintendent is required to report to Parliament each year on the progress made by financial institutions in enhancing disclosure of information on financial condition. In 1997, OSFI issued guidelines for federally regulated deposit-taking institutions and life insurance companies. Generally speaking, each institution should identify and describe the risks that are significant to its business, and its approach to risk management.

OSFI has reviewed a sample of annual reports for deposit-taking and life insurance companies to evaluate compliance with the guidelines and to compare the level of disclosure year-over-year. In general, deposit-taking institutions provided good information on credit exposure and credit risk management. OSFI has noticed improvement in disclosure of market risk and other risks, but the Office

expects further improvement, particularly for trust companies and smaller banks. In the annual reports of life insurance companies that OSFI reviewed, the Office has seen little improvement in the level of disclosure compared to the previous year. OSFI expects that the disclosure of risk management and control practices will be increased in the coming year.

Last year, OSFI reported the intention to issue a disclosure guideline for property and casualty insurance companies in 1998-99. Progress has been made in drafting the guideline and a final version is expected to be released by the end of the current fiscal year.

## FURTHER INFORMATION ABOUT OSFI

OSFI's Internet site address is: <http://www.osfi-bsif.gc.ca>.

Our site provides timely access to speeches, guidelines, legislation, policy statements, bulletins, current financial data, as well as a list of the financial institutions that OSFI regulates.

### Consumer Complaints and Enquiries

OSFI's Communications and Public Affairs Division is responsible for handling complaints and enquiries consumers may have with respect to federally regulated financial institutions and pension plans.

Telephone: 1-800-385-8647

Fax: (613) 990-5591

E-mail address: [extcomm@osfi-bsif.gc.ca](mailto:extcomm@osfi-bsif.gc.ca)

### OSFI Publications \*

OSFI Bulletin

Accounting and Supervisory Guidelines

Manuals of Reporting Forms and Instructions

PBSA Update

\* A charge for printed publications may apply

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