



Office of the Superintendent of  
Financial Institutions Canada

Bureau du surintendant des  
institutions financières Canada

# **Office of the Superintendent of Financial Institutions Canada**

**2006-2007 to 2008-2009**

**Report on Plans and Priorities**

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**Minister of Finance**



**Canada**



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## **SECTION I – OVERVIEW**

## Message from the Superintendent



I am pleased to present the Report on Plans and Priorities (RPP) for the Office of the Superintendent of Financial Institutions (OSFI) for the years 2006-2007 to 2008-2009.

Canada is fortunate to possess one of the strongest financial systems in the world, which contributes to the strength and innovation of Canada's economy, and protects the savings of individual Canadians. However, the environment – both domestically and internationally – in which

OSFI operates is fluid. Maintaining high confidence in the safety of money entrusted to Canadian financial institutions and remaining a world-class prudential regulator with a modern supervisory system figure prominently in OSFI's plans and priorities.

OSFI is the primary regulator of all federally incorporated financial institutions in Canada as well as federally regulated private pension plans. As a separate unit within OSFI, the Office of the Chief Actuary (OCA) provides actuarial and other services to the federal government. Above all, and without unduly restricting competitiveness, OSFI advances a modern regulatory framework that contributes to public confidence in Canada's financial system. Such a framework also benefits financial institutions in their dealings with Canadians and with counterparties in Canada and abroad.

Effective mechanisms for evaluating risks to financial institutions and private pension plans, programs to promote sound business and financial practices, and the capacity and willingness to intervene early to avoid or minimize prudential problems in regulated financial institutions and pension plans will continue to be the key ingredients of OSFI's regulatory and supervisory approach.

Financial institutions are operating in an increasingly complex and competitive international environment, which includes more cross-border cooperation and reliance on OSFI by foreign regulators. OSFI faces more pressure to increase its assessment of risks arising from offshore operations of Canadian financial institutions and to monitor their ability to manage those risks. Increased complexity means institutions must adopt enhanced analytical techniques, risk-transfer mechanisms and new control processes to keep pace with the inherent risks. OSFI plans to enhance its risk-based planning and supervisory processes and will conduct a more formal review of its Supervisory Framework over the next two years.

The regulatory and legal environment is changing rapidly as institutions are faced with changes to accounting standards and the implementation of Basel II. Basel II is a framework for a new set of standards for minimum capital requirements for banking organizations. Basel II was released in June 2004 by the Basel Committee on Banking Supervision, the prime body bringing together supervisors and regulators of international banks from G-10 countries.

OSFI's challenge is to develop rules that are globally competitive, do not unduly impede the competitiveness of Canadian financial institutions and ensure its regulatory framework remains prudentially sound.

Among the implications of the Basel II Framework, larger banks will be encouraged to adopt enhanced measures to guide their internal assessments of capital needs. General principles must be translated into effective implementation approaches in several areas, presenting a challenge to both institutions and OSFI to ensure implementation is done on a consistent basis. The review and approval of applications will be enhanced and bank requests for interpretation or flexibility in implementation will be a priority. A gap analysis between OSFI's Supervisory Framework and Basel II requirements will be done and OSFI will continue discussions with its counterparts to deal with home/host implementation for foreign banks operating in Canada and Canadian banks operating abroad.

Proposed accounting changes will add to risk and complexity and may have a significant impact on the financial position and capital of financial institutions. Examples of the new rules include the use of fair value for assets, the impact of hedge accounting, and international standards on insurance liabilities. OSFI will develop a prudential response to fair value accounting and related reporting. It will also respond to revisions of the International Accounting Standard Board's conceptual framework and insurance accounting overhaul, and will take regulatory and supervisory action as required.

Private pension plan sponsors continue to face some financial risk as low interest rates have reduced pension solvency ratios, prompting questions about how to deal with under-funded plans. This is causing plan sponsors to reconsider the viability of defined benefit plans. Key concerns from our perspective are that excessive relaxation of funding requirements to assist sponsors could reduce protection for pensioners, or that rule changes could reduce incentives for plan participants to solve problems. OSFI is allocating more resources to accelerate the approval process for plan changes and to strengthen its intervention activity with problem plans. OSFI plans to develop more detailed policies and procedures for the regulatory process. It will also participate in any government policy development related to defined benefit plans.

To meet the challenges of change and complexity, OSFI will ensure that its human resources are appropriately aligned to risk and priorities, including recruitment, training and succession plans. OSFI has slowed the pace of major new initiatives to focus on change management and leadership management capabilities. Existing information management and technology projects will be completed to fully capitalize on projected benefits and the development of new systems and enhancements will be prioritized.

OSFI's activities form part of a modern infrastructure that supports Canada's financial system and economy. The vitality of both is essential to improving the quality of life for all Canadians, which is the Government of Canada's enduring priority.

## Summary Information

### “OSFI’s Raison d’être”

#### Mandate

OSFI's legislated mandate was established in 1996 and changes are not expected in the 2006-2009 planning period. Under the legislation, OSFI's mandate is to:

- Supervise federally regulated financial institutions and private pension plans to determine whether they are in sound financial condition and meeting minimum plan funding requirements respectively, and are complying with their governing law and supervisory requirements;
- Promptly advise institutions and plans in the event there are material deficiencies and take, or require management, boards or plan administrators to take, necessary corrective measures expeditiously;
- Advance and administer a regulatory framework that promotes the adoption of policies and procedures designed to control and manage risk;
- Monitor and evaluate system-wide or sectoral issues that may impact institutions negatively.

In meeting this mandate, OSFI contributes to public confidence in the financial system.

OSFI's legislation also acknowledges the need to allow institutions to compete effectively and take reasonable risks. It recognizes that management, boards of directors and plan administrators are ultimately responsible and that financial institutions and pension plans can fail.

The Office of the Chief Actuary (OCA), which is part of OSFI, provides actuarial services to the Government of Canada.

#### Strategic Outcomes

Primary to OSFI's mission and central to its contribution to Canada's financial system are two strategic outcomes:

1. *To regulate and supervise to contribute to public confidence in Canada's financial system and safeguard from undue loss.* OSFI safeguards depositors, policyholders and private pension plan members by enhancing the safety and soundness of federally regulated financial institutions and private pension plans.
2. *To contribute to public confidence in Canada's public retirement income system.* This is achieved through the activities of the Office of the Chief Actuary, which provides high quality, timely advice on the state of various public pension plans and on the financial implications of options being considered by policy makers.



## Resources

### Financial Resources (\$ millions)

2006-2007	2007-2008	2008-2009
\$85.0	\$88.6	\$92.4

### Human Resources Full-Time Equivalents (FTEs)

2006-2007	2007-2008	2008-2009
459	459	459

## Priorities

(\$ millions)	Type	Planned Spending		
		2006-2007	2007-2008	2008-2009
<b>#1 Risk Assessment and Intervention</b>	Ongoing	\$50.1	\$52.4	\$54.8
<b>#2 Rule Making</b>	Ongoing	\$15.2	\$15.8	\$16.4
<b>#3 Approvals</b>	Ongoing	\$7.9	\$8.1	\$8.4
<b>#4 Regulation and Supervision of Federally Regulated Private Pension Plans</b>	Ongoing	\$5.2	\$5.4	\$5.6
<b>#5 International Assistance</b>	Ongoing	\$1.9	\$2.0	\$2.1
<b>#6 Office of the Chief Actuary (OCA)</b>	Ongoing	\$4.7	\$4.9	\$5.1
<b>#7 Accounting Standards</b>	New	Costs for this priority are included in the costs for Priority 2 above.		
<b>#8 Basel II</b>	New	Costs for this priority are included in the costs for Priority 1 above.		
<b>#9 Governance and Reporting</b>	Ongoing	Costs for this priority are included in the costs for Priorities 1-6 above.		
<b>#10 Resources and Infrastructure</b>	Ongoing	Costs for this priority are included in the costs for Priorities 1-6 above.		

## **OSFI's Plans and Priorities**

OSFI's strategic outcomes, supported by our plans and priorities, are intrinsically aligned with broader government priorities. A properly functioning financial system in which consumers and others, inside and outside Canada, who deal with financial institutions have a high degree of confidence, makes a material contribution to Canada's economic performance. The achievement of OSFI's strategic outcomes, which are shared by other institutional partners within government and the private sector, provides an essential foundation for a productive and competitive economy. As such, it provides significant benefits to Canadians.

The Office of the Chief Actuary (OCA) provides transparency regarding the Canadian public retirement income system through the production and subsequent tabling before Parliament of regular actuarial reports on the Canada Pension Plan (CPP), Old Age Security (OAS) program and public sector employee pension and insurance plans.

OSFI's activities and programs to enhance the safety and soundness of financial institutions are key to a regulatory framework underpinning the financial system, which in turn is essential to remain competitive in the global economy.

In addition, OSFI supports the government's priority for the security of Canadians by contributing to the fight against terrorism financing and money laundering. OSFI's focus relates to the provision of guidance and the supervisory review and assessment of the adequacy of financial institution programs in complying with Anti Money Laundering/Counter Terrorism Financing (AML/CTF) requirements.

## Regulated Entities

OSFI supervises and regulates all federally incorporated or registered deposit-taking institutions (e.g., banks), life insurance companies, property and casualty insurance companies, and federally regulated private pension plans. These 1,728 organizations managed a total of \$2,720 billion of assets (as at March 31, 2005).

### Federally Regulated Financial Institutions and Private Pension Plans & Related Assets

	Deposit Taking Institutions	Life Insurance Companies	Property & Casualty Companies	Federal Private Pensions Plans	Total
Number of organizations	141	116	187	1,284	1,728
Assets \$B	2,157	374	85	104	2,720

OSFI also undertakes supervision of provincially incorporated financial institutions on a cost-recovery basis under contract arrangements with some provinces. Additional detail may be found on OSFI's website under [About OSFI/Who We Regulate](#).

## OSFI's Accountability Framework

OSFI was created in 1987 through the enactment of the *Office of Superintendent of Financial Institutions Act* (OSFI Act), and subsequently received a legislated mandate that clarified its objectives in the regulation and supervision of federal financial institutions and private pension plans. The OSFI Act provides that the Minister of Finance is responsible for OSFI. It also provides that the Superintendent is solely responsible for exercising the authorities provided to him by the financial legislation, and is required to report to the Minister of Finance from time to time on the administration of the financial institutions legislation.

OSFI's accountability framework is made up of a variety of elements. OSFI participates in established international reviews jointly led by the World Bank/International Monetary Fund to determine whether OSFI is meeting internationally established principles for prudential regulators. OSFI regularly conducts anonymous surveys of knowledgeable observers, i.e., industry executives and professionals, on its operations, both on individual activities, and on broader issues such as OSFI's contribution to public confidence and how OSFI compares to other regulators. Survey results are disclosed on OSFI's website under "[About OSFI/Reports/Consultations](#)".

OSFI consults extensively on its regulatory rules before they are finalized, with financial institutions, other government agencies, and subject matter experts, among others. OSFI issues

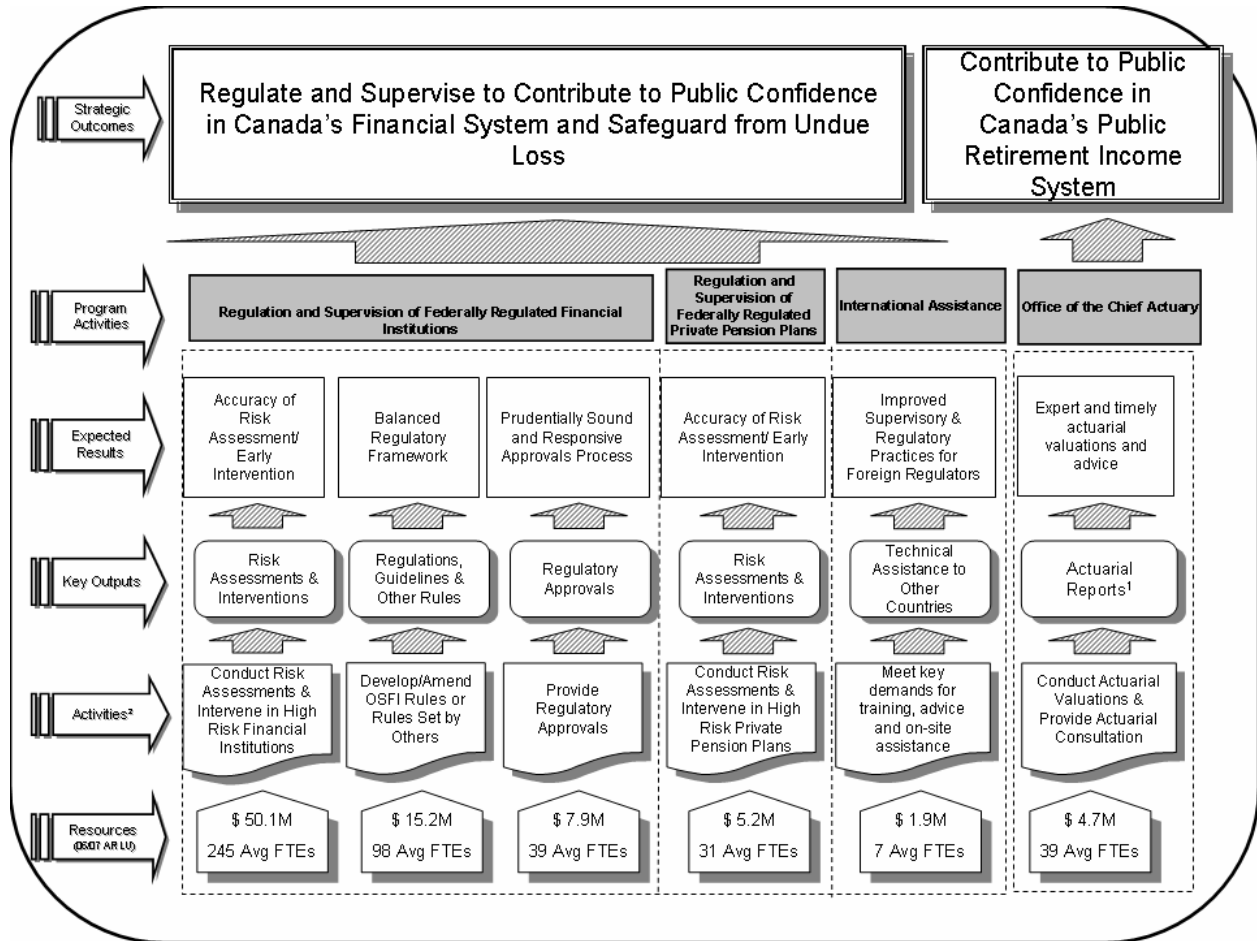
an annual report and has its financial statements and related control processes audited annually. OSFI has implemented a range of measures that allow it to assess performance.

OSFI is further strengthening internal audit and has plans in place for implementing the new Treasury Board policy on internal audit. The internal audit group is conducting assurance audits based on a comprehensive five year risk-based plan. Audit results are reviewed by the Executive and the Audit Committee at regularly scheduled meetings. In the 1st quarter of 2006 with the appointment of four external members, the Audit Committee will be independent of OSFI Management.

Primary to OSFI's mandate and central to its contribution to Canadians and Canada's financial system and retirement income systems are its activities to contribute to public confidence in the safety and soundness of Canada's financial system. For financial institutions and private pension plans, OSFI performs regulatory and supervisory functions through activities such as evaluation of system-wide risks, promotion of sound business and financial practices through appropriate rules and guidance, identifying institution-specific risks and trends, and intervening in a timely manner thereby protecting depositors, policyholders and pension plan members from undue loss.

For public pension plans, the activities of the Office of the Chief Actuary within OSFI contribute to confidence in the retirement income system through the provision of accurate, timely information on the state of these arrangements and options being considered by policy makers. The accountability framework for the OCA established by OSFI makes clear that the Chief Actuary is the person solely responsible for the actuarial opinions made by the Office. More information is available on OSFI's web site under the [Office of the Chief Actuary](#).

The following diagram shows how OSFI's activities, key outputs and expected results are linked to strategic outcomes.



<sup>1</sup>Canada Pension Plan, Old Age Security, Canada Student Loans Program, and various public-sector pension and insurance plans.

<sup>2</sup> These activities are supported by organization-wide activities. These Corporate Services costs and FTEs are allocated across the activities based on direct human resources costs.

## Program Activities

Three *program activities* support OSFI's **first strategic outcome** to regulate and supervise financial institutions and pension plans so as to contribute to public confidence.

### 1. Regulation and supervision of federally regulated financial institutions (FRFIs)

This *program activity* is central to the achievement of OSFI's mandate to protect the rights and interests of depositors and policyholders and to advance a regulatory framework that contributes to confidence in the Canadian financial system. The three sub-activities of this program are:

- Risk assessment and intervention includes activities to monitor and supervise financial institutions, monitor the financial and economic environment to identify emerging issues

and intervene in a timely way to protect depositors and policyholders, while recognizing that all failures cannot be prevented.

- Rule making encompasses the issuance of guidance and regulations, input into federal legislation affecting financial institutions, contributions to accounting, auditing and actuarial standards, and involvement in a number of international rule-making activities.
- Approvals of certain types of actions or transactions undertaken by regulated financial institutions. This covers two distinct types of approvals: those required under the legislation applying to financial institutions, and approvals for supervisory purposes.

There is a strong interrelationship among the three parts of this supervisory and regulatory program. The supervisory function relies on an appropriate framework of rules and guidance. In some situations, regulatory approval is required because a proposed transaction may significantly affect an institution's risk profile. Approving such a change involves both a supervisory and regulatory assessment. Supervisory experiences often identify areas where new or amended rules are needed.

As identified in OSFI's mandate, OSFI must also recognize the need for financial institutions to compete effectively. The sustainability and success of regulated institutions is important for the long-term safety and soundness of the financial system. As a result, OSFI needs to strike an appropriate balance between promoting prudence and allowing financial institutions to take reasonable risks in order to compete and prosper.

## **2. Regulation and supervision of federally regulated private pension plans**

This program activity incorporates risk assessment, intervention, rule making and approvals related to federally regulated private pension plans under the *Pension Benefits Standards Act, 1985*.

## **3. International Assistance**

OSFI supports initiatives of the Canadian government to assist emerging market economies to strengthen their regulatory and supervisory systems. This program activity is largely funded by the Canadian International Development Agency, and is carried out directly by OSFI and through its participation in the Toronto International Leadership Centre for Financial Sector Supervision.

OSFI's **second strategic outcome** - to contribute to public confidence in Canada's public retirement income system - is achieved through the activities of the Office of the Chief Actuary (OCA).

The OCA provides a range of actuarial services, under legislation, to the Canada Pension Plan (CPP) and some federal government departments, including the provision of expert and timely advice in the form of reports tabled in Parliament. The basic elements of this program include:

- **Canada Pension Plan and Old Age Security.** The OCA estimates long-term expenditures, revenues and current liabilities of the CPP and federal public-sector pension and insurance

plans, long-term future expenditures for Old Age Security programs, and prepares statutory triennial actuarial reports on the financial status of these programs.

- **Other Public Pension Plans.** The OCA prepares statutory triennial actuarial reports on the financial status of federal public sector employee pension and insurance plans covering the federal Public Service, the Canadian Armed Forces, the Royal Canadian Mounted Police, the federally appointed judges and Members of Parliament.
- **Canada Student Loans.** Since 2001, the OCA undertakes the actuarial review of the Canada Student Loans Program by evaluating the portfolio of loans and the long-term costs of the program.

Whenever a bill is introduced before Parliament that has a significant impact on the financial status of a public pension plan falling under the statutory responsibilities of the Chief Actuary, the OCA must submit an actuarial report valuing the impact to the appropriate minister. The OCA also provides actuarial information on the CPP to provincial governments, which are the Plan's co-stewards. Meaningful steps have been taken since the late 1990s to strengthen the transparency and accountability of actuarial reporting on the CPP. In particular, the frequency of actuarial reporting on the CPP has been increased to every three years.

## **Environmental Assessment**

For planning purposes, OSFI conducts an annual assessment of the overall economic and financial conditions in Canada and abroad that are key to the health of Canadian financial institutions. OSFI consults with the Bank of Canada and the Department of Finance on their macroeconomic forecasts. In addition, OSFI's assessment reflects input from international sources (such as the Financial Stability Forum and other regulators). These sources supplement information derived from OSFI's own experiences with its regulatory and supervisory programs, and from assessments made from our internal Enterprise Risk Management (ERM) activities.

## **Economic and Financial Environment**

### *Implications of the most likely scenario for the financial sector*

**Banks.** Bank balance sheets are sound. For a number of banks the challenge is to continue to grow and earn targeted rates of return in a highly competitive market. In seeking higher growth, or rates of return, banks may take on risks that they will be challenged to either manage and/or provide for adequately, resulting in increased overall risk.

**Life and Health Insurance Companies.** Life insurers are benefiting from improved equity markets, however low interest rates continue to be a challenge. The growth and profitability of annuity business is strong, while volume growth on insurance products is relatively flat. With the growth in wealth management products and expansion internationally, insurers will want to

ensure that their risk management capabilities are commensurate with the increased risks being assumed.

**Property and Casualty (P&C) Insurance Companies.** Although the P&C and reinsurance sectors have shown improvement in recent years, the P&C sector remains inherently volatile. Renewed profitability could lead to more intense competition and the under-writing of less profitable business.

**Private pension plans.** The financial and economic environment is deteriorating for defined benefit pension plans. Low interest rates and changes to actuarial standards have added to solvency deficits. The number of plans on OSFI's watch list is expected to rise. For some plans already on the watch list, the severity of solvency deficits will increase. Challenges in administration of certain smaller defined contribution plans will continue.

### *Competitive landscape for financial institutions and private pension plans*

Financial institutions are operating in an increasingly complex, international environment. There is greater interest in increased cross-border cooperation and an increasing reliance on OSFI by foreign regulators. As a result, there is pressure on OSFI, as supervisor of the consolidated operations of Canadian financial institutions, to increase its assessment of risks arising from offshore operations and to monitor financial institutions' ability to manage those risks. OSFI must also be aware of influences from the environment affecting foreign parents of Canadian financial institutions, which could materially adversely affect Canadian operations.

The risks faced by financial institutions and financial products are becoming more complex. In response, institutions are placing greater reliance on a variety of enhanced analytical techniques and risk-transfer mechanisms to better manage and measure risk. The development of control processes to manage the new highly innovative products may not be keeping pace with the inherent risk. All institutions are affected by this trend, but smaller institutions may face greater problems in implementing the required internal controls and governance processes.

Globally, the regulatory and legal environment is changing rapidly. Within the next several years financial institutions will be faced with changes to accounting standards, the implementation of Basel II, and changes in reporting requirements resulting from the increased focus on corporate ethics. The financial, operational and reputational impact on financial institutions if they are unable to manage these evolving regulatory and reporting requirements could be large.

Various events over the past few years have focussed the attention of financial institutions and regulators on their ability to respond adequately in a crisis. As well, many jurisdictions, including Canada, have increased focus on the detection and deterrence of terrorist financing and money laundering.

Private pension plans continue to generate considerable concern. The aging population in Canada and other jurisdictions ensures that pension issues have a high profile. Some plan sponsors face financial and reputation risk. Low interest rates have reduced solvency rates. As a result of



questions on how to deal with under-funded plans, and questions regarding surplus ownership, many sponsors are reconsidering the viability of defined benefit pension plans.

## **Policy Environment**

Rules affecting FRFIs continue to change, particularly those related to accounting and controls in financial statements. These changes could add to the volatility of earnings and may not always be adequately covered by current risk management practices. Domestic and international policy initiatives to which OSFI will be responding during the planning period include:

**The evolving global regulatory environment.** This will continue to put pressure on OSFI to develop rules that are globally competitive. This includes developing rules that do not unduly impede the competitiveness of Canadian financial institutions that operate globally, while ensuring that OSFI's regulatory framework remains prudentially sound.

**Accounting changes.** Developments in accounting rules and the pressure for global harmonization of accounting and auditing standards are expected to continue. Some of the proposed changes are complex and may significantly impact the financial position and capital of financial institutions. Examples of new rules include the use of fair value for assets, the impact of hedge accounting and international standards on insurance liabilities.

**Basel II.** The new international capital framework will have major implications for financial institutions and OSFI. In particular, the new framework will encourage larger banks to use enhanced measures of business performance to drive their internal assessments of capital needs. The result may be changes to the business mix of some banks as they adjust to the new capital rules and balance the risks and rewards in their portfolios. This initiative is also leading regulators and insurers to consider the development of more risk-based capital calculations for use in the future.

Canadian banks and OSFI are well advanced with implementation efforts, but continued focus and ongoing work are required, particularly on qualifying for the more complex Advanced Internal Ratings-Based (AIRB) approach to calculating capital. The new capital framework and events in the market also require banks and regulators to better focus on the measurement and management of operational risk and its relation to capital.

There are several areas where general principles must be translated into effective implementation approaches, often in the absence of detailed rules or widely accepted industry practice. There are significant challenges for banks and supervisors in achieving effective implementation on a reasonably consistent basis. Enhanced cross-border cooperation, which is essential for effective implementation, is another challenge facing regulators and financial institutions in all countries. The College of Supervisors, in which OSFI is an active participant, will play an important role in enhancing international supervision.

**Private pension plan issues.** This includes the funding of deficits on termination, court decisions on the treatment of surplus and increased concern by pension plan sponsors that the

current regulatory and legislative regime is not conducive to defined benefit plans. A risk is that pressure for excessive relaxation of funding requirements to assist sponsors could reduce protection for pensioners, or that rule changes could reduce incentives for plan participants to solve problems.

On May 26, 2005, the Department of Finance released a consultation paper on *Strengthening the Legislative and Regulatory Framework for Defined Benefit Pension Plans*. The paper sought views on how to balance the interests of private pension plan sponsors and plan members, and raised a number of key questions, including some related to surplus ownership; funding rules; requirements to void plan amendments that reduce a plan solvency ratio below a prescribed level; requirements to fully fund a plan on termination; and the treatment of pensions under insolvency. At the same time, many other organisations and jurisdictions have been consulting with stakeholders and developing proposals on how to improve the regulatory framework for defined benefit pension plans in order to promote the security of pension benefits while assuring the viability of the defined benefit pension plan system. We have been working closely with the Department of Finance, analyzing submissions and developing potential policy proposals.

**Other legislative and/or government policy initiatives.** Some initiatives on the horizon that have implications for OSFI are:

- The 2006 legislative review of financial institution statutes; and
- Increased demands on government entities for accountability and improved management practices, in particular the *Public Service Modernization Act*.

There is considerable uncertainty regarding the direction these initiatives might take, as well as their timing. In all cases, OSFI will contribute to the development and implementation of any legislative proposals for the financial sector which the federal government brings to Parliament, while focusing on prudential issues consistent with OSFI's mandate.

## **Key Risks and Threats**

The environment within which OSFI operates presents an array of challenges to the achievement of its mandate and objectives. While many of these challenges are consistently present, the extent to which they present a risk to OSFI's objectives varies depending on economic and financial conditions and the financial industry environment. OSFI's ability to achieve its mandate depends on the timeliness and effectiveness with which it identifies, evaluates, prioritizes, and develops initiatives to address areas where its exposure is greatest.

OSFI's enterprise risk management (ERM) program has identified several key risks to the achievement of its mandate and objectives. As part of the ERM process, the effectiveness of existing risk mitigation strategies has been assessed, taking into account both the current and expected environment. Where additional mitigation is required, and OSFI can have an impact, action will be developed on a priority basis during the current planning period. Other key risks rated as cautionary were assessed to be appropriately managed but will be monitored to ensure risk mitigation remains on track.

OSFI's ERM framework divides risks into external and internal categories. The external risk category consists of economic and financial conditions, financial industry environment, OSFI legal environment and catastrophic events. External risks arise from events that OSFI cannot influence, but must be able to monitor in order to mitigate the impact of, should they occur. The internal risk category consists of risks that can broadly be categorized as people, processes, systems, and culture. The key risks are discussed below.

## **External risks that are strategically important in the immediate future**

### ***Complexity in the financial industry***

Increased complexity in the financial industry, coupled with the competitive nature of global markets, presents challenges to regulators. The growing participation of Canadian financial institutions in foreign markets challenges OSFI's ability to implement an effective consolidated supervisory framework. Increased risk is evident in several areas, including reputation risk associated with the use of complex products in both the banking and insurance industries.

### ***Accounting and Capital***

OSFI needs to be better positioned to understand the impact of, and address the potential implementation challenges of, evolving accounting and capital regimes. These changes will have important implications for OSFI and regulated financial institutions. OSFI must ensure that high priority Canadian issues are considered by Canadian and international committees and dealt with appropriately.

### ***Basel II***

As in other jurisdictions, OSFI faces significant challenges in implementing the Basel II capital framework. In its supervision, OSFI must balance the need for quality implementation, which achieves the benefit of the framework, with adequate flexibility to recognize the challenges faced by institutions. OSFI must also ensure that its approach is comparable to that in other major jurisdictions.

### ***Financial crime***

Financial crime and the financing of terrorism are receiving greater attention by regulators than was the case a few years ago. Additional requirements are likely to be put in place for Canada to remain compliant with international norms. OSFI's reviews also indicate a need for further improvement in institutions' practices. OSFI is increasing its resources in assessing financial institutions' ability to detect and deter money laundering and terrorist financing. These relatively new programs need to be closely monitored to ensure they meet the expectations of OSFI, Canada, and the international community. Doing a highly credible job that is substantially compliant with international norms is important for the reputation of both Canadian financial institutions and OSFI.

### ***Private pension plans***

The current environment creates challenges for OSFI in meeting its mandate to regulate and supervise private pension plans. OSFI's resources will be simultaneously called on to contribute to changes in pension rules, while dealing with a backlog of pension approvals.

## **Internal Risks that are strategically important in the immediate future**

### ***People Risks***

OSFI faces a continual challenge to hire and retain staff with the relevant skills, knowledge and experience. To function as an effective regulator in a rapidly changing and complex environment, OSFI requires staff with the ability to perform in-depth analyses and apply judgement, within short timeframes, on complex issues where the solution is not always clear-cut. The extent and pace of change both internally and externally have put stress on staff and on OSFI's ability to implement change. Continual progress needs to be made in upgrading internal processes and managing change.

### ***Systems Risks***

OSFI continues to make significant systems investments to support communications and information requirements and increase efficiency, flexibility and effectiveness of its core supervisory and regulatory processes. The challenge is to get the full benefit from these investments and to identify and implement further systems development needs in selected areas.

## OSFI's Plans and Priorities

Based on the above considerations the following priorities have been identified. These priorities are tied to the program activities OSFI undertakes and contribute directly towards achieving OSFI's strategic outcomes.

### Program Priorities

PRIORITIES	DESCRIPTION
<p><b>Priority #1</b> <i>Risk Assessment and Intervention</i> Accurate risk assessments of financial institutions and timely, effective intervention and feedback.</p>	<ul style="list-style-type: none"> <li>• Operate an effective prudential supervisory system by allocating resources to higher risk/impact institutions/activities.</li> <li>• Conduct timely risk assessments and interventions and provide clear reports and recommendations to FRFIs.</li> <li>• Recommend appropriate changes in FRFI practices and processes.</li> </ul>
<p><b>Priority #2</b> <i>Rule Making</i> A balanced, relevant regulatory framework of guidance and rules that meets or exceeds international minimums.</p>	<ul style="list-style-type: none"> <li>• Communicate and consult effectively with financial institutions and the industry during the rule development process.</li> <li>• Contribute effectively to international regulation and standard setting.</li> </ul>
<p><b>Priority #3</b> <i>Approvals</i> A prudentially effective, balanced and responsive approvals process.</p>	<ul style="list-style-type: none"> <li>• Operate a timely, clear and transparent approvals process for legislative and non-legislative approvals.</li> </ul>
<p><b>Priority #4</b> <i>Regulation and Supervision of Federally Regulated Private Pension Plans</i> Accurate risk assessments of pension plans, timely and effective intervention and feedback, a balanced relevant regulatory framework, and a prudentially effective and responsive approvals process.</p>	<ul style="list-style-type: none"> <li>• Conduct timely risk assessments and interventions and provide clear reports and recommendations to supervised plans.</li> <li>• Communicate and consult constructively and effectively with the pension plan industry during the development of regulations, rules and other guidance.</li> <li>• Operate a timely, clear and transparent approvals process for private pension plans.</li> <li>• Work closely with the Department of Finance in the development of proposals for and the analysis of any changes to federal legislation that could impact federally regulated pensions.</li> </ul>
<p><b>Priority #5</b> <i>International Assistance</i> Contribute to awareness and improvement of supervisory and regulatory practices for selected foreign regulators through the operation of an International Assistance Program.</p>	<ul style="list-style-type: none"> <li>• Provide technical assistance with on-site examination processes, legislative drafting, development /organization of supervisory agencies, risk-based capital regimes and improving supervision systems.</li> <li>• Work to improve supervisory cooperation and coordination amongst supervisors.</li> <li>• Assist selected jurisdictions to prepare their Financial Sector Assessment Program self-assessment.</li> <li>• Continue to play a role in the governance, program development and delivery of the Toronto International Leadership Centre for Financial Sector Supervision.</li> </ul>

PRIORITIES	DESCRIPTION
<p><b>Priority #6</b> <i>Office of the Chief Actuary (OCA)</i> Contribute to financially sound federal government public pension and other programs through the provision of expert actuarial valuation and advice.</p>	<ul style="list-style-type: none"> <li>• Provide high-quality and timely reports such as: triennial Actuarial Reports in respect of the Canada Pension Plan (CPP); the Old Age Security program; public service pension plans established under various acts.</li> <li>• Prepare actuarial reports that are tabled in Parliament in respect of the CPP, for example, when certain bills are introduced and when amendments are made to certain other public sector pension plans.</li> </ul>
<p><b>Priority #7</b> <i>Accounting Standards</i> Participate in and monitor international work on conceptual changes to accounting standards.</p>	<ul style="list-style-type: none"> <li>• Develop a prudential response to the change to fair value accounting and revise related regulatory reporting as needed.</li> <li>• Respond to revision of the International Accounting Standards Board's conceptual framework and insurance accounting overhaul.</li> <li>• Take regulatory and supervisory action to respond to these changes, including updating staff knowledge of evolving standards.</li> </ul>
<p><b>Priority #8</b> <i>Basel II</i> Ensure that OSFI is in a position to review and approve applications that are submitted for approval under the Basel II capital framework.</p>	<ul style="list-style-type: none"> <li>• Implement a process and an organizational structure to manage Basel II projects.</li> <li>• Respond in a timely manner to bank requests for interpretation or for flexibility in implementation.</li> <li>• Monitor major banks, and periodically update their boards of directors and senior executives on OSFI's assessment of their ability to comply with Basel II.</li> <li>• Complete a gap analysis between OSFI's supervisory framework and Basel II requirements.</li> </ul>

### Program Support Priorities

PRIORITIES	DESCRIPTION
<p><b>Priority #9</b> <i>Governance and Reporting</i> High-quality internal governance and related reporting.</p>	<ul style="list-style-type: none"> <li>• Ensure that OSFI is well managed in accordance with the accountability expectations of Parliament, the Treasury Board Secretariat and the federal Management Accountability Framework.</li> <li>• Enhance the internal audit function.</li> <li>• Review the performance measurement framework.</li> </ul>
<p><b>Priority #10</b> <i>Resources and Infrastructure</i> Resources and infrastructure necessary to support supervisory and regulatory activities.</p>	<ul style="list-style-type: none"> <li>• Develop and implement cost-effective information management systems that contain relevant, accurate and timely internal and external data.</li> <li>• Maintain a robust technology infrastructure that meets acceptable security and performance standards.</li> </ul>

**SECTION II – ANALYSIS OF ACTIVITIES BY STRATEGIC  
OUTCOME**

## Analysis by Program Activity

OSFI's *ongoing activities* consist of the regulation and supervision of federally regulated financial institutions, regulation and supervision of federally regulated private pension plans, international assistance, and provision of actuarial valuation and advice to the federal government. These Program Activities, and select Sub-Activities, support OSFI's two Strategic Outcomes.

This section identifies the financial and human resources allocated to OSFI's program activities and states the performance expectations. The resources, performance expectations and measures identified below also incorporate performance expectations and measures for the Program-Related Priorities identified in the previous section.

The program support costs such as information technology, finance, and administration, have been allocated to the programs based on human resource costs and are included in these numbers.

### 1. Strategic Outcome: Regulate and Supervise to Contribute to Public Confidence in Canada's Financial System and Safeguard from Undue Loss

#### 1.1 Program Activity: Regulation and Supervision of Federally Regulated Financial Institutions

As mentioned previously, this program is central to OSFI achieving its mandate. It is the largest program activity within OSFI, utilizing the bulk of our financial and human resources. Costs for this program are recovered through assessments, service charges, and user fees paid by the federally regulated financial institutions. Costs are also recovered via Memoranda of Understanding, as "cost-recovered services" (refer to page 35 for more details).

#### Financial Resources (\$ millions)

2006-2007	2007-2008	2008-2009
\$73.2	\$76.3	\$79.6

#### Human Resources (FTEs)

2006-2007	2007-2008	2008-2009
382	382	382

This program is supported by three interrelated Sub-Activities: Risk Assessment and Intervention, Rule Making, and Approvals. The related priorities, expected results and performance measures for this Program Activity are identified below under each of the three Program Sub-Activities.



<b>1.1.1 Program Sub-Activity: Risk Assessment and Intervention</b>	
<b>Description</b>	Monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues and risks. Intervene in a timely manner to protect depositors and policyholders while recognizing that OSFI cannot eliminate the possibility of failures.
<b>Related Priority</b>	<p><i>Priority #1</i></p> <ul style="list-style-type: none"> <li>• Accurate risk assessments of financial institutions and timely effective intervention and feedback.</li> </ul> <p><i>Priority #8</i></p> <ul style="list-style-type: none"> <li>• Ensure that OSFI is in a position to review and approve applications that are submitted for approval under the Basel II capital framework.</li> </ul>
<b>Expected Results</b>	<p><i>Priority #1</i></p> <ul style="list-style-type: none"> <li>• OSFI uses a modern supervisory process that is effective and leads to an accurate overall assessment of the risk profile and control functions of the financial institutions it regulates and supervises.</li> <li>• In exercising its early intervention mandate, OSFI is proactive in intervening in problem cases in an effective and appropriate manner.</li> </ul> <p><i>Priority #8</i></p> <ul style="list-style-type: none"> <li>• OSFI effectively supports and facilitates the achievement of Basel II requirements for banks.</li> </ul>
<b>Performance Measure(s)</b>	<p><i>Priority #1</i></p> <ul style="list-style-type: none"> <li>• Knowledgeable observers, i.e., industry executives and professionals, are of the view that OSFI uses a modern supervisory process that is effective and leads to an accurate overall assessment of the risk profile and control functions of the financial institutions it regulates and supervises.</li> <li>• Knowledgeable observers, i.e., industry executives and professionals, are of the view that, in exercising its early intervention mandate, OSFI is proactive in intervening in problem cases regarding the financial institutions it regulates and supervises.</li> </ul> <p><i>Priority #8</i></p> <ul style="list-style-type: none"> <li>• Circulation and publication of supervisory discussion papers on Basel II.</li> <li>• Integration of existing supervisory processes with Basel II in advance of implementation.</li> <li>• Knowledgeable observers, i.e., industry executives and professionals, are of the view that OSFI uses a high quality process for implementing Basel II, including timeliness and use of appropriate flexibility and judgement, and provides clear feedback to institutions.</li> </ul>

**Financial Resources (\$ millions)**

<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
\$50.1	\$52.4	\$54.8

<b>1.1.2 Program Sub-Activity: Rule Making</b>	
<b>Description</b>	Issuance of guidance and regulations and input into federal legislation affecting financial institutions. Contribute a regulatory perspective to accounting, auditing and actuarial standards as required. Contribute to the development of international prudential rule-making.
<b>Related Priority</b>	<p><i>Priority #2</i></p> <ul style="list-style-type: none"> <li>• A balanced, relevant regulatory framework of guidance and rules for financial institutions that meets or exceeds international minimums.</li> </ul> <p><i>Priority #7</i></p> <ul style="list-style-type: none"> <li>• Participate in and monitor international work on conceptual changes to accounting standards.</li> </ul>
<b>Expected Results</b>	<p><i>Priority #2</i></p> <ul style="list-style-type: none"> <li>• In developing and maintaining a regulatory framework that meets or exceeds international minimums, OSFI strikes an appropriate balance between safety and soundness and the need for institutions to compete.</li> </ul> <p><i>Priority #7</i></p> <ul style="list-style-type: none"> <li>• Competitive prudent capital rules and regulatory reporting for Canadian financial institutions.</li> <li>• Promotion of consistent treatment between banks and insurance companies for the same economic risks.</li> <li>• Alignment with practices in other regulatory jurisdictions to ensure consistency and remove the ability for capital arbitrage.</li> <li>• Maintain OSFI's strategy of using audited financial statement amounts for regulatory measurement purposes.</li> </ul>
<b>Performance Measure(s)</b>	<p><i>Priority #2</i></p> <ul style="list-style-type: none"> <li>• Knowledgeable observers, i.e., industry executives and professionals, are of the view that OSFI's regulatory framework meets or exceeds international minimums and strikes an appropriate balance between safety and soundness and the need for institutions to compete.</li> </ul> <p><i>Priority #7</i></p> <ul style="list-style-type: none"> <li>• Through the identification and communication of well articulated positions, OSFI's prudential issues are considered by Canadian and international committees. OSFI succeeds in having high priority Canadian issues dealt with appropriately.</li> <li>• Revised capital and/or accounting guidelines are drafted and issued on a timely basis and with adequate industry input.</li> <li>• Knowledgeable observers, i.e., industry executives and professionals, find OSFI rules and guidance to be of high quality.</li> <li>• Implementation timelines are met.</li> </ul>

### **Financial Resources (\$ millions)**

<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
\$15.2	\$15.8	\$16.4

<b>1.1.3 Program Sub-Activity: Approvals</b>	
<b>Description</b>	Approvals include those required under the legislation applicable to financial institutions and other approvals for supervisory purposes.
<b>Related Priority</b>	<i>Priority #3</i> <ul style="list-style-type: none"> <li>• A prudentially effective, balanced and responsive approvals process.</li> </ul>
<b>Expected Results</b>	<i>Priority #3</i> <ul style="list-style-type: none"> <li>• OSFI's regulatory approvals result in prudentially sound decisions that are timely, clear and transparent.</li> </ul>
<b>Performance Measure(s)</b>	<i>Priority #3</i> <ul style="list-style-type: none"> <li>• Knowledgeable observers, i.e., industry executives and professionals, are of the view that OSFI's decisions, as part of the approval process, are timely, clear and transparent.</li> </ul>

**Financial Resources (\$ millions)**

<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
\$7.9	\$8.1	\$8.4

<b>1.2 Program Activity: Regulation and Supervision of Federally Regulated Private Pension Plans</b>	
<b>Description</b>	Incorporates risk assessment, intervention, rule making and approvals related to federally regulated private pension plans under the <i>Pension Benefits Standards Act, 1985</i> . The costs for this program are recovered from pension plan fees based on the number of members in each federally regulated pension plan. The costs of this program activity are clearly tracked, however, given the size of this program (less than 5% of OSFI costs), there is only one sub-activity.
<b>Related Priority</b>	<b>Priority #4</b> <ul style="list-style-type: none"> <li>Accurate risk assessments of pension plans, timely and effective intervention and feedback, a balanced, relevant regulatory framework, and a prudentially effective and responsive approvals process.</li> </ul>
<b>Expected Results</b>	<b>Priority #4</b> <ul style="list-style-type: none"> <li>OSFI uses a modern supervisory process that leads to an accurate overall assessment of the risk profile of the pension plans that it regulates.</li> <li>In exercising its early intervention mandate, OSFI is proactive in intervening in problem cases.</li> </ul>
<b>Performance Measure(s)</b>	<b>Priority #4</b> <ul style="list-style-type: none"> <li>Knowledgeable observers, i.e., industry executives and professionals, are of the view that OSFI uses a modern supervisory process that leads to an accurate overall assessment of the risk profile of the pension plans that it regulates.</li> <li>Knowledgeable observers, i.e., industry executives and professionals, are of the view that, in exercising its early intervention mandate, OSFI is proactive in intervening in problem cases.</li> </ul>

#### **Financial Resources (\$ millions)**

<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
\$5.2	\$5.4	\$5.6

#### **Human Resources (FTEs)**

<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
31	31	31

<b>1.3 Program Activity: International Assistance</b>	
<b>Description</b>	This program activity incorporates activities that provide help to other selected countries that are building their supervisory and regulatory capacity. The costs for this program are recovered via Memoranda of Understanding between OSFI and organizations such as the Canadian International Development Agency (CIDA) and the International Monetary Fund (IMF). The costs of this program activity are clearly tracked; however, given the size of this program (less than 5% of OSFI costs), there is only one sub-activity.
<b>Related Priority</b>	<i>Priority #5</i> <ul style="list-style-type: none"> <li>Contribute to awareness and improvement of supervisory and regulatory practices for selected foreign regulators through the operation of an International Assistance Program.</li> </ul>
<b>Expected Results</b>	<i>Priority #5</i> <ul style="list-style-type: none"> <li>OSFI to contribute to the awareness and improvement of supervisory and regulatory practices for foreign regulators and jurisdictions.</li> </ul>
<b>Performance Measure(s)</b>	<i>Priority #5</i> <ul style="list-style-type: none"> <li>Knowledgeable observers, i.e., industry executives and professionals, are of the view that the technical assistance provided to foreign regulators and jurisdictions by OSFI is relevant and contributes to the awareness and improvement of supervisory and regulatory practices.</li> </ul>

#### **Financial Resources (\$ millions)**

<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
\$1.9	\$2.0	\$2.1

#### **Human Resources (FTEs)**

<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
7	7	7

## 2. Strategic Outcome: Contribute to Public Confidence in Canada's Public Retirement Income System

This Strategic Outcome is supported by the Office of the Chief Actuary (OCA). The OCA performs three distinct program sub-activities. As these sub-activities individually do not constitute a significant key activity at OSFI, they are incorporated into the one Program Activity described below.

<b>2.1 Program Activity: Office of the Chief Actuary (OCA)</b>	
<b>Description</b>	The OCA provides a range of actuarial services, under legislation, to the Canada Pension Plan (CPP) and some federal government departments. The OCA estimates long-term expenditures, revenues and current liabilities of the CPP and federal public-sector pension and insurance plans, and is responsible for estimates of long-term future expenditures for Old Age Security programs. OCA also undertakes the actuarial review of the Canada Student Loans Program.
<b>Related Priority</b>	<b>Priority #6</b> <ul style="list-style-type: none"> <li>Contribute to ensuring there are financially sound federal government public pension and other programs.</li> </ul>
<b>Expected Results</b>	<b>Priority #6</b> <ul style="list-style-type: none"> <li>Provide expert and timely advice in the form of high quality reports tabled in Parliament, in respect of the CPP.</li> <li>Provide expert and timely advice in the form of high quality reports, in respect of Public Sector Pension and Insurance Plans.</li> <li>Provide expert and timely advice in the form of high quality and timely actuarial reports, in respect of the Canada Student Loans Program.</li> </ul>
<b>Performance Measure(s)</b>	<b>Priority #6</b> <ul style="list-style-type: none"> <li>CPP Peer Review Board is of the view that the Chief Actuary provides expert and timely advice in the form of high quality reports tabled in Parliament, in respect of the CPP.</li> <li>Independent observers are of the view that the Chief Actuary provides expert and timely advice in the form of high quality reports on the Public Sector Pension &amp; Insurance Plans tabled in Parliament.</li> <li>External auditor is of the view that the Chief Actuary provides expert and timely advice in the form of high quality and timely actuarial reports, in respect of the Canada Student Loans Program.</li> </ul>

### Financial Resources (\$ millions)

2006-2007	2007-2008	2008-2009
\$4.7	\$4.9	\$5.1

### Human Resources (FTEs)

2006-2007	2007-2008	2008-2009
39	39	39

## **SECTION III – SUPPLEMENTARY INFORMATION**

## Management Representation Statement

I submit for tabling in Parliament, the **2006-2007 to 2008-2009 Report on Plans and Priorities (RPP) for the Office of the Superintendent of Financial Institutions Canada.**

This document has been prepared based on the reporting principles contained in the *Guide to the preparation of Part III of the 2006-2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports.*

- It adheres to the specific reporting requirements outlined in the TBS guidance;
- It is based on OSFI's approved Program Activity Architecture (PAA) structure as reflected in its MRRS;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved, planned spending numbers from the Treasury Board Secretariat in the RPP.

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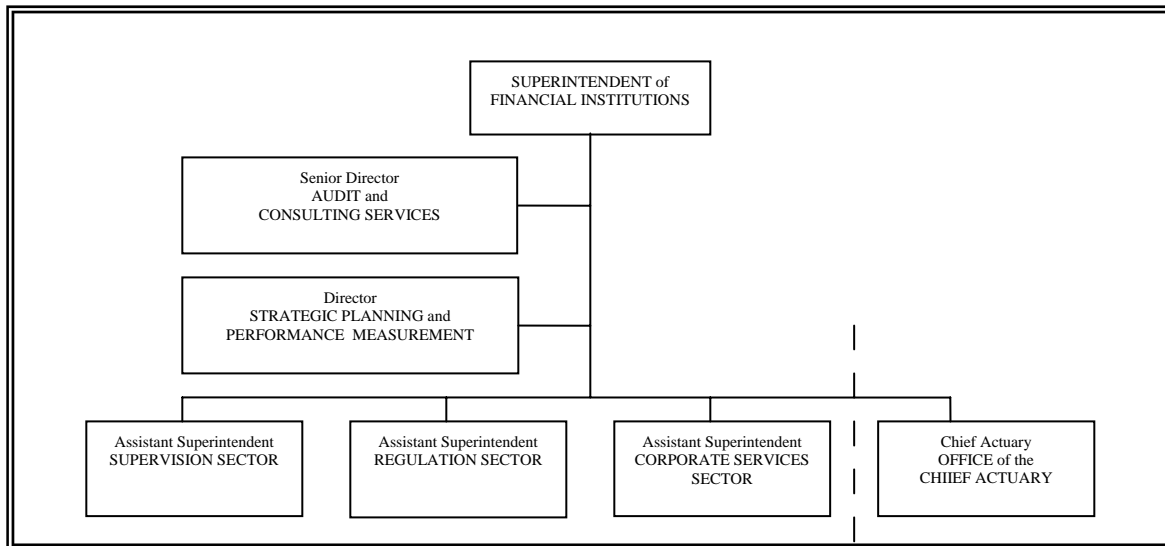
Nicholas Le Pan  
Superintendent



## Organizational Information

OSFI comprises three sectors (see organization chart below), each headed by an Assistant Superintendent. Each sector works interdependently to achieve OSFI's strategic outcomes. In addition, there is an independent Internal Audit and Consulting function that reports directly to the Superintendent. The Office of the Chief Actuary (OCA) was created within the organization as a separate unit to provide effective actuarial and other services to the Government of Canada and provincial governments that are Canada Pension Plan (CPP) stakeholders.

*OSFI Organization Chart, as at December 31, 2005*



## Workforce

As at December 31, 2005, OSFI employed 427 people in offices located in Ottawa, Montreal, Toronto and Vancouver.

OSFI's work requires the effort and attention of multidisciplinary teams. It requires a combination of broad perspective and in-depth expertise. OSFI builds excellence into its culture, and encourages continuous learning through teamwork, professional development and training opportunities, and the provision and support of advanced technologies.

OSFI's unique work environment benefits from a full spectrum of professional experience and expertise, drawing on the talents of recent graduates, as well as seasoned industry and regulatory experts.

### **Chart of Full-Time Equivalent Headcount**

Sector	As at March 31, 2005	% of total	As at December 31, 2005	% of total
Corporate Services*	111	26%	118	28%
Supervision**	165	39%	159	37%
Regulation**	124	29%	124	29%
Office of the Chief Actuary	26	6%	26	6%
<b>TOTAL</b>	<b>426</b>	<b>100%</b>	<b>427</b>	<b>100%</b>

\*The change in Corporate Services is in support of major technology initiatives; where appropriate, projects are staffed with term positions that coincide with the project's duration. Corporate Services includes employees in the Superintendent's Office and in Audit and Consulting Services.

\*\* In August 2005, the Private Pension Plan Division became part of the Regulation Sector, whereas it had previously been part of the Supervision Sector. The March 31, 2005 figures have been restated to reflect this change.

#### **Key Partners**

OSFI works with a number of key partners in advancing its strategic outcomes. Together, these departments and agencies constitute Canada's network of financial regulation and supervision and provide a system of deposit insurance. On a federal level, partnering organizations include the Department of Finance (<http://www.fin.gc.ca>), the Bank of Canada (<http://www.bank-banque-canada.ca>), the Canada Deposit Insurance Corporation (<http://www.cdic.ca>), the Financial Consumer Agency of Canada (<http://www.fcac-acfc.gc.ca>), and the Financial Transactions and Reports Analysis Centre of Canada (<http://www.fintrac.gc.ca>), among others.

In addition, OSFI collaborates with certain provincial and territorial supervisory and regulatory agencies, as necessary, and with private-sector organizations and associations, particularly in rule making. OSFI plays a key role in the International Association of Insurance Supervisors (<http://www.iaisweb.org>) and international organizations such as the Basel Committee on Banking Supervision (<http://www.bis.org/bcbs/index.htm>).

Maintaining good relationships with these organizations is critical to OSFI's success. OSFI reviews, on an annual basis, its involvement with these organizations to ensure it is maximizing the effective use of resources.

## Financial and Other Tables

This section presents a number of financial tables that detail OSFI's Expenditures and Revenues for the planning period. Tables 1 to 7 are provided in accordance with Treasury Board requirements. The remaining tables offer additional information on User Fees and Regulatory Initiatives.

### Background

OSFI recovers its costs from several revenue sources. Costs for risk assessment and intervention (supervision), approvals and rule making are charged to the financial institutions and private pension plans that OSFI regulates and supervises.

The amount charged to individual institutions for OSFI's main activities of supervision, approvals and rule making is determined in several ways. In general, the system is designed to allocate costs based on the approximate amount of time spent supervising and regulating institutions. As a result, well-managed, lower-risk institutions and those with fewer approvals bear a smaller share of OSFI's costs.

Specific user fees cover costs for certain approvals. Problem (staged) institutions are assessed a surcharge approximating the extra supervision resources required.

OSFI also receives revenues for cost-recovered services. These include revenues from the Canadian International Development Agency (CIDA) for international assistance, revenues from provinces for whom OSFI does supervision on contract, and revenues from other federal agencies for whom OSFI provides administrative support. Cost-recovered services revenue also includes amounts charged separately to major banks for the implementation of the internal ratings-based approach of the New Basel Capital Accord.

The remainder of the costs of risk assessment and intervention, approvals and rule making are recovered through base assessments against institutions and private pension plans fees according to various formulae.

On April 1, 2002, OSFI began collecting late and erroneous filing penalties from financial institutions that submit late and/or erroneous financial and non-financial returns. On August 31, 2005, the Administrative Monetary Penalties (OSFI) Regulations came into force. These Regulations implement an administrative monetary penalties regime pursuant to which the Superintendent can impose penalties in respect of specific violations, as designated in the schedule to the Regulations. These Regulations incorporate the late and erroneous filing penalty regime and replace the Filing Penalties (OSFI) Regulations, which came into force on April 1, 2002. These penalties are billed quarterly, collected and remitted to the Consolidated Revenue Fund. By regulation, OSFI cannot use these funds, which are recorded as non-respendable revenue, to reduce the amount that it assesses the industry in respect of its operating costs.

The Office of the Chief Actuary is funded by fees charged for actuarial services and in part by an annual parliamentary appropriation for services to the Government of Canada related to public pensions. OSFI's financial statements are prepared using Generally Accepted Accounting Principles (GAAP), are audited annually by the Office of the Auditor General and are published in OSFI's Annual Report. OSFI's annual reports can be accessed at [http://www.osfi-bsif.gc.ca/osfi/index\\_e.aspx?DetailID=647](http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=647)

## **Financial Tables**

OSFI continues to re-evaluate its programs to ensure that they contribute to OSFI's mandate and are efficiently managed. In so doing, OSFI has been successful at minimizing ongoing operating cost increases and at judiciously managing its human resources in optimal ways. As a result, OSFI's human resources (average FTEs) remain flat over the planning period.

Total spending over the planning period is increasing at about 4% per year driven primarily by normal inflationary and merit adjustments and continued annual capital investments. These investments in enabling technologies, information management strategies, and information technology infrastructure are consistent with OSFI's priority on resources and infrastructure during the planning period.

The total planned spending for 2005-2006 is \$755 thousand. The planned increase to \$768 thousand in 2006-2008 and beyond is related to adjustments granted by the Treasury Board for collective agreements for the Office of the Chief Actuary.

OSFI's total planned spending and average full-time equivalent (FTE) complement over the three-year planning period are displayed in the following table.

**Table 1: OSFI Planned Spending and Full-Time Equivalents**

(\$ thousands)	Forecast Spending 2005-2006	<b>Planned Spending 2006-2007</b>	Planned Spending 2007-2008	Planned Spending 2008-2009
Regulation and supervision of federally regulated financial institutions	70,359	<b>73,177</b>	76,342	79,640
Regulation and supervision of federally regulated private pension plans	5,504	<b>5,184</b>	5,375	5,576
International Assistance	1,746	<b>1,958</b>	2,007	2,058
Office of the Chief Actuary (OCA)	4,620	<b>4,714</b>	4,912	5,119
<b>Budgetary Main Estimates (gross)</b>	<b>82,229</b>	<b>85,033</b>	88,636	92,393
<b>Non-Budgetary Main Estimates (gross)</b>	<b>0</b>	<b>0</b>	0	0
Less: Respendable revenue	81,474	<b>84,265</b>	87,868	91,625
<b>Total Main Estimates</b>	<b>755</b>	<b>768</b>	768	768
<i>Adjustments:</i>	0	<b>0</b>	0	0
<i>Total Adjustments</i>	0	<b>0</b>	0	0
<b>Total Planned Spending</b>	<b>755</b>	<b>768</b>	768	768
Total Planned Spending	755	<b>768</b>	768	768
Less: Non-respendable revenue	430	<b>425</b>	425	425
Plus: Cost of services received without charge	0	<b>80</b>	0	0
<b>Net cost of Program</b>	<b>325</b>	<b>423</b>	343	343
<b>Full-Time Equivalents</b>	<b>439</b>	<b>459</b>	459	459

## **Table 2: Program by Activity (\$ thousands)**

The next table outlines OSFI's 2006-2007 expenditures by Activity.

The expenditures of each activity in Table 2 include a share of OSFI's Corporate Services costs, which have been allocated in a consistent manner to accurately reflect the total cost of each activity; to support equitable billing; and to support the Treasury Board requirement to understand Government-Wide Corporate Services and fully-loaded program costs. OSFI's largest activity is the Regulation and Supervision of federally regulated financial institutions, which utilizes approximately 85% of OSFI's resources. The net cost of the Office of the Chief Actuary activity is funded by an annual parliamentary appropriation for actuarial services to the Government of Canada related to Public Pensions.

**Table 2: Program by Activity (\$ thousands)**

2006-2007										
PROGRAM ACTIVITY	Budgetary						Non-Budgetary	Total Main Estimates	Adjustments (planned spending not in Main Estimates)	Total Planned Spending
	Operating	Capital	Grants and Contributions	Gross	Revenue	Net	Loans, Investments and Advances			
Regulation and supervision of federally regulated financial institutions	69,481	3,696	0	73,177	73,177	0	0	0	0	0
Regulation and supervision of federally regulated private pension plans	4,938	246	0	5,184	5,184	0	0	0	0	0
International Assistance	1,895	63	0	1,958	1,958	0	0	0	0	0
Office of the Chief Actuary (OCA)	4,682	32	0	4,714	3,946	768	0	768	0	768
<b>Total</b>	<b>80,996</b>	<b>4,037</b>	<b>0</b>	<b>85,033</b>	<b>84,265</b>	<b>768</b>	<b>0</b>	<b>768</b>	<b>0</b>	<b>768</b>

*Note: Corporate Services costs are allocated across the activities based on direct human resources costs.*

### Table 3: Summary of Capital Spending by Program Activity

As indicated in the commentary for Table 1, OSFI continues to develop cost-effective information management systems to maintain robust technology infrastructure necessary to support its supervisory and regulatory activities. The table below details OSFI's planned capital investments by program activity.

#### Summary of Capital Spending by Program Activity

(\$ thousands)	Forecast Spending 2005-2006	<b>Planned Spending 2006-2007</b>	Planned Spending 2007-2008	Planned Spending 2008-2009
<b>Office of the Superintendent of Financial Institutions</b>				
Regulation and supervision of federally regulated financial institutions	3,712	<b>3,696</b>	4,196	4,696
Regulation and supervision of federally regulated private pension plans	252	<b>246</b>	246	246
International Assistance	57	<b>63</b>	63	63
Office of the Chief Actuary (OCA)	0	<b>32</b>	32	32
<b>Total</b>	4,021	<b>4,037</b>	4,537	5,037

Table 4 illustrates sources of spendable and non-spendable revenue presented on the cash basis, however OSFI recovers its costs through assessments and user fees billed on the accrual basis of accounting.<sup>1</sup> On this basis, the expected assessment increase for 2006-2007 will be in the range of 5%.

The bulk of cost recovered services in Regulation and Supervision of Federally Regulated Financial Institutions in 2006-2007 and 2007-2008 relates to the Internal Ratings Based (IRB) implementation project that is charged directly to the major banks. The user fees and charges planned for 2006-2007 and beyond for this same program activity are based on regulations that were in effect at the time of preparation of the Main Estimates. However, effective April 1, 2006, these regulations will be amended to reduce the number and types of approvals that require user fees; as such, this will result in lower user fees than currently planned. The reduction in user fees will be recovered through base assessments. OSFI's 2007-2008 Annual Reference Level Update (ARLU) will take into account this change in regulations.

<sup>1</sup> OSFI's financial statements are prepared using GAAP, are audited annually by the Office of the Auditor General and are published in OSFI's Annual Report. OSFI's annual reports can be accessed at [http://www.osfi-bsif.gc.ca/osfi/index\\_e.aspx?DetailID=647](http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=647)



**Table 4: Sources of Respendable and Non-Respendable Revenue**

(\$ thousands)	Forecast Revenue 2005-2006	<b>Planned Revenue 2006-2007</b>	Planned Revenue 2007-2008	Planned Revenue 2008-2009
<b><i>Office of the Superintendent of Financial Institutions</i></b>				
<b>Regulation and supervision of federally regulated financial institutions</b>				
Sources of respendable revenue				
Base Assessments	60,908	<b>64,733</b>	68,096	71,602
User Fees and Charges	4,927	<b>5,019</b>	5,019	5,019
Cost Recovered Services	4,524	<b>3,425</b>	3,227	3,020
	70,359	<b>73,177</b>	76,342	79,641
<b>Regulation and supervision of federally regulated private pension plans</b>				
Source of respendable revenue				
Pension Fees	5,504	<b>5,184</b>	5,375	5,575
	5,504	<b>5,184</b>	5,375	5,575
<b>International Assistance</b>				
Sources of respendable revenue				
Base Assessments	446	<b>483</b>	532	583
Cost Recovered Services	1,300	<b>1,475</b>	1,475	1,475
	1,746	<b>1,958</b>	2,007	2,058
<b>Office of the Chief Actuary (OCA)</b>				
Sources of respendable revenue				
User Fees and Charges	73	<b>35</b>	35	35
Cost Recovered Services	3,792	<b>3,911</b>	4,109	4,316
	3,865	<b>3,946</b>	4,144	4,351
<b>Total Respendable Revenue</b>	81,474	<b>84,265</b>	87,868	91,625

**Table 4 (continued)**

**Non-Respendable Revenue**

(\$ thousands)	Forecast Revenue 2005-2006	<b>Planned Revenue 2006-2007</b>	Planned Revenue 2007-2008	Planned Revenue 2008-2009
<i>Office of the Superintendent of Financial Institutions</i>				
<b>Regulation and supervision of federally regulated financial institutions</b>				
Source of non-respendable revenue				
Filing Penalties	430	<b>425</b>	425	425
<b>Total Non-Respendable Revenue</b>	430	<b>425</b>	425	425
<b>Total Respendable and Non-respendable Revenue</b>	81,904	<b>84,690</b>	88,293	92,050

Tables 5 and 6a provide additional information to illustrate total Government of Canada expenditures that are related to OSFI.

**Table 5: Net Cost of Agency for the Estimates Year**

2006-2007					
(\$ thousands)	Regulation and supervision of federally regulated financial institutions	Regulation and supervision of federally regulated private pension plans	International Assistance	Office of the Chief Actuary (OCA)	Total
Total Planned Spending	0	0	0	768	<b>768</b>
<i>Plus: Services Received without Charge</i>					
Audit fees from the Office of the Auditor General	80				<b>80</b>
<i>Less: Non-respendable Revenue</i>					
	425				<b>425</b>
<b>2006-2007 Net cost of Agency</b>	<b>(345)</b>	<b>0</b>	<b>0</b>	<b>768</b>	<b>423</b>

**Table 6a: Voted Items Listed in Main Estimates**

Vote Item	(\$ thousands)	2005-2006 Main Estimates	2006-2007 Main Estimates
35	Program expenditures	755	768
	<b>Total Agency</b>	755	768

**Table 6b: Statutory Items Listed in Main Estimates**

Statutory Item	(\$ thousands)	2005-2006 Main Estimates	2006-2007 Main Estimates
(S)	Spending of revenues pursuant to subsection 17(2) of the Office of the Superintendent of Financial Institutions Act (R.S., 1985, c. 18 (3rd Supp.))	0	0
	<b>Total Agency</b>	0	0

## Table 7: Resource Requirements by Sector

Table 7 provides a breakdown of OSFI's resources requirements by Sector. Consistent with the methodology for the Program Activity Architecture (PAA), the Corporate Services Sector resources are allocated across OSFI's other three sectors (Regulation, Supervision, and Office of the Chief Actuary).

### Resource Requirement by Sector

2006-2007					
(\$ millions)	Regulation and supervision of federally regulated financial institutions	Regulation and supervision of federally regulated private pension plans	International Assistance	Office of the Chief Actuary (OCA)	Total Planned Spending
Regulation	\$22.9	\$5.2	\$1.9		\$30.0
Supervision	50.3				50.3
Office of the Chief Actuary				4.7	4.7
<b>Total</b>	<b>\$73.2</b>	<b>\$5.2</b>	<b>\$1.9</b>	<b>\$4.7</b>	<b>\$85.0</b>

**Table 8: User Fees**

Description of Document or Service	Fee Type (1)	Fee Setting Authority	Reasons for Fee Introduction or Amendment	Effective date of planned change to take effect	Planned Consultation and Review Process
<p>Letters patent of amalgamation</p> <p>Approval of an agreement respecting the sale of all or substantially all assets</p> <p>Approval of the acquisition or increase of a significant interest</p> <p>Approval of a purchase, reinsurance or transfer of policies, a reinsurance against risks undertaken by the company, or a sale of assets</p> <p>Approval of the acquisition of control of, or the acquisition or increase of a substantial investment in, an entity</p> <p>Approval to retain control of, or to continue to hold a substantial investment in, an entity for longer than 90 days</p> <p>Permission to retain control of, or to hold a substantial investment in, an entity for an indeterminate period</p> <p>Approval, for an indeterminate period, to retain control of, or to hold a substantial investment in, an entity that was acquired by way of a loan workout or realization of a security interest</p> <p>Order increasing the aggregate financial exposure limit</p> <p>Authorization for the release of assets in Canada</p> <p>Exemption from the requirement to maintain and process information or data in Canada</p> <p>Approval of a time period to do all things necessary to relinquish control of, or a substantial investment in, an entity or to relinquish an increase to a substantial investment in an entity</p> <p>Approval of a declaration of dividend in excess of net income</p> <p>Letters patent of dissolution</p>	R	<i>OSFI Act</i>	<p>Regulations are being proposed that would eliminate all user fees except those that are paid by non-Federally Regulated Financial Institutions (FRFIs), such as new applicants, and those that are charged for rulings, accreditations, interpretations, capital quality confirmations, and copies of corporate documents, which can be time consuming to process and are outside OSFI's core businesses. The proposed regulations would reduce the number of service charges from 51 to 14. The proposed regulations eliminate the majority of user fees, recognizing that the fees currently do not significantly redistribute OSFI's costs amongst FRFIs and that the fees do not recover a meaningful percentage of OSFI's annual costs. User fees currently recover less than four percent of OSFI's total regulatory and supervisory costs charged to institutions. Eliminating the majority of service charges has little impact on the total amounts individual FRFIs pay. Furthermore, the administration associated with the system, such as tracking, verifying, and reporting on services charges, is resource intensive and costly. Charges to non-FRFIs (e.g., new applicants) and for rulings, accreditations, interpretations, capital quality confirmations, and copies of corporate documents are being retained on the basis that charging for these services, which are not part of OSFI's normal course of regulation and supervision and are often resource intensive to process, represents a</p>	Effective date of regulations – targeted for April 1, 2006	<p>Given that this policy will result in modest changes to the levels of assessments that some institutions will pay, selected FRFIs and industry associations were consulted. As well, each of the FRFIs that were consulted was provided with estimates of how the new policy would affect their institution. None of the industry associations and institutions expressed concerns with the proposal to reduce the number of service charges.</p> <p>The amended regulations were then published in the <i>Canada Gazette</i> to solicit further comments. No concerns were expressed at that time. The regulations will be published in final form upon approval by the Governor-in-Council. The original regulations and the amended regulations can be found on the <i>Canada Gazette</i> website at: <a href="#">Canada Gazette Part II, Vol. 136, No. 21, SOR/2002-337</a> and <a href="#">Canada Gazette Part II, Vol. 137, No. 18, SOR/2003-291</a> respectively. (These links are also available on OSFI's website at: <a href="http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=528">http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=528</a>.)</p>

Description of Document or Service	Fee Type (1)	Fee Setting Authority	Reasons for Fee Introduction or Amendment	Effective date of planned change to take effect	Planned Consultation and Review Process
Approval to return amounts transferred from segregated fund account			more equitable approach to recovering OSFI's costs associated with those services than would charging these services directly to FRFIs through base assessments.		
Approval of transactions that are part of the restructuring of a bank holding company or of an insurance holding company or any entity controlled by such a company and to which self-dealing provisions will not apply					
Approval of asset transactions with a related party or of arrangements applying to such transactions					
Short-term exemption order					
Letters patent of, or approval of, continuance or amalgamation under any other Act of Parliament or any Act of the legislature of a province					
Consent for purchase or redemption of shares or membership shares					
Approval of special resolution for reduction of stated capital					
Approval of the making or acquisition of commercial loans, or the acquisition of control of an entity that holds commercial loans, if the total value of commercial loans held exceeds the specified limit					
Approval of amendment to by-laws to change name					
Variation of an order approving the commencement and carrying on of business of a body corporate or approving the insuring in Canada of risks by a foreign body corporate					
Approval for the issuance of shares or other securities in consideration for property					
Approval to amend an incorporating instrument					

Description of Document or Service	Fee Type (1)	Fee Setting Authority	Reasons for Fee Introduction or Amendment	Effective date of planned change to take effect	Planned Consultation and Review Process
Extension of the deadline to do all things necessary to relinquish control of, or a substantial investment in, an entity or to relinquish an increase to a substantial investment in an entity					
Approval of an acquisition or a transfer of assets in excess of 10% of the total value of assets					
Exemption from requirement to provide financial statements for non-bank affiliates					
Approval of an acquisition or a transfer of assets in excess of 5% of the total value of assets from a related party that is not a federal financial institution					
Approval to be reinsured by a related party that is not a company or foreign company					
Approval of a deposit agreement or of a trust deed to maintain assets in Canada					
Approval of an amendment to an approved asset-to-capital multiple or borrowing multiple					
Approval of the issuance of subordinated debt to a parent					
Consent for purchase or redemption of securities other than shares					
Approval of a reinsurance trust agreement or of an amendment to a reinsurance trust agreement					
Approval of a letter of credit in lieu of assets					

Description of Document or Service	Fee Type <sup>(1)</sup>	Fee Setting Authority	Reasons for Fee Introduction or Amendment	Effective date of planned change to take effect	Planned Consultation and Review Process
Charge paid for actuarial services provided by the Chief Actuary in respect of requests for services ancillary to the mandate of the Chief Actuary	O		The regulations currently set out an hourly charge payable for certain actuarial services provided by the Chief Actuary. The hourly charge is no longer adequate in light of an increase in overhead costs of the Office of the Chief Actuary. Regulations are being proposed that would eliminate this fixed charge. After the coming into effect of the proposed Regulations, the hourly charge for these services will be published on OSFI's website at the beginning of each fiscal year, so as to maintain sufficient transparency and services will be contracted on an individual basis.		<p>The proposal to repeal the set hourly charge was discussed during the Office of the Chief Actuary Consultation Committee meeting in March 2005. None of the stakeholders expressed concerns with this proposal.</p> <p>The amended regulations were then published in the <i>Canada Gazette</i> to solicit further comments. No concerns were expressed at that time. The regulations will be published in final form upon approval by the Governor-in-Council.</p>

<sup>(1)</sup>A fee is either identified as "Regulatory" ("R") or "Other Products and Services" ("O"). A Regulatory fee relates to an activity undertaken by a department that is integral to the effectiveness of a program and successful achievement of the program mandate requires moderating, directing, testing, or approving the actions of external parties.



**Table 9: Major Regulatory Initiatives**

Legislative Acts and/or Regulations	Purpose of regulatory initiative	Expected results
<i>Order Amending the Schedule to the Insurance Companies Act (Classes of Insurance)</i>	The Schedule to the <i>Insurance Companies Act</i> is being revised to reduce the current number of insurance classes and to form the basis for federal class definitions to be harmonized with most provincial and territorial definitions.	The number of insurance classes will be reduced from over 50 classes used by federal, provincial and territorial jurisdictions to 17 harmonized classes. Also, class definitions will be harmonized, which will reduce the administrative burden and cost to insurers.
<i>Regulations Amending the Charges for Services Provided by the Office of the Superintendent of Financial Institutions Regulations 2002</i>	The amendments will eliminate all service charges except (i) charges paid by non-Federally Regulated Financial Institutions, (e.g., new applicants); and (ii) charges paid for rulings, accreditations, interpretations, capital quality confirmations, and copies of corporate documents.	The Regulations will reduce the number of service charges from 52 to 14.
<i>Regulations Amending the Investment Limits Regulations</i>	The Regulations will be reviewed to determine (i) whether the investment limit for P & C companies adequately considers excess assets; and (ii) whether certain investments made by lifecos and DTIs for hedging purposes should be exempt from the equity investments limits.	The amendments under consideration would provide increased flexibility in the investment limits regime. It would also level the playing field with those FRFIs that are currently exempt from the limit.
<i>Regulations Amending the Reinsurance (Canadian Companies) Regulations and the Reinsurance (Foreign Companies) Regulations</i>	The Regulations will be amended primarily to clarify how they apply to the accident and sickness business of life insurance companies.	The key amendments under consideration will clarify that the Regulations apply to life insurance companies that write accident and sickness insurance and that all of the premium income (not only the accident and sickness premium income) should be included in the denominator for purposes of determining the reinsurance limit.
<i>Pension Benefits Standards Act, 1985 and Regulations Amending the Pension Benefits Standards Regulations, 1985</i>	An amendment being considered would increase temporarily the amortization period for making-up solvency deficiencies in federal defined benefit pension plans, subject to certain terms and conditions. Also being considered in the context of the Department of Finance review of the framework for defined benefit pension plans are amendments to the <i>Pension Benefits Standards Act, 1985</i> and the Regulations that would, among other things: (i) permit letters of credit with certain characteristics to be recognized as pension assets in solvency valuations; (ii) void amendments to a pension plan if the solvency ratio of the plan falls below the prescribed level; (iii) require employers to pay into the plan, upon termination of the plan, the amount necessary to fund the full benefits promised to plan members; and (iv) provide funding flexibility to pension plans whose sponsor is restructuring under the CCAA, BIA, or WURA.	The amendments under consideration would provide more funding flexibility to plan sponsors and protect the interests of plan members and beneficiaries.

**Table 10: Internal Audits and Evaluations**

<b>Internal Audit</b>	<b>Estimated Start Date</b>	<b>Date Published / Estimated Completion Date</b>	<b>Website Reference</b>
OSFI Contracting		July 19, 2005	<a href="http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/reports/osfi/audit_contract_e.pdf">http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/reports/osfi/audit_contract_e.pdf</a>
OSFI Travel & Hospitality		July 19, 2005	<a href="http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/reports/osfi/audit_the.pdf">http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/reports/osfi/audit_the.pdf</a>
Managing Core Supervision Workflow (CSWS) Contract Payments		Sept. 9, 2005	<a href="http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/reports/osfi/audit_cswe.pdf">http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/reports/osfi/audit_cswe.pdf</a>
Financial Conglomerates Group (FCG)		March 2006	
OSFI Training and Development		April 2006	
2006/07 Plan to be approved by Audit Committee			

## **SECTION IV – OTHER ITEMS OF INTEREST**

## OSFI Program Support

Program Support at OSFI includes: Finance and Administration, Information Technology, Legal, Communications, and Human Resources. To facilitate government-wide roll-ups, the costs of these program-support activities are allocated to each program activity to show full program cost. At the same time, OSFI has identified two priorities (priorities #7 and #8 below) with specific initiatives that will support all programs (listed under Section I as Program support- related priorities).

<b>Program Support Activities</b>	
<b>Description</b>	OSFI's Program Activities are supported by Corporate-wide Activities, whose costs are allocated to each Program Activity. These activities consist of Finance and Administration, Information Technology, Legal, Communications, and Human Resources.
<b>Related Priority</b>	<p><b>Priority #9</b></p> <ul style="list-style-type: none"> <li>• High quality of internal governance and related reporting.</li> </ul> <p><b>Priority #10</b></p> <ul style="list-style-type: none"> <li>• Resources and infrastructure necessary to support supervisory and regulatory activities.</li> </ul>
<b>Expected Results</b>	<p><b>Priority #9</b></p> <ul style="list-style-type: none"> <li>• OSFI's financial results accurately reflect its financial position.</li> <li>• Programs and activities are operating within applicable policies, acts and guidelines.</li> </ul> <p><b>Priority #10</b></p> <ul style="list-style-type: none"> <li>• High quality staff and a motivated and skilled workforce.</li> <li>• Program support is efficient and delivers services at reasonable cost and turn-around time relative to peers.</li> <li>• A cost-effective and robust technology infrastructure.</li> </ul>
<b>Performance Measure(s)</b>	<p><b>Priority #9</b></p> <ul style="list-style-type: none"> <li>• OAG audits confirm good financial controls.</li> <li>• Internal Audit finding that Operational Controls are in place and operational units are operating within applicable policies, acts and guidelines.</li> </ul> <p><b>Priority #10</b></p> <ul style="list-style-type: none"> <li>• Knowledgeable observers, i.e., industry executives and professionals, are of the view that OSFI has high quality staff.</li> <li>• Results of the Employee Survey indicate that OSFI employees are motivated.</li> <li>• External reviewers find OSFI's Program Support to be efficient.</li> <li>• Internal tracking of IM/IT infrastructure performance.</li> </ul>