Office of the Superintendent of Financial Institutions Canada | Bureau du surintendant des institutions financières Canada

Office of the Superintendent of Financial Institutions

2017–18

Departmental Results Report

The Honourable William Francis Morneau, P.C., M.P.
Minister of Finance

OSFI
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Table of contents

Superintendent's message 1

Results at a glance 3

Raison d'être, mandate and role: who we are and what we do 5

- Raison d'être 5
- Mandate and role 5

Operating context and key risks 7

- Operating context 7
- Key risks 8

Results: what we achieved 11

- Programs 11
  - Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions 11
  - Program 1.2: Regulation and Supervision of Federally Regulated Private Pension Plans 22
  - Program 2.1: Actuarial Valuation and Advisory Services 25
- Internal Services 34
  - Description 34
  - Results 34

Analysis of trends in spending and human resources 37

- Actual expenditures 37
- Actual human resources 40
- Expenditures by vote 41
- Government of Canada spending and activities 41
- Financial statements and financial statements highlights 41
  - Financial statements 41
  - Financial statements highlights 41

Supplementary information 45

- Corporate information 45
  - Organizational profile 45
  - Reporting framework 45

Supplementary information tables 46
Federal tax expenditures 46
Organizational contact information 46
Appendix: definitions 47
Endnotes 51

Superintendent's message

OSFI's mandate is to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks. We do this by developing guidance on risk management and mitigation, assessing the safety and soundness of financial institutions, and intervening promptly when corrective actions are needed.

During the 2017-18 reporting period, we took action to reinforce our prudential regulatory and supervisory regime in several areas (see Results at a Glance section):

- We strengthened mortgage underwriting by federally regulated lenders
- We made our capital framework regime for Canada's largest banks more transparent
- We clarified our expectations for boards of directors
- We significantly improved our capital requirements for life and mortgage insurers by updating versions of our Life Insurance Capital Adequacy Test (LICAT) and Minimum Capital Test (MCT) guidelines.

In November 2017, the Financial Stability Board added the Royal Bank of Canada (RBC) to its list of designated global systemically important banks, or G-SIBs. RBC is already subject to OSFI's requirements for domestic systemically important banks (D-SIBs), which are modelled on the G-SIB framework. Therefore, RBC is well positioned to meet the G-SIB requirements starting in January 2019.

Regulating and supervising financial institutions and private pension plans relies on the dedication of employees who are knowledgeable, passionate and determined to keep Canada's financial system strong and resilient. Our new Human Capital Strategy is helping us attract, retain and develop our people. It is focused on five key areas: leadership development, talent management, learning and development, culture and community building, and enterprise change management.

During the 2017-18 fiscal year, OSFI celebrated its 30th anniversary and its many successes. By remaining focused on our mandate, by having the will to act, and by resisting complacency, I believe that OSFI will continue to build a record of success for the next 30 years.

Jeremy Rudin

Results at a glance

OSFI's total actual spending for 2017-18 was $155.0 million and the total actual full-time equivalents were 695. Actual spending was 3.2% higher than planned, largely due to an arbitral award affecting personnel costs that surpassed OSFI's estimates and accounted for 1.7 percentage points of the total excess over planned spending. The principal other contributors to the variance were higher professional services costs for additional user acceptance testing on an information technology (IT) renewal project, unplanned supervisory intervention work, and supplementary efforts to address an unexpected surge in access to information requests.

Key results achieved in 2017-18 included the following:

- OSFI strengthened underwriting by federally regulated lenders by updating its Guideline B-20 − Residential Mortgage Underwriting Practices and Procedures. The updates set a new minimum qualifying interest rate for uninsured mortgages; require lenders to enhance their loan-to-value (LTV) measurement and limits; and place restrictions on certain lending arrangements that appear designed to circumvent LTV limits.

- In 2017-18, OSFI began work to adjust its capital regime to increase transparency around its Domestic Stability Buffer. The aim of the buffer is to ensure Canada's largest banks are able to draw on it in times of stress, rather than engage in activities that may have negative impacts and exasperate financial instability. OSFI plans to set its Domestic Stability Buffer rate in June and December each year and communicate it through a public posting to its website.

- OSFI clarified its expectations for boards of directors and revised its Corporate Governance Guideline accordingly. Key amendments include a clearer delineation of board and senior management responsibilities.

- OSFI significantly improved its capital requirements for life and mortgage insurers by updating versions of its Life Insurance Capital Adequacy Test (LICAT) and Minimum Capital Test (MCT) guidelines, effective January 1, 2018, for life and property and casualty insurers, respectively. Updates reflect further refinements, calibration adjustments and clarifications in respect of inquiries or comments received from insurers and stakeholders. In 2019, OSFI's regulatory capital framework for residential mortgage insurance will include a new approach for capturing credit risk. OSFI's capital requirements will also be documented in a new, separate capital guideline for mortgage insurers.

- OSFI launched its Human Capital Strategy to ensure that OSFI employees are well equipped to handle their responsibilities and to grow in their chosen career path. This initiative is focused on five key areas: leadership development, talent management, learning and development, culture and community building, and change management.

For more information on OSFI's plans, priorities and results achieved, see the "Results: what we achieved" section of this report

Raison d’être, mandate and role: who we are and what we do

Raison d’être

The Office of the Superintendent of Financial Institutions (OSFI) was established in 1987 by an Act of Parliament: the Office of the Superintendent of Financial Institutions Act. It is an independent agency of the Government of Canada and reports to Parliament through the Minister of Finance.

OSFI regulates and supervises all banks in Canada and all federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations, fraternal benefit societies and private pension plans. OSFI’s mandate does not include consumer-related issues or the securities industry.

The Office of the Chief Actuary (OCA), which is an independent unit within OSFI, provides actuarial valuation and advisory services for the Canada Pension Plan, the Old Age Security program, the Canada Student Loans and Employment Insurance Programs and other public sector pension and benefit plans.

Mandate and role

OSFI was created to contribute to public confidence in the Canadian financial system.

Under its legislation, OSFI’s mandate is:

Fostering sound risk management and governance practices
OSFI advances a regulatory framework designed to control and manage risk.

Supervision and early intervention
OSFI supervises federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting regulatory and supervisory requirements.

OSFI promptly advises financial institutions and pension plans if there are material deficiencies, and takes corrective measures or requires that they be taken to expeditiously address the situation.

Environmental scanning linked to safety and soundness of financial institutions
OSFI monitors and evaluates system-wide or sectoral developments that may have a negative impact on the financial condition of federally regulated financial institutions.

Taking a balanced approach

OSFI acts to protect the rights and interests of depositors, policyholders, financial institution creditors and pension plan beneficiaries while having due regard for the need to allow financial institutions to compete effectively and take reasonable risks.

OSFI recognizes that management, boards of directors and pension plan administrators are ultimately responsible for risk decisions and that financial institutions can fail and pension plans can experience financial difficulties resulting in the loss of benefits.

In fulfilling its mandate, OSFI supports the government's objective of contributing to public confidence in the Canadian financial system.

The Office of the Chief Actuary is an independent unit within OSFI that provides a range of actuarial valuation and advisory services to the Government of Canada (see Program 2.1 on page 25 for further detail).

For more general information about the department, see the "Supplementary information" section of this report. For more information on the department's organizational mandate letter commitments[1], see the Minister's mandate letter[i].

[1] Note that OSFI is an agency of the Government of Canada and reports to Parliament through the Minister of Finance. The Minister's mandate letter focuses on priorities within the Finance portfolio and does not directly link to OSFI's priorities.

Operating context and key risks

Operating context

The Canadian environment has been positive for most federally regulated financial institutions (FRFIs). Economic and financial stability and, relatedly, benign credit performance have supported profitability. At the same time, FRFIs face competitive pressure to innovate products, services and delivery channels. They also continue to expand into new markets, increase lending, enhance efficiencies and embrace new technologies. The unrelenting changes in the financial services industry create an environment of new and rapidly evolving risks. In response, OSFI proactively monitors and assesses the potential impact of a variety of risks on an ongoing basis to inform its regulatory and supervisory activities.

In 2017-18, elevated household debt, mainly backed by housing assets, remained a concern. OSFI implemented a number of changes to its mortgage underwriting guideline B-20 to ensure sound underwriting practices are in place at all regulated financial institutions, thereby contributing to resiliency.

Also notable in the environment is the increased reliance of financial institutions on technology, including centralized systems, to reduce costs and innovate. As a result, they require increasingly robust IT risk management frameworks, increased cyber security readiness capability, enhancement of governance practices and expanded IT risk awareness and reporting practices. OSFI completed a Cyber Security cross sector review at select FRFIs, assessing responses to a severe but plausible scenario involving a cyber breach at a third party.

OSFI identified catastrophic risk events, and climate change more generally, as areas requiring increased attention moving forward. The pace of change in this area presents a growing challenge for risk managers who model the potential impacts and provide guidance to their firms. OSFI and industry need to keep abreast of developments in this area and determine appropriate responses that will support financial stability.

More broadly, OSFI is also focused on evaluating the potential impact on financial institution stability emanating from a variety of other risks, including financial stress stemming from market volatility, trade uncertainties in Canada including increased trade protectionism and financial instability in other markets and different parts of the world.

The Key Risk section below expands on actions that were undertaken to address risks identified at the beginning of fiscal year 2017-18, considering the environment at the time.

Key risks

Risks	Mitigating strategy and effectiveness	Link to the department's Programs	Link to mandate letter commitments and any government-wide or departmental priorities
Macroeconomic and geopolitical uncertainty There is a risk that OSFI may not promptly identify the causes and consequences of financial contagion stemming from macro economic and geopolitical events and as a result will not be in a position to proactively respond to them.	This risk was identified in the 2017-18 Departmental Plan. Risk responses during 2017-18 included the following: • Monitored the evolution of domestic and non-domestic risks and vulnerabilities that may impact FRFIs and responded with appropriate supervisory and regulatory actions. For example, OSFI closely monitored developments in the mortgage markets and as a result, revised its guidance to ensure sound underwriting standards are understood. • Undertook a macroeconomic stress test. This exercise allowed OSFI to determine potential impacts from severe but plausible stress events leading to the adjustment of supervisory work. • Continued ongoing monitoring, dialogue and engagement with FRFIs and foreign regulators on global economic or geopolitical developments. • Continued monitoring changes in the business models and significant activities of FRFIs in order to maintain an understanding of the potential risks across geographies and business activities. • Participated in supervisory colleges where issues stemming from macroeconomic and geopolitical events were discussed.	Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions	OSFI Priority 2: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system.

	• Through the Financial Institutions Supervisory Committee (FISC), liaised with federal partners involved in overseeing the Canadian financial system to discuss potential macro prudential issues.		
Financial industry advancement There is a risk that OSFI may not keep pace with advancements / development in the financial industry.	This risk was identified in the 2017-18 Departmental Plan. Risk responses during 2017-18 included the following: • Continued to interact with FISC members and other government peers and foreign regulators to better understand common risks or issues including those related to digitization that may affect how OSFI conducts its regulatory and supervisory work. • Assessed new and emerging trends in the financial industry through the ongoing monitoring of business and market developments including changes in FRFIs' lending and investment portfolios, product offerings and pricing strategies. Proactively identified and evaluated new, material risks that need to be addressed. • Undertaking a review of developments in the area of financial technology to determine the implications and risks for financial institutions.	Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions	OSFI Priority 2: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system.

FI cyber security vulnerability There is a risk that OSFI may not respond effectively to cyber threats to Canadian FIs or to a major cyber security incident. This could impact OSFI's ability to support the resilience of FIs.	This risk was identified in the 2017-18 Departmental Plan. Risk responses during 2017-18 included: • Completing a cross sector review at selected FRFIs. The review focused on cyber resilience characteristics such as related governance, oversight and risk management practices, including cyber scenario analysis frameworks. • Supporting the rollout of the federal government National Cyber Security Strategy as a key participant in inter-agency discussions and development activities for elements relevant to the financial sector. • Supporting the G-7 Cyber Expert Group and its work on cross border coordination third party risk and threat - led penetration testing. • Participating in the Senior Supervisors Group (SSG) Cyber Security and Operational Resilience 3rd Symposium hosted by the Bank of England. • Requiring timely notification of major and noteworthy cyber security incidents by selected FRFIs through an incident reporting protocol to OSFI.	Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions	OSFI Priority 2: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system.

Results: what we achieved

Programs

Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions

Description

This program involves regulating and supervising federally regulated financial institutions (FRFI) to determine whether they are in sound financial condition and are complying with their governing laws and supervisory requirements; monitoring the financial and economic environment to identify issues that may impact these institutions negatively; and intervening in a timely manner to protect depositors and policyholders from undue loss, while recognizing that management and boards of directors are ultimately responsible, and that financial institutions can fail.

Costs for this program are recovered through base assessments and user fees and charges paid by the federally regulated financial institutions covered under the Bank Act, Trust and Loan Companies Act, Insurance Companies Act, Green Shield Canada Act, Protection of Residential Mortgage or Hypothecary Insurance Act and Cooperative Credit Associations Act. The Office of the Superintendent of Financial Institutions also receives revenues for cost-recovered services to provinces, for which it provides supervision of their institutions on a fee for service basis.

Results

In 2017-18, FRFIs continued to operate in an environment of global financial uncertainty. They also increased their reliance on technology hence a related growth in vulnerability to cyber threats. OSFI took several actions to address the foregoing by conducting numerous reviews and on-going monitoring activities (see details included under the sub-programs below).

Through the FISC, OSFI continued to liaise with federal partners involved in overseeing the Canadian financial system to discuss potential macro prudential issues. OSFI also participated in many international supervisory forums to share ideas and improve OSFI's effectiveness.

At the end of the 2017-18 fiscal year, OSFI finalized a report that identified and analyzed financial technology developments. It included a series of recommendations to enhance how OSFI regulates and supervises FRFIs.

Performance targets for this program and related sub-programs have been met as outlined in the tables below.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2017–18 Actual results	2016–17 Actual results	2015–16 Actual results
Depositors and policyholders are protected while recognizing that all failures cannot be prevented.	Percentage of estimated recoveries on failed institutions (percentage recovered per dollar of claim)	90%	March 31, 2018	NA[2]	100%	100%
	Percentage of institutions with a Composite Risk Rating of low or moderate.	80%	March 31, 2018	94%	94.6%	91%
OSFI's regulatory and supervisory framework is consistent with international standards.	Percentage of assessment programs which deem OSFI's regulatory and supervisory framework as being consistent with international standards.	100%	March 31, 2018	100%[3]	100%	100%

[2] There were no new failures requiring recoveries in 2017-18. No recoveries from prior years remained outstanding.

[3] Supported by the following three effectiveness assessments that were completed during 2014-15 (the latest year for which results are available – each resulted in an overall "compliant" rating.: March 2014 International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP) - Basel Core Principles for Effective Banking Supervision; March 2014 International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP) - for Insurance Core Principles; June 2014 Basel Committee on Banking Supervision Regulatory Consistency Assessment Programme (RCAP). These assessments are next scheduled to occur in 2018-19.

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
81,253,463	81,253,463	81,253,463	80,924,601	(328,862)

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
421	427	6

Sub-Program 1.1.1: Risk Assessment and Intervention

Description

OSFI regulates and supervises financial institutions to determine whether they are in sound financial condition and are complying with their governing statute law and supervisory requirements. This program involves the administration and application of an effective supervisory process to assess the safety and soundness of regulated financial institutions by evaluating an institution's risk profile, financial condition, risk management processes, and compliance with applicable laws and regulations. This program includes activities to monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues; and intervene on a timely basis when a financial institution's business practices may be imprudent or unsafe, by exercising supervisory powers to take, or require management or boards to take, necessary corrective measures to protect depositors and policy holders.

Results

In 2017-18, OSFI continued to contribute to the stability of the financial sector by conducting targeted examinations, maintaining up to date risk assessments, communicating with financial sector stakeholders, and intervening when necessary to ensure that financial institutions remain financially sound.

OSFI held its annual risk management seminars for the industries it regulates to reinforce the need for strong risk management, share lessons learned and OSFI expectations, and share information on issues being discussed internationally by peer regulators.

OSFI also hosted Colleges of Supervisors for five of Canada's largest banks. The colleges bring together executives from Canadian banks with supervisors from applicable host-country jurisdictions where they conduct business. OSFI also hosted a supervisory college for a large life insurance company. In conjunction with the Canada Deposit Insurance Corporation, crisis management groups were also held for the six systemically important banks.

OSFI advanced its recovery and resolution practices. The most noticeable developments were the finalization of total loss-absorbing capacity (TLAC) requirements, further enhancements to recovery plans of selected small and mid-sized institutions, and the advancement of crisis management-related cooperation and dialogue between home and host jurisdiction regulators. In addition, in line with OSFI's supervisory expectations, it has now reviewed the recovery plans of all three life insurance conglomerates and made recommendations for improvements.

In partnership with the Bank of Canada, OSFI also conducted a macroeconomic stress test exercise to assess and discuss the potential impacts to D-SIBs and mortgage insurance companies of system-wide risks and vulnerabilities.

Due to the impact of persistently low interest rates on the insurance industry and specifically the smaller insurers, OSFI implemented a formal approach to assessing the financial viability of the most severely affected institutions and worked with them to find a resolution that would not adversely impact policyholders and creditors.

OSFI's broad review of the regulatory and supervisory framework for reinsurance continued in 2017-18. While OSFI recognizes the importance of reinsurance as a risk management practice, it exposes insurers to increased operational, counterparty credit and legal risks. The objective of the review is to strengthen the prudential framework by promoting more effective reinsurance risk management practices, improving the measurement of required financial resources to be held in Canada and limiting concentration of counterparty exposure. Over the course of the fiscal year, OSFI worked on the development of a discussion paper to communicate to stakeholders' potential changes to the framework that are under consideration.

In 2017-18, OSFI continued to be involved in a variety of forums to discuss and share cyber risk and security information. OSFI was a supporting member of the G-7 Cyber Expert Group on cross border coordination third party risk and threat-led penetration testing. OSFI completed a Cyber Security Cross-Sector review at select FRFIs. The review focused on FRFI cyber resilience characteristics and related governance, oversight, and risk management practices. OSFI continued to be focused on enhanced monitoring of cyber crime such as phishing, ransomware, and brute force attacks at FRFIs given the increased use of digital channels and methods of payment across the financial sector. To enhance the monitoring of cyber threat and risk levels and trends at FRFIs and to assess systemic impacts to the Canadian financial system, OSFI required timely notification of major and noteworthy cyber security incidents by selected FRFIs through an incident reporting protocol.

Over the course of the fiscal year, OSFI also dedicated efforts to improving its enabling capabilities. OSFI undertook a comprehensive review of supervisory processes and methodology and issued a Request for Proposal (RFP) to procure the services of a system integrator to implement the updated supervisory processes within a new technology platform. OSFI enhanced its supervisory performance monitoring to help improve the consistency of supervisory outcomes.

These efforts contributed to OSFI meeting its performance targets, which is an indication that risk assessment and intervention activities were timely and effective.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2017–18 Actual results	2016–17 Actual results	2015–16 Actual results
Issues in institutions are identified and acted on at an early stage	Percentage of (financial institutions) supervisory rating increases[4] that are two or more levels within any rolling three month period.	20%	March 31, 2018	13%[5]	0%	20%
	Percentage of supervisory letters that are issued within established standards.	80%	March 31, 2018	83%	94%	90%

[4] Supervisory ratings are aligned with the risk profile of institutions and range from 0 (normal) to 4 (non-viable/insolvency imminent). Significant increases in ratings, as opposed to progressive ones, can signal issues with the timeliness or effectiveness of OSFI supervisory efforts.

[5] Any supervisory rating increases that are two or more levels within a rolling three month period may indicate that risk assessment and/or intervention activities were not timely. As such, a result of 13% exceeds the target i.e., tolerance of 20%.

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
57,925,073	57,925,073	57,925,073	59,062,369	1,137,296

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
303	314	11

Sub-Program 1.1.2: Regulations and Guidance

Description

This program involves advancing and administering a regulatory framework of rules and guidance that promotes the adoption by regulated financial institutions of sound risk management practices, policies and procedures designed to plan, direct and control the impact on the institution of risks arising from its operations.

This program includes the issuance of various forms of guidance, which may include guidelines and advisories as well as input into federal legislation and regulations affecting financial institutions; contributions to accounting, auditing and actuarial standards; and involvement in a number of international regulatory activities.

Results

OSFI's Regulation and Guidance sub-program for the year included a number of initiatives related to domestic and international developments.

In the area of capital adequacy for insurance companies, OSFI implemented a new and more risk based standard: the Life Insurance Capital Adequacy Test (LICAT). LICAT represents an evolution in OSFI's regulatory capital expectations and is designed to take account of significant changes in the nature and management of risk within the insurance industry. Close cooperation among regulatory and industry stakeholders ensured a smooth transition to the new standard.

In the area of capital adequacy of federally regulated deposit-taking institutions, OSFI updated its Capital Adequacy Requirements (CAR) guideline. The updates clarified the treatment of allowances in anticipation of the adoption of IFRS 9 in 2018, and followed industry consultation on the projected capital impacts of IFRS 9 implementation. In 2017-18, OSFI began work to adjust its capital regime to increase transparency around its Domestic Stability Buffer. The aim of the buffer is to ensure Canada's largest banks are able to draw on it in times of stress, rather than engage in activities that may have negative impacts and exasperate financial instability. OSFI also completed public consultation on the draft TLAC guideline, which sets out the framework within which the Superintendent will assess whether a D-SIB maintains its minimum capacity to absorb losses. The final TLAC guidance was published in April 2018. Canadian D-SIBs must meet their minimum TLAC requirements by November 2021.

OSFI is an active member of the Basel Committee on Banking Supervision (BCBS), which provides a forum for international rule-making and cooperation on banking supervisory matters. In December 2017, OSFI welcomed the finalization of the Basel III reforms that consist of measures to increase risk sensitivity and reduce excessive variability in the calculation of minimum capital requirements across banks and across jurisdictions. OSFI has committed to public consultation on the proposed implementation in order to ensure the capital regime continues to contribute to the safety and soundness of Canadian banks while remaining consistent with our principles for regulation and supervision. With respect to insurance capital for internationally active insurance groups, OSFI participated in the development of the International Association of Insurance Supervisors (IAIS) Insurance Capital Standard (ICS) version 2.0, which is expected to be completed in 2019.

In 2017-18, OSFI implemented a new capital framework applicable to the mortgage insurers under the property and casualty (P&C) focused Minimum Capital Test. This represents a significant evolution in OSFI's regulatory capital expectations for Canada's mortgage insurers, providing a more industry-tailored and risk-sensitive framework within which to assess capital adequacy for supervisory purposes. Following implementation, OSFI has reviewed the performance of the new framework, engaged in further consultation with the mortgage insurers, and is pursuing work on further potential refinements.

In the area of residential mortgage underwriting, OSFI updated its Mortgage Underwriting Practices and Procedures guideline (B-20) to reinforce expectations that federally regulated mortgage lenders remain vigilant in their mortgage underwriting practices. Changes included the addition of a minimum qualifying rate for uninsured mortgages and enhanced expectations for loan to value measurement and limits.

OSFI undertook a fundamental review of its corporate governance expectations with a view to making it more principles-based and outcomes-based as well as providing clearer delineation of board and senior management responsibilities. The draft, revised guideline was issued for comment in November 2017 and a final version will be issued in 2018.

For accounting standards, OSFI monitored the implementation of IFRS 9 Financial Instruments by FRFIs to ensure high-quality adoption of the standard. OSFI also initiated a project to support the effective implementation of IFRS 17 Insurance Contracts by FRFIs and issued the IFRS 17 Transition and Progress Report Requirements advisory for federally regulated insurers. OSFI issued guidelines outlining its expectations on the implementation of revised Basel Pillar III disclosure requirements, as well as on disclosure for the LICAT in the case of federally regulated insurers. OSFI also actively participated in international efforts to enhance the quality of the audits of banks and insurers by influencing the development of a new standard on auditing accounting estimates.

These efforts contributed to OSFI meeting its established performance targets.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2017–18 Actual results	2016–17 Actual results	2015–16 Actual results
Stakeholders are of the opinion that guidance is updated in a timely manner in response to market changes and/or industry suggestions.	Percentage of industry stakeholders who rate OSFI as good or very good at responding in a timely manner to market changes or to industry suggestions that guidance need updating.	75%	March 31, 2018	80%[6]	80%	77%
OSFI's expectations are communicated effectively in guidance to stakeholders.	Percentage of industry stakeholders that rate OSFI's guidance as somewhat or very effectively indicating OSFI's expectations.	75%	March 31, 2018	91%[7]	91%	85%

[6] Source: 2016 Financial Institutions Survey. This program surveys industry stakeholders biennially and the next survey is scheduled for 2018.

[7] Source: 2016 Financial Institutions Survey. This program surveys industry stakeholders biennially and the next survey is scheduled for 2018.

Industry is consulted on the development of guidance.	Percentage of industry stakeholders that rate OSFI as good or very good at consulting with industry on the development of guidance.	70%	March 31, 2018	83%[8]	83%	79%

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
18,717,291	18,717,291	18,717,291	17,237,163	(1,480,128)

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
89	84	(5)

Sub-Program 1.1.3: Approvals and Precedents

Description

Federally regulated financial institutions are required to seek regulatory approval for certain types of transactions. This program involves evaluating and processing applications for regulatory consent; establishing positions on the interpretation and application of the federal financial institutions' legislation, regulations and guidance; identifying precedential transactions that may raise policy or precedent-setting issues; and developing recommendations that recognize the need to allow institutions to compete effectively and take reasonable risk.

[8] Source: 2016 Financial Institutions Survey. This program surveys industry stakeholders biennially and the next survey is scheduled for 2018.

Results

OSFI administers a regulatory approval process that is prudentially effective, responsive and transparent.

The soundness of the process is supported by performance results showing that a vast majority of knowledgeable observers understand the basis upon which OSFI makes its decisions. OSFI also has performance standards establishing timeframes for processing applications for regulatory approvals and for other services, all of which were surpassed during 2017-18. More information on service performance standards[ii] can be found on OSFI's website.

In 2017-18, OSFI processed 165 applications, of which 157 were approved and eight were withdrawn. Individual applications often contain multiple approval requests. The 157 approved applications involved 249 individual approvals, 190 of which were granted by the Superintendent and 59 by the Minister of Finance. The number of applications decreased from the previous year, when 178 applications were approved. The majority of approved applications for 2017-18 related to banks (44%) and P&C insurers (29%).

In keeping with the objective of enhancing the transparency of OSFI's legislative approval process and promoting a better understanding of the interpretation of the federal financial institution statutes, OSFI develops and publishes legislative guidance, including advisories, rulings, and transaction instructions. In 2017-18, OSFI issued revised transaction instructions regarding exits, amalgamations, sales of all or substantially all assets by deposit-taking institutions, issuance of shares for property, and investments and activities of foreign banks.

During 2017-18, OSFI made recommendations that resulted in the Minister of Finance's approval of three new federally regulated financial institutions, two of which were under the Bank Act and one under the Insurance Companies Act.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2017–18 Actual results	2016–17 Actual results	2015–16 Actual results
Decisions on regulatory approvals are transparent and timely.	Percentage of industry stakeholders that understand somewhat or very well the basis upon which OSFI makes its decisions as part of the approval process.	85%	March 31, 2018	89%[9]	89%	88%
OSFI's expectations are communicated effectively in guidance to stakeholders.	Percentage of completed applications for FI regulatory approvals that are processed within established standards.	90%	March 31, 2018	100%	99%	98%

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
4,611,099	4,611,099	4,611,099	4,625,069	13,970

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
29	29	0

[9] Source: 2016 Financial Institutions Survey. This program surveys industry stakeholders biennially and the next survey is scheduled for 2018.

Program 1.2: Regulation and Supervision of Federally Regulated Private Pension Plans

Description

This program involves regulating and supervising federally regulated private pension plans to determine whether they are meeting minimum funding requirements and are complying with their governing laws and supervisory requirements. This program provides risk assessments of pension plans covering employees in federally regulated areas of employment. It ensures timely and effective intervention and feedback to protect the interests of plan members and beneficiaries, while recognizing that plan administrators are ultimately responsible and that plans can fail to pay the expected benefits. This program also provides a balanced, relevant regulatory framework and a prudentially effective and responsive approvals process.

This program incorporates activities pertaining to risk assessment and intervention, regulation and guidance, and approvals and precedents related to federally regulated private pension plans under the Pension Benefits Standards Act, 1985 and the Pooled Registered Pension Plans Act. The costs for this program are recovered from pension plan fees based on the number of members in each federally regulated pension plan.

Results

In 2017-18, the activities of the Private Pension Plans Division (PPPD) included initiatives related to Pooled Registered Pension Plans (PRPPs) and pension plans with defined contribution (DC) provisions.

OSFI continued to develop guidance and supervisory approaches for PRPPs in order to meet responsibilities recently acquired under the Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans. For instance, OSFI developed a guidance note on eligible default investment options for PRPPs, which was published in July 2017.

OSFI continued to collect and analyze information and follow trends regarding pension plans with DC provisions to consider potential changes to the way OSFI supervises this type of plan. In March 2018, OSFI published a guidance note on eligible default investment options for plans with DC provisions.

Highlights of other activities completed by OSFI to support and strengthen the regulation and supervision of federally regulated private pension plans in 2017-18 include:

- Publishing the new guideline for Derivatives Sound Practices for Federally Regulated Private Pension Plans that builds on and replaces the 1997 Derivatives Guideline. It reflects OSFI's expectations with respect to current practices related to the sound risk management of derivatives activities and covers both exchange traded and over-the-counter derivatives;

- Publishing a revised version of the Guide to Intervention for Federally Regulated Private Pension Plans, the Frequently Asked Questions, and the guidance regarding asset transfers; and
- Hosting an in-person pension forum to meet and communicate with pension stakeholders on PPPD's key activities, pension policy developments, OSFI's supervision of pension plans, approvals and actuarial issues, and recent pension litigation related to federally registered pension plans.

OSFI regularly surveys plan administrators and professional advisors of federally regulated private pension plans to obtain their assessment of OSFI's effectiveness as a supervisor and regulator of private pension plans and to fulfill its commitment to continuous improvement and responsiveness to stakeholder input. The overall results of the 2017 survey are positive, with most areas improved or comparable to results from the previous survey conducted in 2014.

In 2017-18, OSFI exceeded its performance targets, which is an indication that OSFI's risk assessment and intervention activities related to pension plans were timely and effective.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2017–18 Actual results	2016–17 Actual results	2015–16 Actual results
Issues in plans are identified and acted on at an early stage.	Percentage of (pension plan) supervisory rating increases[10] that are two or more levels within any rolling three month period.	20%	March 31, 2018	0%[11]	5%	6%

[10] Supervisory ratings are aligned with the risk profile of pension plans and range from 0 (normal) to 4 (non-viable/insolvency imminent). Significant increases in ratings, as opposed to progressive ones, can signal issues with the timeliness or effectiveness of OSFI supervisory efforts.

[11] Any stage rating increases that are two or more levels within a rolling three month period may indicate that risk assessment and/or intervention activities were not timely. As such, a result of 0% exceeds the target i.e., tolerance of 20%.

OSFI is perceived as being effective in monitoring and supervising pension plans.	Percentage of industry stakeholders that rate OSFI as "somewhat effective" or "very effective" in monitoring and supervising their pension plan(s).	75%	March 31, 2018	82%[12]	77%[13]	77%[14]
OSFI's expectations are communicate effectively in guidance to stakeholders.	Percentage of industry stakeholders that rate OSFI Guidance as "somewhat effective" or "very effective" in providing an indication of OSFI's expectations.	75%	March 31, 2018	76%[15]	79%[16]	79%[17]

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
4,335,253	4,335,253	4,335,253	4,574,503	239,250

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
25	27	2

[12] Source: the 2017 Pension Plans Survey. Industry stakeholders include both plan administrators and professionals.

[13] These results have been restated to include all industry stakeholders, i.e., both plan administrators and professionals, as opposed to only plan administrators. Source: the 2014 Pension Plans Survey. This program surveys industry stakeholders triennially and the next survey is scheduled for 2017.

[14] These results have been restated to include all industry stakeholders. Source: the 2014 Pension Plans Survey.

[15] Source: the 2017 Pension Plans Survey. Industry stakeholders include both plan administrators and professionals.

[16] These results have been restated to include all industry stakeholders. Source: the 2014 Pension Plans Survey.

[17] These results have been restated to include all industry stakeholders. Source: the 2014 Pension Plans Survey.

Program 2.1: Actuarial Valuation and Advisory Services

Description

The federal government and the provinces, through the Canada Pension Plan (CPP), public sector pension arrangements and other social programs have made commitments to Canadians and have taken on emanated responsibility for the financing of these commitments. Some are long-term and it is important that decision-makers, Parliamentarians and the public understand these and the inherent risks. This program plays a vital and independent role in this process. It provides checks and balances on the future costs of the different pension plans under its responsibilities.

This program provides a range of actuarial services, under legislation, to the CPP stakeholders and several federal government departments. It conducts statutory actuarial valuations of the CPP, Old Age Security (OAS), Employment Insurance (EI) and Canada Student Loans programs, and pension and benefits plans covering the Federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police (RCMP), federally appointed judges, and Members of Parliament.

The Office of the Chief Actuary (OCA) is funded by fees charged for its actuarial valuation and advisory services and by an annual Parliamentary appropriation.

Results

In 2017-18, the OCA continued to provide independent, accurate, high quality and timely actuarial reports and professional actuarial services and advice. With the view of maintaining high quality services, and as recommended by the CPP independent peer review panel, the OCA continued to maintain its programs of research on subjects relevant to the preparation of future actuarial reports.

Following the agreement reached by federal and provincial Ministers of Finance on changes to the base and additional CPP benefits, the OCA worked extensively on actuarial estimates presented in the 29th CPP Actuarial Report. It also continued its work on the development of the additional CPP sustainability and contribution rates regulations.

In 2017-18, the OCA published the 14th OAS Actuarial report and two actuarial studies:

- No. 18 on the Canada Pension Plan Actuarial Adjustment Factors, which confirmed that the current factors are appropriate; and
- No.19 on Measuring and Reporting Actuarial Obligations of the Canada Pension Plan, which presented the processes used to assess the financial sustainability of the base CPP.

The Office of the Auditor General (OAG) informed the OCA that it would be using the work it performed for the Public Accounts of Canada 2016-17, which were tabled in the House of Commons on October 5, 2017. This included utilizing OCA's work as independent evidence for the OAG's audit of the Public Accounts of Canada.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2017–18 Actual results	2016–17 Actual results	2015–16 Actual results
Stewards of Canada's public retirement income system receive accurate, high quality and timely professional actuarial services and advice.	Percentage of members of a panel of three Canadian peer actuaries selected by an international independent body that attest the OCA provides accurate, high quality and professional services and advice.	100% agreement among all three members of peer review panel	March 31, 2018	100%	100%	N/A (next report 2017-18)
	Use of the OCA's work by the Office of the Auditor General (OAG) as an independent evidence for the Public Accounts of Canada.	Confirmation from the OAG	March 31, 2018	Confirmation received	Confirmation received	Confirmation received
	Percentage of reports that are provided to the Minister for tabling in Parliament as per statutory deadlines.	100%	March 31, 2018	100%	100%	100%

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
5,938,078	5,938,078	5,938,078	5,669,204	(268,874)

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
36	34	(2)

Sub-Program 2.1.1: Services to the Canada Pension Plan and Old Age Security Program

Description

This program involves the preparation of statutory actuarial valuations and providing expert actuarial advice and services on the Canada Pension Plan (CPP) and Old Age Security (OAS) Program. These valuations estimate the financial status of these plans and programs as required by legislation. This program estimates long-term expenditures, revenues and current liabilities of the Canada Pension Plan and estimates long-term future expenditures for Old Age Security programs. Pursuant to the Canada Pension Plan and the Public Pensions Reporting Act, the Office of the Chief Actuary prepares statutory triennial actuarial reports on the financial status of these programs, as required by legislation.

Results

In 2017-18, the OCA continued to provide high quality services under its Canada Pension Plan and Old Age Security Program sub-program, as demonstrated by performance results.

The report of the external peer review of the 27th Actuarial Report on the CPP and the opinion of the United Kingdom Government Actuary's Department were made public on April 20, 2017. The independent panel's findings confirm that the work performed by the OCA on the report meets professional standards of practice and statutory requirements, and that the assumptions and methods used are reasonable. The panel also stated that the report fairly communicates the results of the work performed by the Chief Actuary and his staff. Eleven recommendations were put forward by the panel. They will be considered in the preparation of the next CPP triennial actuarial report, which is expected to be completed in 2019-20.

On December 11, 2017, the federal and provincial Ministers of Finance agreed to make changes to the benefits of the base and additional CPP. Division 19 of Part 6 of Bill C-74 formalizing these changes was introduced in Parliament in late March 2018. It proposes to (a) eliminate age-based restrictions on the survivor's pension; (b) fix the amount of the death benefit at $2,500; (c) provide a benefit to disabled retirement pension beneficiaries under the age of 65; (d) protect retirement and survivor's pension amounts under the additional Canada Pension Plan for individuals who are disabled; (e) protect benefit amounts under the additional Canada Pension Plan for parents with lower earnings during child-rearing years; (f) maintain portability between the Canada Pension Plan and the Act respecting the Québec Pension Plan; and (g) authorize the making of regulations to support the sustainability of the additional Canada Pension Plan. Work on the 29th CPP Actuarial Report to show the effect of Division 19 of Part 6 of Bill C-74 on the long-term financial state of the CPP continued during 2017-18. The 29th report is planned to be submitted to the Minister of Finance for tabling before Parliament early in 2018-19.

In 2017-18, the OCA completed the triennial 14th Actuarial Report on the Old Age Security (OAS) Program as at December 31, 2015. The OAS Program is another important pillar of Canada's retirement income system and is financed from Government of Canada general tax revenues. The purpose of this triennial report is to inform the general public of the current and projected financial status of the OAS Program. Many of the assumptions and methodologies developed for the Actuarial Report on the CPP are used in the Actuarial Report on the OAS Program. The report was tabled in Parliament on August 16, 2017.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2017–18 Actual results	2016–17 Actual results	2015–16 Actual results
Accurate, high quality and timely actuarial valuations are provided to inform Canada Pension Plan (CPP) and Old Age Security (OAS)	Percentage of members of a panel of Canadian peer actuaries selected by an international independent body that deem the CPP actuarial valuation accurate and high quality.	100%	March 31, 2018	100%	100%	N/A (next report 2017-18)

stakeholders and Canadians of the current and projected financial status of the Plan and Program.	Percentage of recommendations from the previous peer review report and within the scope and influence of the OCA that are implemented before the next peer review.	80%	March 31, 2018	80%	100%	33%
	Percentage of reports on CPP and OAS that are provided to the Minister for tabling in Parliament as per statutory deadlines.	100%	March 31, 2018	100%	100%	N/A (next statutory deadline in 2016-17)

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
1,748,256	1,748,256	1,748,256	1,713,451	(34,805)

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
13	11	(2)

Sub-Program 2.1.2: Services to Public Sector Pension and Insurance Programs

Description

This program involves the preparation of statutory actuarial valuations of various federal public sector employee pension and insurance plans. These valuations estimate the financial status of these plans as required by legislation. Pursuant to the Public Pensions Reporting Act, this program involves preparing statutory triennial actuarial reports on the financial status of federal public sector employee pension and insurance plans covering the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police (RCMP), the federally appointed judges and Members of Parliament. This program provides actuarial information to decision makers, parliamentarians and the public, thereby increasing transparency and confidence in Canada's retirement income system. It serves the public interest by ensuring good governance of the plans, appropriate disclosure in the actuarial reports and contributing to the overall accountability of the plans sponsor to various stakeholders. This program also involves the provision of sound actuarial advice that assists different government departments in the design, funding and administration of these plans. As part of this program, the Chief Actuary submits the actuarial reports to the President of Treasury Board.

Results

As part of its statutory requirements, the OCA completed four actuarial reports with respect to public sector insurance and pension plans, which were submitted to the President of the Treasury Board for tabling before Parliament. The Actuarial Report on the Pension Plan for Members of Parliament as at March 31, 2016 was tabled before Parliament on November 3, 2017, the Actuarial Report on the Pension Plan for Federally Appointed Judges as at March 31, 2016 was tabled before Parliament on November 3, 2017, the Actuarial Report on the Regular Force Death Benefit Account as at March 31, 2016 was tabled before Parliament on November 7, 2017, and the Actuarial Report on the Pension Plans for the Canadian Forces – Regular Force and Reserve Force as at March 31, 2016 was tabled before Parliament on November 8, 2017. These reports provide actuarial information to decision makers, parliamentarians, and the public, thereby increasing transparency and confidence in Canada's retirement income system. In 2017-18, work also began on the Actuarial Report on the Pension Plan for the Public Service as at March 31, 2017.

In 2017-18, the OAG informed the OCA that it would be using the work that it performed for the Public Accounts of Canada 2016-17, which were tabled in the House of Commons on October 5, 2017. This included utilizing OCA's work as independent evidence for the OAG's audit of the Public Accounts of Canada, specifically for programs included under the Public Sector Insurance and Pension Programs. Comments and recommendations put forward by the OAG in the fall of 2017 on actuarial reports prepared for Public Accounts purposes will be reflected in future actuarial reports, as appropriate.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2017–18 Actual results	2016–17 Actual results	2015–16 Actual results
Accurate, high quality and timely actuarial valuation reports on Public Pension and Insurance Plans are provided to departments to assist with design, funding and administration of the plans.	Percentage of Public Pension and Insurance Plans valuations that are deemed accurate and high quality by an independent actuarial firm.	100%	March 31, 2018	100%	100%	100%
	Percentage of reports on actuarial valuation of Public Pensions and Insurance Plans that are provided to the President of Treasury Board for tabling in Parliament as per statutory deadlines.	100%	March 31, 2018	100%	100%	100%

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
3,337,795	3,337,795	3,337,795	3,109,131	(228,664)

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
18	18	0

Sub-Program 2.1.3: Services to the Canada Student Loans and Employment Insurance Programs

Description

Pursuant to the Canada Student Financial Assistance Act, the Employment Insurance Act, and Department of Employment and Social Development Act this sub-program involves preparing statutory actuarial valuations of the Canada Student Loans Program (CSLP) and performing the statutory actuarial forecasts and estimates necessary to set the Employment Insurance premium rate under Section 66 of the Employment Insurance Act.

Results

In 2017-18, the OCA continued to provide high quality services under its Canada Student Loans and Employment Insurance Programs sub-program, as demonstrated by performance results. This sub-program also includes services related to the annual actuarial reports on the Government Annuities and the Civil Service Insurance Program.

The OCA presented the 2018 Actuarial Report on the Employment Insurance Premium Rate to the Canada Employment Insurance Commission. It was tabled before Parliament on September 27, 2017. This report provides the seven-year forecast break-even premium rate for 2018 and a detailed analysis in support of this forecast.

The OCA also submitted the Actuarial Report on the Government Annuities as at March 31, 2017, the Actuarial Report on the Civil Service Insurance Program as at March 31, 2017, and the inter-valuation Report on the Canada Student Loans Program as at July 31, 2016 to Employment and Social Development Canada for accounting purposes.

In 2017-18, the OAG informed the OCA that it would be using the work it performed for the Public Accounts of Canada 2016-17, which were tabled in the House of Commons on October 5, 2017. This included utilizing OCA's work as independent evidence of the OAG's audit of the Public Accounts of Canada, specifically for the CSLP and Government Annuities.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2017–18 Actual results	2016–17 Actual results	2015–16 Actual results
Accurate, high quality and timely actuarial valuation reports on Canada Student Loans Program (CSLP) and Employment Insurance (EI) are provided to inform stakeholders and Canadians of the future costs and rates for these programs.	Percentage of reports on actuarial valuation of the CSLP that are used by the Office of the Auditor General (OAG) as an external audit evidence for the Public Accounts of Canada.	100%	March 31, 2018	100%	100%	100%
	Percentage of actuarial reports on CSLP and EI programs that are submitted to the Minister/Employment Insurance Commissioner for tabling in Parliament as per statutory deadlines.	100%	March 31, 2018	100%	100%	100%

Budgetary financial resources (dollars)

2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
852,027	852,027	852,027	846,622	(5,405)

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
5	5	0

Internal Services

Description

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Results

In 2017-18, OSFI delivered effective and efficient internal services in support of program delivery, as evidenced by the following key achievements.

Communicating Effectively

OSFI communicated its plans and activities to a wide range of stakeholders via its website and other means. As in previous years, OSFI received many requests for speakers to address external conferences and events. The Superintendent and senior officials delivered a number of presentations and remarks across Canada and internationally.

OSFI's external newsletter, The Pillar, was published four times in 2017-18. The newsletter updates stakeholders on the latest guidelines, notices, public statements and other pertinent information.

Throughout the year, OSFI communicated with interested Canadians, by hosting 3,115,718 visits to its website, responding to 7,069 public enquiries, 107 enquiries from Members of Parliament and 221 enquiries from representatives of the news media. OSFI also delivered 27 presentations to industry and regulatory forums, including eight key speeches that were posted on its website. It processed 35 access to information requests and 52 consultations within permitted statutory timelines, as per the Access to Information Act. OSFI also appeared at five parliamentary committee hearings. Finally, as part of its ongoing surveys and consultations, OSFI sought feedback from the P&C insurance sector and private pension plans.

Information Management and Technology

OSFI's IM/IT achievements in 2017-18 included the completion of a multi-year project to deliver a new electronic document and records management system (EDRMS). The new system ensures that information is better managed and has led to greater efficiency. In addition, a project to automate and support supervisory activities moved into the procurement phase and OSFI made enhancements to its privacy and information management program. The organization upgraded to the latest Microsoft operating system and Office suite to provide a modern and secure computing platform. As well, OSFI strengthened its cyber security posture through the implementation of a new cyber security policy, which advances best practices in cyber risk mitigation and guides continuous improvements to our cyber security controls.

Human Resources

With the view of maintaining a high-performing and effective workforce, OSFI launched its Human Capital Strategy in May 2017. The strategy includes five key priority areas: Leadership Development, Integrated Talent Management, Learning and Development, Culture and Community Building, and Enterprise Change Management.

In 2017-18, OSFI built programs and activities to lay the foundation for its future state under each of the priority areas. Key accomplishments include:

- The design of an OSFI-specific Leadership Development Program.
- The implementation of a Talent Management Program for senior leaders, which includes succession planning.
- The continued development and delivery of core learning modules and the production of e-learning material in support of the Supervision Training Initiative for OSFI employees.
- The development of an outline for a new recognition program for employees.
- The implementation of activities to celebrate OSFI's 30th anniversary and legacy.
- The implementation of clear guiding principles to support a more flexible work environment.
- The development of an Enterprise Change Management Framework, including a methodology, principles, processes, tools and training.

Budgetary financial resources (dollars)

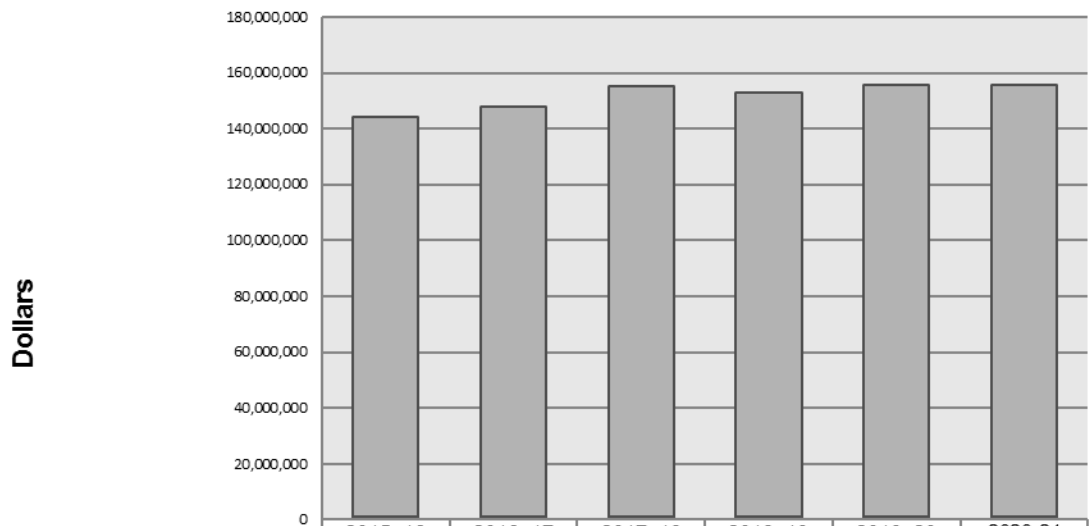
2017–18 Main Estimates	2017–18 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2017–18 Difference (Actual spending minus Planned spending)
58,633,533	58,633,533	58,633,533	63,834,157	5,200,624

Human resources (full-time equivalents)

2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2017–18 Difference (Actual full-time equivalents minus Planned full-time equivalents)
193	207	14

Analysis of trends in spending and human resources

Actual expenditures



	2015–16	2016–17	2017–18	2018–19	2019–20	2020-21
Sunset Programs – Anticipated	0	0	0	0	0	0
Statutory	143,273,519	147,076,318	154,057,407	152,133,867	154,686,382	154,800,669
Voted	945,058	945,058	945,058	945,058	945,058	945,058
Total	144,218,577	148,021,376	155,002,465	153,078,925	155,631,440	155,745,727

The graph above presents OSFI’s actual spending from 2015-16 to 2017-18 and planned spending from 2018-19 to 2020-21. Statutory expenditures, which are recovered from respendable revenue, represents 99.4% of total expenditures. The remaining 0.6% of OSFI’s spending is funded from a parliamentary appropriation for actuarial services related to federal public sector pension and benefits plans.

Budgetary performance summary for Programs and Internal Services (dollars)

Programs and Internal Services	2017–18 Main Estimates	2017–18 Planned spending	2018–19 Planned spending	2019–20 Planned spending	2017–18 Total authorities available for use	2017–18 Actual spending (authorities used)	2016–17 Actual spending (authorities used)	2015–16 Actual spending (authorities used)
Regulation and Supervision of Federally Regulated Financial Institutions	81,253,463	81,253,463	79,896,767	81,170,239	81,253,463	80,924,601	78,131,916	76,831,313
Regulation and Supervision of Federally Regulated Private Pension Plans	4,335,253	4,335,253	4,392,322	4,461,674	4,335,253	4,574,503	4,194,466	3,984,053
Actuarial Valuation and Advisory Services	5,938,078	5,938,078	6,317,872	6,534,750	5,938,078	5,669,204	5,416,540	5,443,559
Subtotal	91,526,794	91,526,794	90,606,961	92,166,663	91,526,794	91,168,308	87,742,922	86,258,925
Internal Services	58,633,533	58,633,533	62,471,964	63,464,777	58,633,533	63,834,157	60,278,454	57,959,652
Total	150,160,327	150,160,327	153,078,925	155,631,440	150,160,327	155,002,465	148,021,376	144,218,577

OSFI’s 2017-18 actual expenditures were $4.8 million or 3.2% higher than the 2017-18 planned spending, largely due to an arbitral award affecting personnel costs that surpassed OSFI’s estimates and accounted for 1.7 percentage points of the total excess over planned spending. The principal other contributors to the variance were higher professional services costs for additional user acceptance testing on an enabling technology renewal project, unplanned supervisory intervention work, and supplementary efforts to address an unexpected surge in access to information requests.

At the time the 2018-19 Departmental Plan was prepared, OSFI’s total expenditures were expected to remain relatively stable for the next two years.

Increases in actual spending between 2015-16 and 2017-18 were largely due to the filling of vacant positions year-over-year. The increase in 2017-18 was also attributed to the compound effect of the arbitral award referenced above. At the program level, the significant variances are as follows:

- Year-over-year spending in the Regulation and Supervision of Federally Regulated Financial Institutions program increased by 3.6% in 2017-18 and 1.7% in 2016-17. This was largely due to the arbitral award, staffing of vacant positions and professional services for supervisory intervention efforts.

- Spending in the Regulation and Supervision of Federally Regulated Private Pension Plans program increased by 9.1% in 2017-18 and 5.3% in 2016-17 due to higher personnel costs as a result of filling a number of vacant positions, normal merit increases, impact of the arbitral award and an increase in legal fees.
- Spending in Actuarial Valuation and Advisory Services increased by 4.7% in 2017-18 due to normal merit increases, impact of the arbitral award and the filling of approved vacant positions. This was partially offset by a reduction in professional services related to the triennial Canada Pension Plan (CPP) review undertaken in 2016-17. Expenditures in 2016-17 were relatively unchanged from 2015-16 as savings from vacancies were offset by costs for the triennial CPP review.
- Spending in Internal Services increased by 5.9% in 2017-18 and 4.0% in 2016-17. This was largely due to the filling of vacant positions, normal merit increases, impact of the arbitral award, and higher information management/information technology professional services costs.

Actual human resources

Human resources summary for Programs and Internal Services (full-time equivalents)

Programs and Internal Services	2015–16 Actual full-time equivalents	2016–17 Actual full-time equivalents	2017–18 Planned full-time equivalents	2017–18 Actual full-time equivalents	2018–19 Planned full-time equivalents	2019–20 Planned full-time equivalents
Regulation and Supervision of Federally Regulated Financial Institutions	418	417	421	427	417	420
Regulation and Supervision of Federally Regulated Private Pension Plans	26	26	25	27	24	25
Actuarial Valuation and Advisory Services	33	32	36	34	40	40
Subtotal	477	475	482	488	481	485
Internal Services	189	197	193	207	201	201
Total	666	672	675	695	682	686

In 2017-18, OSFI's actual number of full-time equivalents (FTEs) was 3.0% or 20 FTEs higher than planned. The FTE total represents a growth of 3.4% over 2016-17, which is largely due to the staffing of vacant positions and new initiatives in the Regulation and Supervision of Federally Regulated Financial Institutions and the Internal Services programs. Initiatives include an information system to enhance OSFI's supervisory methodology and processes and the launch of its human capital strategy. FTEs are expected to remain relatively stable for the next two years based on requirements at the time the 2018-19 Departmental Plan was prepared[18].

[18] At the time of preparing the 2018-19 Departmental Plan, OSFI was completing its business planning process for 2018-19 to 2021-22 and assessing its capacity requirements. As a result, changes to OSFI's planned FTEs will be reflected in next year's Departmental Plan.

Expenditures by vote

For information on OSFI's organizational voted and statutory expenditures, consult the Public Accounts of Canada 2017–2018.[iii]

Government of Canada spending and activities

Information on the alignment of OSFI's spending with the Government of Canada's spending and activities is available in the GC InfoBase.[iv]

Financial statements and financial statements highlights

Financial statements

OSFI's financial statements for the year ended March 31, 2018, are available on OSFI's website[v].

Financial statements highlights

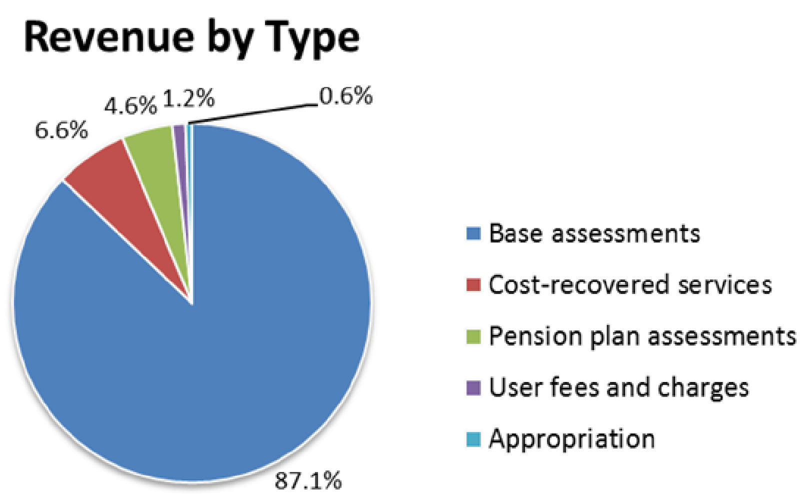
Effective April 1, 2017, OSFI ceased to report in accordance with International Financial Reporting Standards (IFRS) and adopted Canadian Public Sector Accounting Standards (PSAS). These new standards were adopted with retrospective restatement, and therefore the 2017 comparative figures have been presented in accordance with the new standards.

The tables below provide highlights from OSFI's Statement of Financial Position and Statement of Operations, as presented in its audited financial statements. As such, there are differences between these tables and those presented in other sections of the Departmental Results Report, which are prepared on the appropriation (i.e., modified cash) basis of accounting, in accordance with the Guide to Preparation of part III of the 2017-18 estimates. Typically the differences stem from the accounting treatment of capital expenditures and accounts receivable.

Condensed Statement of Operations for the year ended March 31, 2018 (dollars)

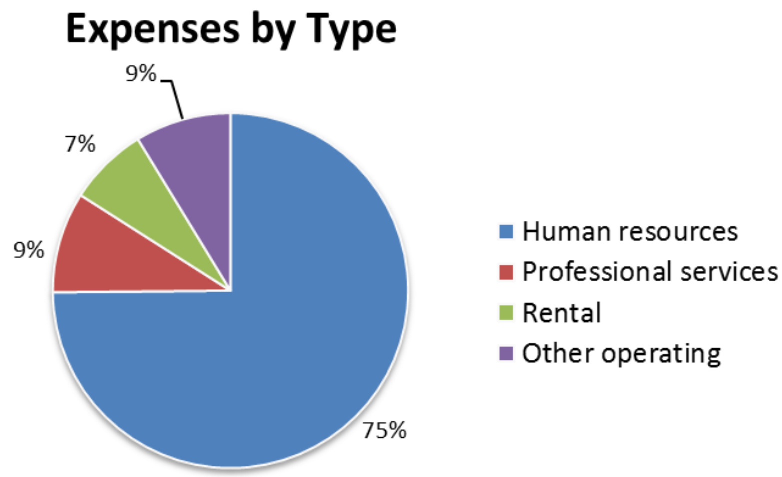
Financial information	2017–18 Planned results	2017–18 Actual results	2016–17 Actual results (PSAS[19])	Difference (2017–18 Actual results minus 2017–18 Planned results)	Difference (2017–18 Actual results minus 2016–17 Actual results)
Total expenses	155,000,000	157,264,022	149,762,998	2,264,022	7,501,024
Total revenues	154,054,942	156,318,964	149,509,600	2,264,022	6,809,364
Net cost of operations before government funding and transfers	(945,058)	(945,058)	(253,398)	0	(691,660)

OSFI is funded mainly through assessments on the financial institutions and private pension plans that it regulates and supervises, and a user-pay program for legislative approvals and selected services. OSFI also receives revenues for cost-recovered services and a small parliamentary appropriation for actuarial services relating to federal public sector pension and benefit plans. Overall, on an accrual basis of accounting, OSFI recovered all of its expenses for the year.



[19] The presentation of the 2016-17 financial statements in accordance with PSAS did not impact the revenues reported. The expenses in accordance with PSAS are $691,660 lower than previously reported under IFRS due to differences in how some employee benefit liabilities are determined. For a complete reconciliation of the differences, please refer to Note 3 of OSFI's financial statements for the year ended March 31, 2018 available on OSFI's website.

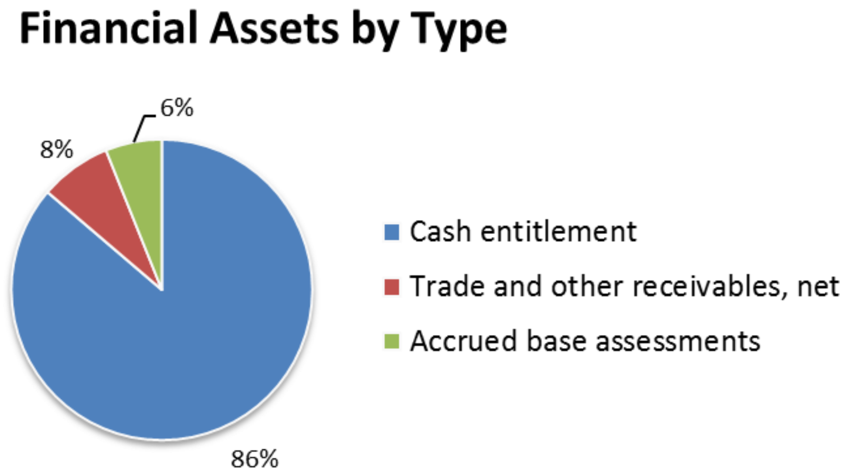
In 2017-18, total expenses were $157.3 million, a $7.5 million or 5.0% increase from the previous year, and $2.2 million higher than planned. The year-over-year increase is a result of normal economic and merit increases to basic salaries, the compounding effect on personnel costs in 2017-18 of the arbitral award, and an increase in the average number of FTE's.



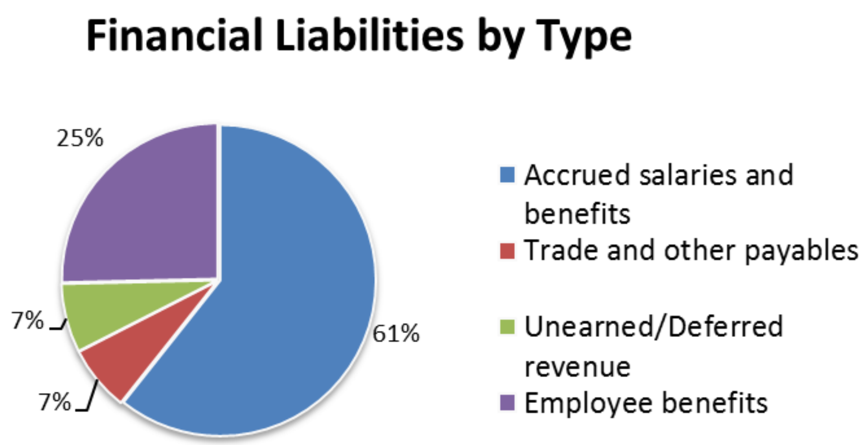
Condensed Statement of Financial Position as of March 31, 2018 (dollars)

Financial information	2017–18	2016–17 (restated)	Difference (2017–18 minus 2016–17)
Total financial liabilities	49,907,000	47,949,000	1,958,000
Total financial assets	58,835,000	55,199,000	3,636,000
Net financial assets	8,928,000	7,250,000	1,678,000
Total non-financial assets	16,752,000	18,430,000	(1,678,000)
Accumulated surplus	25,680,000	25,680,000	0

Total financial assets at the end of 2017-18 were $58.8 million, an increase of $3.6 million from the previous year. The growth is driven by an increase in the Cash Entitlement account as a result of changes in various working capital accounts. The Cash Entitlement account represents the amount that OSFI is entitled to withdraw from the Consolidated Revenue Fund without further authority.



Total financial liabilities were $49.9 million at the end of 2017-18, which was $2.0 million higher than the previous year. The increase is driven by higher accrued salaries and benefits, mainly as a result of the arbitral award. This is offset by reductions in unearned assessments, which represents the difference between billed estimates and actual costs incurred for the year.



Supplementary information

Corporate information

Organizational profile

Appropriate minister: William Francis Morneau

Superintendent: Jeremy Rudin

Ministerial portfolio: Finance

Enabling instrument: Office of the Superintendent of Financial Institutions Act (OSFI Act)[vi]

Year of incorporation / commencement: 1987

Reporting framework

OSFI's Strategic Outcome[s] and Program Alignment Architecture of record for 2017–18 are shown below.

1. Strategic Outcome: A safe and sound Canadian financial system
- **1.1 Program:** Regulation and Supervision of Federally Regulated Financial Institutions
  - **1.1.1 Sub-Program:** Risk Assessment and Intervention
  - **1.1.2 Sub-Program:** Regulation and Guidance
  - **1.1.3 Sub-Program:** Approvals and Precedents
- **1.2 Program:** Regulation and Supervision of Federally Regulated Private Pension Plans

2. Strategic Outcome: A financially sound and sustainable Canadian public retirement income system
- **2.1 Program:** Actuarial Valuation and Advisory Services
  - **2.1.1 Sub-Program:** Services to the Canada Pension Plan and Old Age Security Programs
  - **2.1.2 Sub-Program:** Services to Public Sector Pension and Insurance Programs
  - **2.1.3 Sub-Program:** Services to the Canada Student Loans and Employment Insurance Programs

Internal Services

Supplementary information tables

The following supplementary information tables are available on the OSFI's website[vii]:

- Departmental Sustainable Development Strategy
- Fees
- Internal audits

Federal tax expenditures

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures each year in the Report on Federal Tax Expenditures.[viii] This report also provides detailed background information on tax expenditures, including descriptions, objectives, historical information and references to related federal spending programs. The tax measures presented in this report are the responsibility of the Minister of Finance.

Organizational contact information

Office of the Superintendent of Financial Institutions
255 Albert Street
Ottawa, Ontario
K1A 0H2

Phone: 1-800-385-8647
Fax: 1-613-952-8219
E-mail: webmaster@osfi-bsif.gc.ca
Web: http://www.osfi-bsif.gc.ca/Eng/Pages/default.aspx

Appendix: definitions

appropriation (crédit)

Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures (dépenses budgétaires)

Operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Plan (plan ministériel)

A report on the plans and expected performance of an appropriated department over a three-year period. Departmental Plans are tabled in Parliament each spring.

Departmental Results Report (rapport sur les résultats ministériels)

A report on an appropriated department's actual accomplishments against the plans, priorities and expected results set out in the corresponding Departmental Plan.

evaluation (évaluation)

In the Government of Canada, the systematic and neutral collection and analysis of evidence to judge merit, worth or value. Evaluation informs decision making, improvements, innovation and accountability. Evaluations typically focus on programs, policies and priorities and examine questions related to relevance, effectiveness and efficiency. Depending on user needs, however, evaluations can also examine other units, themes and issues, including alternatives to existing interventions. Evaluations generally employ social science research methods.

experimentation (expérimentation)

Activities that seek to explore, test and compare the effects and impacts of policies, interventions and approaches, to inform evidence-based decision-making, by learning what works and what does not.

full-time equivalent (équivalent temps plein)

A measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

gender-based analysis plus (GBA+) (analyse comparative entre les sexes plus [ACS+])

An analytical approach used to assess how diverse groups of women, men and gender-diverse people may experience policies, programs and initiatives. The "plus" in GBA+ acknowledges that the gender-based analysis goes beyond biological (sex) and socio-cultural (gender) differences. We all have multiple identity factors that intersect to make us who we are; GBA+ considers many other identity factors, such as race, ethnicity, religion, age, and mental or physical disability. Examples of GBA+ processes include using data disaggregated by sex, gender and other intersecting identity factors in performance analysis, and identifying any impacts of the program on diverse groups of people, with a view to adjusting these initiatives to make them more inclusive.

government-wide priorities (priorités pangouvernementales)

For the purpose of the 2017–18 Departmental Results Report, those high-level themes outlining the government's agenda in the 2015 Speech from the Throne, namely: Growth for the Middle Class; Open and Transparent Government; A Clean Environment and a Strong Economy; Diversity is Canada's Strength; and Security and Opportunity.

horizontal initiative (initiative horizontale)

An initiative where two or more departments are given funding to pursue a shared outcome, often linked to a government priority.

Management, Resources and Results Structure (structure de gestion, des ressources et des résultats)

A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures (dépenses non budgétaires)

Net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance (rendement)

What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve, and how well lessons learned have been identified.

performance indicator (indicateur de rendement)

A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting (production de rapports sur le rendement)

The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

plan (plan)
The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

planned spending (dépenses prévues)
For Departmental Plans and Departmental Results Reports, planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their Departmental Plans and Departmental Results Reports.

priority (priorité)
A plan or project that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s) or Departmental Results.

program (programme)
A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture (architecture d’alignement des programmes)
A structured inventory of an organization’s programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

result (résultat)
An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization’s influence.

statutory expenditures (dépenses législatives)
Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic Outcome (résultat stratégique)

A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program (programme temporisé)

A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target (cible)

A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

voted expenditures (dépenses votées)

Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

Endnotes

i The Minister's mandate letter, https://pm.gc.ca/eng/mandate-letters

ii. Service Standards, http://www.osfi-bsif.gc.ca/Eng/fi-if/app/aag-gad/Pages/standards.aspx

iii. Public Accounts of Canada 2017–2018, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

iv. GC Infobase, https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html

v. Financial statements, http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/ar-ra/Pages/default.aspx

vi. Office of the Superintendent of Financial Institutions Act, http://laws-lois.justice.gc.ca/eng/acts/O-2.7/

vii. 2017-18 Departmental Results Report, http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/dpr-rmr/DRR1718/Pages/default.aspx

viii. Report on Federal Tax Expenditures, http://www.fin.gc.ca/purl/taxexp-eng.asp