



Office of the Superintendent of
Financial Institutions Canada

Bureau du surintendant des
institutions financières Canada

Office of the Superintendent of Financial Institutions

2018–19

Departmental Results Report

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



OSFI
BSIF

Canada 

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Catalogue No. IN3-32E-PDF
ISSN 2561-0716

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Superintendent's message

I am pleased to present to Parliament and Canadians the *2018–19 Departmental Results Report* for the Office of the Superintendent of Financial Institutions (OSFI). This is an opportunity to outline the work that we have done in support of our mandate which is to protect depositors, policyholders, financial institution creditors and pension plan beneficiaries while allowing financial institutions to compete and take reasonable risks.

During 2018-19, we implemented a new strategic planning framework that included new governance, processes and tools. A key component of this framework is the *OSFI Strategic Plan*¹, which charts a path for our future that builds on the many achievements and learnings of the past.

At its centre is our vision: *building OSFI for today and tomorrow: preserving confidence, ever vigilant, always improving*. The strategic plan is organized around four goals that together form our core strategic agenda and it lays out what success would look like if we were to achieve our goals. Moreover, it emphasizes the importance of not only *what* we do, but *how* we do it. We hope that by inviting Canadians to look at our plan, they will appreciate our transparency and that it will sustain the high level of confidence they have in Canada's financial system.

OSFI's core tools to improve the safety and soundness of financial institutions and private pension plans are strong guidance and robust supervision. During the reporting period, as described in this report, we issued new or revised guidance to ensure preparedness and enhance the resilience of the financial institutions that we regulate. We also focused our supervisory activities on addressing risks to the Canadian financial system.

The environment in which we operate is in constant evolution and continues to increase in its complexity. It is likely that the pace of change within the industry will continue to accelerate and we must rise to new challenges and meet expectations head-on. We need to adapt and respond to the changing landscape to continue to contribute to a sound and strong Canadian financial system.

Canada has one of the strongest financial systems in the world. There are many reasons for this; among them is our collaboration and coordination with our federal partners (Department of Finance, Bank of Canada, Financial Consumer Agency of Canada and the Canada Deposit



Insurance Corporation). Each partner brings to the table a set of unique skills, and together this makes our system work very well.

OSFI is fortunate to have so many dedicated and talented people. As a knowledge-based organization, our greatest asset is our people.

I am confident the work we undertook during 2018-19 and described in this report will position us well for the future.

Jeremy Rudin

Results at a glance

OSFI's total actual spending for 2018-19 was \$168.3 million and the total actual full-time equivalents was 741. Actual spending was 9.9% higher than OSFI's original plan and 2.6% higher than its revised plan. OSFI completed an update to its business plan in the fourth quarter of 2017-18 after the completion of the 2018-19 Departmental Plan. This resulted in an increase of \$11 million to planned expenditures mainly for technology initiatives and increased capacity to support the continuation of the Human Capital Strategy within the Financial Institution and Pension Plan Regulation and Supervision core responsibility and in Internal Services. Spending above the revised plan was primarily related to the unforeseen impact of an arbitral award pertaining to fiscal years 2014-15 to 2017-18.

In 2018-19, OSFI delivered a number of initiatives to ensure that its regulation and supervision of financial institutions and private pension plans remained effective. Key results in 2018-19 included the following:

- OSFI strengthened its guidance to federally regulated financial institutions (FRFIs) by:
 - Updating existing capital guidance for banks and insurance companies and issuing new capital guidance for mortgage insurers.
 - Revising liquidity adequacy requirements for deposit-taking institutions.
 - Advancing crisis management, recovery and resolution practices through the release of the final version of the *Total Loss-Absorbing Capacity Guideline*.
 - Publicizing OSFI's domestic stability buffer, which requires domestic systemically important banks (D-SIBs) to hold additional capital to make them more resilient to key vulnerabilities and system-wide risks.
 - Publishing a revised corporate governance guideline.
 - Issuing a discussion paper as part of OSFI's review of its reinsurance framework applicable to federally regulated insurers.
- On the supervisory front, OSFI focused on addressing risks to the Canadian financial system in areas such as mortgage underwriting, cyber security, and climate change.
- OSFI implemented a new strategic planning framework that comprised new governance, processes and tools. An outcome of this framework is the OSFI *Strategic Plan* which charts a path for OSFI's future that builds on the many achievements and learnings of the past.

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

Results: what we achieved

Core Responsibilities

Financial Institution and Pension Plan Regulation and Supervision

Description

The Office of the Superintendent of Financial Institutions advances a regulatory framework designed to control and manage risk to federally regulated financial institutions and private pension plans and evaluates system-wide or sectoral developments that may have a negative impact on their financial condition. It also supervises financial institutions and pension plans to determine whether they are in sound financial condition and meeting regulatory and supervisory requirements. The Office promptly advises financial institutions and pension plan administrators if there are material deficiencies, and takes corrective measures or requires that they be taken to expeditiously address the situation. It 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.

Results

In support of its mandate, OSFI led a number of initiatives in key areas such as capital and liquidity, mortgage underwriting, reinsurance, accounting, corporate governance, and financial technology.

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 supervision and to which, Carolyn Rogers, Assistant Superintendent, Regulation Sector at OSFI was recently appointed Secretary General. OSFI released a discussion paper outlining initial views on the scope and timing of the domestic implementation of the final Basel III reforms issued in 2017.

OSFI released an updated version of its *Capital Adequacy Requirements (CAR) guideline*. The CAR is the framework within which OSFI assesses the capital adequacy of federally regulated institutions.

In the first quarter of 2018-19, OSFI announced the Domestic Stability Buffer (DSB), a capital buffer for D-SIBs to ensure these banks hold adequate capital to protect against risks. The DSB is intended to cover a range of systemic vulnerabilities that, in OSFI's supervisory judgement, are not adequately captured in the Pillar 1 capital requirements described in OSFI's CAR Guideline. OSFI reviews and sets the level of the buffer every six months.

During the reporting period, OSFI launched an initiative to improve the proportionality of its capital and liquidity frameworks in their application to non-internationally active small and

medium-sized deposit-taking institutions. A discussion paper seeking input from stakeholders will be used to inform the development of new requirements for these institutions.

OSFI continues to monitor and prioritize work for institutions with less diversified funding models. With the publication of the revised *Liquidity Adequacy Requirements* earlier this year, OSFI introduced the Liquidity Activity Monitor tool to better enable OSFI to detect vulnerable funding in individual financial institutions.

Guideline B-20 (sound mortgage underwriting standards) came into effect on January 1, 2018. During the reporting period, OSFI evaluated the residential mortgage underwriting policies of selected FRFI lenders that represent over 95% of FRFI mortgage activity. It also conducted residential mortgage file effectiveness testing for select FRFI lenders in the fall of 2018. Based on the supervisory work to date, FRFIs have generally complied with Guideline B-20. The qualifying rate for uninsured mortgages (the so called “stress test”), for example, is being applied widely and consistently to borrowers. OSFI recently reinforced its Guideline B-20 supervisory expectations through industry information sessions. OSFI continues to work closely with individual institutions with noted deficiencies. Updates on the impact that this guideline has had on Canada’s uninsured mortgage market are posted on OSFI’s website.

OSFI contributes to the work of the International Association of Insurance Supervisors (IAIS), a body responsible for developing and assisting in the implementation of principles, standards and other supporting material for the supervision of the insurance sector. In 2018-19, OSFI continued to contribute to the work of the IAIS, including the development of a holistic framework.

Over the course of the fiscal year, OSFI issued its first version of the *Mortgage Insurer Capital Adequacy Test (MICAT)* guideline. OSFI also released updated versions of its *Life Insurance Capital Adequacy Test (LICAT)* and *Minimum Capital Test (MCT)* guidelines for life and property and casualty (P&C) insurers, respectively. In collaboration with the P&C MCT Advisory Committee, OSFI developed a framework for P&C insurance companies that are not mortgage insurers.

In support of a robust implementation of the new accounting standard *IFRS 17 Insurance Contracts*, OSFI continued to review and consult on the implications of the standard on the LICAT, MICAT and MCT capital frameworks.

Supplementing LICAT, MCT, and MICAT, OSFI issued an updated version of its *Asset Securitization Guideline*, which sets out expectations for life and P&C insurers for asset securitization transactions.

OSFI released its revised *Corporate Governance Guideline* to consolidate and clarify expectations of boards of directors and senior management at FRFIs and to allow boards to focus on risk governance and culture issues that are critical to the safety and soundness of FRFIs. The release of the guideline was accompanied by strengthened internal guidance, extensive internal

training and industry workshops as well as the formation of the Corporate Governance Guideline Advisory Group to support lead supervisors.

As part of its comprehensive review of the reinsurance regulatory framework, OSFI released a discussion paper in June 2018 soliciting industry feedback on a number of proposed changes. This work will lead to amendments to OSFI guidance that will encourage insurers to better manage risks arising from the use of reinsurance, particularly counterparty risk.

In the area of climate change and global warming, OSFI has joined 22 other countries as a member of the Sustainable Insurance Forum (SIF). The SIF is a network of leading insurance supervisors and regulators seeking to strengthen their understanding of and responses to sustainability issues for the insurance business. OSFI will continue to keep abreast of global developments with respect to climate change risk affecting the insurance and banking sectors and beyond to identify appropriate responses that support overall financial stability. OSFI is committed to making public more detailed expectations for insurers and banks.

OSFI continues to advance its crisis management, recovery and resolution practices. OSFI issued the final version of its *Total Loss-Absorbing Capacity (TLAC) Disclosure Requirements Guideline*. TLAC disclosures provide transparency on the loss-absorbing capacity of a D-SIB to support its recapitalization in the event of failure. OSFI also continued enhancing recovery plan expectation for selected small and mid-sized institutions, and the advancement of crisis-related cooperation between home and host regulators. Internally, OSFI continued conducting testing activities to improve its agility and crisis preparedness for responding to FRFI-specific crises event.

To help enhance OSFI's ability to identify, analyze and respond to macroeconomic and geopolitical uncertainty, OSFI further refined its supervisory stress test expectations to require banks to incorporate the impact of expected credit loss.

OSFI is paying particular attention to areas where technology and digitization are affecting operational risks at financial institutions. In 2018, OSFI held its first Innovative Technology Risk Seminar. The event featured internal and external speakers and was designed to provide supervisors with insights and learnings about recent developments on how innovative technology is being applied in the Canadian financial services context. The event contributed to OSFI's objective of supporting staff in order for them to deliver high quality, risk-based supervision. In particular, based on a survey following the event, staff felt better prepared to discuss industry issues related to innovative technology as they felt better equipped to identify related supervisory and regulatory concerns.

Financial institutions are placing increased reliance on financial technology. This is an area of focus for OSFI as third parties may lack the necessary information security protocols, which could pose information security risks and lead to operational disruptions. In 2018-19, OSFI established a Technology Risk Division which provides specialty technology and cyber risk

expertise in identifying FRFI-specific risks, industry-wide risks and/or sector specific trends and developments related to technology and cyber risks that may impact a FRFI's operational resilience.

In light of the increasing frequency and severity of cyber incidents, OSFI issued an Advisory in January 2019 formalizing the reporting requirements of actual or potential incidents that have been assessed to materially impact the normal operations of a FRFI. Effective March 31, 2019, FRFIs must report such incidents to OSFI within 72 hours of triggering the materiality threshold. This reporting enables OSFI to identify areas where a FRFI or the industry in general can take steps to prevent incidents or to improve their resiliency should an incident materialize.

In 2018-19, OSFI began a review of how it supervises the investments of private pension plans. The review is considering the investment information that OSFI collects as well as the analysis that it conducts and the supervisory procedures it follows to ensure that risks are appropriately identified. As part of the review, OSFI is examining the supervisory approaches taken by international regulatory authorities and other Canadian jurisdictions. The review will continue in 2019-20 and is intended to further strengthen OSFI's principles- and risk-based approaches to pension plan supervision.

Results achieved

Departmental results	Performance indicators	Target	Date to achieve target	2018–19 Actual results	2017–18 Actual results	2016–17 Actual results
Federally regulated financial institutions and private pensions plans are in sound financial condition	% of financial institutions with a Composite Risk Rating of low or moderate.	80%	March 31, 2019	94%	94%	95%
	Number of financial institutions for which the supervisory rating ¹ (i.e., risk level) has increased by two or more levels within a three month period.	1	March 31, 2019	5 ²	2	0
	Number of pension plans for which the supervisory rating ³ (i.e., risk level) has increased by two or more levels within a three month period.	1	March 31, 2019	0	0	1
Regulatory and supervisory frameworks	The Office of the Superintendent of Financial Institutions' level	100%	March 31, 2019	100% ⁴	100%	100%

¹ 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 timelines or effectiveness of OSFI supervisory efforts.

² In all five cases, the increase by two levels was due to capital management concerns. The result is not indicative of a systemic issue because the FRFIs are relatively small, from three different sectors in the financial industry and the incidents were spread over the fiscal year.

³ 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 timelines or effectiveness of OSFI supervisory efforts.

⁴ The International Monetary Fund (IMF) conducts its Financial Sector Assessment Program (FSAP) review of OSFI every five years. An FSAP review was conducted in 2018-19. This review did not include an assessment of Basel Core Principles or IAIS core principles (the focus of this indicator) given the high scores OSFI received during the 2014 FSAP review. Given the IMF's conclusions from the latest review and the previous result received, the result has been carried forward.

contribute to the safety and soundness of the Canadian financial system	of compliance with the International Monetary Fund's Financial Sector Assessment Program core principles					
	The Office of the Superintendent of Financial Institutions' level of compliance with Basel standards as assessed by the Regulatory Consistency Assessment Programme of the Bank for International Settlements.	90%	March 31, 2019	100% ⁵	100% ⁶	100%

Budgetary financial resources (dollars)

2018–19 Main Estimates	2018–19 Planned spending	2018–19 Total authorities available for use	2018–19 Actual spending (authorities used)	2018–19 Difference (Actual spending minus Planned spending)
84,289,089	84,289,089	84,289,089	95,166,794	10,877,705

Human resources (full-time equivalents)

2018–19 Planned full-time equivalents	2018–19 Actual full-time equivalents	2018–19 Difference (Actual full-time equivalents minus Planned full-time equivalents)
441	480	39

⁵ A Regulatory Consistency Assessment Programme (RCAP) review was conducted in 2018-19.

⁶ As a RCAP review is conducted every two years, the result is calculated once every two years. The result from the previous year is carried forward in the year that a review is not conducted. The result from 2016-17 was carried forward as a review was not conducted in 2017-18.

Actuarial Services to Federal Government Organizations

Description

The Office of the Chief Actuary provides a range of actuarial services, including statutory actuarial valuations required by legislation and checks and balances on the future costs of programs for the Canada Pension Plan, Old Age Security, Employment Insurance and Canada Student Loans programs, as well as pension and benefits plans covering the Federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police, federally appointed judges, and Members of Parliament.

Results

In 2018-19, the Office of the Chief Actuary (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 Canada Pension Plan (CPP) independent peer review panel, the OCA continued to maintain its programs of research on subjects relevant to the preparation of future actuarial reports.

The OCA began work on the triennial *CPP Actuarial Report* as at December 31, 2018 (30th Report). This triennial report will project CPP revenues and expenditures over a 75-year period in order to assess the future impact of historical and projected demographic and economic trends. The CPP is one of the cornerstones of Canada's retirement income system and is financed by contribution revenues and investment returns. For the first time, the report will cover two parts of the CPP: the base CPP and the additional CPP, implemented on January 1, 2019, which covers the enhancements to the CPP agreed upon by the federal and provincial Ministers of Finance in June 2016. As part of the preparatory work for the production of the 30th CPP Report, the OCA organized, in September 2018, an inter-disciplinary seminar on Demographic, Economic and Investment Perspectives for Canada that was attended by representatives from federal, provincial and territorial governments.

This year, as part of its statutory requirements, the OCA completed two actuarial reports with respect to public sector insurance and pension plans, which were submitted to the President of the Treasury Board for tabling in Parliament. The *Actuarial Report on the Pension Plan for the Public Service of Canada* as at March 31, 2017 and the *Actuarial Report on the Public Service Death Benefit Account* as at March 31, 2017 were tabled in Parliament on November 2, 2018. These reports provide actuarial information to decision makers, parliamentarians and the public, thereby increasing transparency and confidence in Canada's retirement income system.

Further, the OCA presented to the Canada Insurance Commission the *2019 Actuarial Report on the Employment Insurance Premium Rate*, which was tabled in Parliament on September 27, 2018 and provides the forecast break-even premium rate for the upcoming year and a detailed analysis. The OCA also submitted to the Minister of Employment, Workforce

Development and Labour the *Actuarial Report on the Canada Student Loans (CSL) Program* as at July 31, 2017. This report, which was tabled in Parliament on July 18, 2018, presents a valuation of the program's overall financial costs and increases the level of information available to decision makers, parliamentarians and the public.

As part of its ongoing research, the OCA published two actuarial studies and two fact sheets in 2018-19:

- *Actuarial Study No. 19: Measuring and Reporting Actuarial Obligations of the Canada Pension Plan*, which discusses different methodologies used to produce a social security pension system's balance sheet.
- *Actuarial Study No. 20: Technical Paper on the Additional Canada Pension Plan Regulations*, which provides technical information on the methodology for calculating the contribution rates of the additional CPP and discusses the design of the additional CPP sustainability regulations.
- *Old Age Security (OAS) Mortality Fact Sheet*, which notes that despite continued increases in life expectancies for OAS beneficiaries between 2000 and 2017, those increases have slowed down over the years for all age groups.
- *Registered Pension Plans (RPP) and Other Types of Savings Plans – Coverage in Canada*, which concludes that, despite the increase in the number of active RPP members over the last ten years, the number of active RPP members as a percentage of the labour force and as a percentage of employees has slightly decreased.

The Office of the Auditor General (OAG) informed the OCA that it would be using the work that the OCA performed for the Public Accounts of Canada 2017-18, which were tabled in the House of Commons on October 19, 2018. This included utilizing OCA's work as independent evidence for the OAG's audit of the Public Accounts of Canada, specifically for the public sector pension and insurance programs, the Canada Student Loans program and Government Annuities. As part of their audit work, the OAG reviews the methods and assumptions used by the OCA.

Comments and recommendations put forward by the OAG in the fall of 2018 on actuarial reports prepared for Public Accounts purposes will be reflected in future actuarial reports, as appropriate.

Results achieved

Departmental results	Performance indicators	Target	Date to achieve target	2018–19 Actual results	2017–18 Actual results	2016–17 Actual results
Stakeholders receive accurate and high quality actuarial information on the cost of public programs and government pension and benefit plans	% of members of a panel of Canadian peer actuaries that deem the Canada Pension Plan actuarial valuation accurate and of high quality.	100% Agreement among all three members of peer review panel	March 31, 2021	100% ⁷	100%	100%
	% of public pension and insurance plan valuations that are deemed accurate and high quality.	100%	March 31, 2019	100%	100%	100%

Budgetary financial resources (dollars)

2018–19 Main Estimates	2018–19 Planned spending	2018–19 Total authorities available for use	2018–19 Actual spending (authorities used)	2018–19 Difference (Actual spending minus Planned spending)
6,317,872	6,317,872	6,317,872	6,233,694	(84,178)

Human resources (full-time equivalents)

2018–19 Planned full-time equivalents	2018–19 Actual full-time equivalents	2018–19 Difference (Actual full-time equivalents minus Planned full-time equivalents)
40	36	(4)

Financial, human resources and performance information for OSFI's Program Inventory is available in the [GC InfoBase](#).ⁱⁱ

⁷ The last peer review was conducted in 2017-18. The result from the previous year is carried forward in the year that a review is not conducted. The next peer review will be completed in 2020-21.

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:

- ▶ Acquisition Management Services
- ▶ Communications Services
- ▶ Financial Management Services
- ▶ Human Resources Management Services
- ▶ Information Management Services
- ▶ Information Technology Services
- ▶ Legal Services
- ▶ Materiel Management Services
- ▶ Management and Oversight Services
- ▶ Real Property Management Services

Results

In 2018-19, OSFI delivered effective and efficient internal services in support of program delivery, as evidenced by the following key achievements.

Strategic Planning

In the reporting year, OSFI enhanced its internal governance by overhauling its corporate planning. The Executive Committee finalized and posted on OSFI's website a three-year strategic plan which provided a vision for the future, confirmed OSFI's purpose and values, and set clear objectives.

Communications

OSFI communicated its plans, programs and activities to stakeholders through its website, traditional and social media, public events and speeches, and Parliamentary appearances. As in previous years, the Executive Committee and senior officials delivered a number of presentations and remarks across Canada and internationally, and frequently spoke at industry conferences and seminars.

OSFI's external newsletter, *The OSFI Pillar*, was published three times in 2018-19. This is OSFI's official newsletter and it provides updates and reminders on the latest guidelines, industry notices, public statements, and other pertinent information.

OSFI responded to nearly 7,000 correspondence and telephone inquiries and requests for information, including 73 inquiries from members of Parliament, 143 inquiries from news media, and 80 access to information requests and consultations. OSFI sought feedback from regulated entities through regular surveys and consultations to identify any issues or concerns and to improve performance.

Human Resources

OSFI continues to invest in its human capital through the Human Capital Strategy, which was launched in 2017. In 2018-19, OSFI undertook a number of activities in support of the strategy's five pillars: Leadership Development, Talent Management, Learning and Development, Culture and Community and Enterprise Change Management. Highlights include:

- A leadership development program with about 80 participants the first year.
- The implementation of a talent management program for executives.
- Learning modules for a core learning program for supervisory staff.
- Learning and professional development opportunities, including e-learning, in-class sessions, conferences, seminars and lunch and learn events.
- An Inclusion Network to plan events, meetings, activities and awareness campaigns that celebrate diversity in the following streams: accessibility, diversity of thought, family responsibility, gender, invisible differences, LGBTQI2S, mental health, multiculturalism and unconscious bias.
- A new recognition program, including peer-to-peer recognition, long service awards and formal awards.
- Completion of the implementation of an Enterprise Change Management framework, methodology including training and tools, which were applied to a number of large enterprise-wide initiatives.

Information Management and Technology

OSFI's IM/IT achievements in 2018-19 included entering into an agreement with a system integrator to design and deliver a new system to enhance the automation of and support supervisory activities. Work also began to procure a new time reporting tool to replace an outdated system and modernize planning and resource management. In support of the Human Capital Strategy, a business case was developed and approved recommending investment in a new learning management platform to promote, develop, deliver and measure learning at OSFI.

OSFI continued to strengthen its cyber security oversight through the implementation of a new cyber security policy. The policy advances best practices in the risk mitigation of cyber threats and guides further maturation of cyber security controls. Efforts also continued to enhance OSFI’s privacy and information management program and respond to access to information requests.

Budgetary financial resources (dollars)

2018–19 Main Estimates	2018–19 Planned spending	2018–19 Total authorities available for use	2018–19 Actual spending (authorities used)	2018–19 Difference (Actual spending minus Planned spending)
62,471,964	62,471,964	62,471,964	66,882,730	4,410,766

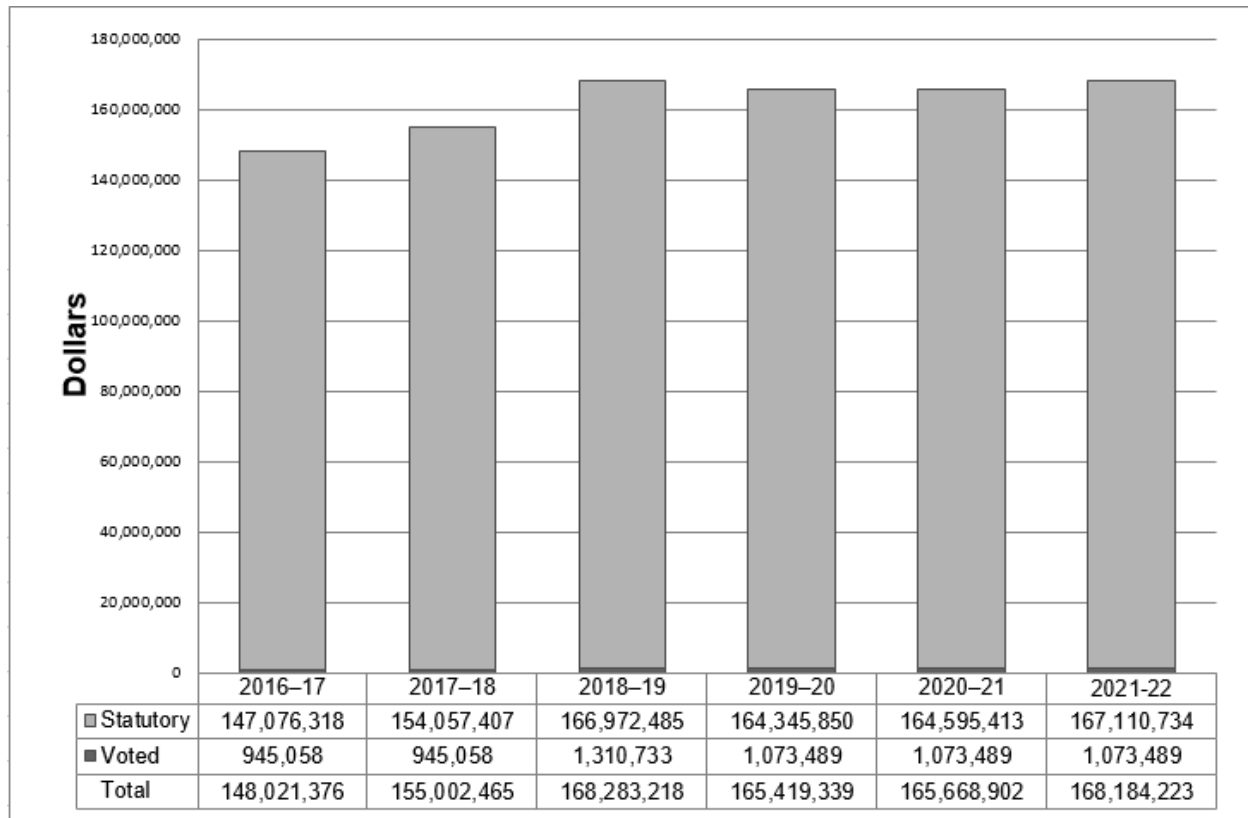
Human resources (full-time equivalents)

2018–19 Planned full-time equivalents	2018–19 Actual full-time equivalents	2018–19 Difference (Actual full-time equivalents minus Planned full-time equivalents)
201	225	24

Analysis of trends in spending and human resources

Actual expenditures

Departmental spending trend graph



The graph above presents OSFI's actual spending from 2016-17 to 2018-19 and planned spending from 2019-20 to 2021-22. The planned spending is based on OSFI's *2019-20 Departmental Plan*. OSFI completed a three-year strategic planning exercise after the *2019-20 Departmental Plan* was produced. As per the resulting *Strategic Plan*, statutory spending is now expected to increase over the 2019-22 horizon. This will be reflected in the *2020-21 Departmental Plan*. Statutory expenditures, which are recovered from spendable revenue, represent over 99% of total expenditures. The remainder, representing less than 1% 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 Core Responsibilities and Internal Services (dollars)

Core Responsibilities and Internal Services	2018–19 Main Estimates	2018–19 Planned spending	2019–20 Planned spending	2020–21 Planned spending	2018–19 Total authorities available for use	2018–19 Actual spending (authorities used)	2017–18 Actual spending (authorities used)	2016–17 Actual spending (authorities used)
Financial Institution and Pension Plan Regulation and Supervision	84,289,089	84,289,089	93,167,592	94,039,930	84,289,089	95,166,794	85,499,104	82,326,382
Actuarial Services to Federal Government Organizations	6,317,872	6,317,872	6,628,923	6,734,116	6,317,872	6,233,694	5,669,204	5,416,540
Subtotal	90,606,961	90,606,961	99,796,515	100,774,046	90,606,961	101,400,488	91,168,308	87,742,922
Internal Services	62,471,964	62,471,964	65,622,824	64,894,856	62,471,964	66,882,730	63,834,157	60,278,454
Total	153,078,925	153,078,925	165,419,339	165,668,902	153,078,925	168,283,218	155,002,465	148,021,376

OSFI's 2018-19 actual expenditures were \$15.2 million or 9.9% higher than planned as reported in the *2018-19 Departmental Plan*. OSFI completed an update to its business plan in the fourth quarter of 2017-18 after the completion of the *2018-19 Departmental Plan*. The update resulted in approximately 5.8% of additional planned costs to increase capacity for new or expanded initiatives under the Financial Institution and Pension Plan Regulation and Supervision core responsibility and in Internal Services. This was largely due to an increase of 8.7% in the number of full-time equivalent employees and the impact of an arbitral award pertaining to fiscal years 2014-15 to 2017-18 that compounded personnel costs in 2018-19.

Actual expenditures increased by \$13.3 million or 8.6% between 2017-18 and 2018-19. The increase stemmed from personnel costs due to normal economic and merit increases, a retroactive economic adjustment to salaries for the executive group to match the broader federal public service, and an increase in the number of full-time equivalent employees. These variances are consistent across all core responsibility areas and Internal Services.

OSFI's total expenditures as presented in the *2019-20 Departmental Plan*, were expected to decrease by 1.7% in 2019-20 and remain relatively stable the following year. However, OSFI completed a three-year strategic planning exercise after the *2019-20 Departmental Plan* was produced. As per the resulting *Strategic Plan*, spending is now expected to increase over the 2019-22 horizon. This will be reflected in the *2020-21 Departmental Plan*.

Actual human resources

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

Core Responsibilities and Internal Services	2016–17 Actual full-time equivalents	2017–18 Actual full-time equivalents	2018–19 Planned full-time equivalents	2018–19 Actual full-time equivalents	2019–20 Planned full-time equivalents	2020–21 Planned full-time equivalents
Financial Institution and Pension Plan Regulation and Supervision	443	454	441	480	486	485
Actuarial Services to Federal Government Organizations	32	34	40	36	40	40
Subtotal	475	488	481	516	526	525
Internal Services	197	207	201	225	230	227
Total	672	695	682	741	756	752

In 2018-19, OSFI's full-time equivalents (FTEs) was 59 FTEs or 8.7% higher than planned. The FTE total represents a growth of 6.6% over 2017-18. This is largely due to the staffing of vacant positions and new positions to increase capacity for initiatives in the Financial Institution and Pension Plan Regulation and Supervision core responsibility area and in Internal Services. Initiatives include an information system to enhance OSFI's supervisory methodology and processes. After the *2019-20 Departmental Plan* was produced, OSFI completed a three-year strategic planning exercise that deliberately accounted for the continually evolving and increasingly complex environment within which it operates. As a result of that exercise, in order to keep pace with its environment, OSFI's planned FTEs are expected to increase. These increases will be reflected in the *2020-21 Departmental Plan*.

Expenditures by vote

For information on OSFI's organizational voted and statutory expenditures, consult the [Public Accounts of Canada 2018–2019](#).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 (unaudited) for the year ended March 31, 2019, are available on [OSFI's website](#)^v.

Financial statements highlights

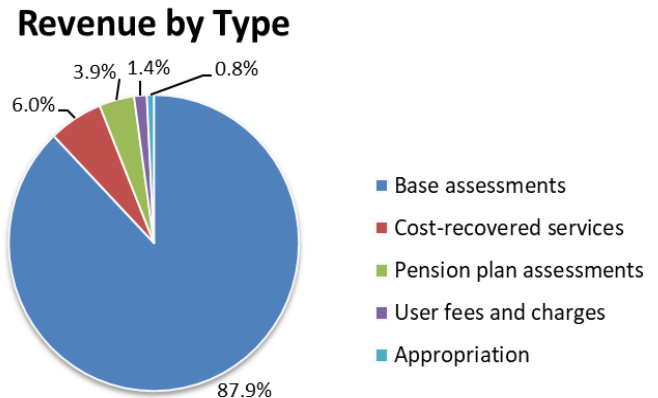
The tables below provide highlights from OSFI's Statement of Financial Position and Statement of Operations, as presented in its audited financial statements prepared in accordance with Public Sector Accounting Standards (PSAS). As such, there are differences between these tables and those presented 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 2018-19 estimates. Typically the differences stem from the accounting treatment of capital expenditures and trade and other receivables.

Condensed Statement of Operations for the year ended March 31, 2019 (dollars)

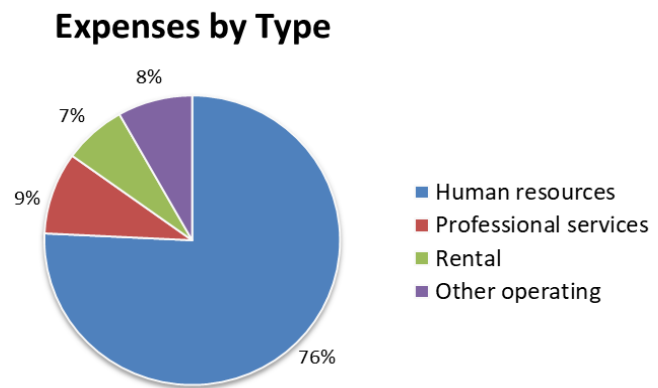
Financial information	2018–19 Planned results	2018–19 Actual results	2017–18 Actual results	Difference (2018–19 Actual results minus 2018–19 Planned results)	Difference (2018–19 Actual results minus 2017–18 Actual results)
Total expenses	164,000,000	170,358,199	157,264,022	6,358,199	13,094,177
Total revenues	163,054,942	169,047,466	156,318,964	5,992,524	12,728,502
Net cost of operations before government funding and transfers	(945,058)	(1,310,733)	(945,058)	(365,675)	(365,675)

Note: Refer to OSFI's [Future-Oriented Statement of Operations](#)^{vi} for additional information on planned results.

OSFI is mainly funded 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 related to federal public sector pension and benefit plans. Overall, on an accrual basis of accounting, OSFI recovered all of its expenses for the year.



In 2018-19, total expenses were \$170.4 million (calculated in accordance with PSAS), a \$13.1 million or 8.3% increase from the previous year, and \$6.4 million higher than planned. The year-over-year increase is due to the creation of new positions, the staffing of vacant positions, normal escalation and merit increases, and retroactive economic increases for the executive group, which are in step with the broader federal public service.

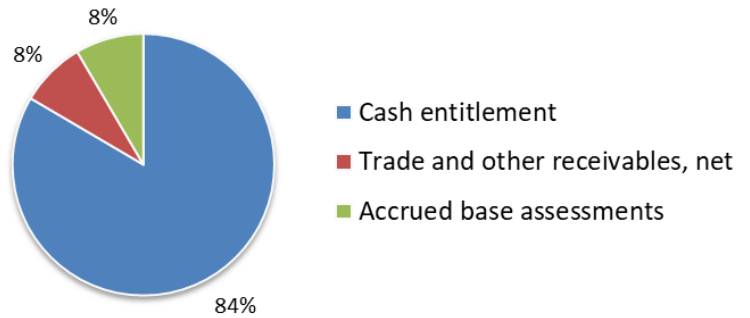


Condensed Statement of Financial Position (unaudited) as of March 31, 2019 (dollars)

Financial Information	2018–19	2017–18	Difference (2018–19 minus 2017–18)
Total financial liabilities	44,968,000	49,907,000	(4,939,000)
Total financial assets	55,403,000	58,835,000	(3,792,000)
Net financial assets	10,075,000	8,928,000	1,147,000
Total non-financial assets	15,605,000	16,752,000	(1,147,000)
Accumulated surplus	25,680,000	25,680,000	0

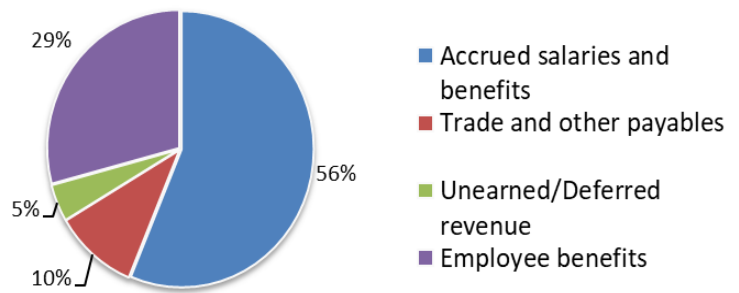
Total financial assets at the end of 2018-19 were \$55 million, a decrease of \$3.8 million from the previous year. The reduction is driven by a decrease in the Cash Entitlement account as a result of changes in various working capital accounts. The Cash Entitlement account represents the amount that OSFI is entitled to withdraw from the Consolidated Revenue Fund without further authority.

Financial Assets by Type



Total financial liabilities were \$45.0 million, which was \$4.9 million lower than the previous year. The decrease is driven by lower accrued salaries and benefits, largely due to the payment in 2018-19 of retroactive economic increases that were included in the liability from the previous year.

Financial Liabilities by Type



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)^{vii}

Year of incorporation / commencement: 1987

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

“Raison d'être, mandate and role: who we are and what we do” is available on [OSFI's website](#)^{viii}.

For more information on the department's organizational mandate letter commitments⁸, see the [Minister's mandate letter](#).^{ix}

Operating context and key risks

Information on operating context and key risks is available on the [OSFI's website](#)^x.

⁸ 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.

Reporting Framework

OSFI’s Departmental Results Framework and Program Inventory of record for 2018–19 are shown below.

Graphical presentation of Departmental Results Framework and Program Inventory

Departmental Results Framework	Core Responsibility 1 Financial Institution and Pension Plan Regulation and Supervision		Core Responsibility 2 Actuarial Services to Federal Government Organizations		Internal Services	
	Departmental Result: Federally regulated financial institutions and private pensions plans are in sound financial condition	Indicator: % of financial institutions with a Composite Risk Rating of low or moderate	Departmental Result: Stakeholders receive accurate and high quality actuarial information on the cost of public programs and government pension and benefit plans	Indicator: % of members of a panel of Canadian peer actuaries that deem the Canada Pension Plan actuarial valuation accurate and of high quality		
		Indicator: Number of financial institutions for which the supervisory rating (i.e. risk level) has increased by two or more levels within a three month period		Indicator: % of public pension and insurance plan valuations that are deemed accurate and high quality.		
		Indicator: Number of pension plans for which the supervisory rating (i.e. risk level) has increased by two or more levels within a three month period				
	Departmental Result: Regulatory and supervisory frameworks contribute to the safety and soundness of the Canadian financial system	Indicator: The Office of the Superintendent of Financial Institutions’ level of compliance with the International Monetary Fund’s Financial Sector Assessment Program core principles				
Indicator: The Office of the Superintendent of Financial Institutions’ level of compliance with Basel standards as assessed by the Regulatory Consistency Assessment Programme of the Bank for International Settlements						
Program Inventory	Program: Risk Assessment and Intervention – Federally Regulated Financial Institutions		Program: Actuarial Valuation and Advice			
	Program: Regulation and Guidance of Federally Regulated Financial Institutions					
	Program: Regulatory Approvals and Legislative Precedents					
	Program: Federally Regulated Private Pension Plans					

Supporting information on the Program Inventory

Financial, human resources and performance information for OSFI's Program Inventory is available in the [GC InfoBase](#)^{xi}.

Supplementary information tables

The following supplementary information tables are available on [OSFI's website](#)^{xii}:

- ▶ Departmental Sustainable Development Strategy
- ▶ Gender-based analysis plus

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](#).^{xiii} 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.

Core Responsibility (responsabilité essentielle)

An enduring function or role performed by a department. The intentions of the department with respect to a Core Responsibility are reflected in one or more related Departmental Results that the department seeks to contribute to or influence.

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 Result (résultat ministériel)

A Departmental Result represents the change or changes that the department seeks to influence. A Departmental Result is often outside departments' immediate control, but it should be influenced by program-level outcomes.

Departmental Result Indicator (indicateur de résultat ministériel)

A factor or variable that provides a valid and reliable means to measure or describe progress on a Departmental Result.

Departmental Results Framework (cadre ministériel des résultats)

Consists of the department's Core Responsibilities, Departmental Results and Departmental Result Indicators.

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.

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 process used to help identify the potential impacts of policies, Programs and services on diverse groups of women, men and 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.

government-wide priorities (priorités pangouvernementales)

For the purpose of the 2018–19 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.

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 presented in 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)

Individual or groups of services, activities or combinations thereof that are managed together within the department and focus on a specific set of outputs, outcomes or service levels.

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.

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. OSFI Strategic Plan, <http://www.osfi-bsif.gc.ca/Eng/Docs/strpln1920.pdf>
- ii. GC InfoBase, <https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#start>
- 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#start>
- v. OSFI's website, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/ar-ra/Pages/default.aspx>
- vi. OSFI's Future-Oriented Financial Statements, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/rpp/dp1920/Pages/dp1920-foso.aspx>
- vii. Office of the Superintendent of Financial Institutions Act, <http://laws-lois.justice.gc.ca/eng/acts/O-2.7/>
- viii. OSFI's website, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/dpr-rmr/DRR1819/Pages/default.aspx>
- ix. The Minister's mandate letter, <https://pm.gc.ca/eng/mandate-letters>
- x. OSFI's website, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/dpr-rmr/DRR1819/Pages/default.aspx>
- xi. GC InfoBase, <https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#start>
- xii. OSFI's website, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/dpr-rmr/DRR1819/Pages/default.aspx>
- xiii. Report on Federal Tax Expenditures, <http://www.fin.gc.ca/purl/taxexp-eng.asp>