



Financial statements for the three and nine months ended December 31, 2023

Date: February 2024



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Financial statements for the three and nine months ended December 31, 2023

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Date: February 29, 2024

Statement of management responsibility including internal control over financial reporting

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board (PSAB), and for such internal controls as management determines are necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information contained in this quarterly financial report is consistent, where appropriate, with the accompanying quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Office of the Superintendent of Financial Institutions, as at the date of and for the periods presented in the quarterly financial statements.

Michael Hammond CPA, CGA

Chief Financial Officer

Peter Routledge

Superintendent of Financial Institutions

Ottawa, Canada

February 29, 2024

Office of the Superintendent of Financial Institutions Statement of Financial Position

Statement of Financial Position (in thousands of dollars)

(in thousands of Canadian dollars)	Note(s)	As at December 31, 2023 (unaudited)	As at March 31, 2023
Financial assets			
Cash entitlement		\$ 134,636	\$ 73,622
Trade and other receivables, net	3, 4	15,987	9,367
Total financial assets		150,623	82,989
Financial liabilities			
Accrued salaries and benefits	11	54,611	42,636
Trade and other payables	4, 11	7,169	8,946
Unearned base assessments	11	54,796	2,085

(in thousands of Canadian dollars)	Note(s)	As at December 31, 2023 (unaudited)	As at March 31, 2023
Unearned pension plan assessments	11	5,185	2,185
Deferred revenue		203	244
Employee benefits – severance	6	4,500	4,418
Employee benefits – sick leave	6	14,779	12,805
Total financial liabilities		141,243	73,319
Net financial assets		9,380	9,670
Non-financial assets			
Tangible capital assets	5	12,958	13,728
Prepaid expenses		3,342	2,282
Total non-financial assets		16,300	16,010
Accumulated surplus	13	\$ 25,680	\$ 25,680
Contingencies	11		

The accompanying notes form an integral part of these financial statements.

Michael Hammond CPA, CGA

Chief Financial Officer

Peter Routledge

Superintendent of Financial Institutions

Statement of Operations

Statement of Operations (in thousands of Canadian dollars)

(in thousands of Canadian dollars)	Note	Budget for the year ending March 31, 2024 (unaudited)	For the three months ended December 31, 2023 (unaudited)	For the three months ended December 31, 2022 (unaudited)	For the nine months ended December 31, 2023 (unaudited)	For the nine months ended December 31, 2022 (unaudited)
Regulation and supervision of federally regulated financial institutions						
Revenue		\$ 269,764	\$ 77,117	\$ 55,030	\$ 214,773	\$ 150,000
Expenses		269,764	77,117	55,030	214,773	150,000
Net results before administrative monetary penalties revenue		-	-	-	-	-
Administrative monetary penalties revenue	8	50	-	-	2	2

(in thousands of Canadian dollars)	Note	Budget for the year ending March 31, 2024 (unaudited)	For the three months ended December 31, 2023 (unaudited)	For the three months ended December 31, 2022 (unaudited)	For the nine months ended December 31, 2023 (unaudited)	For the nine months ended December 31, 2022 (unaudited)
Administrative monetary penalties revenue earned on behalf of the Government		(50)	-	-	(2)	(2)
Net results		-	-	-	-	-
Regulation and supervision of federally regulated private pension plans						
Revenue		7,534	1,723	1,580	4,974	4,974
Expenses		7,534	1,723	1,580	4,974	4,974
Net results		-	-	-	-	-
Actuarial valuation and advisory services						
Revenue		15,858	3,564	3,282	10,515	8,933
Expenses		17,102	3,875	3,593	11,448	9,933
Net results		(1,244)	(311)	(311)	(933)	(933)

(in thousands of Canadian dollars)	Note	Budget for the year ending March 31, 2024 (unaudited)	For the three months ended December 31, 2023 (unaudited)	For the three months ended December 31, 2022 (unaudited)	For the nine months ended December 31, 2023 (unaudited)	For the nine months ended December 31, 2022 (unaudited)
Net results from operations before government funding		(1,244)	(311)	(311)	(933)	(933)
Government funding	4	1,244	311	311	933	933
Surplus from operations		\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Net Financial Assets

Statement of Changes in Net Financial Assets (in thousands of Canadian dollars)

(in thousands of Canadian dollars)	Note	Budget for the year ending March 31, 2024 (unaudited)	For the three months ended December 31, 2023 (unaudited)	For the three months ended December 31, 2022 (unaudited)	For the nine months ended December 31, 2023 (unaudited)	For the nine months ended December 31, 2022 (unaudited)
Surplus from operations		\$ -	\$ -	\$ -	\$ -	\$ -
Tangible capital assets						
Acquisition of tangible capital assets	5	(26,607)	(512)	(339)	(1,857)	(586)
Amortization of tangible capital assets	5	5,281	874	901	2,627	2,864
Total		(21,326)	362	562	770	2,278
Non-financial assets						
Change in prepaid expenses		-	892	785	(1,060)	(873)
(Decrease) Increase in net financial assets		(21,326)	1,254	1,347	(290)	1,405

(in thousands of Canadian dollars)	Note	Budget for the year ending March 31, 2024 (unaudited)	For the three months ended December 31, 2023 (unaudited)	For the three months ended December 31, 2022 (unaudited)	For the nine months ended December 31, 2023 (unaudited)	For the nine months ended December 31, 2022 (unaudited)
Net financial assets, beginning of the period		9,670	8,126	8,897	9,670	8,839
Net financial assets (debt), end of the period		\$ (11,656)	\$ 9,380	\$ 10,244	\$ 9,380	\$ 10,244

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flow

Statement of Cash Flow (in thousands of Canadian dollars)

(in thousands of Canadian dollars)	Note	For the three months ended December 31, 2023 (unaudited)	For the three months ended December 31, 2022 (unaudited)	For the nine months ended December 31, 2023 (unaudited)	For the nine months ended December 31, 2022 (unaudited)
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(in thousands of Canadian dollars)	Note	For the three months ended December 31, 2023 (unaudited)	For the three months ended December 31, 2022 (unaudited)	For the nine months ended December 31, 2023 (unaudited)	For the nine months ended December 31, 2022 (unaudited)
Operating activities					
Cash receipts from financial institutions, pension plans and other government entities		\$ 67,155	\$ 45,334	\$ 286,279	\$ 237,478
Cash paid to suppliers and employees		(74,630)	(48,561)	(223,406)	(173,761)
Administrative monetary penalties revenue remitted to the consolidated revenue fund	8	-	-	(2)	(2)

(in thousands of Canadian dollars)	Note	For the three months ended December 31, 2023 (unaudited)	For the three months ended December 31, 2022 (unaudited)	For the nine months ended December 31, 2023 (unaudited)	For the nine months ended December 31, 2022 (unaudited)
Net cash provided by (used in) operating activities		(7,475)	(3,227)	62,871	63,715
Capital activities					
Acquisition of tangible capital assets	5	(512)	(339)	(1,857)	(586)
Net cash used in capital activities		(512)	(339)	(1,857)	(586)
Net increase (decrease) in cash entitlement		(7,987)	(3,566)	61,014	63,129
Cash entitlement, beginning of the period		142,623	130,730	73,622	64,035
Cash entitlement, end of the period		\$ 134,636	\$ 127,164	\$ 134,636	\$ 127,164

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

For the three and nine months ended December 31, 2023 (in thousands of Canadian dollars) (unaudited)

1. Authority and objectives

The Office of the Superintendent of Financial Institutions (OSFI) was established by the *Office of the Superintendent of Financial Institutions Act* (OSFI Act) in 1987. Pursuant to the *Financial Administration Act* (FAA), OSFI is a division of the Government of Canada for the purposes of that Act and is listed in schedule I.1 of the Act. The Government of Canada is OSFI's parent and the ultimate controlling party of OSFI.

OSFI's purpose is to contribute to public confidence in the Canadian financial system by regulating and supervising approximately 400 federally regulated financial institutions (FRFIs) and 1200 federally regulated pension plans (FRPPs).

OSFI's mandate is to:

- ensure FRFIs and FRPPs remain in sound financial condition
- ensure FRFIs protect themselves against threats to their integrity and security
- act early when issues arise and require FRFIs and FRPPs to take necessary corrective measures without delay
- monitor and evaluate risks and promote sound risk management by FRFIs and FRPPs

In exercising its mandate:

- for FRFIs, OSFI strives to protect the rights and interests of depositors and creditors while having due regard for the need to allow FRFIs to compete effectively and take reasonable risks
- for FRPPs, OSFI strives to protect the rights and interests of pension plan members, former members and entitled beneficiaries

Revenue and spending authority

Pursuant to Section 17 of the OSFI Act, the Minister of Finance may spend any revenues collected under Sections 23 and 23.1 of the OSFI Act to defray the expenses associated with the operation of OSFI. The Act also establishes a ceiling for expenses at \$40,000 above the amount of revenue collected to be drawn from the Consolidated Revenue Fund of Canada (CRF).

OSFI's revenues comprise assessments, service charges and fees. The expenses against which assessments may be charged include those in connection with the administration of the *Bank Act*, the *Cooperative Credit Associations Act*, the *Green Shield Canada Act*, the *Insurance Companies Act*, the *Protection of Residential Mortgage or Hypothecary Insurance Act* and the *Trust and Loan Companies Act*. The formula for the calculation of assessments is included in regulations.

Subsections 23(1.1) and 23(5) of the OSFI Act provide that assessments may be charged for the administration of the *Pension Benefits Standards Act, 1985* (PBSA, 1985) and the *Pooled Registered Pension Plans Act*. The assessments for the administration of pension plans subject to the PBSA are set annually in accordance with the *Assessment of Pension Plans Regulations*.

Section 23.1 of the OSFI Act provides that the Superintendent may assess against a person a prescribed charge (service charge) and applicable disbursements for any service provided by or on behalf of the Superintendent for the person's benefit or the benefit of a group of persons of which the person is a member. "Person" includes individuals, corporations, funds, unincorporated associations, His Majesty in Right of Canada or of a province, and a foreign government. The service charges are detailed in the regulations.

The Office of the Chief Actuary provides a range of actuarial valuation and advisory services, under the *Canada Pension Plan Act* and the *Public Pensions Reporting Act* to the Canada Pension Plan (CPP), public pension plans and some federal government entities, including the provision of advice in the form of reports tabled in Parliament. The costs of providing these services are recovered through fees charged to either the underlying pension plans or the federal government entity to which advisory services are provided. Pursuant to Section 16 of the OSFI Act, Parliament has provided annual appropriations to fund the cost of certain actuarial valuations prepared by the Office of the Chief Actuary on behalf of the Government of Canada.

2. Significant accounting policies

The financial statements of OSFI have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board (PSAB). The accounting policies used in the financial statements are based on the PSAS applicable as at December 31, 2023. The policies set out below are consistently applied to all periods presented.

The significant accounting policies of OSFI are set out below:

a) Cash entitlement (Cash overdraft)

OSFI does not have its own bank account. The financial transactions of OSFI are processed through the CRF. Cash entitlement represents the maximum amount OSFI is entitled to withdraw from the CRF without further authority.

OSFI has a statutory revolving expenditure authority pursuant to Section 17(4) of the OSFI Act. This authority establishes a ceiling for expenses at \$40,000 above the amount of revenue collected to be drawn from the CRF. Drawings on this facility are presented as cash overdraft.

No interest is earned or charged on these amounts.

b) Financial instruments

The classification of financial instruments at either fair value or amortized cost is determined by OSFI at initial recognition and depends on the purpose for which the financial assets were acquired, or liabilities were incurred. All financial instruments are recognized initially at fair value. The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

Classification of financial instruments

Classification	Accounting treatment
Cash entitlement	<p>Cash entitlement shall be measured at fair value.</p> <p>Gains and losses arising from changes in the fair value of a cash entitlement shall be recorded in Net results from operations before government funding in OSFI's Statement of Operations.</p>
Trade and other receivables and Accrued base assessments	<p>Trade and other receivables and Accrued base assessments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.</p> <p>Subsequent to initial recognition at fair value, Trade and other receivables and Accrued base assessments are measured at amortized cost using the effective interest method, less impairment, if any. Any gain, loss or interest income is recorded in revenue or expenses depending on the nature of the receivables that gave rise to the gain, loss or income.</p>

Classification	Accounting treatment
Financial liabilities	Accrued salaries and benefits, Trade and other payables excluding employer's contributions for employee benefit plans, Unearned base assessments, and Unearned pension plan assessments are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenue or expenses depending on the nature of the financial liability that gave rise to the gain, loss or expense.

c) Impairment of financial assets

OSFI assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, OSFI first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If OSFI determines that there is objective evidence of impairment for an individual financial asset, it must be assessed for impairment either individually, or in a group of financial assets with similar credit risk characteristics. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The

present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The impairment assessment must be based on the best estimates available in light of past events, current conditions, and taking into account all circumstances known at the date of the preparation of the financial statements. If a future write-off is later recovered, the recovery is credited to the Statement of Operations..

d) Tangible capital assets

Tangible capital assets are stated at historical cost, net of accumulated amortization and/or accumulated impairment losses, if any. Historical cost includes the costs of replacing parts of property and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the Statement of Operations as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Estimated useful life of assets by asset class

Assets	Useful life
Leasehold improvements	Lesser of useful life or remaining term of the lease
Furniture and fixtures	7 years
Office equipment	4 years
Informatics hardware	3 to 5 years
Informatics software	5 to 10 years

Internally developed and externally purchased software are capitalized as tangible capital assets. Software acquired separately is measured on initial recognition at cost. The cost of internally developed software consists of directly attributable costs necessary to create,

produce, and prepare the software to be capable of operating in the manner intended by OSFI. Amortization of the assets begins when development is complete and the assets are available for use. Costs incurred during the pre-development or post-implementation stages are expensed in the period incurred.

The assets' residual values, useful lives and methods of amortization are reviewed at each financial year end and adjusted prospectively, if appropriate.

e) Impairment of non-financial assets

OSFI assesses at each reporting date whether there are any internal indicators or objective evidence that an asset may be impaired (e.g., damaged assets or assets no longer being used). If any indication exists, or when annual impairment testing for an asset is required, OSFI estimates the asset's recoverable amount. When a non-financial asset no longer contributes to OSFI's ability to provide goods and services, or the value of future economic benefits associated with the non-financial asset is less than its net book value, the cost of the non-financial asset is reduced to reflect the decline in the asset's value. Any writedowns are reflected in the Statement of Operations. in the period the decline is recognized.

OSFI assesses internally developed software not yet in use for impairment on an annual basis.

f) Employee benefits

Short-term benefits are recorded in the Statement of Operations when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date is accrued at the reporting date and not discounted. OSFI contributes to the Government of Canada sponsored Public Service Health Care Plan and Dental Service Plan for employees. These contributions represent the total obligation of OSFI with respect to these plans.

Pension benefits

Substantially all of the employees of OSFI are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and OSFI to cover current service cost. Pursuant to legislation currently in place, OSFI has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of OSFI.

Severance

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. The severance benefits are based upon the final salary of the employee.

The projected accrued benefit obligation is determined using an accrued benefit method which incorporates management's best estimate of salary, retirement age and discount rate.

Other benefits

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to OSFI retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by OSFI to cover current service costs. Pursuant to legislation currently in place, OSFI has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of OSFI with respect to these plans.

Sick leave

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation are determined using an actuarial valuation.

g) Leases

Leases in which a significant portion of the risks and rewards of ownership related to the leased property are substantially retained by the lessor shall be accounted for as operating leases. OSFI records the costs associated with operating leases in the Statement of Operations in the period in which they are incurred. Any lease incentives received from the lessor are charged to the Statement of Operations on a straight-line basis over the period of the lease.

OSFI does not have borrowing authority and therefore cannot enter into lease agreements that are classified as leased tangible assets. OSFI has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to OSFI of substantially all the benefits and risks incidental to ownership.

h) Statement of Operations

The format of the Statement of Operations. has been designed to show the revenues and expenses by each of OSFI's business lines. This format best represents the nature of the activities of OSFI.

Expenses have also been disclosed by nature in Note 7 of these financial statements.

i) Revenue recognition

OSFI recognizes revenue so as to recover its expenses. Any amounts that have been billed and for which costs have not been incurred are classified as unearned on the Statement of Financial Position. Revenue is recorded in the accounting period in which it is earned

(service provided) whether or not it has been billed or collected. At the end of the period, amounts may have been collected in advance of the incurrence of costs or provision of services, or alternatively, amounts may not have been collected and are owed to OSFI.

Base assessments – Revenue from federally regulated financial institutions base assessments is recognized based on actual costs incurred as services are charged based on cost recovery and all costs are considered recoverable. Base assessments are typically billed annually based on an estimate of the current fiscal year's operating costs (an interim assessment) together with adjustments related to the final accounting of the previous year's assessment for actual costs incurred. Assessments are calculated prior to December 31 of each year, in accordance with Section 23(1) of the OSFI Act and the *Assessment of Financial Institutions Regulations, 2017*. Differences between billed estimates and actual costs incurred at the end of the period are recorded as accrued base assessments or unearned base assessments.

Pension plan assessments are earned from registered pension plans. Assessment rates are set annually by regulation based on budgeted expenses, pension plan membership and actual results from previous years. Pension plan assessments are charged in accordance with Section 23(1.1) and 23(5) of the OSFI Act. Revenue from pension plan assessments is recognized based on actual costs incurred as services are charged based on cost recovery and all costs are considered recoverable. Differences between the amounts billed to industry and actual costs incurred at the end of the period are recorded as accrued pension plan assessments or unearned pension plan assessments.

User fees and charges include revenue earned pursuant to the *Charges for Services Provided by the Office of the Superintendent of Financial Institutions Regulations, 2002* – as amended from time to time – in respect of legislative approvals and approvals for supervisory purposes, and surcharges assessed to federally regulated financial institutions assigned a “stage” rating other than “zero” pursuant to the Guide to Intervention for Federal Financial Institutions. Assessment surcharges are charged in accordance with the *Assessment of Financial Institutions Regulations, 2017*. Revenue from user fees is recognized at the completion of the service.

Administrative monetary penalties are penalties levied to financial institutions when they contravene a provision of a financial institutions Act and are charged in accordance with the *Administrative Monetary Penalties (OSFI) Regulations*. Penalties levied are not available to reduce the net costs that OSFI assesses the industry (i.e., they are non-responsible) and are remitted to the CRF when collected. OSFI assesses its Administrative monetary penalties revenue against specific criteria in order to determine if it is acting as principal or agent. OSFI has concluded that it is acting as a principal for Administrative monetary penalty revenue.

Cost-recovered services represent revenue earned from sources other than those listed above. These services are provided in accordance with the terms and conditions agreed to by the transacting parties. Revenue from cost-recovered services is recognized based on actual costs incurred, and all costs are considered recoverable.

Revenue and the matching expenses from cost-recovered services not specifically related to the Regulation and supervision of federally regulated pension plans or Actuarial valuation and advisory services are grouped with the Regulation and supervision of federally regulated financial institutions on the Statement of Operations.. This includes costs recovered from other government entities such as the Canada Mortgage and Housing Corporation for OSFI's supervisory oversight in accordance with the *National Housing Act*.

j) Government funding

Government funding, including parliamentary appropriations, is recognized in the period that the appropriation was authorized, and any eligibility criteria met. Parliamentary appropriations for operating purposes are considered to be without stipulations restricting their use and are recognized as revenue when the appropriations are authorized.

k) Contingent liabilities

Contingent liabilities are potential liabilities, which may become liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated

liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

l) Budget figures

The 2023-2024 budget is reflected in the Statement of Operations and the Statement of Changes in Net Financial Assets as approved by OSFI's Executive Committee.

m) Significant judgments, estimates and assumptions

The preparation of OSFI's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability, in which case the impact will be recognized in the financial statements of a future fiscal period.

In the process of applying its accounting policies, management has made certain judgments. The following specific judgments have the most significant effect on the amounts recognized in the financial statements:

- Recognition of internally developed software;
- Lease classification;
- Estimated useful lives of tangible capital assets;
- Actuarial assumptions used to value sick leave and severance obligations;
- Likelihood of occurrence for contingent liabilities;
- Estimates for the allowance for doubtful accounts; and,
- Estimates related to accrued salary increases.

3. Trade and other receivables

The breakdown of all amounts owing to OSFI, by type, is as follows:

Breakdown of amounts owing to OSFI at December 31, 2023 (in thousands of dollars)

	Federally regulated financial institutions	Federally regulated private pension plans	Actuarial valuation and advisory services	Other	Total December 31, 2023
Trade receivables	\$ 4,025	\$ 3,199	\$ -	\$ 54	\$ 7,278
User fees and charges	853	-	-	-	853
Cost-recovered services and other	-	-	2,473	7,248	9,721
Trade and other receivables, gross	4,878	3,199	2,473	7,302	17,852
Allowance for doubtful accounts	(120)	(1,745)	-	-	(1,865)

	Federally regulated financial institutions	Federally regulated private pension plans	Actuarial valuation and advisory services	Other	Total December 31, 2023
Trade and other receivables, net	4,758	1,454	2,473	7,302	15,987
Accrued base assessments	-	-	-	-	-
Total	\$ 4,758	\$ 1,454	\$ 2,473	\$ 7,302	\$ 15,987
% of Total exposure	29.8 %	9.0 %	15.5 %	45.7 %	100.0 %

Breakdown of amounts owing to OSFI at March 31, 2023 (in thousands of dollars)

	Federally regulated financial institutions	Federally regulated private pension plans	Actuarial valuation and advisory services	Other	Total March 31, 2023
Trade receivables	\$ 7,312	\$ 1,680	\$ -	\$ 228	\$ 9,220

	Federally regulated financial institutions	Federally regulated private pension plans	Actuarial valuation and advisory services	Other	Total March 31, 202
User fees and charges	328	-	-	-	328
Cost-recovered services and other	-	-	-	1,423	1,423
Trade and other receivables, gross	7,640	1,680	-	1,651	10,971
Allowance for doubtful accounts	(118)	(1,486)	-	-	(1,604)
Trade and other receivables, net	7,522	194	-	1,651	9,367
Accrued base assessments	-	-	-	-	-
Total	\$ 7,522	\$ 194	\$ -	\$ 1,651	\$ 9,367
% of Total exposure	80.3 %	2.1 %	- %	17.6 %	100.0 %

The majority of OSFI's revenue is comprised of assessments, which are typically invoiced once a year, usually in the second quarter. As a result, trade receivable balances will vary significantly during the year and may also vary from year to year depending on the timing of the invoicing.

OSFI records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. An allowance for doubtful accounts is also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on trade and other receivables recognized during the the nine- month period ended December 31, 2023 were \$449 (Year ended March 31, 2023 - \$664). Recoveries during the same period totaled \$189 (Year ended March 31, 2023 - \$268).

A receivable will be considered to be impaired and written off when OSFI is certain that collection will not occur and all requirements of the OSFI Act or the *Debt Write-Off Regulations, 1994* have been met. No amounts were written off during the nine-month period ended December 31, 2023 (Year ended March 31, 2023 - \$ Nil). During the period, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

The aging of trade receivables was as follows:

Aging of trade receivables (in thousands of dollars)

Days outstanding	Current	31-60	61-90	91-120	> 120	Total
December 31, 2023	\$ 109	\$ 26	\$ 2	\$ 1,698	\$ 5,443	\$ 7,278
March 31, 2023	\$ 453	\$ 41	\$ 1,195	\$ 24	\$ 7,507	\$ 9,220

Refer to Note 11 b) for further information on credit risk applicable to OSFI.

4. Related party transactions

OSFI is related, in terms of common ownership, to all Government of Canada departments, agencies and crown corporations. OSFI enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the nine-month period ended December 31, 2023, OSFI purchased goods and services for \$53,893 (2022 - \$39,191) and earned revenue of \$12,422 (2022 - \$10,168) from transactions with other government entities. Although most transactions or groups of similar transactions are not individually significant, OSFI did have the following individually significant transactions:

Individually significant related party transactions (in thousands of dollars)

Entity	Nature	2023 Expenditure	2023 Payable	2022 Expenditure	2022 Payable
Treasury Board Secretariat	Pension contributions, other employee benefits and other services	\$ 36,657	\$ 4,996	\$ 26,522	\$ 3,273
Public Services and Procurement Canada	Rent and other services	\$ 10,994	\$ 1,271	\$ 9,243	\$ 1,966

Entity	Nature	2023 Revenue	2023 Receivable	2022 Revenue	2022 Receivable
Employment and Social Development Canada	Actuarial valuation and advisory services	\$ 5,436	\$ 1,387	\$ 4,424	\$ 549

As at December 31, 2023, the amount of trade and other receivables and trade and other payables from related parties was \$5,310 (March 31, 2023 - \$937) and \$7,729 (March 31, 2023 - \$5,594), respectively.

OSFI receives an annual parliamentary appropriation pursuant to Section 16 of the OSFI Act to support its mandate relating to the OCA. During the nine-month period ended December 31, 2023, OSFI was granted \$933 (2022 - \$933) which was recognized into net results and shown on the **Statement of Operations**. There are no unfulfilled conditions or stipulations attached to this appropriation.

5. Tangible capital assets

Tangible capital assets by asset class as at December 31, 2023 (in thousands of dollars)

December 31, 2023 Cost	March 31, 2023	Acquisitions	Transfer to "in use"	Disposals	December 31, 2023
Leasehold improvements	\$ 18,917	\$ 1,715	\$ -	\$ -	\$ 20,632
Furniture and fixtures	561	-	-	-	561

Office equipment	1,602	142	-	-	1,744
Informatics hardware	7,954	-	-	-	7,954
Externally purchased software	782	-	-	-	782
Internally developed software	30,412	-	-	-	30,412
Internally developed software under development	151	-	-	-	151
Total	\$ 60,379	\$ 1,857	\$ -	\$ -	\$ 62,236
Accumulated amortization	March 31, 2023	Amortization	Transfer to "in use"	Disposals	December 31, 2023
Leasehold improvements	\$ 15,542	\$ 204	\$ -	\$ -	\$ 15,746
Furniture and fixtures	556	4	-	-	560
Office equipment	1,268	151	-	-	1,419
Informatics hardware	6,541	523	-	-	7,064
Externally purchased software	608	65	-	-	673

Internally developed software	22,136	1,680	-	-	23,816
Total	\$ 46,651	\$ 2,627	\$ -	\$ -	\$ 49,278
Net book value	\$ 13,728	\$ -	\$ -	\$ -	\$ 12,958

Tangible capital assets by asset class as at March 31, 2023 (in thousands of dollars)

March 31, 2023 Cost	March 31, 2022	Acquisitions	Transfer to "in use"	Disposals	March 31, 2023
Leasehold improvements	\$ 17,470	\$ 1,447	\$ -	\$ -	\$ 18,917
Furniture and fixtures	1,776	-	-	(1,215)	561
Office equipment	2,437	220	-	(1,055)	1,602
Informatics hardware	7,362	592	-	-	7,954
Externally purchased software	747	35	-	-	782
Internally developed software	30,412	-	-	-	30,412
Internally developed software under development	-	151	-	-	151
Total	\$ 60,204	\$ 2,445	\$ -	\$ (2,270)	\$ 60,379

Accumulated amortization	March 31, 2022	Amortization	Transfer to "in use"	Disposals	March 31, 2023
Leasehold improvements	\$ 15,130	\$ 412	\$ -	\$ -	\$ 15,542
Furniture and fixtures	1,755	16	-	(1,215)	556
Office equipment	2,096	227	-	(1,055)	1,268
Informatics hardware	5,749	792	-	-	6,541
Externally purchased software	518	90	-	-	608
Internally developed software	19,863	2,273	-	-	22,136
Total	\$ 45,111	\$ 3,810	\$ -	\$ (2,270)	\$ 46,651
Net book value	\$ 15,093	\$ -	\$ -	\$ -	\$ 13,728

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. As at December 31, 2023, OSFI had \$34,055 of tangible capital assets at cost that were fully amortized and still in use. These assets are near the end of their useful life and are scheduled to be replaced. Their fair value is insignificant.

6. Employee benefits

a) Post-employment benefits

i. Pension benefits

Substantially all of the employees of OSFI are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and OSFI. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate, on pensionable earnings, effective as at December 31, 2023 was 9.000% (2022 - 9.800%). Total contributions of \$13,290 were recognized as expense for the nine-month period ended December 31, 2023 (2022 - \$10,686).

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

ii. Severance benefits

OSFI used to administer a severance benefits plan for its employees. On termination of employment, eligible employees were entitled to certain benefits provided for under their conditions of employment based on their years of service. The plan was substantially curtailed in 2013 and employees no longer accumulate years of service.

OSFI's remaining liability in regards to this plan relates primarily to employees who chose to defer receipt of their entitlement until departure. Current service benefit costs relate to the cost of involuntary departures.

Information about OSFI's severance benefit plan is presented in the table below.

Severance benefit obligation (in thousands of dollars)

	For the nine months ended December 31, 2023	For the twelve months ended March 31, 2023
Accrued benefit obligation, beginning of the period	\$ 4,663	\$ 4,902

	For the nine months ended December 31, 2023	For the twelve months ended March 31, 2023
Current service cost	232	217
Interest cost	103	113
Benefits paid	(266)	(540)
Actuarial (gain)/loss	-	(29)
Accrued benefit obligation, end of the period ¹	4,732	4,663
Unamortized net actuarial loss	(232)	(245)
Accrued benefit liability	\$ 4,500	\$ 4,418

Severance benefit cost (in thousands of dollars)

Net benefit plan cost - severance	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
Current service cost	\$ 232	\$ 163
Interest cost	103	85
Amortization of actuarial loss	14	16
Benefit cost	\$ 349	\$ 264

The most recent actuarial valuation for severance benefits was completed as at March 31, 2023. OSFI measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring OSFI's accrued benefit obligation is a discount rate of 3.04% (2022 - 2.40%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2023 is an annual economic increase of 3.5% for the plan year 2024 (2022 - 2.5% for the plan year 2023). Thereafter, annual economic increases ranging from 2.25% to 2.7% are assumed (2022 - 2.5%). The average remaining service period of active employees covered by the benefit plan is 14 years (2022 - 14 years).

b) Other long-term benefits

i. Sick leave

Information about OSFI's sick leave plan is presented in the table below.

Sick leave obligation (in thousands of dollars)

	For the nine months ended December 31, 2023	For the twelve months ended March 31, 2023
Accrued benefit obligation, beginning of the period	\$ 17,343	\$ 13,987
Current service cost	2,236	1,934
Interest cost	416	346
Benefits used	(920)	(1,153)
Actuarial (gain)/loss	-	2,229
Accrued benefit obligation, end of the period ¹	19,075	17,343
Unamortized net actuarial loss	(4,295)	(4,538)

	For the nine months ended December 31, 2023	For the twelve months ended March 31, 2023
Accrued benefit liability	\$ 14,780	\$ 12,805

Sick leave cost (in thousands of dollars)

Net benefit plan expense - sick leave	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
Current service cost	\$ 2,236	\$ 1,450
Interest cost	416	262
Amortization of actuarial loss	243	142
Benefit cost	\$ 2,895	\$ 1,854

The most recent actuarial valuation for sick leave benefits was completed as at March 31, 2023. OSFI measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring OSFI's accrued benefit obligation is a discount rate of 3.04% (2022 - 2.41%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2023 is an annual economic increase of 3.5% for the plan year 2024 (2022 - 2.5% for the plan year 2023). Thereafter, annual economic increases ranging from 2.25% to 2.7% is assumed (2022 - 2.5%). The average remaining service period of active employees covered by the benefit plan is 14 years (2022 - 14 years).

7. Revenue and expenses by major classification

Revenue and expense by major classification (in thousands of dollars)

	Budget for the year ending March 31, 2024	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
Revenue					
Base assessments	\$ 265,939	\$ 75,968	\$ 54,257	\$ 212,542	\$ 153,988
Cost-recovered services	17,383	4,421	3,524	11,965	9,626
Pension plan assessments	7,534	1,723	1,580	4,974	4,976
User fees and charges	2,300	292	531	781	1,363
Total revenue earned from responsible sources	293,156	82,404	59,892	230,262	169,953
Expenses					
Personnel	219,415	66,225	47,246	184,919	135,899

	Budget for the year ending March 31, 2024	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
Professional services	34,546	7,694	5,056	21,796	14,390
Rental	18,020	4,488	4,031	12,735	11,515
Amortization	5,281	874	901	2,627	2,864
Travel	2,754	418	534	1,235	810
Machinery and equipment	8,387	1,328	885	2,892	1,653
Information	2,475	913	566	2,612	1,475
Communications	1,735	384	212	1,063	765
Repairs and maintenance	886	270	236	781	660
Materials and supplies	110	85	38	257	103
Other	791	36	498	278	752
Total expenses	294,400	82,715	60,203	231,195	170,886

	Budget for the year ending March 31, 2024	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
Net results of operations before government funding and non- respendable administrative monetary penalties revenue	(1,244)	(311)	(311)	(933)	(933)
Government funding	1,244	311	311	933	933
Administrative monetary penalties revenue	50	-	-	2	2
Administrative monetary penalties earned on behalf of the government	(50)	-	-	(2)	(2)
Surplus from operations	\$ -	\$ -	\$ -	\$ -	\$ -

	Budget for the year ending March 31, 2024	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
Full-time equivalent number of employees	1,232	1,354	1,032	1,308	990

Personnel costs (in thousands of dollars)

Personnel expenses	Budget for the year ending March 31, 2024	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
Wages and salaries	\$ 172,091	\$ 51,332	\$ 36,895	\$ 143,558	\$ 105,852
Other benefits	30,914	9,997	6,561	27,708	19,090
Post- employment benefits other than severance	15,812	4,774	3,700	13,290	10,686
Severance benefits	578	116	88	349	264

	Budget for the year ending March 31, 2024	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the nine months ended December 31, 2023	For the nine months ended December 31, 2022
Personnel expenses					
Other personnel costs	20	6	2	14	7
Total	\$ 219,415	\$ 66,225	\$ 47,246	\$ 184,919	\$ 135,899

8. Administrative monetary penalties

Administrative monetary penalties levied by OSFI are remitted to the CRF. The funds are not available for use by OSFI and are not included in the balance of the Cash entitlement. As a result, the penalties do not reduce the amount that OSFI assesses the industry in respect of its operating costs. Refer to Note 2 i) for further information on OSFI's accounting policy as it relates to administrative monetary penalty revenue.

In the nine-month period ended December 31, 2023, OSFI levied \$2 (2022 - \$2) in administrative monetary penalties.

9. Operating lease arrangements

OSFI has entered into operating lease agreements for office space and office equipment in four locations across Canada. The minimum aggregate annual payments for future fiscal years are as follows:

Operating lease arrangements (in thousands of dollars)

March 31, 2024	\$ 11,111
March 31, 2025	11,279
March 31, 2026	9,591
March 31, 2027	7,950
March 31, 2028	7,786
Thereafter	14,949
Total	\$ 62,666

10. Contingencies

A claim for unspecified damages was lodged against the Government of Canada and its constituent entities (including OSFI) during 2020-21. The claim has not advanced to a point where the potential outcome or the amount at risk can be determined, as such no provision for contingent liabilities has been accrued at the date of these financial statements. In the normal course of its operations, OSFI is involved in a limited number of legal claims.

Although the final result of these claims cannot be determined at this time, management is of the opinion that the results will not have a material impact on the financial statements.

11. Financial risk management

OSFI's financial liabilities include: Accrued salaries and benefits, Trade and other payables, Unearned base assessments and Unearned pension plan assessments. These liabilities provide short-term financing for OSFI's operations. Financial assets: include Cash entitlement, Trade and other receivables, Accrued base assessments, Accrued pension plan assessments.

OSFI is exposed to market risk, credit risk and liquidity risk in connection with its financial instruments. OSFI's risk exposures and its processes to manage these risks did not change significantly during the nine-month period ended December 31, 2023.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. OSFI is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar but is not exposed to interest rate risk nor to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. OSFI's exposure to the risk of changes in foreign exchange rates relates primarily to OSFI's operating activities (when expenses are denominated in a currency other than the Canadian dollar).

OSFI manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of OSFI's transactions presented were denominated in Canadian dollars; as such, OSFI's exposure to currency risk for all periods presented is insignificant.

There is no impact to revenues since all billings are in Canadian dollars.

b) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss. The maximum exposure OSFI has to credit risk as at December 31, 2023 is \$15,987 (March 31, 2023 - \$9,367) which is equal to the carrying value of its Trade and other receivables and Accrued base assessments.

All federally regulated financial institutions and federally regulated private pension plans are required to register with OSFI and pay the assessments as established by OSFI. Any loss incurred by OSFI as a result of a counterparty not meeting its obligations is recorded in the year incurred and collected in the following year through assessments to the

industry to which the balance pertains, as outlined in the OSFI Act. All remaining receivables are with other Canadian federal and provincial government organizations, where there is minimal potential risk of loss. OSFI does not hold collateral as security.

c) Liquidity risk

Liquidity risk is the risk that OSFI will encounter difficulty in meeting its obligations associated with current and future financial liabilities. OSFI's objective is to maintain sufficient Cash entitlement through its collection of base assessments, cost-recovered services and other fees and charges in order to meet its operating requirements. OSFI manages liquidity risk through detailed annual planning and billing processes that are structured to allow for sufficient liquidity from one billing period to the next. OSFI's objective is to accurately estimate its operating costs and cash requirements for the current year and to recover these through its interim base assessments, fees and other sources of revenue.

OSFI's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Disbursing payments from its Cash entitlement account; and,
- Drawing on its revolving expenditure authority, pursuant to Section 17.4 of the OSFI Act.

Drawings on this facility were \$Nil as at December 31, 2023 (March 31, 2023 - \$Nil).

Refer to Note 1 for further information on OSFI's authority and Note 2 a) for further information on the accounting policies for its revolving spending authority.

The table below summarizes the maturity profile of OSFI's financial liabilities as at December 31, 2023 and March 31, 2023 based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which OSFI can be required to pay. When amounts are due in installments, each installment is allocated to the earliest period in which OSFI can be required to pay.

Maturity profile of financial liabilities at December 31, 2023 (in thousands of dollars)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	December 31, 2023 Total
Accrued salaries & benefits	\$ 13,013	\$ 30,355	\$ 11,243	-	-	\$ 54,611
Trade and other payables	-	7,169	-	-	-	7,169
Unearned base assessments	-	54,796	-	-	-	54,796
Unearned pension plan assessments	-	1,767	183	2,635	600	5,185
Total	\$ 13,013	\$ 94,087	\$ 11,426	\$ 2,635	\$ 600	\$ 121,761

Maturity profile of financial liabilities at March 31, 2023 (in thousands of dollars)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2023 Total
Accrued salaries & benefits	\$ 12,886	\$ 29,750	\$ -	\$ -	\$ -	\$ 42,636

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2023 Total
Trade and other payables	-	8,946	-	-	-	8,946
Unearned base assessments	-	-	2,085	-	-	2,085
Unearned pension plan assessments	-	22	65	1,749	349	2,185
Total	\$ 12,886	\$ 38,718	\$ 2,150	\$ 1,749	\$ 349	\$ 55,852

Unearned pension plan assessments represent the accumulation of in-year surplus or deficit against assessments collected. These are in turn paid or collected over a period of five years commencing one year from the year in which they were established. OSFI does not charge nor pay interest to the various pension plans over the five years.

12. Accumulated surplus

Accumulated surplus (in thousands of dollars)

	December 31, 2023	March 31, 2023
Contributed surplus	\$ 28,327	\$ 28,327
Accumulated deficit	(2,647)	(2,647)
Accumulated surplus	\$ 25,680	\$ 25,680

OSFI was established on July 2, 1987 by the OSFI Act. OSFI was created through the merger of its two predecessor agencies – the Department of Insurance and the Office of the Inspector General of Banks. To help fund OSFI's first year of operations and establish a pool of working capital necessary to support its annual assessment and expenditure cycle, OSFI was credited with the assessments that recovered the costs of its predecessors for the previous fiscal year. This amount is reflected as contributed surplus.

OSFI fully recovers its costs each year resulting in no in-year surplus or deficit. The accumulated deficit of \$2,647 represents the net impact of transition adjustments arising from the transition to accrual accounting in 2000-2001 and the adoption of new or revised accounting standards since then. The balance has not changed since the transition to PSAS on April 1, 2017.

Related links

- [Financial highlights for the period ended December 31, 2023](/en/about-osfi/reports-publications/financial-highlights-period-ended-december-31-2023)
(</en/about-osfi/reports-publications/financial-highlights-period-ended-december-31-2023>)

Footnotes

- 1 The cost corresponding to annual changes in the accrued benefit liability is recovered from OSFI's various sources of revenue outlined in Note 2 i) to the financial statements. Amounts collected in excess of benefits paid are presented on the *Statement of Financial Position* under the heading of Cash entitlement.
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Date modified:

2024-02-29