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# The OSFI Pillar

FROM THE OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS CANADA (OSFI)

## Mark Zelmer Addresses Canadian Bank CEO Conference

On January 8, 2013, Mark Zelmer, Assistant Superintendent, Regulation Sector, delivered a speech entitled 'Regulatory Resolutions for 2013' at the 2013 RBC Capital Markets Canadian Bank CEO Conference in Toronto. He outlined some of the key regulatory issues that OSFI will be tackling over the course of 2013 and their impacts on the banking sector.

***"There is a lot of work to be done, but I am confident the result of this work will be a safe, resilient financial system that will continue to earn the well-deserved confidence and trust of depositors, creditors and investors."***



For the full speech, please click [here](#).

## Superintendent Addresses KPMG's 21st Insurance Issues Conference

On December 12, 2012, Superintendent Julie Dickson participated in a "fireside chat", during which she discussed OSFI's key initiatives to strengthen regulation and supervision of the industry, including enhanced expectations for the industry's governance practices, in the context of an uncertain global environment.

For the full transcript of the "fireside chat", please click [here](#).



**Neil Parkinson: "Do you have any kind of wish list for the industry?"**

**Julie Dickson: "One is the risk of complacency. I would pay very close attention to that risk and nip it if you ever see it."**

Photo Credit: Sonia Recchia Photography

## Capital Adequacy Requirements (CAR) - Basel III

On December 10, 2012, OSFI issued the final version of the revised Capital Adequacy Requirements (CAR) Guideline. The guideline now reflects the changes made by the Basel Committee on Banking Supervision (BCBS). These changes are intended to strengthen global capital rules with the goal of promoting a more resilient global banking sector. This guideline came into effect in January 2013 for all banks, bank holding companies, federally regulated trust and loan companies, and cooperative retail associations.



***“The issuing of this guideline is a significant milestone in meeting international commitments to improving global capital standards as set out in Basel III,” said Mark Zelmer, Assistant Superintendent, Regulation Sector. “Canadian banks are well positioned to meet the 2019 Basel common equity capital requirements at the beginning of 2013. This is six years ahead of schedule and speaks to their prudence and resilience.”***

The CAR documents are available [here](#).

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## New and Modified Guidance for Life and Property and Casualty Insurers

On December 21, 2012, OSFI released for public consultation, draft versions of two guidelines for federally regulated life, and property and casualty insurers.

OSFI is proposing the release of a new guideline: Own Risk and Solvency Assessment (ORSA), to come into effect January 1, 2014. This new guideline will set out OSFI’s expectations with respect to insurers’ ORSA.

OSFI is proposing to amend its current guideline on Internal Target Capital Ratio for Insurance Companies, to be renamed the Regulatory and Internal Target Capital Ratios Guideline, also with a planned implementation date of January 1, 2014. The revised guideline would set out OSFI’s expectations for capital and solvency assessment requirements for insurers, within the context of OSFI’s Supervisory Framework.

OSFI is seeking input and comments on the two draft guidelines before April 12, 2013.

You can find the draft ORSA guideline [here](#) and the draft Regulatory and Internal Target Capital Ratios guideline [here](#).

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## Minimum Continuing Capital and Surplus Requirements (MCCSR)

On December 13, 2012, OSFI issued the final revised version of its Minimum Continuing Capital and Surplus Requirements (MCCSR) guideline for life insurers and fraternal benefit societies. The revised version came into effect on January 1, 2013. In light of revisions to accounting standard IAS 19 Employee Benefits, a new treatment of net Defined Benefit (DB) pension plan liabilities (assets) and related Other Comprehensive Income (OCI) amounts for MCCSR regulatory capital purposes is being established.

The guideline is available [here](#).

## Pooled Registered Pension Plans (PRPPs)

On December 14, 2012, the Honourable Ted Menzies, Minister of State (Finance), announced the coming into force of the final tranche of regulatory proposals to address provisions of the *Pooled Registered Pension Plans Act*. The pooled registered pension plan is a new type of defined contribution pension plan that can be offered to employees and self-employed persons. The federal *Pooled Registered Pension Plans Act* and its regulations establish minimum standards that all federal PRPPs and PRPP administrators must meet.

A corporation that wants to provide a PRPP must first obtain a licence from OSFI to be an administrator of a PRPP, and must register the PRPP with OSFI under the *PRPP Act*. OSFI has released a series of documents describing the legislative framework for PRPP. You can consult the documents [here](#).

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## 2012 Canadian Financial Services Insolvency Protection Forum

On November 21, 2012, Mark Zelmer, Assistant Superintendent, Regulation Sector, delivered a speech entitled 'Promoting a safe and sound financial system: Lessons from the Goose that Laid the Golden Egg' at the 2012 Canadian Financial Services Insolvency Protection Forum in Toronto. His remarks focused predominately on the banking sector and identified OSFI's views on emerging issues that could potentially threaten the sector's financial soundness and solvency.

***“Turning back the clock and scrapping all those fancy risk models in favour of simpler tests is not an option from OSFI’s perspective. Basel capital rules are complex because internationally active banks are complex.”***

The complete speech is available [here](#).

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## Superintendent Addresses Life Insurance Invitational Forum

On November 15, 2012, Julie Dickson delivered a speech entitled 'Substance Over Form' to the Life Insurance Invitational Forum, at Langdon Hall, Cambridge, ON. The main topic was the resilience of the industry and the challenges it faces.

***“Clearly, there is no easy solution to the challenge of low interest rates. But both insurance companies and OSFI need to understand the possible consequences for companies and to focus on any new risks being created.”***



The complete speech is available [here](#).

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## Parliamentary Committee Appearances

On November 20, 2012, Michel Montambeault, Director of the Canada Pension Plan/Old Age Security division in the Office of the Chief Actuary, along with other senior officials from various government departments, briefed senators on certain measures of the budget implementation Bill C-45, the *Jobs and Economic Growth Act*.



On November 7, Philippe Sarrazin, OSFI Managing Director of Legislation and Policy Initiatives, appeared before the Senate Standing Committee on Banking, Trade and Commerce, on Bill C-45. You can read the text of his opening remarks [here](#).

On October 30, Jean-Claude Ménard, Chief Actuary, Office of the Chief Actuary, appeared before the Standing Senate Committee on National Finance, on Bill C-46, an Act to amend the *Members of Parliament Retiring Allowances Act*. A recording of the committee proceedings is available on ParlVU and the text of his opening remarks can be viewed [here](#).

## What's New Online ([www.osfi-bsif.gc.ca](http://www.osfi-bsif.gc.ca))

On January 9, 2013, OSFI issued an [Advisory](#) setting out its views on the circumstances in which taking an ownership interest in commodities generally appertains to the business of providing financial services, and the minimum prudential standards that federally-regulated financial institutions that engage in activities of that nature are expected to adhere to which.

More information is available on our website at [www.osfi-bsif.gc.ca](http://www.osfi-bsif.gc.ca).

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For a free subscription, or to provide feedback, please email OSFI Communications and Consultations at: [thepillar@osfi-bsif.gc.ca](mailto:thepillar@osfi-bsif.gc.ca)



255 Albert Street  
Ottawa, Ontario K1A 0H2