



Office of the Superintendent of Financial Institutions (OSFI)

Plan and Priorities for 2010-2013



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OSFI Priorities at a Glance - 2010–2013

Priority and Related Actions	How we will know we are succeeding
A. Enhanced Identification of Emerging Risks	
<ul style="list-style-type: none"> ▪ Continue to: <ul style="list-style-type: none"> ▪ improve our ability to identify, monitor and report on emerging risks, including system-wide risks that may have a material impact on Canadian financial institutions, via enhanced international and domestic monitoring, and research and intelligence gathering; ▪ update and implement changes to the Supervisory Framework; ▪ refine the monitoring of risks facing pension plans, including the impact of rule changes, and adjust supervisory processes as warranted; ▪ perform selected comparative reviews of FRFIs in key risk areas. ▪ Implement enhanced liquidity assessment and monitoring practices. 	<ul style="list-style-type: none"> ▪ Emerging risks are identified earlier; there is proactive investigation of systemic and other risks; OSFI’s oversight of system-wide issues is strengthened. ▪ OSFI’s enhanced Supervisory Framework is implemented as per established timelines. ▪ Pension-related process changes are implemented as warranted. ▪ Comparative reviews are completed. ▪ Framework for liquidity assessment and monitoring is completed.
B. Institutional and Market Resilience	
<ul style="list-style-type: none"> ▪ Internationally, continue to participate in discussions (such as the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors, and Senior Supervisors Group) to identify and respond to the key issues arising from global financial events, including future changes to regulatory approaches and requirements, and to make recommendations for action. ▪ Domestically, continue work with FISC partners and the regulated industries on similar issues in the Canadian context. ▪ Maintain strong communications on and continue to promote improved risk-management practices, including stress testing methodologies, executive compensation practices, liquidity management, and corporate governance in institutions, in order to strengthen individual Federally Regulated Financial Institution (FRFI) preparedness and overall market resilience. 	<ul style="list-style-type: none"> ▪ International trends and recommendations are responded to in a timely manner and are consistent with the Canadian context; effective contributions to policy and regulatory developments at both the domestic and international levels. ▪ Canadian financial institutions are kept informed of OSFI’s position on key issues as they develop. ▪ Completion and promotion of best practices for stress testing; implementation of the compensation review, and strengthening of corporate governance assessments.
C. Changes to International Financial Reporting Standards (IFRS)	
<ul style="list-style-type: none"> ▪ Implement the move to International Financial Reporting Standards (IFRS) by assessing the impact on Federally Regulated Financial Institutions and pension plans, and addressing implications to OSFI’s prudential regime and regulatory policies and changes to regulatory returns. 	<ul style="list-style-type: none"> ▪ Financial institutions and pension plans meet OSFI’s expectations and key milestones.

Continued on next page.

Priority and Related Actions (Continued)	How we will know we are succeeding
D. Capital Adequacy	
<p>Continue to:</p> <ul style="list-style-type: none"> ▪ actively participate in international fora (BCBS, G20, and FSB) to contribute to the development of internationally agreed bank capital standards; ▪ review and improve domestic regulatory capital requirements and assessment practices through steps such as stress testing and implementing guidance agreed at the international level while taking into account identified emerging risks; ▪ enhance risk sensitivity of capital requirements in the insurance sector. 	<ul style="list-style-type: none"> ▪ Domestic risk-based capital requirements continue to align with leading international standards and are met as per established timelines. ▪ Enhancements to capital requirements in the insurance sector are completed. ▪ Outcomes of capital adequacy rules are consistent with objectives.
E. People – adequacy of skills and resources	
<ul style="list-style-type: none"> ▪ Identify changing human resources requirements to ensure timely availability of qualified staff and the assignment of these resources based on identified risks and priority areas; implement strategic learning and development (training) plans. 	<ul style="list-style-type: none"> ▪ Multi-year HR strategy is implemented as per established timelines. HR action plans are developed and regularly updated for all operational areas, and established performance targets for learning and development (training) are achieved.
F. Infrastructure Enhancements	
<ul style="list-style-type: none"> ▪ Implement the long-term strategies and related governance for Information Management and Information Technology necessary to support our evolving supervisory and regulatory activities. ▪ Implement the accommodation plan for OSFI's Toronto office. 	<ul style="list-style-type: none"> ▪ Multi-year Information and Technology Renewal (ITR) Program is implemented as per established timelines and targeted results are achieved. The program remains dynamic and evolves to accommodate OSFI's changing strategic directions, priorities and resource constraints. ▪ Toronto lease renewal and associated accommodation plan are completed as per established timelines and budget.

OSFI's Mandate and Activities

Mandate

OSFI's legislated mandate was implemented in 1996 and under the legislation, OSFI's mandate is to:

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

OSFI's prudential mandate supports a safe and sound Canadian financial system.

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

Long-Term Business Priority

OSFI's Long-Term Business Priority is to focus on the changing risk environment by:

- Improving OSFI's ability to understand the changing risk environment and how it might affect financial institutions and pension plans;
- Using that increased understanding to adjust OSFI's supervisory and regulatory expectations of financial institutions and pension plans.

To achieve its Long-Term Priority, OSFI recognizes that:

Our employees are key to our success.

The Long-Term Priority is intended to help OSFI prioritize its work according to risks. OSFI's core work continues to be important and will contribute to meeting the Long-Term Priority.

Governance and Accountability

OSFI's accountability framework is made up of a variety of elements.

Audit Committee and Internal Audit:

OSFI's Audit Committee is an essential part of OSFI's governance and audit regime providing independent, objective advice, guidance and recommendations to the Superintendent regarding the sufficiency, quality and results of assurance on the adequacy and functioning of OSFI's risk management, control and governance framework and processes. In order to give this support to the Superintendent, the Committee exercises active oversight of core areas of OSFI management, control and accountability, including reporting. For more information on OSFI's Audit Committee, visit [About OSFI/Audit Committee](#) on OSFI's Web site.

OSFI's internal audit group conducts assurance audits based on a comprehensive risk-based plan that is posted on the Web site. Audit reports, which include management's response to any identified issues, are also posted.

OSFI issues an Annual Report and its financial statements are audited annually by the Auditor General of Canada. In accordance with Treasury Board Secretariat requirements, OSFI also issues a *Report on Plans and Priorities* and a *Departmental Performance Report*, both of which are tabled in Parliament annually. These reports are disclosed on [OSFI's Web site](#).

Surveys and Consultations:

OSFI participates in established international reviews jointly led by the World Bank/International Monetary Fund to determine whether OSFI is meeting internationally established principles for prudential regulators. OSFI also regularly conducts anonymous surveys of, and consults with, knowledgeable industry observers to assess its performance and effectiveness as a regulator. Consultation and survey results are disclosed on OSFI's Web site under [About OSFI/Reports/Consultations and Surveys](#).

Office of the Chief Actuary's Accountability Framework:

The Office of the Chief Actuary (OCA), which is an independent unit within OSFI, provides actuarial services to the Government of Canada in the form of reports tabled in Parliament. While the Chief Actuary reports to the Superintendent, the accountability framework for the OCA makes clear that the Chief Actuary is solely responsible for the content and actuarial opinions in reports prepared by the OCA. He is also solely responsible for the actuarial advice provided by his office to the relevant government departments, including the executive arm of provincial and territorial governments, which are co-stewards of the Canada Pension Plan (CPP). More information is available on OSFI's Web site under the [Office of the Chief Actuary](#).

Activities

OSFI has a number of key responsibilities that it must perform to meet its mandate and strategic objectives. In any year, there may be specific activities or initiatives related to these responsibilities.

REGULATION AND SUPERVISION OF FEDERALLY REGULATED FINANCIAL INSTITUTIONS

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

Risk Assessment and Intervention

This sub-activity involves the administration and application of an effective supervisory process to assess the safety and soundness of regulated financial institutions by evaluating an institution's risk profile, financial condition, risk management processes, and compliance with applicable laws and regulations. This includes activities to monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues; and intervene by exercising supervisory powers to take, or require management or boards to take, necessary corrective measures in a timely manner to protect depositors and policy holders, while recognizing that all failures cannot be prevented.

Regulation and Guidance

This sub-activity involves advancing and administering a regulatory framework of rules and guidance that promotes the adoption by regulated financial institutions of sound risk management practices, policies and procedures designed to plan, direct and control the impact on the institution of risks arising from its operations. This sub-activity encompasses the issuance of regulations and guidance, input into federal legislation and regulations affecting financial institutions; contributions to accounting, auditing and actuarial standards; and involvement in a number of international regulatory activities.

Approvals and Precedents

This sub-activity involves evaluating and processing applications for regulatory consent; establishing positions on the interpretation and application of the federal financial institutions legislation, regulations and guidance; identifying precedential transactions that may raise policy or precedent-setting issues and developing recommendations that recognize the need to allow institutions to compete effectively while undertaking reasonable risks that do not unduly impact OSFI's primary stakeholders, the policyholders and depositors of FRFIs.

REGULATION AND SUPERVISION OF FEDERALLY REGULATED PRIVATE PENSION PLANS

This activity involves regulating and supervising federally regulated private pension plans to determine whether they are meeting minimum plan funding requirements and are complying with their governing law and supervisory requirements. This activity provides risk assessments of pension plans covering employees in federally regulated areas of employment; timely and effective intervention and feedback to protect the financial interests of plan members and beneficiaries from undue loss, while recognizing that plan administrators are ultimately responsible and that plans can fail; a balanced relevant regulatory framework; and a prudentially effective and responsive approvals process. This activity incorporates risk assessment and intervention, regulation and guidance, and approvals and precedents related to federally regulated private pension plans.

ACTUARIAL VALUATION AND ADVISORY SERVICES

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

INTERNAL SERVICES

Activities include developing and implementing cost-effective, secure and reliable information management systems that contain relevant, accurate and timely internal and external data. These information systems are complemented by the development and delivery of effective financial, human resources, communication and administrative policies, advice and guidance. The objective is to ensure that OSFI has the processes and systems in place to enable a motivated and skilled workforce to focus on its supervisory and regulatory activities.

Key Risks and Threats

Enterprise Risk Management

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

OSFI's Enterprise-wide Risk Management (ERM) framework divides risks into external and internal categories. The external risk category consists of economic and financial conditions, the financial industry environment, OSFI's legal environment and catastrophic events. External risks arise from events that OSFI cannot influence but must be able to monitor and respond to in order to mitigate the impact. The internal risk category consists of risks that can broadly be categorized as people, processes, systems, and culture.

Economic, Industry and Regulatory Environment

The Canadian economy is recovering after a sharp contraction in economic activity that began in the middle of 2008, this contraction being preceded and followed by a number of significant international financial shocks. The resumption of growth in the second half of 2009 is supported by monetary and fiscal stimulus, increased household wealth, improving financial conditions, higher commodity prices, and stronger business and consumer confidence according to the Bank of Canada. Recent indicators also point to the start of a global recovery.

The Canadian economy has benefited from well-capitalized and well-diversified financial institutions. According to a recent [Standard & Poor's survey](#), Canadian banks rank among the world's strongest in terms of capital adequacy. Future growth in the economy will depend, to a certain extent, on the strength of these institutions as the recovery takes hold at the same time as significant industrial restructuring is taking place in the economy.

In recent months, a risk related to the global competitiveness of the Canadian economy has materialized. The Canadian dollar has strengthened significantly and become more volatile, reflecting both uncertainty about the long-term value of the U.S. dollar and an increase in commodity prices. The current strength in the Canadian dollar could offset any favourable developments at this early stage of recovery given the strong trade links between Canada and U.S. economies.

A number of key sources of risk to the strength and stability of the financial system are noted in the [December 2009 Bank of Canada Financial System Review](#), including the following:

- In the early stages of a recovery, a negative global (financial or economic) shock or a loss of investor confidence could re-ignite funding and liquidity pressures.
- The ability of households to service their debt obligations in the context of continued growth in credit and an environment of rising interest rates is an emerging source of risk for the medium term.
- Economic growth is likely to remain subdued for some time and there remains considerable uncertainty about how long it will take for a return to self-sustaining growth in private demand¹. The risk of a renewed decline in economic growth also remains a key risk.
- There is a risk that the fluctuations in exchange rates that are necessary to address global imbalances (i.e., large and unsustainable current account imbalances) over time are disorderly. Increasing concern about the sustainability of fiscal positions in several countries is a potential emerging source of risk over the medium term that could hinder this adjustment.

OSFI's ERM process has identified several key risks to the achievement of its mandate and objectives, as follows:

External Risks

Global Economies and the Industry

As previously mentioned, the risks posed by the current environment (both at the level of the economy and within the financial sector, and taking into account ongoing global responses) continue to be of concern. Global financial events require that OSFI, like all financial sector regulators and supervisors, be in a position to respond effectively to a constantly evolving economic and regulatory environment. On a micro-level, prevailing conditions continue to put pressure on the Capital and Accounting Policy Divisions to provide interpretations or to reassess existing guidance to ensure its effectiveness under stressful and evolving conditions. Specific strategies have been put in place within individual divisions, consistent with specialized responsibilities and current projects, to address ongoing industry developments. Resources continue to be reassigned and priorities realigned as necessary.

Capital Adequacy

Work is underway in many countries and in international fora to develop more risk-sensitive capital frameworks for insurance companies as both companies and regulators recognize the need to have more risk-sensitive approaches that better reflect the issues arising from increasingly complex products and dynamic markets. As a result, there is a need to improve the risk sensitivity of the Minimum Continuing Capital and Surplus Requirement (MCCSR) and the Minimum Capital Test (MCT), as well as to incorporate changes due to IFRS, while maintaining the integrity of the existing capital tests.

¹ Private demand includes consumption/investment/net-exports expenditure (e.g., spending/purchases) and excludes government expenditure.

Impending changes to the Basel capital framework for banks and the need to update prudential regulatory frameworks to address recent market events also require banks and regulators to focus more on the measurement of risks and its relation to the overall level of capital adequacy, leverage and liquidity. Due to the breadth of change and the novelty of certain measures, there is a risk that the review, consultation and implementation of these changes will require more resources than expected by both financial institutions and OSFI. It is expected that policies creating OSFI's current prudential framework will have to be updated to incorporate new issues, information and lessons learned from the times of stress.

Internal Risks

People Risks

OSFI's success is dependent upon having employees with highly specialized knowledge, skills and experience to regulate and supervise financial institutions, identify significant issues, and perform accurate risk assessments. OSFI is also being called on to take an increasing leadership role domestically and internationally and to devote resources to further improving financial regulation and considering systemic issues.

A volatile global economy, increasingly complex products, changes to prudential regulation and emerging risks in the industry also mean that OSFI needs to be able to attract, motivate, develop and retain skilled people, particularly those whose skills are in demand in the financial sector. In addition, a significant increase in hiring over the last two years due to market conditions, and normal turnover and retirement rates mean that a continuous learning environment is necessary to enable employees to meet the challenges of this constantly changing environment. Not having sufficient skill sets in place can result in an over reliance on certain key resources, which can have stress-related implications.

Systems Risks

Enabling technology and a robust, secure and well-supported Information Technology (IT) infrastructure are key success factors for OSFI in meeting its mandate. OSFI must ensure that the necessary information systems and infrastructure are in place to effectively support its supervisory and regulatory activities. As an IM/IT strategy has now been developed that addresses governance-related issues, the risk now shifts to implementation of the strategy. Accordingly, implementation issues need to be closely monitored and evaluated.

Changes to International Financial Reporting Standards

The Canadian Accounting Standards Board has decided to adopt IFRS in 2011. This will have an impact both on OSFI, as it relies on audited financial information, and the institutions it regulates. Further, key accounting changes proposed by the International Accounting Standards Board (IASB) will impact FRFIs and OSFI – including matters such as accounting for insurance liabilities, off balance sheet vehicles (de-recognition and consolidation), loan impairment, financial instruments, measurement of fair value and financial statement presentation. As a reliance-based regulator, it is crucial that OSFI understand and, when practicable, influence such changes so that OSFI will continue to be able to perform accurate risk assessments of financial institutions and will be able to adjust its regulatory capital framework as required.

Priorities for the 2010–2013 Planning Period

Responding to External Risks

OSFI has identified several priorities to respond to the external risks the organization faces in the current planning period.

Priority A – Enhanced Identification of Emerging Risks

OSFI continuously reviews and revises its processes to identify, monitor and report on emerging risks to the Canadian financial system and the FRFIs and private pension plans that operate within it. Two years ago, OSFI began a more concentrated focus in this area. This priority will continue for the current planning period, with a particular emphasis on our ability to identify, monitor and report on material system-wide risks via enhanced international and domestic monitoring, as well as research and intelligence gathering, and how such systemic risks or other emerging risks may affect the Canadian financial system or its financial institutions.

In the upcoming planning period, OSFI will perform more selected comparative reviews of FRFIs in key risk areas, which will be determined based on priority areas of interest. One of the comparative reviews performed last year was in the area of liquidity management. Building on this work, OSFI has contributed to the development of new international principles, standards and metrics for the liquidity of international banks (via the Basel Committee). OSFI will update its requirements for liquidity risk management at deposit-taking institutions in order to comply with this evolving guidance and to incorporate lessons learned from OSFI's domestic review. OSFI will also continue the multi-year project to update and implement its enhanced Supervisory Framework.

Through work conducted by the Private Pension Plans division, OSFI will continue to refine the process for monitoring emerging and ongoing risks facing private pension plans, with a particular focus on the risks associated with the planned implementation of legislative and regulatory amendments. In the upcoming planning period, OSFI will complete the implementation of the Pension Risk Assessment System, which will include enhanced tools for monitoring pension plans and identifying changes in their risk profiles.

Priority B – Institutional and Market Resilience

OSFI has been an active participant in international fora responsible for the development and promotion of consistent and coordinated methods in regulating internationally active financial institutions. It is even more critical in the wake of the financial crisis to ensure that OSFI is well positioned to identify and respond to international proposals within OSFI's mandate that may have an impact on the Canadian financial system or its financial institutions.

In the upcoming planning period, OSFI will continue to participate in the intensive work being performed by the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), the Joint Forum, and the

Senior Supervisors Group. These organizations are focused on identifying and responding to the key issues arising from global financial events, including future changes to regulatory approaches and new principles and rules for more effective prudential regulation. On the domestic front, OSFI will continue to work closely with our Financial Institutions Supervisory Committee (FISC) partners and the regulated industries on similar issues in the Canadian context. In addition, OSFI will maintain strong communications on and continue to promote improved risk-management practices in the areas of stress-testing methodologies, executive compensation practices, liquidity management, and corporate governance in institutions in order to strengthen individual FRFI preparedness and overall market resilience. OSFI will also continue to promote strong risk-management practices - the final Stress Testing Guideline was issued in December 2009 and a revised Liquidity Guideline is expected to be released in 2010.

Priority C – Changes to International Financial Reporting Standards (IFRS)

In May 2009, the Canadian Accounting Standards Board reconfirmed its 2008 position that IFRS would be adopted for all Canadian publicly accountable enterprises beginning in 2011. As FRFIs are considered publicly accountable enterprises, OSFI has completed its work to understand the implications of the accounting changes on supervisory and monitoring processes and has continued to work with FRFIs to ensure their readiness. In that regard, in 2008, OSFI established a streamlined cross-sector governance structure and a robust project infrastructure with workstreams for each key area to identify impacts resulting from the move to IFRS. During 2009, OSFI assessed the key policy, process and data collection requirements, consulted with industry associations (and directly with some financial institutions where appropriate) and reached proposed requirements.

In October 2009, OSFI issued a Draft Advisory for comment entitled “Conversion to IFRS by Federally Regulated Entities” that outlines the accounting and regulatory capital requirements, as well as issues on the filing of IFRS progress reports. Preliminary data collection and reporting requirements for comment were also posted on the OSFI website in October 2009. OSFI will continue to work closely with FRFIs in order to better understand their IFRS implementation plans and readiness and how their financial statements and businesses may be affected by IFRS changes. This objective is being achieved through bi-annual progress reporting from FRFIs. With regard to the bi-annual progress reporting, OSFI issued a letter in May 2009 that summarized key findings of the initial reports received, as well as provided additional clarity for future progress reports.

In 2010-2011, OSFI will be issuing its final positions in the form of an advisory on accounting and regulatory capital policy (targeted for March 2010). Final reporting changes are expected to be issued by June 2010, and final revised guidelines are expected to be issued from June through September 2010. OSFI’s focus will shift to system development and internal training as the other work is completed and to an increased focus on the IFRS changes discussed above.

OSFI will also assess the need to review its guidance and reporting requirements for pension plans in light of changes to Canadian GAAP to reflect aspects of IFRS.

As OSFI is publicly accountable, it will also be adopting IFRS in 2011, and a project has begun to ensure timely adoption of the new standards.

Priority D – Capital Adequacy

OSFI continues to take an active role in international discussions (e.g. BCBS, G20, and FSB) to improve the current capital and solvency regulatory framework, while taking into account lessons learned from the financial crisis. The impact of proposed changes to the Basel II framework and related matters such as liquidity and leverage (released December 17, 2009) will be the subject of an international Quantitative Impact Study (QIS) early in 2010. Further proposals will likely be developed in 2010. OSFI will then work with other international regulators to finalize and calibrate these international changes and will thereafter assess how agreed changes can be incorporated in domestic guidance.

With respect to the post-2008 Basel II implementation, OSFI will continue to focus on monitoring the performance of OSFI-approved Basel II risk models, continue validation work for credit risk models, and perform more detailed review work of banks' internal capital adequacy assessment processes as part of the ongoing supervisory reviews. Policy work in this area will examine the target capital policy for risk ratios, the authorized leverage multiple, standards for credit risk in the trading book, stress-testing standards, capital floors and the outcomes of macro stress-testing exercises using regulatory reporting information.

With respect to new insurance risk-based capital frameworks, OSFI will continue its work with the Minimum Continuing Capital Surplus Requirement (MCCSR) Advisory Committee and the Minimum Capital Test (MCT) Advisory Committee to develop and agree on more risk-sensitive capital frameworks for the Life and Property and Casualty (P&C) insurance industries. This includes developing implementation and risk-management criteria for risk-sensitive methodologies. The current economic context and future developments in the financial markets may have an impact on the process, outcome and the targeted implementation date. For example, the MCCSR Advisory Committee has agreed that OSFI should review its capital rules for segregated funds guarantees prior to focusing on other changes to MCCSR.

OSFI will also be assessing Life and P&C standardized capital approaches. For the MCCSR market and credit risks, the results of a QIS (different from the Basel II framework-related QIS) comparing the capital requirements under the current methodology and a proposed revised methodology will be available in early 2010. Mortality requirements will also be assessed to take into account the Canadian Institute of Actuaries' new standard allowing the recognition of mortality improvement in the valuation of actuarial liabilities. For P&C insurers, OSFI will collect information from the industry to evaluate the impact of OSFI's proposed modifications to the MCT and Branch Adequacy of Assets Test (BAAT).

Responding to Internal Risks

OSFI has identified several major priorities to respond to the internal risks the organization faces in the current planning period.

Priority E – People

OSFI's Human Resources (HR) Strategy identifies the key elements and supporting objectives required to ensure OSFI's ability to meet the people component of its mandate and business plans, and to address its people risks. The main focus of the HR strategy is to proactively plan for and respond to human resources risks that may threaten OSFI's ability to deliver its mandate. Strategic goals that will assist in mitigating these risks include continued effective HR planning across sectors, including succession plans and key learning, training and development plans; and implementing targeted recruitment and retention strategies to maintain an appropriate balance between OSFI experience and recent industry experience. Other key areas of the strategy include maintaining and risk-managing a strong and relevant HR management framework; establishing and managing expectations; fostering a team-based culture in which employees are heard and information is shared; and promoting a positive, fair and healthy workplace.

In the upcoming planning period, OSFI will implement an updated compensation structure (following the expiration of the Expenditure Restraint Act); continue to focus on ensuring the capacity and skills of our employees are in place to meet our objectives; refine our performance-management process; implement a revised 360 program; and proceed with our bi-annual employee survey.

Priority F – Infrastructure Enhancements

Following the review and update of OSFI's multi-year IM/IT Strategy in 2009, OSFI will continue with the implementation of new IM/IT governance and portfolio-management practices. Together, these practices will ensure that IM/IT investments are balanced between lifecycle maintenance, optimization and replacement of existing technology assets, and the strategic selection and implementation of new investments. Another key component of the IM/IT strategy, rationalization of the application portfolio, will begin in order to realize efficiencies and improve the ability for OSFI's systems to adapt to evolving business needs.

As the accommodations lease for OSFI's Toronto office is currently scheduled to expire in February 2012, in the upcoming planning period, OSFI will work with Public Works Government Services Canada to address the next steps with respect to project approval, expressions of interest, contract award and implementation of the selected accommodation plan and strategy.