



Office of the Superintendent of
Financial Institutions Canada

Bureau du surintendant des
institutions financières Canada

Office of the Superintendent of Financial Institutions (OSFI)

Plan and Priorities for 2013-2016



Canada 

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OSFI Priorities at a Glance for 2013–2016

Priority A - Anticipating and Responding to Risks Emanating from the Economy and Financial System
<ol style="list-style-type: none">1. Focus on the impact of low interest rates, high household indebtedness and heightened global challenges on the entities OSFI oversees, via enhanced monitoring, real estate lending reviews and stress testing.2. Advocate OSFI's regulatory approaches through participation in international policy discussions and working with domestic partners and industry stakeholders on similar issues in the Canadian context.3. Participate and achieve strong results in the International Monetary Fund's Financial Sector Assessment for Canada, as well as ongoing peer reviews by the Financial Stability Board and the Basel Committee on Banking Supervision.4. Increase OSFI resources in the area of operational risk so as to do more reviews of federally regulated financial institutions (FRFIs) (e.g. reviews of: technology risk with a focus on cyber security; quality of data systems; and overall management of rising operational risk).5. Promote improved risk management practices in FRFIs in the area of stress testing and by conducting targeted reviews in areas such as how institutions have implemented the 2013 Corporate Governance Guideline, including the development of a risk appetite statement.6. Assess the risk and risk management activities in key businesses at Canada Mortgage and Housing Corporation (CMHC) (i.e. mortgage insurance and securitization), given the mandate provided to OSFI in July 2012.
Priority B - Anticipating and Responding to Risks Emanating from Regulatory Reform
Banking Reforms: <ol style="list-style-type: none">1. Monitor the implementation of banking reforms in other jurisdictions and the impact of global and domestic banking reforms on banks in Canada and adjust domestic guidance as required.2. Play a collaborative role in the establishment of a credible recovery and resolution framework for major banks in Canada.
Insurance Reforms: <ol style="list-style-type: none">1. Implement the suite of domestic reforms set out in the life insurance regulatory reform roadmap, as well as forthcoming proposed changes to property and casualty capital rules.2. Actively participate, where appropriate, in the development of global insurance standards, and monitor the implementation of insurance reforms in other jurisdictions and assess their implications for insurance companies operating in Canada.
Pensions Reforms: <ol style="list-style-type: none">1. Develop internal processes, external guidance and provide technical support to address pension-related regulatory changes, including Pooled Registered Pension Plans (PRPPs).
Accounting, Auditing and Information Disclosure Reforms: <ol style="list-style-type: none">1. Monitor and participate in changing international accounting and auditing standards to identify and ensure that any issues that arise are addressed in prudential and disclosure requirements for FRFIs.2. Actively monitor and participate in attempts by the International Accounting Standards Board to achieve convergence with the Financial Accounting Standards Board. In the event of lack of convergence, assess and recommend any actions that need to be taken with respect to OSFI prudential standards.3. Ensure major federally-regulated financial institutions continue to be among the leaders in publicly disclosing information on their financial condition and risk management practices.
Priority C - A High-Performing and Effective Workforce
<ol style="list-style-type: none">1. Continued implementation of the Human Resources (HR) Framework to ensure effective people management.2. Enhance OSFI's integrated planning process and supporting documentation to clearly identify resource gaps (skills, tools & financial) and action plans to mitigate risks.3. Introduce new HR systems to enhance reporting, productivity and information access.
Priority D - An Enhanced Corporate Infrastructure
<ol style="list-style-type: none">1. Establish a framework for enterprise-wide internal control with a comprehensive risk management plan.2. Complete the Information Technology Renewal (ITR) program and prepare OSFI for adoption of future emerging technologies.3. Continue to develop an enterprise information and FRFI data management strategy and framework, as per sound Enterprise Information Management principles, to ensure OSFI effectively captures and shares FRFI information.

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 and 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;
- Monitor and evaluate system-wide or sectoral issues that may impact institutions negatively.

OSFI's legislation acknowledges the need to allow institutions to compete effectively and take reasonable risks. It also 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 Priority remains unchanged for the 2013-2016 planning period and is to *be proactive in anticipating and addressing risks from economic uncertainty and regulatory change. Drivers of this priority include business and regulatory change arising from, the interaction between, and unintended consequences of, events such as:*

- *Accounting rule changes for all sectors, but especially for life insurance*
- *Basel III implementation*
- *A new capital framework for insurance companies, and*
- *Higher standards for effective risk management and governance.*

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

“High-performance employees are critical to our success. We will ensure that our employees have the support needed to succeed.”

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

Governance and Accountability

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

Executive Committee

OSFI's Executive Committee consists of the Superintendent (Chair), and three Assistant Superintendents who are respectively responsible for the Supervision Sector, the Regulation Sector, and the Corporate Services Sector. This committee meets on a regular basis to address all policy, regulatory, and management issues of the agency, including the setting and approval of OSFI's annual strategic, operational and financial plans, the setting of priorities and high-priority projects, the allocation and reallocation of resources, and the monitoring and reporting of financial results and performance.

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](#)¹ on OSFI's Web site.

OSFI's internal audit group conducts assurance audits based on a comprehensive risk-based audit plan that is posted at [About OSFI/Reports/Internal Audit Reports](#)². 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. 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 at [About OSFI/Reports/Reports](#)³.

Business Council

The Business Council (BC) takes a "big picture" view of all the Information Management / Information Technology (IM/IT) initiatives that are requested, and determines the IM/IT investment spending and allocation of funds. Considering common sense principles such as affordability of ongoing system operating costs and the need to maintain existing technology, the BC recommends a "balanced" portfolio to the Executive for consideration during yearly budget discussions. The Business Council provides portfolio and project management oversight authority relating to OSFI's IM/IT investments. It oversees the implementation of the OSFI IM/IT Portfolio and ensures OSFI priority and IM/IT strategy alignment. The Business Council, through its chairperson, the Chief Information Officer (CIO), is responsible to the OSFI Executive Committee. It delegates authority and provides support to its sub-committee (IM/IT Change Advisory Board (CAB)) for non-project IM/IT changes and initiatives. As well, it creates and provides direction for subordinate working groups as and when required. Issues that remain unresolved at the Business Council level will be referred to the OSFI Executive Committee for

¹ http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=1342

² http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=894

³ http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=375

resolution. The decision of the Executive Committee is final. The Business Council meets quarterly, or on a regular occurrence at the discretion of the Chair. Meetings are scheduled in coordination with relevant deadlines in the OSFI business planning and budget development schedules.

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](#)⁴.

Office of the Chief Actuary's Accountability Framework:

The Office of the Chief Actuary (OCA) is an independent unit within OSFI that provides actuarial valuation services to the Government of Canada in the form of reports tabled in Parliament and actuarial advice to various government departments. While the Chief Actuary reports to the Superintendent, the [Accountability Framework for the OCA](#)⁵ makes clear that the Chief Actuary is solely responsible for the content and actuarial opinions in reports prepared by the OCA and for the actuarial advice provided 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](#)⁶.

⁴ http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=649

⁵ http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/oca/Reporting_Accountability_OCA_e.pdf

⁶ http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?ArticleID=497

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 program involves regulating and supervising federally regulated financial institutions (FRFIs) to determine whether they are in sound financial condition and are complying with their governing statute 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.

Costs for this program are recovered through base assessments and user fees and charges paid by the federally regulated financial institutions covered under the *Bank Act*, *Trust and Loan Companies Act*, *Insurance Companies Act* and *Cooperative Credit Associations Act*.

This program has three sub-activities:

1. 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 program includes activities to monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues; and intervene on a timely basis when a financial institution's business practices may be imprudent or unsafe, by exercising supervisory powers to take, or require management or boards to take, necessary corrective measures as rapidly as possible to protect depositors and policy holders, while recognizing that all failures cannot be prevented.

2. 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.

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

Actuarial Valuation and Advisory Services

This program activity, through the Office of the Chief Actuary, provides a range of actuarial services, under legislation, to the Canada Pension Plan (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

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. 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 and administration, security, internal audit, 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

OSFI operates in a constantly changing environment reflected in uncertain economic and financial conditions and an industry that can undergo periods of rapid change and that is becoming increasingly complex. OSFI's ability to achieve its mandate and objectives is impacted by the range of risks that exist in such circumstances. The challenge is to effectively and efficiently identify, evaluate, prioritize and develop initiatives to address areas where 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 are monitored in order to mitigate their potential impact on OSFI's operations. The internal risk category consists of operational risks that are broadly categorized as people, processes (governance processes, internal processes, and relationship management processes), enabling supporting systems, and culture (core values and change management).

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

External Risks

Economic, Industry and Regulatory Environment

The economic outlook for major foreign economies and for Canada remains uncertain. The U.S. recovery continues to proceed at a modest pace but questions remain about whether medium-term fiscal challenges can be addressed in an orderly manner. Europe entered its second recession in 2012 and while observers expect that growth will return, growth prospects will likely continue to be constrained by the need to reduce debt levels in a number of countries. Structural reforms are necessary to restore market confidence in Europe but the implementation risks are high and a re-escalation of the crisis in the euro area continues to be a material risk. A deepening of Canada's economic ties with China is occurring against a backdrop of slowing growth in China and concerns about excessive reliance in China on public investment, potential imbalances in the Chinese housing market and risks emanating from China's growing shadow banking sector.

The Canadian economy could also be more susceptible to adverse shocks compared to the last recession. Elevated household debt levels not only make households more vulnerable to adverse shocks but continued low interest rates could encourage even higher household indebtedness for a period of time. Also, consumers themselves could become a drag on economic growth if they take action to rein in spending to address their indebtedness or a decline in housing prices results in a pronounced, negative wealth shock. Cyber attacks are also increasing in frequency globally.

Global and domestic financial events require that OSFI be in a position to respond effectively to a continually evolving economic and regulatory environment. On a micro-level, prevailing conditions continue to put pressure on OSFI staff 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, Leverage and Liquidity

A fundamental redesign of the Basel capital framework for banks and the need to update prudential regulatory frameworks to address continued disruptions in global financial markets 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. OSFI expects that the review, consultation and implementation of these changes will require more resources by both financial institutions and OSFI to address the number, breadth and novelty of more international rules and the need to monitor and advocate for comparable and timely implementation of these rules in peer jurisdictions. It is expected that policies and guidelines comprising OSFI's current prudential framework will have to be updated to incorporate new issues, information and lessons learned from the recent economic turmoil and the evolution of the structure of financial markets in reaction to new internationally required prudential standards. Monitoring the impact of new standards on bank behaviour will become equally important.

Work is underway in Canada as well as in many countries and international fora to develop more risk-sensitive capital frameworks for insurance companies. In Canada, the capital tests are called Minimum Continuing Capital and Surplus Requirement (MCCSR) and the Minimum Capital Test (MCT). Both companies and regulators recognize the need to have more risk sensitive approaches that better reflect the issues arising from increasingly complex products, dynamic markets, and accounting changes, while ensuring that they do not give rise to inappropriate volatility in regulatory capital requirements, especially for companies with long-term liabilities. In this regard, OSFI's Life Insurance Regulatory Framework⁷, which was released in September 2012, sets out OSFI's priorities over the next three years.

Accounting, Auditing and Information Disclosure Requirements

OSFI continues to monitor key accounting projects proposed by the International Accounting Standards Board (IASB) and their impacts on FRFIs. There are two key projects that will impact banks and insurers: replacement of Financial Instruments, and Insurance Contracts Phase II. The Financial Instruments project proposes increased use of fair value and expected loss provisioning for loans. The Insurance Contracts Phase II project proposes to fundamentally change the valuation of insurance liabilities and recognition of revenue. The impacts of the changes from these projects are extensive in that they will not only change the accounting, but will also significantly impact loan values and provisions, actuarial standards, and the regulatory capital regime. It is crucial that OSFI continues to anticipate, 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 the regulatory capital framework as required.

The 2008 financial crisis has sparked much international and domestic discussion as well as proposals on how the audit function at financial institutions could be enhanced in order to contribute to increased financial stability. The role of the auditor, the scope of audits, and the audit report are being discussed and scrutinised on many levels. OSFI is actively monitoring and

⁷ http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?ArticleID=5078

participating in domestic and international work efforts to improve audit quality (internationally through the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), and the International Association of Insurance Supervisors (IAIS), and domestically through the Auditing and Assurance Standards Board (AASB) and Auditing and Assurance Standards Oversight Council (AASOC)), and will make specific recommendations feeding into those work efforts as appropriate.

The financial crisis has also highlighted the need for further enhancements in the disclosure of public information on the financial condition and risk management practices of internationally-active financial institutions. In 2012, the Financial Stability Board welcomed 32 recommendations from a private-sector led task force to enhance the public disclosure of information by banks on their financial condition and risk management practices. OSFI is supporting the efforts of the six major Canadian banks as they develop plans to implement the recommendations of that report so that they can continue to be among the most forthcoming internationally in the public disclosure of this information.

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.

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. Although OSFI has grown significantly in recent years and turnover remains low, new OSFI responsibilities or existing areas which are of increased concern to OSFI could result in the need for new resources going forward. OSFI promotes a continuous learning environment to enable employees to meet the challenges under constantly changing conditions. Not having sufficient skill sets in place can result in an over reliance on certain key resources, which can lead to other people risks.

Systems Risks

Enabling technology and a robust, secure and well-supported Information Management/Information Technology (IM/IT) infrastructure are key success factors to 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. OSFI has undertaken a multi-year information technology renewal initiative (ITR) in support of a long term IM/IT Strategy to mitigate this risk. Implementation issues related to this initiative are being closely monitored and evaluated.

Priorities for the 2013–2016 Planning Period

Priority A – Anticipating and Responding to Risks Emanating from the Economy and Financial System

Economic and financial conditions have a significant impact on the environment within which financial institutions operate. A clear understanding of the risks emanating from the economy and financial systems ensures that effective regulatory and supervisory actions are undertaken.

Strategies and Related Actions

1. Focus on the impact of low interest rates, high household indebtedness and heightened global challenges on the entities OSFI oversees, via enhanced monitoring, real estate lending reviews and stress testing.
 - Conduct targeted reviews of real estate secured lending portfolios and other retail books.
 - Continue to promote stress testing by FRFIs, and continue internal stress testing.

Expected Results:

1. Impacts of the low interest rate environment and global financial risks are identified and discussed internally and where appropriate, action plans are established.
 2. Targeted reviews of real estate secured lending portfolios and other retail books are completed, and FRFIs take action if necessary.
 3. FRFIs increasingly use internal stress tests to self-assess risks and respond. OSFI stress testing enhances supervisory strategy, risk and capital adequacy assessments.
2. Advocate OSFI's regulatory approaches through participation in international policy discussions and working with domestic partners and industry stakeholders on similar issues in the Canadian context.
 - Continue to participate in discussions with the FSB, the BCBS, the IAIS, the Joint Forum, and the Senior Supervisors Group (SSG) to contribute to developing global standards while ensuring the emerging standards take account of the features of the Canadian financial system. 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, continue to work closely with Financial Institutions Supervisory Committee (FISC), Senior Advisory Committee (SAC), and industry stakeholders on similar issues in the Canadian context (e.g., recovery and resolution plans, shadow banking).

Expected Results:

1. International trends and recommendations are responded to as per established timelines and are consistent with the Canadian context.
2. OSFI's views on policy and regulatory developments are presented and discussed at both domestic and international fora.
3. FRFIs are kept informed of OSFI's position on key issues as they develop.

3. Participate and achieve strong results in the International Monetary Fund's (IMF) Financial Sector Assessment for Canada, as well as ongoing peer reviews by the FSB and the BCBS.
 - With respect to the FSAP, this will involve an in-depth review of OSFI's compliance with international banking and insurance supervision standards, and completion of appropriate macro stress tests (working with the Bank of Canada).

Expected Results:

1. OSFI achieves an overall positive report from the IMF.
 2. Any recommendations actionable by OSFI are addressed as soon as practicable upon receipt of the FSAP report.
4. Increase OSFI resources in the area of operational risk so as to do more reviews of FRFIs (e.g. reviews of: technology risk with a focus on cyber security; quality of data systems; and overall management of rising operational risk).
 - Enhance focus on operational risk at FRFIs given that operational risk is increasing globally (e.g. increased frequency of cyber-attacks and increased frequency of catastrophic events). As well, the bar is rising in terms of expectations on operational risk units at FRFIs (e.g. operational risk best practices are being strengthened).
 - Actions are to conduct a targeted cross sector review of technology risk at major FRFIs; monitor banks' progress towards improving their risk management data aggregation and reporting capabilities; and verify implementation of recently established BCBS expectations.

Expected Results:

1. OSFI's capabilities are enhanced and a review of technology risk is completed in 2013 with any gaps being reported to FRFIs so that practices are enhanced.
 2. Banks have adequate data aggregation and reporting capabilities.
 3. Banks meet BCBS expectations.
5. Promote improved risk management practices in FRFIs in the area of stress testing and by conducting targeted reviews in areas such as how institutions have implemented the 2013 Corporate Governance Guideline, including the development of a risk appetite statement.
 - Perform selected comparative reviews of FRFIs in other key risk areas, such as, credit cards, and, collateral management (also cover technology risk management practices as noted above).

Expected Results:

1. Supervisory assessments of FRFIs' controls and oversight indicate extent to which they comply with expectations, including those for corporate governance.
 2. Reviews are completed for technology risk management practices, credit cards, and collateral management.
 3. FRFIs adopt more robust risk management practices.
6. Assess the risk and risk management activities in key businesses at CMHC (i.e. mortgage insurance and securitization), given the mandate provided to OSFI in July 2012.
 - Use our internal Supervisory Framework to understand the risk in CMHC's key business activities, and how they are managed, and provide early and frequent feedback to CMHC.

Expected Results:

1. Being very well advanced in the supervisory process developed for CMHC by the end of 2013-2014.

Priority B – Anticipating and Responding to Risks Emanating from Regulatory Reform

The regulatory agenda globally is changing rapidly. A clear understanding of developments ensures appropriate actions are undertaken by OSFI to maintain a regulatory framework that continues to be effective and responsive.

Banking Reforms

Strategies and Related Actions

1. Monitor the implementation of banking reforms in other jurisdictions and the impact of global and domestic banking reforms on banks in Canada and adjust domestic guidance as required.
 - Understand the impacts of international banking regulations on our banks and incorporate into new or revised guidelines on a timely basis.
 - Keep FISC and Senior Advisory Committee (SAC) partners well informed and take appropriate actions.

Expected Results:

1. OSFI guidance remains timely, clear, and relevant.
2. FISC/SAC are briefed on a frequent basis and appropriate actions implemented.
2. Play a collaborative role in the establishment of a credible recovery and resolution framework for systemically important banks in Canada.
 - Work with Canada Deposit Insurance Corporation to establish such a framework.

Expected Results:

1. Recovery and resolution framework in place that is timely, clear, relevant and that reflects international trends and recommendations.

Insurance Reforms

Strategies and Related Actions

1. Implement the suite of domestic reforms set out in the life insurance regulatory reform roadmap, as well as forthcoming proposed changes to property and casualty capital rules.
 - Implement domestic reforms described in OSFI's Life Insurance Regulatory Framework (released publicly in September 2012⁸). There will also be a focus on implementing upcoming anticipated changes to Property & Casualty capital rules.

Expected Results:

1. New life insurance regulatory framework implemented in Canada, according to time lines set out in the September 2012 paper, taking into account industry consultations.

⁸ http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/LIRF_e.pdf

2. Implementation of more risk sensitive capital rules for property and casualty insurers.
2. Actively participate, where appropriate, in the development of global insurance standards, and monitor the implementation of insurance reforms in other jurisdictions and assess their implications for insurance companies operating in Canada.
 - Understand the impact of global/foreign insurance reforms on insurers operating in Canada and take into account in the formulation of domestic guidance.
 - Provide timely and appropriate responses to international initiatives.

Expected Results:

1. Impact on Canadian insurers is clearly understood.
2. Domestic guidance published which reflects/considers international developments.
3. International initiatives are monitored and appropriate responses/feedback provided on a timely basis.

Pensions Reforms

1. Develop internal processes, external guidance and provide technical support to address pension-related regulatory changes, including Pooled Registered Pension Plans (PRPPs)⁹.
 - Support the Department of Finance in finalizing pension regulations related to 2010 reforms to federal pension legislation. Also ensure that internal processes and external guidance are up-to-date to help stakeholders understand new rules and OSFI expectations and enable OSFI to identify and assess any new risks stemming from the regulatory changes.
 - Continue to support the implementation of PRPPs through the development of internal processes, external guidance, and timely licensing of PRPP administrators and registration of PRPPs. This will enable OSFI to effectively assess risks and fulfill its mandate with respect to PRPPs and ensure that stakeholders are educated on their rights and responsibilities under the PRPP framework and on OSFI's expectations.

Expected Results:

1. Internal procedures and external guidance are up-to-date.
2. Timely support with finalizing remaining pension regulations is provided to the Department of Finance.
3. Timely licensing of PRPP administrators and registration of PRPPs.

Accounting, Auditing and Information Disclosure Reforms

Strategies and Related Actions

1. Monitor and participate in changing international accounting and auditing standards to identify and ensure that any issues that arise are addressed in prudential and disclosure requirements for FRFIs.
 - Continue to participate in discussions with international and domestic standard setters to represent OSFI's views and influence the development of final accounting and auditing

⁹ PRPPs are a new retirement savings option introduced by the Federal government of Canada and brought into force on December 14, 2012.

standards (e.g. Insurance Contracts Phase II, replacement of IAS 39 Financial Instruments, etc.)¹⁰. ASB and the IAASB are heavily involved in changing significant IFRS and audit standards and reporting requirements between 2013 and 2016.

- Ensure that any issues that arise are addressed in FRFI prudential and disclosure requirements.
- Ensure new guidelines, amendments of existing ones, and any changes to disclosure requirements are timely, clear and relevant.

Expected Results:

1. Any changes to reporting requirements are timely, clear, relevant and finalized according to internal and external processes.
 2. Disclosure guidance is prudent and consistent with economic realities, and other disclosure initiatives.
2. Actively monitor and participate in attempts by the IASB to achieve convergence with the Financial Accounting Standards Board (FASB). In the event of lack of convergence, assess and recommend any actions that need to be taken with respect to OSFI prudential standards.
 - Monitor the accounting developments from the IASB and FASB to understand where boards are not achieving convergence.
 - Impacts to OSFI's regulatory regime will be identified and changes proposed where appropriate.

Expected Results:

1. Convergence (non-convergence) clearly defined and articulated to OSFI Executive and where necessary impacts neutralized or mitigated.
 2. New guidelines, amendments of existing ones, and any changes to disclosure requirements are timely, clear and relevant.
3. Ensure major FRFIs continue to be among the leaders in publicly disclosing information on their financial condition and risk management practices.
 - Support the efforts of the six major Canadian banks to implement the recommendations of the Financial Stability Board's Enhanced Disclosures Task Force.

Expected Results:

1. Major Canadian banks are among the leading institutions internationally in implementing the enhanced disclosures that have been welcomed by the Financial Stability Board.

Priority C – A High-Performing and Effective Workforce

Active recruitment, development and management of OSFI employees will allow for continued successful delivery of OSFI business goals.

¹⁰ International standard setters include the BCBS, IAIS, IASB and the International Auditing and Assurance Standards Board (IAASB). Domestic standard setters include the Accounting Standards Board, the AASB, the Canadian Public Accountability Board and the Canadian Auditing and Assurance Standards Oversight Committee (AASOC).

Strategies and Related Actions

1. Continued implementation of the Human Resources (HR) Framework to ensure effective people management.
 - Implement an overarching People Management Framework that aligns human resources (HR) practices and programs to business performance.
 - Implement a Total Rewards Framework that guides OSFI's approach to compensation, benefits, work-life balance, employee recognition, and employee development, and that ensures we continue to recruit, retain and motivate our workforce.

Expected Results:

1. Internal audit follow-ups will demonstrate that frameworks are in place and managed effectively.
2. Enhance OSFI's integrated planning process and supporting documentation to clearly identify resource gaps (skills, tools & financial) and action plans to mitigate risks.
 - Continue to evolve OSFI's HR Planning process to clearly identify resource gaps (skills, tools & financial) and action plans to mitigate risk.

Expected Results:

1. Appropriate tools, guidance and training are provided to facilitate HR management.
3. Introduce new HR systems to enhance reporting, productivity and information access.
 - Assess and implement a new HR System to provide better metrics and reporting on people management risks, and to provide future self-service to employees.

Expected Results:

1. Systems delivered as per established timelines and specifications, within approved budgets and delivering targeted benefits.

Priority D – An Enhanced Corporate Infrastructure

Enhancing internal systems, processes, and knowledge transfer, will enable OSFI to work more effectively and efficiently.

Strategies and Related Actions

1. Establish a framework for enterprise-wide internal control with a comprehensive risk management plan.
 - Improve the sustainability of effective corporate services by continuing to implement key process documentation and internal controls in a risk-management approach, including:
 - Implementing various internal audit action plans as committed and reporting regularly to OSFI's Audit Committee on achievement of plans.
 - Ongoing development of a framework for enterprise-wide internal control as approved by the Executive Committee.

Expected Results:

1. Key controls are maintained to deliver expected results.

2. Complete the Information Technology Renewal (ITR) program and prepare OSFI for adoption of future emerging technologies.
 - Continue the ITR program to renew systems and applications enabling business intelligence, financial returns processing and document and records management.
 - Explore and assess how existing and emerging technologies can enable OSFI employees to work in new and different ways in the future.

Expected Results:

1. ITR projects are delivered as per established timelines and specifications, within approved budgets and delivering targeted benefits.
3. Continue to develop an enterprise information and FRFI data management strategy and framework, as per sound Enterprise Information Management (EIM) principles, to ensure OSFI effectively captures and shares FRFI information.
 - Including the introduction of a Tri-agency Database System and Business Intelligence Renewal application.

Expected Results:

1. Approved FRFI data management and EIM strategies and supporting framework and infrastructure are in place and applied effectively.