



Advisory

Category: Regulatory & Legislative

NOTICE*

Subject: Substantial Investments

No: 2015-01

Issued: June 2015

Introduction: This Advisory provides an overview of how the Office of the Superintendent of Financial Institutions (OSFI) administers and interprets the substantial investment regimes set out in the following statutes (individually, a Statute; collectively, the Statutes) as well as related regulations:

- (a) the *Bank Act* (the BA);
- (b) the *Insurance Companies Act* (the ICA);
- (c) the *Trust and Loan Companies Act* (the TLCA); and
- (d) the *Cooperative Credit Associations Act* (the CCAA).

These investment regimes apply to federally regulated financial institutions¹, bank holding companies (BHCs), insurance holding companies (IHCs) and provincial companies². These investment regimes, however, do not apply with respect to the assets of segregated funds maintained by life companies and fraternal benefit societies.³ As a result, investments via segregated funds are outside the scope of this Advisory. Since the Statutes contain no investment regime specifically applicable to foreign insurance companies, and since the BA's investment regime applicable to foreign banks and entities associated with a foreign bank (other than FREs, as defined below) is addressed in [Advisory 2006-01-R1](#), investments by these entities are also outside the scope of this Advisory.

This Advisory supersedes Advisories 2003-05, 2003-06, 2003-07 and 2003-08.

Except where stated otherwise, in this Advisory:

¹ In this Advisory, the term "federally regulated financial institutions" does not include authorized foreign banks or foreign companies authorized to insure in Canada risks.

² The term "provincial company" is defined in subsection 2(1) of the ICA. Pursuant to subsection 656(1) of the ICA, the ICA's investment regime applies to provincial companies.

³ See paragraphs 490(3)(a) and 550(c) of the ICA.



FRE stands for “federally regulated entity”. FREs consist of federally regulated financial institutions, BHCs and IHCs. In addition, references in this Advisory to investments by (rather than in) FREs include investments by provincial companies.

Minority Investment Regulations stands for *Minority Investment Regulations* made under each of the Statutes.

OE stands for “other entity”, which is an entity that is not an RE.

PE stands for “permitted entity”. The Statutes define a PE as an entity in which an FRE is permitted to acquire a substantial investment under section 468 or 930 of the BA, section 495, 554 or 971 of the ICA, section 453 of the TLCA, or section 390 of the CCAA.⁴ In OSFI’s view, an entity is a PE once all applicable approval and other requirements contained in those sections are satisfied with respect to the entity.

PFFI stands for “provincially or foreign regulated financial institution”.⁵

RE stands for “regulated entity”. REs consist of FREs and PFFIs.

Specialized Financing Regulations stands for *Specialized Financing Regulations* made under each of the Statutes.

⁴ See subsections 464(1) and 925(1) of the BA; subsections 490(1), 540(1) and 966(1) of the ICA; subsection 449(1) of the TLCA; and subsection 386(1) of the CCAA.

⁵ These are entities referred to in paragraphs 468(1)(g) to (j) and 930(1)(g) to (j) of the BA; paragraphs 495(1)(g) to (j), 554(1)(b) and (c), and 971(1)(g) to (j) of the ICA; 453(1)(g) to (j) of the TLCA; and 390(1)(e) to (h) of the CCAA.

Overview:

The Statutes impose a prudent person standard and equity acquisition limits on FREs with respect to their investments. The Statutes also impose parameters on FREs with respect to their acquisitions of control⁶ of, and acquisitions and increases of substantial investments⁷ in, entities. An FRE acquires control of an entity if the FRE acquires control in law or control in fact of the entity. In essence, an FRE acquires a substantial investment in an entity if the FRE, directly or via a subsidiary⁸, acquires over:

- (a) 10 per cent of the voting shares of an incorporated entity; or
- (b) 25 per cent of the ownership interests of an incorporated or an unincorporated entity.

All of the above is discussed in Section 1 of the Advisory.

Generally, an FRE may only acquire control of, or acquire or increase a substantial investment in, entities falling within one of four categories (this is discussed in Section 2 of the Advisory).

These four categories are as follows:

- (a) PEs (this category, which is subject to approval and other requirements in certain cases, is discussed in Section 3 of the Advisory);
- (b) entities whose shares or ownership interests are held via an RE that is a subsidiary of the FRE (this category is discussed in Section 4 of the Advisory);
- (c) entities whose shares or ownership interests are held for the limited period of time specified by the Statute that applies to the FRE (this category is discussed in Section 5 of the Advisory); and
- (d) entities whose shares or ownership interests are held in accordance with the *Specialized Financing Regulations* that apply to the FRE⁹ (this category is discussed in Section 6 of the Advisory).

Where an FRE holds an investment under one category, it may reclassify that investment under another category, subject to meeting all applicable requirements of that other category (this is discussed in Section 7 of the Advisory). Where an FRE seeks to acquire control of, or acquire or increase a substantial investment in, an entity for which no approval is required, an FRE may be requested to notify OSFI (this is discussed in Section 8 of the Advisory).

⁶ The term “control” is defined in section 3 of the Statutes.

⁷ The term “substantial investment” is defined in section 10 of the BA, ICA and TLCA, and section 12 of the CCAA.

⁸ Within the meaning of section 5 of the Statutes.

⁹ Property and casualty companies, marine companies and fraternal benefit societies may not acquire or hold any shares or ownership interests under the ICA’s *Specialized Financing Regulations*.

Section 1. Fundamental Rules and Concepts

The following rules may apply, and the following concepts do apply, to investments addressed in this Advisory.

1.1 Prudent Person Rule

FREs must adhere to investment policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return.¹⁰

1.2 Equity Limit Rules

The Statutes impose equity and aggregate limits with respect to FREs' investment portfolios as a whole (substantial investments and otherwise).¹¹

1.3 Concepts of Substantial Investment and Control

The Statutes define both “substantial investment”¹² and “control”¹³.

An FRE has a substantial investment in a body corporate if the aggregate of:

- (a) the voting rights attached to any of the voting shares of the body corporate beneficially owned by the FRE and any of its subsidiaries exceeds 10 per cent of the voting rights attached to all of the outstanding voting shares of the body corporate; or
- (b) any shares (voting and non-voting) of the body corporate beneficially owned by the FRE and any of its subsidiaries represents ownership of greater than 25 per cent of the shareholders' equity of the body corporate.

An FRE has a substantial investment in an unincorporated entity if the aggregate of any ownership interests beneficially owned by the FRE and its subsidiaries exceeds 25 per cent of all of the ownership interests into which the entity is divided.

Under the Statutes, the term “control” includes both “control in law” (also known as *de jure* or legal control) and “control in fact” (also known as *de facto* control).¹⁴

¹⁰ See sections 465 and 927 of the BA; sections 492, 551 and 968 of the ICA; section 450 of the TLCA; and section 387 of the CCAA. See also [Guideline B-1 – Prudent Person Approach](#).

¹¹ See sections 475, 477, 478, 937, 939 and 940 of the BA; sections 502, 507, 508, 561, 565, 566, 978, 982 and 983 of the ICA; sections 460, 465 and 466 of the TLCA; and sections 397 and 402 of the CCAA. See also the *Investment Limits Regulations* made under each of the Statutes.

¹² See section 10 of the BA, ICA and TLCA, and section 12 of the CCAA, which address the concepts of “having” and “increasing” a substantial investment.

¹³ See section 3 of the Statutes.

¹⁴ For more information on the concept of control in fact, see [Advisory 2007-02 – Control in fact](#).

Section 2. General Prohibition and Categories of Substantial Investments

Generally, an FRE cannot acquire control of, or acquire or increase a substantial investment in, any entity except an entity falling within one of the following four categories¹⁵:

- (a) a PE;
- (b) an entity whose shares or ownership interests are held via an RE that is a subsidiary of the FRE;
- (c) an entity whose shares or ownership interests are held for the limited period of time specified by the Statute that applies to the FRE; and
- (d) an entity whose shares or ownership interests are held in accordance with the *Specialized Financing Regulations* that apply to the FRE¹⁶.

An examination of each of these four categories follows.

Practice Points – Categories of Substantial Investments

- Where an investment in an entity meets the requirements of one of the four categories above, it is not required to meet the requirements of another category. For example, if a trust company seeks to acquire, by way of category (d) above (i.e., specialized financing), a substantial investment in an OE whose sole business activity is providing information technology services, the trust company does not also need to meet the requirement of category (a) above (i.e., the Minister’s approval).
- Where an FRE holds an investment under one category above, it may reclassify that investment under another category, subject to meeting all applicable requirements of that other category. Reclassifications are addressed in greater detail in Subsection 7.1 of the Advisory.

Section 3. Investments in PEs¹⁷

A PE is a type of entity that an FRE may control, or in which an FRE may hold a substantial investment, on a permanent basis.¹⁸ Permanency is generally a benefit that the PE and “investments via RE subsidiaries” categories have over the other categories. In addition, and in

¹⁵ See sections 466 and 928 of the BA; sections 493, 552 and 969 of the ICA; section 451 of the TLCA; and section 388 of the CCAA.

¹⁶ Banks, life companies, trust and loan companies and retail associations may acquire and hold shares or ownership interests under the *Specialized Financing Regulations*, either directly or through a specialized financing entity. BHCs, IHCs and associations other than retail associations may also acquire and hold such interests, but only through a specialized financing entity. Property and casualty companies, marine companies and fraternal benefit societies may not acquire or hold any shares or ownership interests under the ICA’s *Specialized Financing Regulations*.

¹⁷ See subsections 466(1) and 928(1) of the BA; subsections 493(1), 552(1) and 969(1) of the ICA; subsection 451(2) of the TLCA; and subsection 388(1) of the CCAA.

¹⁸ With the exception of a specialized financing entity that holds a specialized investment. See Section 6 of the Advisory for more information.

contrast to all other categories, shares of, or ownership interests in, PEs in which an FRE has a substantial investment are exempt from the equity acquisition limits.¹⁹

PEs may be broadly classified as follows:

- (a) REs²⁰; and
- (b) OEs that are
 - (i) financial intermediaries (i.e., entities that engage in financial intermediary activities that expose the entity to material market or credit risk),²¹
 - (ii) financial agents,
 - (iii) investment holding entities,
 - (iv) non-financial services entities, or
 - (v) prescribed entities.

Furthermore, one or more of the following three requirements may apply before an entity may be classified as a PE:

- (a) where the entity is an OE, the requirement that each of its business activities be authorized, and not restricted, by the applicable Statute;
- (b) the requirement for the FRE to control the entity, except where the *Minority Investment Regulations* that apply to the FRE permit otherwise; and
- (c) the requirement for the FRE to obtain the Minister's or the Superintendent's approval.

Additional details regarding the categories of PEs, and related requirements, are provided in: Appendix A.1 for banks and BHCs; Appendix A.2 for life companies and IHCs; Appendix A.3 for property and casualty companies and marine companies; Appendix A.4 for fraternal benefit societies; Appendix A.5 for trust and loan companies; and Appendix A.6 for associations.

The following is an examination of each of the three PE classification requirements referred to above.

3.1 *Authorized and Restricted Business Activities – OEs*

In contrast to the RE category, the OE category is entirely based on the type(s) of business activities that the entity carries on. An FRE may only acquire control of, or acquire or increase a substantial investment in, an OE, as a PE, where all of the OE's business activities are authorized,²² and not restricted²³, by the applicable Statute.

¹⁹ See sections 477, 478, 939 and 940 of the BA; sections 507, 508, 565, 982 and 983 of the ICA; sections 465 and 466 of the TLCA; and section 402 of the CCAA.

²⁰ Insurers are the only types of REs that fraternal benefit societies may acquire as PEs.

²¹ This PE category, however, is not available to fraternal benefit societies, property and casualty companies or marine companies.

²² Business activities that are authorized are listed in subsections 468(2) and 930(2) of the BA; subsections 495(2),

3.1.1 Authorized Business Activities

Authorized business activities generally include activities that the FRE itself may undertake (including acquiring control of, or substantial investments in, entities). Authorized business activities also include providing any services to the FRE or members of the FRE's group, activities related to the marketing of financial products by certain entities, and activities of a mutual fund entity or a closed-end fund. With regard to an OE that is not actively engaged in a business activity, OSFI is of the view that such an OE:

- (a) established with a view to carry on a prospective business activity, or to become an RE, may be acquired and held as a PE that carries on such activity, or as a PE that is an RE, so long as:
 - (i) the entity's prospective business activity is clearly identified at the time the FRE acquires control of, or a substantial investment in, the entity,
 - (ii) the entity takes the actions necessary toward commencing that business activity or obtaining its RE status, and
 - (iii) the FRE complies with any applicable approval or other PE requirement discussed below that relates to the entity's prospective business activity or prospective RE status;
- (b) in which an FRE holds control or a substantial investment as a PE, but that has ceased to actively engage in a business activity and is taking the actions necessary for its dissolution may continue to be held as a PE that carries on such activity; and
- (c) with no current or clearly identified prospective business activities (a so called "shelf" entity) cannot be acquired or held as a PE.²⁴

3.1.2 Restricted Business Activities

Restricted business activities are generally the same as ones the FRE itself may not undertake. These activities include²⁵:

- (a) certain personal property leasing in Canada;
- (b) uninsured high ratio residential mortgage lending in Canada;
- (c) acting as a trustee in Canada, unless the OE acts as a trustee only with respect to a closed-end fund or a mutual fund entity, in accordance with provincial laws;
- (d) dealing in securities, except as may be permitted to the FRE, a mutual fund entity, a mutual fund distribution entity or a closed-end fund;
- (e) insurance business, where both
 - (i) the FRE is not governed by the ICA, and
 - (ii) the OE engages in the activities of a finance entity;
- (f) in the case of a property and casualty company, a marine company and a fraternal benefit

495(4), 554(2) and 971(2) of the ICA; subsection 453(2) of the TLCA; and subsection 390(2) of the CCAA.

²³ Business activities that are restricted are listed in subsections 468(3) and 930(3) of the BA; subsections 495(3), 495(5), 554(3) and 971(3) of the ICA; subsection 453(3) of the TLCA; and subsection 390(3) of the CCAA.

²⁴ The shares of, or ownership interests in, such an OE could, however, be acquired and held as a temporary investment until such time as its prospective business activity is clearly identified. Temporary investments are discussed in Section 5 of the Advisory.

²⁵ References to FRE in (c) to (e) below are to the FRE that holds control of, or a substantial investment in, the OE.

-
- society, either
- (i) financial intermediary activities that expose the OE to material market or credit risk, or
 - (ii) the activities of a specialized financing entity;
- (g) acquiring control of, or acquiring or holding a substantial investment in, another entity unless:
- (i) in the case of an OE that will be controlled by the FRE, the FRE itself would be permitted to acquire a substantial investment in the other entity, or
 - (ii) in the case of an OE that will not be controlled by the FRE, the FRE itself would be permitted to acquire a substantial investment in the other entity as either:
 - (A) a PE, without regard to any approval or control requirement²⁶,
 - (B) an “investment via an RE subsidiary” (see Section 4 below for more information),
 - (C) an entity whose shares or ownership interests are held for a limited period of time as a result of either a loan workout or the realization of a security interest (see Section 5 below for more information), or
 - (D) an entity whose shares or ownership interests are held in accordance with the *Specialized Financing Regulations*²⁷ (see Section 6 below for more information); and
- (h) the business of accepting deposit liabilities.

As long as an FRE controls, or holds a substantial investment in, an OE, the OE’s business activities are subject to these restrictions.

3.2 Control Requirement

An FRE must generally control in fact the following entities in order to hold them under the PE category:

- (a) an RE;
- (b) an investment holding entity²⁸; or
- (c) a finance entity²⁹, factoring entity³⁰, financial leasing entity³¹ or any other OE that engages in financial intermediary activities that expose the OE to material market or credit risk³².

The FRE need not control in fact the entity, however, if the FRE complies with the *Minority Investment Regulations* that apply to it, which limit substantial investments in such entities (including loans to, and guarantees made with respect to, such entities) to a total of 50 per cent of regulatory capital. If the entity is a foreign entity, and the laws or customary business practices of

²⁶ See the *Exemption from Restrictions on Investments Regulations* made under each of the Statutes.

²⁷ Except in the case of fraternal benefit societies, property and casualty companies and marine companies.

²⁸ An OE whose business includes acquiring or holding of shares of, or ownership interests in, entities in which an FRE is permitted to hold or acquire.

²⁹ The term “finance entity” is defined in the *Finance Entity Regulations* made under each of the Statutes.

³⁰ The term “factoring entity” is defined in the *Factoring Entity Regulations* made under each of the Statutes.

³¹ The term “financial leasing entity” is defined in subsections 464(1) and 925(1) of the BA; subsections 490(1) and 966(1) of the ICA; subsection 449(1) of the TLCA; and subsection 386(1) of the CCAA.

³² Fraternal benefit societies, property and casualty companies and marine companies may not acquire control of, or a substantial investment in, such OEs as PEs.

the foreign country do not allow the FRE to control the entity, the FRE may still acquire a substantial investment in that entity where the investment exceeds the FRE's minority investment limit.³³ In such a case, however, the FRE must include the investment when calculating its minority investment limit with respect to future acquisitions.

In addition, the Statutes require FREs, in the course of, or within a reasonable time after, acquiring control of a PE (other than an FRE), to obtain from the PE an undertaking to provide the Superintendent with reasonable access to the PE's records.³⁴

3.3 Approval Requirement

3.3.1 Investments in other FREs

An FRE that seeks to acquire control, or acquire or increase a significant interest³⁵ in any class of shares, of another FRE must generally obtain the Minister's approval to do so under the target FRE's ownership regime.³⁶ The acquirer's investment regime, on the other hand, does not impose any substantial investment or control related approval in such a circumstance.

3.3.2 Investments in PFFIs and Certain OEs

Where an FRE seeks to acquire control of, or acquire or increase a substantial investment in one of the following two entities, as a PE, the FRE must generally obtain the Superintendent's approval³⁷:

- (a) a PFFI; or
- (b) an OE that engages in financial intermediary activities that expose the OE to material market or credit risk.³⁸

In certain circumstances, the acquisition of control of, or acquisition or increase of a substantial investment in, a PFFI or an OE described in (b) above, as a PE, instead requires the approval of the Minister. This is the case, for example, where an FRE seeks to acquire control of a PFFI or such an OE (other than a factoring entity or financial leasing entity) from an unrelated FRE, and where a large FRE seeks to acquire control of a large foreign regulated financial institution.

³³ See subsections 468(8) and 930(8) of the BA; subsections 495(10), 554(6) and 971(8) of the ICA; subsection 453(8) of the TLCA; and subsection 390(8) of the CCAA.

³⁴ See subsections 470(4) and 932(4) of the BA; subsections 497(4), 556(4) and 973(4) of the ICA; subsection 455(4) of the TLCA; and subsection 392(4) of the CCAA.

³⁵ The term "significant interest" is defined in section 8 of the BA, ICA and TLCA, and section 9 of the CCAA.

³⁶ See subsections 373(1), 377.1(1), 875(1) and 883(1) of the BA; subsections 407(1), 407.1(1), 927(1) and 932(1) of the ICA; subsections 375(1) and 375.1(1) of the TLCA; and subsections 354(1) and 354.1(1) of the CCAA.

³⁷ Note that fraternal benefit societies must, in all cases, seek the Minister's approval to acquire control of, or acquire or increase a substantial investment in, any entity as a PE.

³⁸ Fraternal benefit societies, property and casualty companies and marine companies may not acquire control of, or a substantial investment in, such OEs as PEs.

Approvals tied to investments in PFFIs and such OEs allow OSFI to consider, among other things, whether the proposed investment will expose the FRE to undue risk, hinder OSFI's ability to supervise the FRE or hinder the effective implementation of corrective measures in the future. In addition, as it relates to acquisitions of control of PFFIs, the approval process allows OSFI to consider the regulatory framework under which a PFFI operates, with a view to, among other things, understand how and to what extent the FRE could, going forward, make investments via the PFFI (these types of investments are discussed in Section 4 below). If prudential issues are identified, the Superintendent may enter into an agreement with the home regulator concerning the activities of the PFFI.³⁹ In addition, where an FRE acquires control of a PFFI, the Superintendent may require the FRE to provide undertakings regarding such entity.⁴⁰

The Minister's approval is also generally required for an FRE to acquire control of, or acquire or increase a substantial investment in, as a PE, an OE that engages in information processing or technology activities, or non-financial activities that relate to the marketing of financial products by certain entities.

3.3.3 *Giving up Control While Retaining a Substantial Investment*

As discussed in Subsection 3.2 above, subject to complying with the minority investment limits, an FRE may generally only acquire a substantial investment in:

- (a) an RE;
- (b) an investment holding entity; or
- (c) an OE that engages in financial intermediary activities that expose the OE to material market or credit risk;

if the FRE also acquires control in fact of the entity.

Where an FRE controls in fact such an entity and seeks to give up control while keeping a substantial investment in the entity, the FRE generally requires the Superintendent's approval to do so⁴¹.

3.3.4 *Exceptions to Approval Requirement*

No PE-related approval is required under the investment regime for an FRE to, among other things,

- (a) increase a substantial investment in an entity where the FRE already controls in law the entity⁴²; or

³⁹ See subsections 470(3) and 932(3) of the BA; subsections 497(3), 556(3) and 973(3) of the ICA; subsection 455(3) of the TLCA; and subsection 392(3) of the CCAA.

⁴⁰ See subsections 470(2) and 932(2) of the BA; subsections 497(2), 556(2) and 973(2) of the ICA; subsection 455(2) of the TLCA; and subsection 392(2) of the CCAA.

⁴¹ See subsections 468(11) and 930(11) of the BA; subsections 495(12), 554(7) and 971(10) of the ICA; subsection 453(10) of the TLCA; and subsection 390(10) of the CCAA.

⁴² See subsections 468(12) and 930(12) of the BA; subsections 495(13), 554(8) and 971(11) of the ICA; subsection 453(11) of the TLCA; and subsection 390(11) of the CCAA.

-
- (b) acquire control of, or acquire or increase a substantial investment in, an OE that engages in financial intermediary activities that expose the OE to material market or credit risk, where those activities are limited to providing services exclusively to the FRE or members of the FRE's group⁴³.

Practice Points – Investments in PEs

- Where an FRE seeks to acquire control of, or acquire or increase a substantial investment in, an OE, as a PE, the FRE must first examine whether each of the OE's business activities are authorized, and not restricted, by the applicable Statute.
- Where an FRE seeks to acquire control of, or acquire or increase a substantial investment in, an RE or an OE, as a PE, the FRE must also examine whether it is (a) required to control the entity, and obtain the Minister's or the Superintendent's approval, and (b) requested to notify its OSFI Relationship Manager, as discussed in Section 8 of the Advisory.

Section 4. Investments via RE Subsidiaries⁴⁴

The Statutes provide that where an FRE controls, or acquires control of, an RE, the FRE may, through the RE, acquire control of, or acquire or increase a substantial investment in, any entity other than a foreign regulated financial institution (an Indirect Entity).⁴⁵

An FRE may acquire control, or acquire or increase a substantial investment in, an Indirect Entity in either of the following ways:

- (a) the FRE acquires control of an RE that already holds control of, or a substantial investment in, the Indirect Entity; or
- (b) following the FRE's acquisition of control of the RE, the RE acquires control of, or acquires or increases a substantial investment in, the Indirect Entity by way of an acquisition of shares of, or ownership interests in, the Indirect Entity.

Similarly to a PE, an FRE may hold control of, or a substantial investment in, an Indirect Entity on a permanent basis (subject to the RE's investment regime). In contrast to the PE category, however, the FREs' investment regimes generally do not impose any approval, control or authorized business activity requirements, or business activity restrictions, with regard to Indirect Entities (the RE's investment regime, however, may do so). Where an Indirect Entity acquisition transaction is greater than 10 per cent of the FRE's assets, however, that transaction may be

⁴³ See the *Exemption from Approval for Certain Investments in Intragroup Service Entities Regulations* made under each of the Statutes.

⁴⁴ See subsections 466(2), (5.1) and (5.2), and 928(2), (4.1) and (4.2) of the BA; subsections 493(2), (5.1) and (5.2), 552(2), (4.1) and (4.2), and 969(2), (4.1) and (4.2) of the ICA; subsections 451(2), (5.1) and (5.2) of the TLCA; and subsections 388(2), (5.1) and (5.2) of the CCAA.

⁴⁵ An FRE, however, may continue to hold a foreign regulated financial institution as an Indirect Entity if the FRE made the indirect acquisition prior to December 12, 2013. See subsections 466(5.2) and 928(4.2) of the BA; subsections 493(5.2), 552(4.2), and 969(4.2) of the ICA; subsection 451(5.2) of the TLCA; and subsection 388(5.2) of the CCAA.

subject to the Superintendent's approval.⁴⁶ In addition, as discussed in Paragraph 3.3.2. above, the RE's investment activities may be constrained by undertakings concerning the RE that its FRE parent provided to the Superintendent.

Practice Points – Investments via RE Subsidiaries

- An FRE must be mindful of any undertakings that may constrain its ability to acquire Indirect Entities.
- Where an FRE seeks to acquire control of, or acquire or increase a substantial investment in, an Indirect Entity, the FRE may be requested to notify its OSFI Relationship Manager, as discussed in Section 8 of the Advisory.
- An FRE cannot acquire control of, or acquire or increase a substantial investment in, a foreign regulated financial institution under this category.

Section 5. Investments Held for a Limited Period of Time⁴⁷

The Statutes allow an FRE to acquire control of, or acquire or increase a substantial investment in, any entity, provided that the FRE, within the applicable period of time:

- (a) does all things necessary to ensure it no longer controls, or no longer holds a substantial investment in, the entity;
- (b) obtains the necessary approval under this category to retain control of, or a substantial investment in, the entity for a longer or indeterminate period of time; or
- (c) reclassifies the investment from this category to another category, subject to meeting all applicable requirements of that other category. Reclassifications are addressed in greater detail in Subsection 7.1 of the Advisory.

Investments held for a limited period of time are categorized as follows:

- (a) temporary investments;
- (b) loan workouts; and
- (c) realization of security interests.

Details regarding these three categories, and related permitted holding periods, are provided in:

Appendix B.1 for banks and BHCs;
Appendix B.2 for life companies and IHCs;
Appendix B.3 for property and casualty companies and marine companies;
Appendix B.4 for fraternal benefit societies;
Appendix B.5 for trust and loan companies; and
Appendix B.6 for associations.

⁴⁶ See sections 482 and 944 of the BA; sections 512, 569 and 987 of the ICA; section 470 of the TLCA; and section 406 of the CCAA.

⁴⁷ See subsections 466(3) and 928(3) of the BA; subsections 493(3), 552(3) and 969(3) of the ICA; subsection 451(3) of the TLCA; and subsection 388(3) of the CCAA.

Practice Points – Investments Held for a Limited Period of Time

- Where an FRE seeks to retain control of, or a substantial investment in, an entity acquired under this category for an indeterminate period of time, OSFI generally recommends that the FRE request an approval to reclassify the investment under the PE category, with a view to impose, in a more efficient manner, PE-related requirements with regard to that entity.⁴⁸
- Where an FRE reclassifies an investment as a temporary investment, the FRE is requested to notify the Director, Precedents Unit (Legislation and Approvals Division), as discussed in Section 8 of the Advisory.

Section 6. Specialized Financing Investments⁴⁹

The Statutes generally allow an FRE to acquire control of, or acquire or increase a substantial investment in, any entity, where the FRE does so in accordance with the *Specialized Financing Regulations* that apply to it.⁵⁰ For purposes of this Advisory, acquisitions made under this authority are referred to as “specialized investments.” The power to make such specialized investments enhances FREs’ ability to carry on their merchant banking or venture capital activities.

Banks, life companies, trust and loan companies and retail associations may make specialized investments directly or through a specialized financing entity⁵¹ (an SFE). BHCs, IHCs and associations other than retail associations may do so only through an SFE.

In essence, the *Specialized Financing Regulations* impose the following constraints:

- **Non-permitted investments:** An FRE may make specialized investments in any entity other than:
 - (a) an RE;
 - (b) an entity that is engaged primarily in the leasing of motor vehicles in Canada for the purpose of extending credit to a customer or financing a customer’s acquisition of a motor vehicle;
 - (c) an entity that is engaged primarily in providing temporary possession of personal property, including motor vehicles, to customers in Canada for a purpose other than to finance the customer’s acquisition of the property; or

⁴⁸ As discussed in Appendices B.1 to B.6, the provisions applicable to investments held for a limited period of time allow an FRE, subject to an approval under those provisions, to hold shares of, or ownership interests in, an entity for an indeterminate period of time, where the entity is not a PE only because the FRE did not obtain an approval under the PE provisions.

⁴⁹ See subsections 466(4) and 928(2) of the BA; subsections 493(4) and 969(2) of the ICA; subsection 451(4) of the TLCA; and subsections 388(2) and (4) of the CCAA.

⁵⁰ Property and casualty companies and fraternal benefit societies may not acquire or hold any ownership interests under the ICA’s *Specialized Financing Regulations*.

⁵¹ An SFE is a type of PE. For more information, see class 4(a) in Appendix A.1 (banks and BHCs), Appendix A.2 (life companies and IHCs), Appendix A.5 (trust and loan companies) and Appendix A.6 (associations).

(d) an entity acting as an insurance broker or agent in Canada.

- ***Holding period:*** The length of time that an FRE or an SFE may hold control of, or a substantial investment in, an entity by way of a specialized investment is limited to thirteen consecutive years.
- ***Equity limit:*** The total book value of all shares or ownership interests that an FRE and any of its subsidiaries (including SFEs) may hold in an entity by way of a specialized investment shall not exceed \$250 million.
- ***Exposure limit to all SFEs and in-house specialized financing activities:***
With respect to a bank, a life, trust or loan company, and a retail association, the sum of the following shall not exceed 10 per cent of the FRE's regulatory capital:
 - the aggregate book value of the shares or ownership interests held by the FRE and its subsidiaries in entities in which the FRE has itself made a specialized investment;
 - the aggregate book value of the shares or ownership interests held by the FRE and its subsidiaries in SFEs; and
 - the aggregate value of outstanding loans made by the FRE and its subsidiaries to SFEs.

With respect to a BHC, an IHC or an association other than a retail association, the sum of the aggregate book value of the shares or ownership interests held by the FRE and its subsidiaries in SFEs, and of the aggregate value of outstanding loans made by the FRE and its subsidiaries to SFEs shall not exceed 10 per cent of the FRE's regulatory capital.

- ***Exposure limit to each SFE and its downstream entities***⁵²: The sum of the aggregate book value of the shares or ownership interests held by the FRE and its subsidiaries in an SFE and its downstream entities and of the aggregate value of outstanding loans made by the FRE and its subsidiaries to the SFE and its downstream entities shall not exceed 25 per cent of the FRE's regulatory capital.
- ***Exposure limit to in-house specialized financing activities:*** The sum of the aggregate book value of all shares or ownership interests held by the FRE and its subsidiaries in entities in which the FRE has itself made a specialized investment and of the aggregate value of all outstanding loans made by the FRE and its subsidiaries to these entities shall not exceed 25 per cent of the FRE's regulatory capital.
- ***Leverage limit:*** An SFE that is controlled by an FRE, or in which an FRE has a substantial investment, shall not have outstanding debts to persons, other than the FRE and its subsidiaries, that exceed two times its equity.

Appendix C provides an example of the manner in which the equity and exposure limits are applied. Appendix D provides an example of the manner in which the leverage limit is applied.

⁵² The term "downstream entities" refers to all entities controlled by the SFE as well as all entities in which the SFE has a substantial investment.

Section 7. Changes in Categories of Substantial Investments

Despite having acquired control of, or acquired or increased a substantial investment in, an entity under a particular category, an FRE may retain control of, or its substantial investment in, that entity under another category in two circumstances.

7.1. Reclassification

Where an FRE holds an investment under one category, it may reclassify that investment under another category, subject to meeting all applicable requirements of that other category.⁵³ Where an FRE does so, the FRE is deemed to have acquired, effective as of the day of the reclassification, control of, or a substantial investment in, the entity under the other category.⁵⁴ For example, where a bank, as a specialized investment, controls in fact an OE whose sole business activity consists of making consumer loans, and the bank now wishes to hold that entity as a PE, the bank may do so, subject to meeting the applicable PE requirements prior to actually making the reclassification. In the current example, this means the bank must obtain the Superintendent's approval (see class 2(c) in Appendix A.1 for more information).

7.2 Change in the Business or Affairs of the Entity

Where an FRE holds control of, or a substantial investment in, a PE and the FRE becomes aware of a change in the business or affairs of the entity that causes the entity to no longer be a PE, the FRE is deemed to have acquired the shares of, or ownership interests in, the entity as a temporary investment.⁵⁵ This is the case, for example, where a life company, which holds a substantial investment in an OE whose business activity consists of providing investment counselling services, becomes aware that the OE has begun providing information processing services in Canada to entities outside the life company's group. In such a case, assuming the life company wishes to continue to hold its substantial investment in the entity for an indeterminate period of time, the life company has the option of:

- (a) reclassifying the investment under the PE category, subject to obtaining the Minister's approval (see class 5(a) in Appendix A.2 for more information); or
- (b) seeking the Minister's approval to retain the investment for an indeterminate period of time under the temporary investment provision (see Appendix B.2 for more information).

OSFI would generally recommend that the life company (and any other FRE, as the case may be) choose option (a) above.⁵⁶

⁵³ See subsections 466(6) and 928(5) of the BA; subsections 493(6), 552(5) and 969(5) of the ICA; subsection 451(5) of the TLCA; and subsection 388(5) of the CCAA.

⁵⁴ See subsections 466(7) and 928(6) of the BA; subsections 493(7), 552(6) and 969(6) of the ICA; subsection 451(6) of the TLCA; and subsection 388(6) of the CCAA.

⁵⁵ See sections 481 and 943 of the BA; sections 511, 568 and 986 of the ICA; section 469 of the TLCA; and section 405 of the CCAA.

⁵⁶ This is with a view to impose, in a more efficient manner, PE-related requirements with regard to that entity.

Section 8. Notification Requests

OSFI requests to be notified in the circumstances and the manner described below.

8.1 Notification of acquisition or increase that does not require approval

OSFI's supervisory work includes identifying material risk to an FRE. Material risk may arise where an FRE acquires control of, or acquires or increases a substantial investment in, an entity, including where no related approval applies to the FRE. As a result, each FRE is requested to notify promptly its OSFI Relationship Manager where both of these elements are present:

- (a) the FRE seeks to acquire control of, or acquire or increase a substantial investment in, an entity for which no approval is required under the applicable Statute; and
- (b) the acquisition or increase will be material⁵⁷ to, or will present a significant change in the business strategy of, the FRE.

8.2 Notification of reclassification as a temporary investment

An FRE that reclassifies a controlling or substantial investment as a temporary investment is requested to notify promptly the Director, Precedents Unit (Legislation and Approvals Division) of this reclassification at the following coordinates, and to provide the Director with an outline of the FRE's future plans for such investment.

Office of the Superintendent of Financial Institutions
15th Floor, 255 Albert Street
Ottawa, Ontario K1A 0H2
Facsimile: (613) 991-0325
Email: approvalsandprecedents@osfi-bsif.gc.ca

* Advisories describe how OSFI administers and interprets provisions of existing legislation, regulations or guidelines, or provide OSFI's position regarding certain policy issues. Advisories are not law; readers should refer to the relevant provisions of the legislation, regulation or guideline, including any amendments that came into effect subsequent to the Advisory's publication, when considering the relevancy of the Advisory.

⁵⁷ In the case of a domestic systemically important bank and any of the three largest life insurance companies, OSFI generally views:

- (a) an acquisition of control of an entity as being material to the FRE where the entity's consolidated assets exceed 1% of the FRE's consolidated assets, as shown on its last annual statement; and
- (b) an acquisition, or increase, of a substantial investment in an entity (without control) as being material to the FRE where the consideration paid to acquire the shares or ownership interests is equivalent to at least 0.5% of the FRE's consolidated assets as shown on its last annual statement.

In the case of any other FRE, OSFI generally views:

- (a) an acquisition of control of an entity as being material to the FRE where the entity's consolidated assets exceed 2% of the FRE's consolidated assets, as shown on its last annual statement; and
- (b) an acquisition, or increase, of a substantial investment in an entity (without control) as being material to the FRE where the consideration paid to acquire the shares or ownership interests is equivalent to at least 1% of the FRE's consolidated assets, as shown on its last annual statement.

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Notes:

1. In this Appendix, **EAIRs** stands for *Exemption from Approval for Certain Investments in Intragroup Service Entities Regulations*; **ERIRs** stands for *Exemption from Restrictions on Investments Regulations*; and **MIRs** stands for *Minority Investment Regulations*.
2. Other abbreviations in this Appendix have the meaning ascribed to them on pages 1 and 2 of the Advisory.
3. Unless otherwise stated, references in this Appendix to (a) regulations are to regulations made under the BA and (b) provisions are to provisions of the BA.
4. Classes of entities 2 to 6 below comprise OEs only (i.e., 468(2) and 930(2) entities only).
5. A single OE can fall within more than one OE class listed below, depending on its business activities.
6. The control and approval requirements and business restrictions listed below refer to the ones imposed by the BA's investment regime.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs This class comprises entities listed in 468(1) and 930(1).	(a) Bank [468(1)(a) and 930(1)(a)]	Control in law and control in fact, except if in compliance with MIRs. [468(4)(a) and 930(4)(a)]	No, except that Minister's approval is required under ownership provisions of the BA.	No.
	(b) BHC [468(1)(b) and 930(1)(b)]	Same as 1(a) above.	Same as 1(a) above.	No.
	(c) Other federally regulated financial institution or IHC [468(1)(c), (d), (e), (f) and 930(1)(c), (d), (e), (f)]	Control in fact, except if in compliance with MIRs. [468(4)(b) and 930(4)(b)]	No, except that Minister's approval is required under ownership provisions of the applicable Statute.	No.
	(d) Provincially regulated financial institution [468(1)(g), (h), (i) and 930(1)(g), (h), (i)]	Same as 1(c) above.	Superintendent's approval in all cases except where Minister's approval is required. [468(6) and (7)(c); 930(6) and (7)(c)] Minister's approval is required where the bank or BHC acquires control of the entity from a <u>person</u> who is not a member of the bank's or BHC's group, as defined in subsections 464(2) and 925(2) of the BA and sections 1 and 2 of the <i>Entity Member of Group Regulations</i> . [468(5)(a) and 930(5)(a)]	No.

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs (cont.)	(e) Foreign regulated financial institution ¹ [468(1)(j) and 930(1)(j)]	Control in fact, except <ul style="list-style-type: none"> • if in compliance with MIRs; [468(4)(b) and 930(4)(b)] or • where the foreign law does not permit control (bank or BHC, however, must add investment in calculating minority investment cap under MIRs). [468(8) and 930(8)] 	Superintendent’s approval in all cases except where Minister’s approval is required. [468(6) and (7)(c); 930(6) and 7(c)] Minister’s approval is required where the bank or BHC: <ul style="list-style-type: none"> • acquires control of the entity from <u>an FRE</u> that is not a member of the bank’s or BHC’s group, as defined in subsections 464(2) and 925(2) of the BA and sections 1 and 2 of the <i>Entity Member of Group Regulations</i>; [468(5)(b) and 930(5)(b)] or • has equity of at least two billion dollars and acquires control of an entity with consolidated assets that exceed 10% of the bank’s or BHC’s consolidated assets, as shown in its last annual statement, either alone or when combined with all other acquisitions by the bank or BHC of control of foreign regulated financial institutions within the preceding 12 months. [468(5)(b.1) and 930(5)(b.1)] 	No.

¹ OSFI is of the view that this class refers to foreign entities that are subject to regulatory regimes that are substantially similar to the ones applicable to equivalent Canadian entities listed in classes 1(a) to (d) above. For example, in order to be a class 1(e) entity, a foreign entity that primarily engages outside Canada in a business that, if carried on in Canada, would be the business of providing fiduciary services would have to be regulated in a substantially similar manner as a trust company referred to in paragraph 468(1)(c) or (g).

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
<p>2. Other financial intermediaries</p> <p>This class comprises OEs that engage in a financial intermediary activity that exposes the OE to material market or credit risk.</p>	<p>(a) Factoring entity (defined in the <i>Factoring Entity Regulations</i>) [468(2)(a) and 930(2)(a)]</p>	<p>Control in fact, except</p> <ul style="list-style-type: none"> • if in compliance with MIRs; [468(4)(c) and 930(4)(c)] or • in the case of a foreign entity, where the foreign law does not permit control (bank or BHC, however, must add investment in calculating minority investment cap under MIRs). [468(8) and 930(8)] 	<p>Superintendent’s approval, except where:</p> <ul style="list-style-type: none"> • the bank or BHC is acquiring a controlling interest; [468(6) and (7)(b); 930(6) and (7)(b)] or • the entity provides services exclusively to the bank, BHC or members of the bank’s or BHC’s group, as defined in subsections 464(2) and 925(2) of the BA and sections 1 and 2 of the <i>Entity Member of Group Regulations</i>. [sections 1 and 3 of the EAIRs] 	<p>By definition, a factoring entity’s activities are limited to acting as a factor in respect of accounts receivable, including the related raising and lending of money. [section 1 of the <i>Factoring Entity Regulations</i>]</p> <p>When raising money, however, the entity cannot engage in deposit-taking. [468(3) and 930(3)]</p>
	<p>(b) Financial leasing entity (defined in 464(1)) [468(2)(a) and 930(2)(a)]</p>	<p>Same as 2(a) above.</p>	<p>Same as 2(a) above.</p>	<p>By definition, a financial leasing entity’s activities are limited to the financial leasing of certain personal property and the activities set out in section 3 of the <i>Financial Leasing Entity Regulations</i>, which include raising money. [464(1)]</p> <p>When raising money, however, the entity cannot engage in deposit-taking. [468(3) and 930(3)]</p>
	<p>(c) Finance entity (defined in the <i>Finance Entity Regulations</i>) [468(2)(a) and 930(2)(a)]</p>	<p>Same as 2(a) above.</p>	<p>No approval where entity provides services exclusively to the bank, BHC or members of the bank’s or BHC’s group, as defined in subsections 464(2) and 925(2) of the BA and sections 1 and 2 of the <i>Entity Member of Group Regulations</i>. [sections 1 and 3 of the EAIRs]</p> <p>In all other cases,</p> <ul style="list-style-type: none"> • Superintendent’s approval is required except where Minister’s approval is required. [468(6) and (7)(c); 930(6) and (7)(c)] • Minister’s approval is required where the bank or BHC acquires control of the entity from <u>an FRE</u> that is not a member of the bank’s or BHC’s group. [468(5)(b) and 930(5)(b)] 	<p>A finance entity is subject to the same restrictions as banks in the areas of fiduciary, leasing, residential mortgage lending, securities dealing, insurance business and substantial investments activities. [468(3) and 930(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the bank or BHC does not control the entity]</p> <p>In addition, the entity cannot engage in deposit-taking. [468(3) and 930(3)]</p>

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
2. Other financial intermediaries (cont.)	(d) Mutual fund entity and closed-end fund (both defined in 464(1)) [468(2)(e) and 930(2)(e)]	No.	No.	By definition, both of these entities' activities are limited to investing their funds so as to provide investment diversification and professional investment management to the holders of their securities. In addition, these entities are subject to the same restrictions as banks in the area of substantial investments activities. [468(3)(d) and 930(3)(d). See also section 1 of the ERIRs where the bank or BHC does not control the entity]
	(e) Other financial intermediaries, including <ul style="list-style-type: none"> • an investment fund that is not a mutual fund entity or a closed-end fund; • an entity that engages in the business activities of a factoring entity <u>and</u> in one or more other business activities; and • an entity that engages in the business activities of a financial leasing entity <u>and</u> in one or more other business activities. [468(2)(a) and 930(2)(a)]	Same as 2(a) above.	Same as 2(c) above.	Same as 2(c) above, except that no restriction on insurance business activities.

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
3. Financial Agents	<p>Includes OEs that engage in the following activities:</p> <ul style="list-style-type: none"> • acting as a financial agent (including insurance broker); • providing investment counselling services; • providing portfolio management services; • networking financial services; or • acting as a trustee for a mutual fund entity or a closed-end fund. [468(2)(a) and 930(2)(a)] <p>Also includes a mutual fund distribution entity, as defined in 464(1). [468(2)(e) and 930(2)(e)]</p>	No.	No.	<p>A financial agent is subject to the same restrictions as banks in the areas of leasing, residential mortgage lending and substantial investments activities. [468(3) and 930(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the bank or BHC does not control the entity]</p> <p>In addition, a financial agent cannot engage in deposit-taking. [468(3) and 930(3)]</p> <p>A financial agent is also subject to the same restrictions as banks in the areas of :</p> <ul style="list-style-type: none"> • fiduciary activities, except when acting as a trustee for a mutual fund entity or a closed-end fund; [468(3)(a) and (3.1); and 930(3)(a) and (3.1)] • securities dealing, except in the case of a mutual fund distribution entity. [468(3)(b) and 930(3)(b)]

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
<p>4. Investment holding entities</p> <p>This class comprises OEs whose business includes acquiring or holding shares of, or ownership interests in, entities that a bank or BHC is permitted to hold or acquire. [468(2)(b) and 930(2)(b)]</p>	<p>(a) Specialized financing entity (defined in the <i>Specialized Financing Regulations</i> as an entity that acquires or holds shares of, or ownership interests in, entities that a bank may acquire control of, or hold, acquire or increase a substantial investment in, under 466(4))</p>	<p>Control in fact, except:</p> <ul style="list-style-type: none"> • if in compliance with MIRs; [468(4)(d) and 930(4)(d)] or • in the case of a foreign specialized financing entity, where the foreign law does not permit control (bank or BHC, however, must add investment in calculating minority investment cap under MIRs). [468(8) and 930(8)] 	<p>Superintendent’s approval in all cases. [468(6) and 930(6)]</p>	<p>A specialized financing entity is subject to the restrictions set out the <i>Specialized Financing Regulations</i>, including on controlling or holding shares of, or ownership interests in,</p> <ul style="list-style-type: none"> • an RE; or • an OE that, in Canada, <ul style="list-style-type: none"> ○ primarily engages in financial leasing of motor vehicles, ○ primarily engages in operational leasing, or ○ acts as an insurance agent or broker. <p>In addition, a specialized financing entity is subject to the same restrictions as banks in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities. [468(3) and 930(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the bank or BHC does not control the specialized financing entity]</p> <p>A specialized financing entity cannot engage in deposit-taking. [468(3) and 930(3)]</p>

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
4. Investment holding entities (cont.)	(b) Other investment holding entity i.e., an OE that acquires or holds shares of, or ownership interests in, entities that a bank or BHC is permitted to acquire or hold under: <ul style="list-style-type: none"> • 409 and 922 – less than substantial investments (portfolio investments); • 468 and 930 – PEs; • 466(2) and 928(2) – investments via an RE subsidiary; • 471 and 933 – temporary investments (only if the bank or BHC controls the investment holding entity); • 472 and 934 – loan workouts; • 473 and 935 – realization of security interests. 	Control in fact, except: <ul style="list-style-type: none"> • if in compliance with MIRs; [468(4)(d)(i) and (ii); and 930(4)(d)(i) and (ii)] • in the case of a foreign investment holding entity, where the foreign law does not permit control (bank or BHC, however, must add investment in calculating minority investment cap under MIRs); [468(8) and 930(8)] or • where the investment holding entity does not control or hold any share of, or ownership interest in, <ul style="list-style-type: none"> – an RE (class 1 entity) – a financial intermediary (class 2 entity), or – an entity that is not a PE. [468(4)(d)(iii) and 930(4)(d)(iii)]	Superintendent’s approval only if the bank or BHC is acquiring a non-controlling interest. [468(6) and (7)(a); and 930(6) and (7)(a)]	Such an investment holding entity is subject to the same restrictions as banks in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities (with the exception of temporary investment activities where the bank or BHC does not control the investment holding entity). [468(3) and 930(3)]. With respect to substantial investment activities, see also section 1 of the ERIRs where the bank or BHC does not control the investment holding entity] In addition, such an entity cannot engage in deposit-taking. [468(3) and 930(3)]

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
5. Non-financial services entities	(a) Entity that engages in information processing activities (i.e., activities referred to in 410(1)(c)) [468(2)(a) and 930(2)(a)]	No.	Minister's approval, except where the activities are: <ul style="list-style-type: none"> • carried on outside Canada; or • exempted by the <i>Information Processing Activities Regulations</i>. [468(5)(d) and 930(5)(d)] 	A non-financial services entity is subject to the same restrictions as banks in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities. [468(3) and 930(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the bank or BHC does not control the entity] In addition, such an entity cannot engage in deposit-taking. [468(3) and 930(3)]
	(b) Entity that engages in information technology activities (i.e., activities referred to in 410(1)(c.1)) [468(2)(a) and 930(2)(a)]	No.	Minister's approval, except where the conditions set out in section 5 of the <i>Information Technology Activities (Banks) Regulations</i> or section 4 of the <i>Information Technology Activities (BHC) Regulations</i> are met (see class 6 below). [468(5)(d.1) and 930(5)(d.1)]	
	(c) Entity that engages in the following activities (i.e., other activities referred to in 410(1)) : <ul style="list-style-type: none"> • managing, holding or dealing with real property; • specialized business management or advisory services, including acting as a general partner of a limited partnership;² • promoting merchandise or services to card holders; • selling lottery or urban transit tickets; • acting as custodian of property; or • acting as receiver, liquidator or sequestrator. [468(2)(a) and 930(2)(a)]	No.	No.	

² Depending on the circumstances, an entity's role as general partner of a limited partnership may also cause the entity to be a financial agent (class 3 above). In addition, OSFI generally views a general partner's nominal interest in a limited partnership as being ancillary to its general partner activities and, as a result, generally does not view a general partner as also being an investment holding entity (class 4 above) with regards to the limited partnership.

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
5. Non-financial services entities (cont.)	(d) Entity that provides services to certain entities, so long as it provides those services to the bank, BHC or members of the bank's or BHC's group, as defined in subsections 464(2) and 925(2) of the BA and sections 1 and 2 of the <i>Entity Member of Group Regulations</i> . ³ [468(2)(c) and 930(2)(c)]	No.	No.	See above.
	(e) Entity that engages in activities relating to promotion, sale delivery or distribution of financial services or products provided by certain entities. [468(2)(d) and 930(2)(d)]	No.	Minister's approval. [468(5)(c) and 930(5)(c)]	
	(f) Real property brokerage entity, as defined in 464(1). [468(2)(e) and 930(2)(e)]	No.	No.	

³ OSFI is of the view that if an OE engages in services referred to in paragraph 468(2)(c) or 930(2)(c) and in another paragraph within 468(2) or 930(2), then the OE should be categorized under that other paragraph. For example, where a bank seeks to acquire control of an OE that will provide information technology services exclusively to members of the bank's group, that entity should be categorized as a 468(2)(a) entity rather than a 468(2)(c) entity. In such a case, the acquisition would require the Minister's approval under 468(5)(d.1), assuming the entity's services are not contemplated by the *Information Technology Activities (Banks) Regulations*.

Appendix A.1 – Banks and BHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
<p>6. Prescribed entities</p> <p>A bank or BHC may acquire control of, or acquire or increase a substantial investment in, an entity that engages in prescribed activities. [468(2)(f) and 930(2)(f)]</p>	<p>The only prescribed activities are set out in subsection 3(1) of the <i>Information Technology Activities (Banks) Regulations</i> and subsection 2(1) of the <i>Information Technology Activities (BHC) Regulations</i> (collectively, the “IT Activities”).</p>	<p>Neither the BA nor the <i>Information Technology Activities Regulations</i> impose control requirements with respect to the IT Activities.</p>	<p>Where an entity limits its activities to IT Activities, no approval of the Minister is required under 468(5)(e) or 930(5)(e).⁴ [section 5 of the <i>Information Technology Activities (Banks) Regulations</i> and section 4 of the <i>Information Technology Activities (BHC) Regulations</i>]</p>	<p>In the case of an entity that engages in the IT Activities, the entity:</p> <ul style="list-style-type: none"> • is subject to the same restrictions as banks in the areas of fiduciary, leasing, residential mortgage lending, dealing in goods, securities dealing and substantial investments activities; and • cannot engage in deposit-taking. <p>[subsection 3(3) and section 4 of the <i>Information Technology Activities (Banks) Regulations</i>; subsection 2(3) and section 3 of the <i>Information Technology Activities (BHC) Regulations</i>]</p>

⁴ This is effectively an exception to the general approval requirement referred to in class 5(b) above.

Appendix A.2 – Life Companies and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Notes:

1. In this Appendix, **EAIRs** stands for *Exemption from Approval for Certain Investments in Intragroup Service Entities Regulations*; **ERIRs** stands for *Exemption from Restrictions on Investments Regulations*; **LifeCo** refers to a life insurance company; and **MIRs** stands for *Minority Investment Regulations*.
2. Other abbreviations in this Appendix have the meaning ascribed to them on pages 1 and 2 of the Advisory.
3. Unless otherwise stated, references in this Appendix to (a) regulations are to regulations made under the ICA and (b) provisions are to provisions of the ICA.
4. Classes of entities 2 to 6 below comprise OEs only (i.e., 495(2) and 971(2) entities only).
5. A single OE can fall within more than one OE class listed below, depending on its business activities.
6. The control and approval requirements and business restrictions listed below refer to the ones imposed by the ICA's investment regime.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs This class comprises entities listed in 495(1) and 971(1).	(a) FRE [495(1)(a) to (f) and 971(1)(a) to (f)]	Control in fact, except if in compliance with MIRs. [495(6)(a) and 971(4)(a)]	No, except that Minister's approval is required under ownership provisions of the applicable Statute.	No.
	(b) Provincially regulated financial institution [495(1)(g), (h), (i) and 971(1)(g), (h), (i)]	Same as 1(a) above.	Superintendent's approval in all cases except where Minister's approval is required. [495(8) and (9)(c); 971(6) and (7)(c)] Minister's approval is required where the LifeCo or IHC acquires control of the entity from <u>a person</u> who is not a member of the LifeCo's or IHC's group, as defined in subsections 490(2) and 966(2) of the ICA and sections 3 and 4 of the <i>Entity Member of Group Regulations</i> . [495(7)(a) and 971(5)(a)]	No.

Appendix A.2 – LifeCos and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs (cont.)	(c) Foreign regulated financial institution ¹ [495(1)(j) and 971(1)(j)]	Control in fact, except <ul style="list-style-type: none"> • if in compliance with MIRs; [495(6)(a) and 971(4)(a)] or • where the foreign law does not permit control (LifeCo or IHC, however, must add investment in calculating minority investment cap under MIRs). [495(10) and 971(8)] 	Superintendent’s approval in all cases except where Minister’s approval is required. [495(8) and (9)(c); 971(6) and 7(c)] Minister’s approval is required where the LifeCo or IHC: <ul style="list-style-type: none"> • acquires control of the entity from <u>an FRE</u> that is not a member of the LifeCo’s or IHC’s group, as defined in subsections 490(2) and 966(2) of the ICA and sections 3 and 4 of the <i>Entity Member of Group Regulations</i>; [495(7)(b) and 971(5)(b)] or • has equity of at least two billion dollars and acquires control of an entity with consolidated assets that exceed 10% of the LifeCo’s or IHC’s consolidated assets, as shown in its last annual statement, either alone or when combined with all other acquisitions by the LifeCo or IHC of control of foreign regulated financial institutions within the preceding 12 months. [495(7)(b.1) and 971(5)(b.1)] 	No.

¹ OSFI is of the view that this class refers to foreign regulated entities that are subject to regulatory regimes that are substantially similar to the ones applicable to equivalent Canadian entities listed in classes 1(a) or (b) above. For example, in order to be a class 1(c) entity, a foreign entity that primarily engages outside Canada in a business that, if carried on in Canada, would be the business of providing fiduciary services would have to be regulated in a substantially similar manner as a trust company referred to in paragraph 495(1)(e) or (g).

Appendix A.2 – LifeCos and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
<p>2. Other financial intermediaries</p> <p>This class comprises OEs that engage in a financial intermediary activity that exposes the OE to material market or credit risk.</p>	(a) Factoring entity (defined in the <i>Factoring Entity Regulations</i>) [495(2)(a) and 971(2)(a)]	Control in fact, except <ul style="list-style-type: none"> if in compliance with MIRs; [495(6)(b) and 971(4)(b)] or in the case of a foreign entity, where the foreign law does not permit control (LifeCo or IHC, however, must add investment in calculating minority investment cap under MIRs). [495(10) and 971(8)] 	Superintendent’s approval, except where: <ul style="list-style-type: none"> the LifeCo or IHC is acquiring a controlling interest; [495(8) and (9)(b); 971(6) and (7)(b)] or the entity provides services exclusively to the LifeCo, IHC or members of the LifeCo’s or IHC’s group, as defined in subsections 490(2) and 966(2) of the ICA and sections 3 and 4 of the <i>Entity Member of Group Regulations</i>. [sections 1 and 2 of the EAIRs] 	By definition, a factoring entity’s activities are limited to acting as a factor in respect of accounts receivable, including the related raising and lending of money. [section 1 of the <i>Factoring Entity Regulations</i>]
	(b) Financial leasing entity (defined in 490(1)) [495(2)(a) and 971(2)(a)]	Same as 2(a) above.	Same as 2(a) above.	By definition, a financial leasing entity’s activities are limited to the financial leasing of certain personal property and the activities set out in section 3 of the <i>Financial Leasing Entity Regulations</i> , which include raising money. [490(1)]
	(c) Finance entity (defined in the <i>Finance Entity Regulations</i>) [495(2)(a) and 971(2)(a)]	Same as 2(a) above.	No approval where entity provides services exclusively to the LifeCo, IHC or members of the LifeCo’s or IHC’s group, as defined in subsections 490(2) and 966(2) of the ICA and sections 3 and 4 of the <i>Entity Member of Group Regulations</i> . [sections 1 and 2 of the EAIRs]	A finance entity is subject to the same restrictions as LifeCos in the areas of fiduciary, leasing, residential mortgage lending, securities dealing, credit information and substantial investments activities. [495(3) and 971(3)]. With respect to substantial investment activities, see also section 1 of the ERIRs where the LifeCo or IHC does not control the entity]
			In all other cases, <ul style="list-style-type: none"> Superintendent’s approval is required except where Minister’s approval is required. [495(8) and (9)(c); 971(6) and (7)(c)] Minister’s approval is required where the LifeCo or IHC acquires control of the entity from an <u>an FRE</u> that is not a member of the LifeCo’s or IHC’s group. [495(7)(b) and 971(5)(b)] 	When raising money, however, the entity cannot engage in deposit-taking. [495(3) and 971(3)]
				When raising money, however, the entity cannot engage in deposit-taking. [495(3) and 971(3)]
				In addition, the entity cannot engage in deposit-taking. [495(3) and 971(3)]

Appendix A.2 – LifeCos and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
2. Other financial intermediaries (cont.)	(d) Mutual fund entity and closed-end fund (both defined in 490(1)) [495(2)(e) and 971(2)(e)]	No.	No.	<p>By definition, both of these entities' activities are limited to investing their funds so as to provide investment diversification and professional investment management to the holders of their securities.</p> <p>In addition, these entities are subject to the same restrictions as LifeCos in the area of substantial investments activities. [495(3)(d) and 971(3)(d). See also section 1 of the ERIRs where the LifeCo or IHC does not control the entity]</p>
	(e) Other financial intermediaries, including <ul style="list-style-type: none"> • an investment fund that is not a mutual fund entity or a closed-end fund; • an entity that engages in the business activities of a factoring entity <u>and</u> in one or more other business activities; and • an entity that engages in the business activities of a financial leasing entity <u>and</u> in one or more other business activities. [495(2)(a) and 971(2)(a)]	Same as 2(a) above.	Same as 2(c) above.	Same as 2(c) above, except that no restriction on credit information activities.

Appendix A.2 – LifeCos and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?
<p>3. Financial Agents</p> <p>Includes OEs that engage in the following activities:</p> <ul style="list-style-type: none"> • acting as a financial agent (including insurance broker); • providing investment counselling services; • providing portfolio management services; • networking financial services; or • acting as a trustee for a mutual fund entity or a closed-end fund. [495(2)(a) and 971(2)(a)] <p>Also includes a mutual fund distribution entity, as defined in 490(1). [495(2)(e) and 971(2)(e)]</p>	No.	No.	<p>A financial agent is subject to the same restrictions as LifeCos in the areas of leasing, residential mortgage lending and substantial investments activities. [495(3) and 971(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the LifeCo or IHC does not control the entity]</p> <p>In addition, a financial agent cannot engage in deposit-taking. [495(3) and 971(3)]</p> <p>A financial agent is also subject to the same restrictions as LifeCos in the areas of:</p> <ul style="list-style-type: none"> • fiduciary activities, except when acting as a trustee for a mutual fund entity or a closed-end fund; [495(3)(a) and (3.1); and 971(3)(a) and (3.1)] • securities dealing, except in the case of a mutual fund distribution entity. [495(3)(b) and 971(3)(b)]

Appendix A.2 – LifeCos and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
<p>4. Investment holding entities</p> <p>This class comprises OEs whose business includes acquiring or holding shares of, or ownership interests in, entities that a LifeCo or IHC is permitted to hold or acquire. [495(2)(b) and 971(2)(b)]</p>	<p>(a) Specialized financing entity (defined in the <i>Specialized Financing Regulations</i> as an entity that acquires or holds shares of, or ownership interests in, entities that a LifeCo may acquire control of, or hold, acquire or increase a substantial investment in, under 493(4))</p>	<p>Control in fact, except:</p> <ul style="list-style-type: none"> • if in compliance with MIRs; [495(6)(c) and 971(4)(c)] or • in the case of a foreign specialized financing entity, where the foreign law does not permit control (LifeCo or IHC, however, must add investment in calculating minority investment cap under MIRs). [495(10) and 971(8)] 	<p>Superintendent’s approval in all cases. [495(8) and 971(6)]</p>	<p>A specialized financing entity is subject to the restrictions set out in the <i>Specialized Financing Regulations</i>, including on controlling or holding shares of, or ownership interests in,</p> <ul style="list-style-type: none"> • an RE; or • an OE that, in Canada, <ul style="list-style-type: none"> ○ primarily engages in financial leasing of motor vehicles, ○ primarily engages in operational leasing, or ○ acts as an insurance agent or broker. <p>In addition, a specialized financing entity is subject to the same restrictions as LifeCos in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities. [495(3) and 971(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the LifeCo or IHC does not control the specialized financing entity]</p> <p>A specialized financing entity cannot engage in deposit-taking. [495(3) and 971(3)]</p>

Appendix A.2 – LifeCos and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
4. Investment holding entities (cont.)	(b) Other investment holding entity i.e., an OE that acquires or holds shares of, or ownership interests in, entities that a LifeCo or IHC is permitted to acquire or hold under: <ul style="list-style-type: none"> • 440 and 963 – less than substantial investments (portfolio investments); • 495 and 971 – PEs; • 493(2) and 969(2) – investments via an RE subsidiary; • 498 and 974 – temporary investments (only if the LifeCo or IHC controls the investment holding entity); • 499 and 975 – loan workouts; • 500 and 976 – realization of security interests. 	Control in fact, except: <ul style="list-style-type: none"> • if in compliance with MIRs; [495(6)(c)(i) and (ii); and 971(4)(c)(i) and (ii)] • in the case of a foreign investment holding entity, where the foreign law does not permit control (LifeCo or IHC, however, must add investment in calculating minority investment cap under MIRs); [495(10) and 971(8)] or • where the investment holding entity does not control or hold any share of, or ownership interest in, <ul style="list-style-type: none"> – an RE (class 1 entity) – a financial intermediary (class 2 entity), or – an entity that is not a PE. [495(6)(c)(iii) and 971(4)(c)(iii)] 	Superintendent’s approval only if the LifeCo or IHC is acquiring a non-controlling interest. [495(8) and (9)(a); and 971(6) and (7)(a)]	Such an investment holding entity is subject to the same restrictions as LifeCos in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities (with the exception of temporary investment activities where the LifeCo or IHC does not control the investment holding entity). [495(3) and 971(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the LifeCo or IHC does not control the investment holding entity] In addition, such an entity cannot engage in deposit-taking. [495(3) and 971(3)]

Appendix A.2 – LifeCos and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
5. Non-financial services entities	(a) Entity that engages in information processing activities (i.e., activities referred to in 441(1)(c) and(d)) [495(2)(a) and 971(2)(a)]	No.	Minister’s approval except where the activities are referred to in: <ul style="list-style-type: none"> • 441(1)(c) and are carried on in Canada; or • 441(1)(d) and are carried on outside Canada. [495(7)(d) and 971(5)(d)]	A non-financial services entity is subject to the same restrictions as LifeCos in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities. [495(3) and 971(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the LifeCo or IHC does not control the entity] In addition, such an entity cannot engage in deposit-taking. [495(3) and 971(3)]
	(b) Entity that engages in information technology activities (i.e., activities referred to in 441(1)(d.1)) [495(2)(a) and 971(2)(a)]	No.	Minister’s approval, except where the conditions set out in section 5 of the <i>Information Technology Activities (Life Companies) Regulations</i> or section 4 of the <i>Information Technology Activities (IHC) Regulations</i> are met (see class 6 below). [495(7)(d.1) and 971(5)(d.1)]	

Appendix A.2 – LifeCos and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
5. Non-financial services entities (cont.)	(c) Entity that engages in the following activities (i.e., other activities referred to in 441(1) and (1.1)): <ul style="list-style-type: none"> • managing, holding or dealing with real property; • acting as real estate agent; • specialized business management or advisory services, including acting as a general partner of a limited partnership;² • promoting merchandise or services to card holders; • selling lottery or urban transit tickets; or • acting as custodian of property. [495(2)(a) and 971(2)(a)]	No.	No.	See above.
	(d) Entity that provides services to certain entities, so long as it provides those services to the LifeCo, IHC or members of the LifeCo’s or IHC’s group, as defined in subsections 490(2) and 966(2) of the ICA and sections 3 and 4 of the <i>Entity Member of Group Regulations</i> . ³ [495(2)(c) and 971(2)(c)]	No.	No.	
	(e) Entity that engages in activities relating to promotion, sale delivery or distribution of financial services or products provided by certain entities. [495(2)(d) and 971(2)(d)]	No.	Minister’s approval. [495(7)(c) and 971(5)(c)]	

² Depending on the circumstances, an entity’s role as general partner of a limited partnership may also cause the entity to be a financial agent (class 3 above). In addition, OSFI generally views a general partner’s nominal interest in a limited partnership as being ancillary to its general partner activities and, as a result, generally does not view a general partner as also being an investment holding entity (class 4 above) with regards to the limited partnership.

³ OSFI is of the view that if an OE engages in services referred to in paragraph 495(2)(c) or 971(2)(c) and in another paragraph within 495(2) or 971(2), then the OE should be categorized under that other paragraph. For example, where a LifeCo seeks to acquire control of an OE that will provide information technology services exclusively to members of the LifeCo’s group, that entity should be categorized as a 495(2)(a) entity rather than a 495(2)(c) entity. In such a case, the acquisition would require the Minister’s approval under 495(7)(d.1), assuming the entity’s services are not contemplated by the *Information Technology Activities (Life Companies) Regulations*.

Appendix A.2 – LifeCos and IHCs Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

	Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?
<p>6. Prescribed entities</p> <p>A LifeCo or IHC may acquire control of, or acquire or increase a substantial investment in, an entity that engages in prescribed activities. [495(2)(f) and 971(2)(f)]</p>	<p>Prescribed activities are set out in subsection 3(1) of the <i>Information Technology Activities (Life Companies) Regulations</i> and subsection 2(1) of the <i>Information Technology Activities (IHC) Regulations</i> (collectively, the “IT Activities”).</p> <p>Prescribed activities are also set out in sections 2 and 5 of the <i>Ancillary Activities Regulations</i> (collectively, the “Ancillary Activities”).</p>	<p>Neither the ICA nor the <i>Information Technology Activities Regulations</i> impose control requirements with respect to the IT Activities.</p> <p>Neither the ICA nor the <i>Ancillary Activities Regulations</i> impose control requirements with respect to the Ancillary Activities.</p>	<p>Where an entity limits its activities to IT Activities, no approval of the Minister is required under 495(7)(e) or 971(5)(e).⁴ [section 5 of the <i>Information Technology Activities (Life Companies) Regulations</i> and section 4 of the <i>Information Technology Activities (IHC) Regulations</i>]</p> <p>The Minister’s approval is required with respect to the Ancillary Activities. [495(7)(e) and 971(5)(e)]</p>	<p>In the case of an entity that engages in the IT Activities, the entity:</p> <ul style="list-style-type: none"> • is subject to the same restrictions as LifeCos in the areas of fiduciary, leasing, residential mortgage lending, dealing in goods, securities dealing and substantial investments activities; and • cannot engage in deposit-taking. [subsection 3(3) and section 4 of the <i>Information Technology Activities (Life Companies) Regulations</i>; subsection 2(3) and section 3 of the <i>Information Technology Activities (IHC) Regulations</i>] <p>In the case of the Ancillary Activities, no business restrictions except where specified in the Minister’s approval.</p>

⁴ This is effectively an exception to the general approval requirement referred to in class 5(b) above.

Appendix A.3 – Property and Casualty Companies and Marine Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Notes:

1. In this Appendix, **Company** refers to a property and casualty company or a marine company, as the case may be;
ERIRs stands for *Exemption from Restrictions on Investments Regulations*;
MIRs stands for *Minority Investment Regulations*.
2. Other abbreviations in this Appendix have the meaning ascribed to them on pages 1 and 2 of the Advisory.
3. Unless otherwise stated, references in this Appendix to (a) regulations are to regulations made under the ICA and (b) provisions are to provisions of the ICA.
4. Classes of entities 2 to 5 below comprise OEs only (i.e., 495(4)).
5. A single OE can fall within more than one OE class listed below, depending on its business activities.
6. The control and approval requirements and business restrictions listed below refer to the ones imposed by the ICA's investment regime.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs This class comprises entities listed in 495(1).	(a) FRE [495(1)(a) to (f)]	Control in fact, except if in compliance with MIRs. [495(6)(a)]	No, except that Minister's approval is required under ownership provisions of the applicable Statute.	No.
	(b) Provincially regulated financial institution [495(1)(g), (h) and (i)]	Same as 1(a) above.	Superintendent's approval in all cases except where Minister's approval is required. [495(8) and (9)(c)] Minister's approval is required where the Company acquires control of the entity from <u>a person</u> who is not a member of the Company's group, as defined in subsection 490(2) of the ICA and section 3 of the <i>Entity Member of Group Regulations</i> . [495(7)(a)]	No.

Appendix A.3 – Property and Casualty Companies and Marine Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs (cont.)	(c) Foreign regulated financial institution ¹ [495(1)(j)]	Control in fact, except <ul style="list-style-type: none"> • if in compliance with MIRs; [495(6)(a)] or • where the foreign law does not permit control (Company, however, must add investment in calculating minority investment cap under MIRs). [495(10)] 	Superintendent's approval in all cases except where Minister's approval is required. [495(8) and (9)(c)] Minister's approval is required where the Company: <ul style="list-style-type: none"> • acquires control of the entity from an <u>an FRE</u> that is not a member of the Company's group, as defined in subsection 490(2) of the ICA and section 3 of the <i>Entity Member of Group Regulations</i>; [495(7)(b)] or • has equity of at least two billion dollars and acquires control of an entity with consolidated assets that exceed 10% of the Company's consolidated assets, as shown in its last annual statement, either alone or when combined with all other acquisitions by the Company of control of foreign regulated financial institutions within the preceding 12 months. [495(7)(b.1)] 	No.

¹ OSFI is of the view that this class refers to foreign regulated entities that are subject to regulatory regimes that are substantially similar to the ones applicable to equivalent Canadian entities listed in classes 1(a) or (b) above. For example, in order to be a class 1(c) entity, a foreign entity that primarily engages outside Canada in a business that, if carried on in Canada, would be the business of providing fiduciary services would have to be regulated in a substantially similar manner as a trust company referred to in paragraph 495(1)(e) or (g).

Appendix A.3 – Property and Casualty Companies and Marine Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?
<p>2. Financial Agents and Investment Funds</p> <p>Includes OEs that engage in the following activities:</p> <ul style="list-style-type: none"> • acting as a financial agent (including insurance broker); • providing investment counselling services; • providing portfolio management services; • networking financial services; or • acting as a trustee for a mutual fund entity or a closed-end fund. [495(4)(a)] <p>Also includes a:</p> <ul style="list-style-type: none"> • mutual fund distribution entity; • mutual fund entity; and • closed-end fund; each as defined in 490(1). [495(4)(e)] 	No.	No.	<p>A financial agent is subject to the same restrictions as a Company in the areas of leasing, residential mortgage lending and substantial investments activities. [495(5). With respect to substantial investment activities, see also section 1 of the ERIRs where the Company does not control the entity]</p> <p>In addition, a financial agent cannot engage in deposit-taking or in financial intermediary activities that expose the financial agent to material market or credit risk. [495(5)]</p> <p>A financial agent is also subject to the same restrictions as a Company in the areas of:</p> <ul style="list-style-type: none"> • fiduciary activities, except when acting as a trustee for a mutual fund entity or a closed-end fund; [495(5)(a) and (5.1)] • dealing in securities, except where the entity is an entity listed in 495(4)(e). [495(5)(b)]

Appendix A.3 – Property and Casualty Companies and Marine Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
<p>3. Investment holding entities</p> <p>This class comprises OEs whose business includes acquiring or holding shares of, or ownership interests in, entities that a Company is permitted to hold or acquire. [495(4)(b)]</p>	<p>Entity that acquires or holds shares of, or ownership interests in, entities that a Company is permitted to acquire or hold under:</p> <ul style="list-style-type: none"> • 440 – less than substantial investments (portfolio investments); • 495– PEs; • 493(2) investments via an RE subsidiary; • 498– temporary investments (only if the Company controls the investment holding entity); • 499– loan workouts; • 500– realization of security interests. 	<p>Control in fact, except:</p> <ul style="list-style-type: none"> • if in compliance with MIRs; [495(6)(c)(i) and (ii)] • in the case of a foreign investment holding entity, where the foreign law does not permit control (Company, however, must add investment in calculating minority investment cap under MIRs); [495(10)] <p>or</p> <ul style="list-style-type: none"> • where the investment holding entity does not control or hold any share of, or ownership interest in, <ul style="list-style-type: none"> – an RE (class 1 entity), or – an entity that is not a PE. <p>[495(6)(c)(iii)]</p>	<p>Superintendent’s approval only if the Company is acquiring a non-controlling interest. [495(8) and (9)(a)]</p>	<p>An investment holding entity is subject to the same restrictions as a Company in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities (with the exception of temporary investment activities where the Company does not control the investment holding entity). [495(5). With respect to substantial investment activities, see also section 1 of the ERIRs where the Company does not control the investment holding entity]</p> <p>In addition, such an entity cannot engage in deposit-taking or in financial intermediary activities that expose the entity to material market or credit risk. [495(5)]</p>

Appendix A.3 – Property and Casualty Companies and Marine Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
4. Non-financial services entities	(a) Entity that engages in information processing activities (i.e., activities referred to in 441(1)(c) and (d)). [495(4)(a)]	No.	Minister's approval except where the activities are referred to in: <ul style="list-style-type: none"> • 441(1)(c) and are carried on in Canada; or • 441(1)(d) and are carried on outside Canada. [495(7)(d)]	A non-financial services entity is subject to the same restrictions as a Company in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities. [495(5). With respect to substantial investment activities, see also section 1 of the ERIRs where the Company does not control the entity]
	(b) Entity that engages in information technology activities (i.e., activities referred to in 441(1)(d.1)). [495(4)(a)]	No.	Minister's approval, except where the conditions set out in section 5 of the <i>Information Technology Activities (Property and Casualty Companies and Marine Companies) Regulations</i> are met (see class 5 below). [495(7)(d.1)]	In addition, such an entity cannot engage in deposit-taking or financial intermediary activities that expose the entity to material market or credit risk. [495(5)]

Appendix A.3 – Property and Casualty Companies and Marine Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
4. Non-financial services entities (cont.)	(c) Entity that engages in other non-financial service activities (i.e., other activities referred to in 441(1)): <ul style="list-style-type: none"> • managing, holding or dealing with real property; • acting as real estate agent; • promoting merchandise or services to card holders; • selling lottery or urban transit tickets; or • acting as custodian of property. [495(4)(a)]	No.	No.	See above.
	(d) Entity that provides services to certain entities, so long as it provides those services to the Company or members of the Company’s group, as defined in subsection 490(2) of the ICA and section 3 of the <i>Entity Member of Group Regulations</i> . ² [495(4)(c)]	No.	No.	
	(e) Entity that engages in activities relating to promotion, sale delivery or distribution of financial services or products provided by certain entities. [495(4)(d)]	No.	Minister’s approval. [495(7)(c)]	

² OSFI is of the view that if an OE engages in services referred to in paragraph 495(4)(c) and in another paragraph within 495(4), then the OE should be categorized under that other paragraph. For example, where a Company seeks to acquire control of an OE that will provide information technology services exclusively to members of the Company’s group, that entity should be categorized as a 495(4)(a) entity rather than a 495(4)(c) entity. In such a case, the acquisition would require the Minister’s approval under 495(7)(d.1), assuming the entity’s services are not contemplated by the *Information Technology Activities (Property and Casualty Companies and Marine Companies) Regulations*.

Appendix A.3 – Property and Casualty Companies and Marine Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?
<p>5. Prescribed entities</p> <p>A Company may acquire control of, or acquire or increase a substantial investment in, an entity that engages in prescribed activities. [495(4)(f)]</p>	<p>Prescribed activities are set out in subsection 3(1) of the <i>Information Technology Activities (Property and Casualty Companies and Marine Companies) Regulations</i> (collectively, the “IT Activities”).</p> <p>Prescribed activities are also set out in section 3 of the <i>Ancillary Activities Regulations</i> (collectively, the “Ancillary Activities”).</p>	<p>Neither the ICA nor the <i>Information Technology Activities Regulations</i> impose control requirements with respect to the IT Activities.</p> <p>Neither the ICA nor the <i>Ancillary Activities Regulations</i> impose control requirements with respect to the Ancillary Activities.</p>	<p>Where an entity limits its activities to IT Activities, no approval of the Minister is required under 495(7)(e).³ [section 5 of the <i>Information Technology Activities (Property and Casualty Companies and Marine Companies) Regulations</i>]</p> <p>The Minister’s approval is required with respect to the Ancillary Activities. [495(7)(e)]</p> <p>In the case of an entity that engages in the IT Activities, the entity:</p> <ul style="list-style-type: none"> • is subject to the same restrictions as a Company in the areas of fiduciary, leasing, residential mortgage lending, dealing in goods, securities dealing and substantial investments activities; and • cannot engage in deposit-taking or in financial intermediary activities that expose the entity to material market or credit risk. <p>[subsection 3(3) and section 4 of the <i>Information Technology Activities (Property and Casualty Companies and Marine Companies) Regulations</i>]</p> <p>In the case of the Ancillary Activities, no business restrictions except where specified in the Minister’s approval.</p>

³ This is effectively an exception to the general approval requirement referred to in class 4(b) above.

Appendix A.4 – Fraternal Benefit Societies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Notes:

1. In this Appendix, **ERIRs** stands for *Exemption from Restrictions on Investments Regulations*; and **Society** refers to a fraternal benefit society.
2. Other abbreviations in this Appendix have the meaning ascribed to them on pages 1 and 2 of the Advisory.
3. Unless otherwise stated, references in this Appendix to (a) regulations are to regulations made under the ICA and (b) provisions are to provisions of the ICA.
4. Classes of entities 2 to 5 below comprise OEs only (i.e., 554(2) entities only).
5. A single OE can fall within more than one OE class listed below, depending on its business activities.
6. The control and approval requirements and business restrictions listed below refer to the ones imposed by the ICA’s investment regime.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs This class comprises entities listed in 554(1).	(a) Federally regulated insurance company or society [554(1)(a)]	Control in fact. [554(4)(a)]	Minister’s approval. [554(5)] In the case of a federally regulated insurance company, the Minister’s approval is also required under the ICA’s ownership provisions.	No.
	(b) Provincially regulated insurance company [554(1)(b)]	Same as above.		
	(c) Foreign regulated insurance company ¹ [554(1)(c)]	Control in fact, except where the foreign law does not permit control. [554(4)(a) and (6)]		

¹ OSFI is of the view that this class refers to foreign regulated entities that are subject to regulatory regimes that are substantially similar to the ones applicable to equivalent Canadian entities listed in classes 1(a) or (b) above. For example, in order to be a class 1(c) entity, a foreign entity that primarily engages outside Canada in a business that, if carried on in Canada, would be the business of insurance, would have to be regulated in a substantially similar manner as an entity referred to in 554(1)(a) or (b).

Appendix A.4– Fraternal Benefit Societies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?
<p>2. Financial Agents and Investment Funds</p> <p>Includes OEs that engage in the following activities:</p> <ul style="list-style-type: none"> • acting as a financial agent (including insurance broker); • providing investment counselling services; • providing portfolio management services; • networking financial services; or • acting as a trustee for a mutual fund entity or a closed-end fund. [554(2)(a)] <p>Also includes a:</p> <ul style="list-style-type: none"> • mutual fund distribution entity; • mutual fund entity; and • closed-end fund; each as defined in 490(1). [554(2)(e)] 	No.	Minister’s approval. [554(5)]	<p>A financial agent is subject to the same restrictions as:</p> <ul style="list-style-type: none"> • property and casualty companies in the areas of leasing and residential mortgage lending; [554(3)(a)] • Societies in the area of substantial investments activities. [554(3)(d). With respect to substantial investment activities, see also section 1 of the ERIRs where the Society does not control the entity] <p>In addition, a financial agent cannot engage in deposit-taking or in financial intermediary activities that expose the financial agent to material market or credit risk. [554(3)]</p> <p>A financial agent is also subject to the same restrictions as property and casualty companies in the areas of:</p> <ul style="list-style-type: none"> • fiduciary activities, except when acting as a trustee for a mutual fund entity or a closed-end fund; [554(3)(a) and (3.1)] • dealing in securities, except where the entity is an entity listed in 554(2)(e). [554(3)(c)]

Appendix A.4– Fraternal Benefit Societies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
<p>3. Investment holding entities</p> <p>This class comprises OEs whose business includes acquiring or holding shares of, or ownership interests in, entities that a Society is permitted to hold or acquire. [554(2)(b)]</p>	<p>Entity that acquires or holds shares of, or ownership interests in, entities that a Society is permitted to acquire or hold under:</p> <ul style="list-style-type: none"> • 542 – less than substantial investments (portfolio investments); • 554 – PEs; • 552(2) – investments via an RE subsidiary; • 557 – temporary investments (only if the Society controls the investment holding entity); • 558 – loan workouts; • 559 – realization of security interests. 	<p>Control in fact, except:</p> <ul style="list-style-type: none"> • where the investment holding entity does not control or hold any share of, or ownership interest in, <ul style="list-style-type: none"> – an RE (class 1 entity), or – an entity that is not a PE; or [554(4)(b)(ii)] • in the case of a foreign investment holding entity, where the foreign law does not permit control. [554(6)] 	<p>Minister’s approval. [554(5)]</p>	<p>An investment holding entity is subject to the same restrictions as:</p> <ul style="list-style-type: none"> • property and casualty companies in the areas of fiduciary, leasing and residential mortgage lending; [554(3)(a)] • Societies in the areas of securities dealing and substantial investments activities. [554(3)(c) and (d). With respect to substantial investment activities, see also section 1 of the ERIRs where the Society does not control the entity] <p>In addition, such an entity cannot engage in deposit-taking or financial intermediary activities that expose the entity to material market or credit risk. [554(3)]</p>

Appendix A.4– Fraternal Benefit Societies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
4. Non-financial services entities	(a) Entity that engages in information processing activities (i.e., activities referred to in 441(1)(c) and(d)) [554(2)(a)]	No.	Minister’s approval. [554(5)]	<p>A non-financial services entity is subject to the same restrictions as:</p> <ul style="list-style-type: none"> • property and casualty companies in the areas of fiduciary, leasing and residential mortgage lending; [554(3)(a)] • Societies in the areas of securities dealing and substantial investments activities. [554(3)(c) and (d). With respect to substantial investment activities, see also section 1 of the ERIRs where the Society does not control the entity] <p>In addition, such an entity cannot engage in deposit-taking or financial intermediary activities that expose the entity to material market or credit risk. [554(3)]</p>
	(b) Entity that engages in information technology activities (i.e., activities referred to in 441(1)(d.1)) [554(2)(a)]			

Appendix A.4– Fraternal Benefit Societies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
4. Non-financial services entities (cont.)	(c) Entity that engages in the following activities that a property and casualty company is permitted to engage under 441: <ul style="list-style-type: none"> • managing, holding or dealing with real property; • acting as real estate agent; • promoting merchandise or services to card holders; • selling lottery or urban transit tickets; or • acting as custodian of property. [554(2)(a)]	No.	Minister's approval. [554(5)]	See above.
	(d) Entity that provides services to certain entities, so long as it provides those services to the Society or members of the Society's group, as defined in 540(2). [554(2)(c)]			
	(e) Entity that engages in activities relating to promotion, sale delivery or distribution of financial services or products provided by certain entities. [554(2)(d)]			

Appendix A.4– Fraternal Benefit Societies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA and relevant regulations.

	Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?
<p>5. Prescribed entities</p> <p>A Society may acquire control of, or acquire or increase a substantial investment in, an entity that engages in prescribed activities. [554(2)(f)]</p>	<p>Prescribed activities are set out in subsection 2(1) of the <i>Information Technology Activities (Canadian Societies) Regulations</i> (collectively, the “IT Activities”).</p> <p>Prescribed activities are also set out in section 4 of the <i>Ancillary Activities Regulations</i> (the “Ancillary Activities”).</p>	<p>Neither the ICA nor the <i>Information Technology Activities (Canadian Societies) Regulations</i> impose control requirements with respect to the IT Activities.</p> <p>Neither the ICA nor the <i>Ancillary Activities Regulations</i> impose control requirements with respect to the Ancillary Activities.</p>	<p>Minister’s approval is required with respect to both the IT Activities and the Ancillary Activities. [554(5)]</p>	<p>In the case of an entity that engages in the IT Activities, the entity:</p> <ul style="list-style-type: none"> • is subject to the same restrictions as property and casualty companies in the areas of fiduciary, leasing and residential mortgage lending; • is subject to the same restrictions as Societies in the areas of dealing in goods, securities dealing and substantial investments activities; • cannot engage in deposit-taking or financial intermediary activities that expose the entity to material market or credit risk. <p>[subsection 2(3) and section 3 of the <i>Information Technology Activities (Canadian Societies) Regulations</i>]</p> <p>In the case of the Ancillary Activities, no business restrictions except where specified in the Minister’s approval.</p>

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Notes:

1. In this Appendix, **Company** refers to a trust company or a loan company, as the case may be;
EAIRs stands for *Exemption from Approval for Certain Investments in Intragroup Service Entities Regulations*;
ERIRs stands for *Exemption from Restrictions on Investments Regulations*; and
MIRs stands for *Minority Investment Regulations*.
2. Other abbreviations in this Appendix have the meaning ascribed to them on pages 1 and 2 of the Advisory.
3. Unless otherwise stated, references in this Appendix to (a) regulations are to regulations made under the TLCA and (b) provisions are to provisions of the TLCA.
4. Classes of entities 2 to 6 below comprise OEs only (i.e., 453(2) entities only).
5. A single OE can fall within more than one OE class listed below, depending on its business activities.
6. The control and approval requirements and business restrictions listed below refer to the ones imposed by the TLCA's investment regime.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs This class comprises entities listed in 453(1).	(a) FRE [453(1)(a) to (f)]	Control in fact, except if in compliance with MIRs. [453(4)(a)]	No, except that Minister's approval is required under ownership provisions of the applicable Statute.	No.
	(b) Provincially regulated financial institution [453(1)(g) to (i)]	Same as 1(a) above.	Superintendent's approval in all cases except where Minister's approval is required. [453(6) and (7)(c)] Minister's approval is required where the Company acquires control of the entity from <u>a person</u> who is not a member of the Company's group, as defined in subsection 449(2) of the TLCA and section 5 of the <i>Entity Member of Group Regulations</i> . [453(5)(a)]	No.

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs (cont.)	(c) Foreign regulated financial institution ¹ [453(1)(j)]	Control in fact, except <ul style="list-style-type: none"> • if in compliance with MIRs; [453(4)(a)] or • where the foreign law does not permit control (Company, however, must add investment in calculating minority investment cap under MIRs). [453(8)] 	Superintendent's approval in all cases except where Minister's approval is required. [453(6) and 7(c)] Minister's approval is required where the Company: <ul style="list-style-type: none"> • acquires control of the entity from <u>an FRE</u> that is not a member of the Company's group, as defined in subsection 449(2) of the TLCA and section 5 of the <i>Entity Member of Group Regulations</i>; [453(5)(b)] or • has equity of at least two billion dollars and acquires control of an entity with consolidated assets that exceed 10% of the Company's consolidated assets, as shown in its last annual statement, either alone or when combined with all other acquisitions by the Company of control of foreign regulated financial institutions within the preceding 12 months. [453(5)(b.1)] 	No.

¹ OSFI is of the view that this class refers to foreign regulated entities that are subject to regulatory regimes that are substantially similar to the ones applicable to equivalent Canadian entities listed in classes 1(a) or (b) above. For example, in order to be a class 1(c) entity, a foreign entity that primarily engages outside Canada in a business that, if carried on in Canada, would be the business of providing fiduciary services would have to be regulated in a substantially similar manner as a trust company subject to the TLCA or referred to in paragraph 453(1)(g).

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
<p>2. Other financial intermediaries</p> <p>This class comprises OEs that engage in a financial intermediary activity that exposes the OE to material market or credit risk.</p>	<p>(a) Factoring entity (defined in the <i>Factoring Entity Regulations</i>) [453(2)(a)]</p>	<p>Control in fact, except</p> <ul style="list-style-type: none"> • if in compliance with MIRs; [453(4)(b)] or • in the case of a foreign entity, where the foreign law does not permit control (Company, however, must add investment in calculating minority investment cap under MIRs). [453(8)] 	<p>Superintendent’s approval, except where:</p> <ul style="list-style-type: none"> • the Company is acquiring a controlling interest; [453(6) and (7)(b)] or • the entity provides services exclusively to the Company or members of the Company’s group, as defined in subsection 449(2) of the TLCA and section 5 of the <i>Entity Member of Group Regulations</i>. [section 1 of the EAIRs] 	<p>By definition, a factoring entity’s activities are limited to acting as a factor in respect of accounts receivable, including the related raising and lending of money. [section 1 of the <i>Factoring Entity Regulations</i>]</p> <p>When raising money, however, the entity cannot engage in deposit-taking. [453(3)]</p>
	<p>(b) Financial leasing entity (defined in 449(1)) [453(2)(a)]</p>	<p>Same as 2(a) above.</p>	<p>Same as 2(a) above.</p>	<p>By definition, a financial leasing entity’s activities are limited to the financial leasing of certain personal property and the activities set out in section 3 of the <i>Financial Leasing Entity Regulations</i>, which include raising money. [449(1)]</p> <p>When raising money, however, the entity cannot engage in deposit-taking. [453(3)]</p>
	<p>(c) Finance entity (defined in the <i>Finance Entity Regulations</i>) [453(2)(a)]</p>	<p>Same as 2(a) above.</p>	<p>No approval where entity provides services exclusively to the Company or members of the Company’s group, as defined in subsection 449(2) of the TLCA and section 5 of the <i>Entity Member of Group Regulations</i>. [section 1 of the EAIRs]</p> <p>In all other cases,</p> <ul style="list-style-type: none"> • Superintendent’s approval is required except where Minister’s approval is required. [453(6) and (7)(c)] • Minister’s approval is required where the Company acquires control of the entity from <u>an FRE</u> that is not a member of the Company’s group. [453(5)(b)] 	<p>A finance entity is subject to the same restrictions as loan companies in the areas of fiduciary, leasing, residential mortgage lending, securities dealing, insurance business and substantial investments activities. [453(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the Company does not control the entity]</p> <p>In addition, the entity cannot engage in deposit-taking. [453(3)]</p>

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
2. Other financial intermediaries (cont.)	(d) Mutual fund entity and closed-end fund (both defined in 449(1)) [453(2)(e)]	No.	No.	By definition, both of these entities' activities are limited to investing their funds so as to provide investment diversification and professional investment management to the holders of their securities. In addition, these entities are subject to the same restrictions as Companies in the area of substantial investments activities. [453(3)(f). See also section 1 of the ERIRs where the Company does not control the entity]
	(e) Other financial intermediaries, including <ul style="list-style-type: none"> • an investment fund that is not a mutual fund entity or a closed-end fund; • an entity that engages in the business activities of a factoring entity <u>and</u> in one or more other business activities; and • an entity that engages in the business activities of a financial leasing entity <u>and</u> in one or more other business activities. [453(2)(a)]	Same as 2(a) above.	Same as 2(c) above.	Same as 2(c) above, except that no restriction on insurance business activities.

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
3. Financial Agents	<p>Includes OEs that engage in the following activities:</p> <ul style="list-style-type: none"> • acting as a financial agent (including insurance broker); • providing investment counselling services; • providing portfolio management services; • networking financial services; or • acting as a trustee for a mutual fund entity or a closed-end fund. [453(2)(a)] <p>Also includes a mutual fund distribution entity, as defined in 449(1). [453(2)(e)]</p>	No.	No.	<p>A financial agent is subject to the same restrictions as Companies in the areas of leasing, residential mortgage lending and substantial investments activities. [453(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the Company does not control the entity]</p> <p>In addition, a financial agent cannot engage in deposit-taking activities. [453(3)]</p> <p>A financial agent is also subject to the same restrictions as loan companies in the areas of:</p> <ul style="list-style-type: none"> • fiduciary activities, except when acting as a trustee for a mutual fund entity or a closed-end fund; [453(3)(a) and (3.1)] • securities dealing, except in the case of a mutual fund distribution entity. [453(3)(b)]

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
<p>4. Investment holding entities</p> <p>This class comprises OEs whose business includes acquiring or holding shares of, or ownership interests in, entities that a Company is permitted to hold or acquire. [453(2)(b)]</p>	<p>(a) Specialized financing entity (defined in the <i>Specialized Financing Regulations</i> as an entity that acquires or holds shares of, or ownership interests in, entities that a Company may acquire control of, or hold, acquire or increase a substantial investment in, under 451(4))</p>	<p>Control in fact, except:</p> <ul style="list-style-type: none"> • if in compliance with MIRs; [453(4)(c)] or • in the case of a foreign specialized financing entity, where the foreign law does not permit control (Company, however, must add investment in calculating minority investment cap under MIRs). [453(8)] 	<p>Superintendent's approval in all cases. [453(6)]</p>	<p>A specialized financing entity is subject to the restrictions set out in the <i>Specialized Financing Regulations</i>, including on controlling or holding shares of, or ownership interests in,</p> <ul style="list-style-type: none"> • an RE; or • an OE that, in Canada, <ul style="list-style-type: none"> ○ primarily engages in financial leasing of motor vehicles, ○ primarily engages in operational leasing, or ○ acts as an insurance agent or broker. <p>In addition, a specialized financing entity is subject to the same restrictions as loan companies in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities. [453(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the Company does not control the specialized financing entity]</p> <p>A specialized financing entity cannot engage in deposit-taking. [453(3)]</p>

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
4. Investment holding entities (cont.)	(b) Other investment holding entity i.e., an OE that acquires or holds shares of, or ownership interests in, entities that a Company is permitted to acquire or hold under: <ul style="list-style-type: none"> • 409 – less than substantial investments (portfolio investments); • 453 – PEs; • 451(2) – investments via an RE subsidiary; • 456 – temporary investments (only if the Company controls the investment holding entity); • 457 – loan workouts; • 458 – realization of security interests. 	Control in fact, except: <ul style="list-style-type: none"> • if in compliance with MIRs; [453(4)(c)(i) and (ii)] • in the case of a foreign investment holding entity, where the foreign law does not permit control (Company, however, must add investment in calculating minority investment cap under MIRs); [453(8)] or <ul style="list-style-type: none"> • where the investment holding entity does not control or hold any share of, or ownership interest in, <ul style="list-style-type: none"> – an RE (class 1 entity) – a financial intermediary (class 2 entity), or – an entity that is not a PE. [453(4)(c)(iii)] 	Superintendent’s approval only if the Company is acquiring a non-controlling interest. [453(6) and (7)(a)]	Such an investment holding entity is subject to the same restrictions as loan companies in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities (with the exception of temporary investment activities where the Company does not control the investment holding entity). [453(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the Company does not control the investment holding entity] In addition, such an entity cannot engage in deposit-taking. [453(3)]

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
5. Non-financial services entities	(a) Entity that engages in information processing activities (i.e., activities referred to in 410(1)(c) and (d)) [453(2)(a)]	No.	Minister's approval, except where the activities are carried on: <ul style="list-style-type: none"> • outside Canada; or • since May 31, 1992 or before that date. [453(5)(d)]	A non-financial services entity is subject to the same restrictions as loan companies in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities. [453(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the Company does not control the entity] In addition, such an entity cannot engage in deposit-taking. [453(3)]
	(b) Entity that engages in information technology activities (i.e., activities referred to in 410(1)(d.1)) [453(2)(a)]	No.	Minister's approval, except where the conditions set out in section 5 of the <i>Information Technology Activities Regulations</i> are met (see class 6 below). [453(5)(d.1)]	

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
5. Non-financial services entities (cont.)	(c) Entity that engages in the following activities (i.e., other activities referred to in 410(1)): <ul style="list-style-type: none"> • managing, holding or dealing with real property; • acting as real estate agent; • specialized business management or advisory services, including acting as a general partner of a limited partnership;² • promoting merchandise or services to card holders; • selling lottery or urban transit tickets; or • acting as custodian of property. [453(2)(a)]	No.	No.	See above.
	(d) Entity that provides services to certain entities, so long as it provides those services to the Company or members of the Company’s group, as defined in subsection 449(2) of the TLCA and section 5 of the <i>Entity Member of Group Regulations</i> . ³ [453(2)(c)]	No.	No.	
	(e) Entity that engages in activities relating to promotion, sale delivery or distribution of financial services or products provided by certain entities. [453(2)(d)]	No.	Minister’s approval. [453(5)(c)]	

² Depending on the circumstances, an entity’s role as general partner of a limited partnership may also cause the entity to be a financial agent (class 3 above). In addition, OSFI generally views a general partner’s nominal interest in a limited partnership as being ancillary to its general partner activities and, as a result, generally does not view a general partner as also being an investment holding entity (class 4 above) with regards to the limited partnership.

³ OSFI is of the view that if an OE engages in services referred to in paragraph 453(2)(c) and in another paragraph within 453(2), then the OE should be categorized under that other paragraph. For example, where a Company seeks to acquire control of an OE that will provide information technology services exclusively to members of the Company’s group, that entity should be categorized as a 453(2)(a) entity rather than a 453(2)(c) entity. In such a case, the acquisition would require the Minister’s approval under 453(5)(d.1), assuming the entity’s services are not contemplated by the *Information Technology Activities Regulations*.

Appendix A.5 – Trust and Loan Companies Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
<p>6. Prescribed entities</p> <p>A Company may acquire control of, or acquire or increase a substantial investment in, an entity that engages in prescribed activities. [453(2)(f)]</p>	<p>Prescribed activities are set out in subsection 3(1) of the <i>Information Technology Activities Regulations</i> (collectively, the “IT Activities”).</p>	<p>Neither the TLCA nor the <i>Information Technology Activities Regulations</i> impose control requirements with respect to the IT Activities.</p>	<p>Where an entity limits its activities to IT Activities, no approval of the Minister is required under 453(5)(e).⁴ [section 5 of the <i>Information Technology Activities Regulations</i>]</p>	<p>In the case of an entity that engages in the IT Activities, the entity:</p> <ul style="list-style-type: none"> • is subject to the same restrictions as loan companies in the areas of fiduciary, leasing, residential mortgage lending, dealing in goods, securities dealing and substantial investments activities; and • cannot engage in deposit-taking. [subsection 3(3) and section 4 of the <i>Information Technology Activities Regulations</i>]

⁴ This is effectively an exception to the general approval requirement referred to in class 5(b) above.

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

Notes:

1. In this Appendix, **EAIRs** stands for *Exemption from Approval for Certain Investments in Intragroup Service Entities Regulations*; **ERIRs** stands for *Exemption from Restrictions on Investments Regulations*; and **IRs** stands for *Minority Investment Regulations* or *Investments in Associations and Cooperatively-owned Entities Regulations*, as applicable.
2. Other abbreviations in this Appendix have the meaning ascribed to them on pages 1 and 2 of the Advisory.
3. Unless otherwise stated, references in this Appendix to (a) regulations are to regulations made under the CCAA and (b) provisions are to provisions of the CCAA.
4. Classes of entities 2 to 6 below comprise OEs only (i.e., 390(2) entities only).
5. A single OE can fall within more than one OE class listed below, depending on its business activities.
6. The control and approval requirements and business restrictions listed below refer to the ones imposed by the CCAA's investment regime.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs This class comprises entities listed in 390(1).	(a) FRE [390(1)(a) to (d)]	Control in fact, except if in compliance with IRs. [390(4)(a)]	No, except that Minister's approval is required under ownership provisions of the applicable Statute.	No.
	(b) Provincially regulated financial institution [390(1)(e) to (g)]	Same as 1(a) above.	Superintendent's approval in all cases except where Minister's approval is required. [390(6) and (7)(c)] Minister's approval is required where the association acquires control of the entity from <u>a person</u> who is not a member of the association's group, as defined in 386(2). [390(5)(a)]	No.

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
1. REs (cont.)	(c) Foreign regulated financial institution ¹ [390(1)(h)]	Control in fact, except <ul style="list-style-type: none"> • if in compliance with IRs; [390(4)(a)] or • where the foreign law does not permit control (association, however, must add investment in calculating minority investment cap under IRs). [390(8)] 	Minister's approval is required where the association: <ul style="list-style-type: none"> • acquires control of the entity from <u>an FRE</u> that is not a member of the association's group, as defined in 386(2); [390(5)(b)] or • has equity of at least two billion dollars and acquires control of an entity with consolidated assets that exceed 10% of the association's consolidated assets, as shown in its last annual statement, either alone or when combined with all other acquisitions by the association of control of foreign regulated financial institutions within the preceding 12 months. [390(5)(b.1)] 	No.

¹ OSFI is of the view that this class refers to foreign regulated entities that are subject to regulatory regimes that are substantially similar to the ones applicable to equivalent Canadian entities listed in classes 1(a) or (b) above. For example, in order to be a class 1(c) entity, a foreign entity that primarily engages outside Canada in a business that, if carried on in Canada, would be the business of providing fiduciary services would have to be regulated in a substantially similar manner as a trust company referred to in paragraph 390(1)(c) or (e).

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
<p>2. Other financial intermediaries</p> <p>This class comprises OEs that engage in a financial intermediary activity that exposes the OE to material market or credit risk.</p>	<p>(a) Factoring entity (defined in the <i>Factoring Entity Regulations</i>) [390(2)(a)]</p>	<p>Control in fact, except</p> <ul style="list-style-type: none"> • if in compliance with IRs; [390(4)(b)] or • in the case of a foreign entity, where the foreign law does not permit control (association, however, must add investment in calculating minority investment cap under IRs). [390(8)] 	<p>Superintendent’s approval, except where:</p> <ul style="list-style-type: none"> • the association is acquiring a controlling interest; [390(6) and (7)(b)] or • the entity provides services exclusively to the association or members of the association’s group, as defined in 386(2). [section 1 of the EAIRs] 	<p>By definition, a factoring entity’s activities are limited to acting as a factor in respect of accounts receivable, including the related raising and lending of money. [section 1 of the <i>Factoring Entity Regulations</i>]</p> <p>When raising money, however, the entity cannot engage in deposit-taking. [390(3)]</p>
	<p>(b) Financial leasing entity (defined in 386(1)) [390(2)(a)]</p>	<p>Same as 2(a) above.</p>	<p>Same as 2(a) above.</p>	<p>By definition, a financial leasing entity’s activities are limited to the financial leasing of certain personal property and the activities set out in section 3 of the <i>Financial Leasing Entity Regulations</i>, which include raising money. [386(1)]</p> <p>When raising money, however, the entity cannot engage in deposit-taking. [390(3)]</p>
	<p>(c) Finance entity (defined in the <i>Finance Entity Regulations</i>) [390(2)(a)]</p>	<p>Same as 2(a) above.</p>	<p>No approval where entity provides services exclusively to the association or members of the association’s group, as defined in 386(2). [section 1 of the EAIRs]</p> <p>In all other cases,</p> <ul style="list-style-type: none"> • Superintendent’s approval is required except where Minister’s approval is required. [390(6) and (7)(c)] • Minister’s approval is required where the association acquires control of the entity from <u>an FRE</u> that is not a member of the association’s group. [390(5)(b)] 	<p>A finance entity is subject to the same restrictions as associations in the areas of fiduciary, leasing, residential mortgage lending, securities dealing, insurance business and substantial investments activities. [390(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the association does not control the entity]</p> <p>In addition, the entity cannot engage in deposit-taking. [390(3)]</p>

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
2. Other financial intermediaries (cont.)	(d) Mutual fund entity and closed-end fund (both defined in 386(1)) [390(2)(e)]	No.	No.	By definition, both of these entities' activities are limited to investing their funds so as to provide investment diversification and professional investment management to the holders of their securities. In addition, these entities are subject to the same restrictions as associations in the area of substantial investments activities. [390(3)(d). See also section 1 of the ERIRs where the association does not control the entity]
	(e) Other financial intermediaries, including <ul style="list-style-type: none"> • an investment fund that is not a mutual fund entity or a closed-end fund; • an entity that engages in the business activities of a factoring entity <u>and</u> in one or more other business activities; and • an entity that engages in the business activities of a financial leasing entity <u>and</u> in one or more other business activities. [390(2)(a)]	Same as 2(a) above.	Same as 2(c) above.	Same as 2(c) above, except that no restriction on insurance business activities.

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
3. Financial Agents	<p>Includes OEs that engage in the following activities:</p> <ul style="list-style-type: none"> • acting as a financial agent; • providing investment counselling services; • providing portfolio management services; • networking financial services; or • acting as a trustee for a mutual fund entity or a closed-end fund. [390(2)(a)] <p>Also includes a mutual fund distribution entity, as defined in 386(1). [390(2)(e)]</p>	No.	No.	<p>A financial agent is subject to the same restrictions as associations in the areas of leasing, residential mortgage lending and substantial investments activities. [390(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the association does not control the entity]</p> <p>In addition, a financial agent cannot engage in deposit-taking. [390(3)]</p> <p>A financial agent is also subject to the same restrictions as associations in the areas of:</p> <ul style="list-style-type: none"> • fiduciary activities, except when acting as a trustee for a mutual fund entity or a closed-end fund; [390(3)(a) and (3.1)] • securities dealing, except in the case of a mutual fund distribution entity. [390(3)(b)]

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
<p>4. Investment holding entities</p> <p>This class comprises OEs whose business includes acquiring or holding shares of, or ownership interests in, entities that an association is permitted to hold or acquire. [390(2)(b)]</p>	<p>(a) Specialized financing entity (defined in the <i>Specialized Financing Regulations</i> as an entity that acquires or holds shares of, or ownership interests in, entities that a retail association may acquire control of, or hold, acquire or increase a substantial investment in, under 388(4))</p>	<p>Control in fact, except:</p> <ul style="list-style-type: none"> • if in compliance with IRs; [390(4)(c)] or • in the case of a foreign specialized financing entity, where the foreign law does not permit control (association, however, must add investment in calculating minority investment cap under IRs). [390(8)] 	<p>Superintendent’s approval in all cases. [390(6)]</p>	<p>A specialized financing entity is subject to the restrictions set out in the <i>Specialized Financing Regulations</i>, including on controlling or holding shares of, or ownership interests in,</p> <ul style="list-style-type: none"> • an RE; or • an OE that, in Canada, <ul style="list-style-type: none"> ○ primarily engages in financial leasing of motor vehicles, ○ primarily engages in operational leasing, or ○ acts as an insurance agent or broker. <p>In addition, a specialized financing entity is subject to the same restrictions as associations in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities. [390(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the association does not control the specialized financing entity]</p> <p>A specialized financing entity cannot engage in deposit-taking. [390(3)]</p>

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
4. Investment holding entities (cont.)	(b) Other investment holding entity i.e., an OE that acquires or holds shares of, or ownership interests in, entities that an association is permitted to acquire or hold under: <ul style="list-style-type: none"> • 375 – less than substantial investments (portfolio investments); • 390 – PEs; • 388(2) – investments via an RE subsidiary; • 393 – temporary investments (only if the association controls the investment holding entity); • 394 – loan workouts; • 395 – realization of security interests. 	Control in fact, except: <ul style="list-style-type: none"> • if in compliance with IRs; [390(4)(c)(i) and (ii)] • in the case of a foreign investment holding entity, where the foreign law does not permit control (association, however, must add investment in calculating minority investment cap under IRs); [390(8)] or • where the investment holding entity does not control or hold any share of, or ownership interest in, <ul style="list-style-type: none"> – an RE (class 1 entity) – a financial intermediary (class 2 entity), or – an entity that is not a PE. [390(4)(c)(iii)] 	Superintendent’s approval only if the association is acquiring a non-controlling interest. [390(6) and (7)(a)]	Such an investment holding entity is subject to the same restrictions as associations in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities (with the exception of temporary investment activities where the association does not control the investment holding entity). [390(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the association does not control the investment holding entity] In addition, such an entity cannot engage in deposit-taking. [390(3)]

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

Classes of Entities		Control Requirement?	Approval Requirement?	Business Restrictions?
5. Non-financial services entities	(a) Entity that engages in information processing activities (i.e., activities referred to in 376(1)(g)) [390(2)(a)]	No.	Minister's approval except where the activities are carried on outside Canada. [390(5)(d)]	A non-financial services entity is subject to the same restrictions as associations in the areas of fiduciary, leasing, residential mortgage lending, securities dealing and substantial investments activities. [390(3). With respect to substantial investment activities, see also section 1 of the ERIRs where the association does not control the entity] In addition, such an entity cannot engage in deposit-taking. [390(3)]
	(b) Entity that engages in information technology activities (i.e., activities referred to in 376(1)(h)) [390(2)(a)]	No.	Minister's approval except where the conditions set out in section 5 of the <i>Information Technology Activities Regulations</i> are met (see class 6 below). [390(5)(d.1)]	

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?	
5. Non-financial services entities (cont.)	(c) Entity that engages in other non-financial service activities that a retail association is permitted to engage under 376: <ul style="list-style-type: none"> • managing, holding or dealing with real property; • acting as custodian of property on behalf of any person to whom the association may provide financial services; • management, advisory, educational and certain other services to persons referred to in 375(1)(a); • specialized business management or advisory services, including acting as a general partner of a limited partnership;² • promoting merchandise or services to card holders; • selling lottery or urban transit tickets; or • acting as receiver, liquidator or sequestrator. [390(2)(a)]	No.	No.	See above.
	(d) Entity that provides services to certain entities, so long as it provides those services to the association or members of the association’s group, as defined in 386 (2). ³ [390(2)(c)]	No.	No.	
	(e) Entity that engages in activities relating to promotion, sale delivery or distribution of financial services or products provided by certain entities. [390(2)(d)]	No.	Minister’s approval. [390(5)(c)]	

² Depending on the circumstances, an entity’s role as general partner of a limited partnership may also cause the entity to be a financial agent (class 3 above). In addition, OSFI generally views a general partner’s nominal interest in a limited partnership as being ancillary to its general partner activities and, as a result, generally does not view a general partner as also being an investment holding entity (class 4 above) with regards to the limited partnership.

³ OSFI is of the view that if an OE engages in services referred to in paragraph 390(2)(c) and in another paragraph within 390(2), then the OE should be categorized under that other paragraph. For example, where an association seeks to acquire control of an OE that will provide information technology services exclusively to members of the association’s group, that entity should be categorized as a 390(2)(a) entity rather than a 390(2)(c) entity. In such a case, the acquisition would require the Minister’s approval under 390(5)(d.1), assuming the entity’s services are not contemplated by the *Information Technology Activities Regulations*.

Appendix A.6 – Associations Permitted Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA and relevant regulations.

	Classes of Entities	Control Requirement?	Approval Requirement?	Business Restrictions?
<p>6. Prescribed entities</p> <p>An association may acquire control of, or acquire or increase a substantial investment in, an entity that engages in prescribed activities. [390(2)(f)]</p>	<p>Prescribed activities are set out in subsection 3(1) of the <i>Information Technology Activities Regulations</i> (the “IT Activities”).</p>	<p>Neither the CCAA nor the <i>Information Technology Activities Regulations</i> impose control requirements with respect to the IT Activities.</p>	<p>Where an entity limits its activities to IT Activities, no approval of the Minister is required under 390(5)(e).⁴ [section 5 of the <i>Information Technology Activities Regulations</i>]</p>	<p>In the case of an entity that engages in the IT Activities, the entity:</p> <ul style="list-style-type: none"> • is subject to the same restrictions as associations in the areas of fiduciary, leasing, residential mortgage lending, dealing in goods, securities dealing and substantial investments activities; and • cannot engage in deposit-taking. [subsection 3(3) and section 4 of the <i>Information Technology Activities Regulations</i>]

⁴ This is effectively an exception to the general approval requirement referred to in class 5(b) above.

Appendix B.1 – Banks and BHCs Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA.

Notes:

In this Appendix,

- abbreviations and capitalized terms have the meaning ascribed to them on pages 1 and 2 of the Advisory; and
- references to provisions are to those of the BA.

<p>Temporary investment [466(3)(a) and 471; 928(3)(a) and 933]</p>	<p>A bank or BHC may acquire control of, or acquire or increase a substantial investment in, any entity as a temporary investment [471(1) and 933(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • Where the entity is not a PE only because the bank or BHC did not obtain the Minister’s approval under subsection 468(5) or 930(5), the bank or BHC may hold control of, or a substantial investment in, the entity for (a) 90 days, or (b) over 90 days where the bank or BHC requests, within 90 days of acquiring control of, or acquiring or increasing a substantial investment in, the entity, the Minister’s approval to extend the holding period [471(4) and 933(3)]. At the bank or BHC’s request, the Minister may (a) allow the bank or BHC to reclassify the investment under the PE category [466(6), (7) and 468(5); 928(5), (6) and 930(5)] or (b) extend the holding period, including for an indeterminate period [471(4) and 933(3)]. • Where the entity is not a PE only because the bank or BHC did not obtain the Superintendent’s approval under subsection 468(6) or 930(6), the bank or BHC may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [471(1) and 933(1)]. At the bank or BHC’s request, the Superintendent may (a) allow the bank or BHC to reclassify the investment under the PE category [466(6), (7) and 468(6); 928(5), (6) and 930(6)] or (b) extend the holding period for one or more finite periods [471(3) and 933(3)] or for an indeterminate period [471(5) and 933(4)]. • In all other cases, the bank or BHC may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [471(1) and 933(1)]. At the bank or BHC’s request, the Superintendent may extend the holding period for one or more finite periods [471(3) and 933(2)].
---	---

Appendix B.1 – Banks and BHCs Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the BA.

<p>Loan workout [466(3)(b) and 472; 928(3)(b) and 934]</p>	<p>Where an entity is in default with respect to a loan that:</p> <p>(a) a bank or its subsidiary has made to the entity, the bank or the subsidiary may acquire all or any of the shares of, or ownership interests in, (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in holding shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loan was made; or</p> <p>(b) a BHC’s subsidiary has made to the entity, the BHC may, through its subsidiary, acquire a substantial investment in (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in the holding of shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loans was made. [472(1) and 934(1)]</p> <p>Despite (a) and (b) above, where a foreign government, or an entity controlled by a foreign government, is in default with respect to a loan from, or debt obligations held by, a bank or a subsidiary of a BHC, the BHC, via its subsidiary, or the bank may acquire all or any of the shares of, or ownership interests in, the entity or any other entity designated by the foreign government, if the acquisition is part of a debt restructuring program [472(5) and 934(4)]. The bank or BHC may hold those shares or ownership interests for a period specified by the Superintendent, including for an indeterminate period [472(6) and 934(5)].</p> <p><u>Holding period:</u> With respect to (a) and (b) above:</p> <ul style="list-style-type: none"> • the bank or BHC may hold control of, or a substantial investment in, the entity for 5 years [472(2) and 934(2)] or longer where the Superintendent grants an extension [472(4) and 934(3)]; and • where the entity is not a PE only because the bank or BHC did not obtain the Superintendent’s or the Minister’s approval under section 468 or 930, the bank or BHC may hold control of, or a substantial investment in, the entity for an indeterminate period where the bank or BHC, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [466(6), (7) and 468; 928(5), (6) and 930] or (b) obtains the Minister’s approval [472(7) and 934(6)].
<p>Realization of a security interest [466(3)(c) and 473; 928(3)(c) and 935]</p>	<p>A bank or BHC may, through the realization of a security interest held by the bank or a subsidiary of the bank or BHC, acquire control of, or acquire or increase a substantial investment in, any entity [473(1) and 935(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The bank or BHC may hold control of, or a substantial investment in, the entity for 5 years [473(2) and 935(2)] or longer where the Superintendent grants an extension [473(4) and 935(3)]. • Where the entity is not a PE only because the bank or BHC did not obtain the Superintendent’s or the Minister’s approval under section 468 or 930, the bank or BHC may hold control of, or a substantial investment in, the entity for an indeterminate period where the bank or BHC, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [466(6), (7) and 468; 928(5), (6) and 930] or (b) obtains the Minister’s approval [473(5) and 935(4)].

Appendix B.2 – Life Companies and IHCs Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA.

Notes:

In this Appendix,

- **LifeCo** refers to a life company;
- other abbreviations and capitalized terms have the meaning ascribed to them on pages 1 and 2 of the Advisory; and
- references to provisions are to those of the ICA.

<p>Temporary investment [493(3)(a) and 498; 969(3)(a) and 974]</p>	<p>A LifeCo or an IHC may acquire control of, or acquire or increase a substantial investment in, any entity as a temporary investment [498(1) and 974(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • Where the entity is not a PE only because the LifeCo or IHC did not obtain the Minister’s approval under subsection 495(7) or 971(5), the LifeCo or IHC may hold control of, or a substantial investment in, the entity for (a) 90 days, or (b) over 90 days where the LifeCo or IHC requests, within 90 days of acquiring control of, or acquiring or increasing a substantial investment in, the entity, the Minister’s approval to extend the holding period [498(4) and 974(3)]. At the LifeCo or IHC’s request, the Minister may (a) allow the LifeCo or IHC to reclassify the investment under the PE category [493(6), (7) and 495(7); 969(5), (6) and 971(5)] or (b) extend the holding period, including for an indeterminate period [498(4) and 974(3)]. • Where the entity is not a PE only because the LifeCo or IHC did not obtain the Superintendent’s approval under subsection 495(8) or 971(6), the LifeCo or IHC may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [498(1) and 974(1)]. At the LifeCo or IHC’s request, the Superintendent may (a) allow the LifeCo or IHC to reclassify the investment under the PE category [493(6), (7) and 495(8); 969(5), (6) and 971(6)] or (b) extend the holding period for one or more finite periods [498(3) and 974(2)] or for an indeterminate period [498(5) and 974(4)]. • In all other cases, the LifeCo or IHC may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [498(1) and 974(1)]. At the LifeCo or IHC’s request, the Superintendent may extend the holding period for one or more finite periods [498(3) and 974(2)].
---	--

Appendix B.2 – Life Companies and IHCs Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA.

<p>Loan workout [493(3)(b) and 499; 969(3)(b) and 975]</p>	<p>Where an entity is in default with respect to a loan that:</p> <p>(a) an LifeCo or its subsidiary has made to the entity, the LifeCo or the subsidiary may acquire all or any of the shares of, or ownership interests in, (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in holding shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loan was made; or</p> <p>(b) an IHC’s subsidiary has made to the entity, the IHC may, through its subsidiary, acquire a substantial investment in (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in the holding of shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loans was made. [499(1) and 975(1)]</p> <p>Despite (a) and (b) above, where a foreign government, or an entity controlled by a foreign government, is in default with respect to a loan from, or debt obligations held by, a LifeCo or a subsidiary of an IHC, the IHC, via its subsidiary, or the LifeCo may acquire all or any of the shares of, or ownership interests in, the entity or any other entity designated by the foreign government, if the acquisition is part of a debt restructuring program [499(5) and 975(4)]. The LifeCo or IHC may hold those shares or ownership interests for a period specified by the Superintendent, including for an indeterminate period [499(6) and 975(5)].</p> <p><u>Holding period:</u> With respect to (a) and (b) above:</p> <ul style="list-style-type: none"> • the LifeCo or IHC may hold control of, or a substantial investment in, the entity for 5 years [499(2) and 975(2)] or longer where the Superintendent grants an extension [499(4) and 975(3)]; and • where the entity is not a PE only because the LifeCo or IHC did not obtain the Superintendent’s or the Minister’s approval under section 495 or 971, the LifeCo or IHC may hold control of, or a substantial investment in, the entity for an indeterminate period where the LifeCo or IHC, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [493(6), (7) and 495; 969(5), (6) and 971] or (b) obtains the Minister’s approval [499(7) and 975(6)].
<p>Realization of a security interest [493(3)(c) and 500; 969(3)(c) and 976]</p>	<p>A LifeCo or an IHC may, through the realization of a security interest held by the LifeCo or a subsidiary of the LifeCo or IHC, acquire control of, or acquire or increase a substantial investment in, any entity [500(1) and 976(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The LifeCo or IHC may hold control of, or a substantial investment in, the entity for 5 years [500(2) and 976(2)] or longer where the Superintendent grants an extension [500(4) and 976(3)]. • Where the entity is not a PE only because the LifeCo or IHC did not obtain the Superintendent’s or the Minister’s approval under section 495 or 971, the LifeCo or IHC may hold control of, or a substantial investment in, the entity for an indeterminate period where the LifeCo or IHC, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [493(6), (7) and 495; 969(5), (6) and 971] or (b) obtains the Minister’s approval [500(5) and 976(4)].

Appendix B.3 – Property and Casualty Companies and Marine Companies Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA.

Notes:

In this Appendix,

- **Company** refers to a property and casualty company or a marine company, as the case may be;
- other abbreviations and capitalized terms have the meaning ascribed to them on pages 1 and 2 of the Advisory; and
- references to provisions are to those of the ICA.

<p>Temporary investment [493(3)(a) and 498]</p>	<p>A Company may acquire control of, or acquire or increase a substantial investment in, any entity as a temporary investment [498(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • Where the entity is not a PE only because the Company did not obtain the Minister’s approval under subsection 495(7), the Company may hold control of, or a substantial investment in, the entity for (a) 90 days, or (b) over 90 days where the Company requests, within 90 days of acquiring control of, or acquiring or increasing a substantial investment in, the entity, the Minister’s approval to extend the holding period [498(4)]. At the Company’s request, the Minister may (a) allow the Company to reclassify the investment under the PE category [493(6), (7) and 495(7)] or (b) extend the holding period, including for an indeterminate period [498(4)]. • Where the entity is not a PE only because the Company did not obtain the Superintendent’s approval under subsection 495(8), the Company may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [498(1)]. At the Company’s request, the Superintendent may (a) allow the Company to reclassify the investment under the PE category [493(6), (7) and 495(8)] or (b) extend the holding period for one or more finite periods [498(3)] or for an indeterminate period [498(5)]. • In all other cases, the Company may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [498(1)]. At the Company’s request, the Superintendent may extend the holding period for one or more finite periods [498(3)].
--	---

Appendix B.3 – Property and Casualty Companies and Marine Companies Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA.

<p>Loan workout [493(3)(b) and 499]</p>	<p>Where an entity is in default with respect to a loan that a Company or its subsidiary has made to the entity, the Company or the subsidiary may acquire all or any of the shares of, or ownership interests in, (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in holding shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loan was made [499(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The Company may hold control of, or a substantial investment in, the entity for 5 years [499(2)] or longer where the Superintendent grants an extension [499(4)]. • Where the entity is not a PE only because the Company did not obtain the Superintendent’s or the Minister’s approval under section 495, the Company may hold control of, or a substantial investment in, the entity for an indeterminate period where the Company, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [493(6), (7) and 495] or (b) obtains the Minister’s approval [499(7)]. <p>Despite the above, where a foreign government, or an entity controlled by a foreign government, is in default with respect to a loan from, or debt obligations held by a Company, the Company may acquire all or any of the shares of, or ownership interests in, the entity or any other entity designated by the foreign government, if the acquisition is part of a debt restructuring program [499(5)]. The Company may hold those shares or ownership interests for a period specified by the Superintendent, including for an indeterminate period [499(6)].</p>
<p>Realization of a security interest [493(3)(c) and 500]</p>	<p>A Company may, through the realization of a security interest held by the Company or its subsidiary, acquire control of, or acquire or increase a substantial investment in, any entity [500(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The Company may hold control of, or a substantial investment in, the entity for 5 years [500(2)] or longer where the Superintendent grants an extension [500(4)]. • Where the entity is not a PE only because the Company did not obtain the Superintendent’s or the Minister’s approval under section 495, the Company may hold control of, or a substantial investment in, the entity for an indeterminate period where the Company, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [493(6), (7) and 495] or (b) obtains the Minister’s approval [500(5)].

Appendix B.4 – Fraternal Benefit Societies Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA.

Notes:

In this Appendix,

- **Society** refers to a fraternal benefit society;
- other abbreviations and capitalized terms have the meaning ascribed to them on pages 1 and 2 of the Advisory; and
- references to provisions are to those of the ICA.

Temporary investment [552(3)(a) and 557]	<p>A Society may acquire control of, or acquire or increase a substantial investment in, any entity as a temporary investment [557(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none">• Where the entity is not a PE only because the Society did not obtain the Minister’s approval under subsection 554(5), the Society may hold control of, or a substantial investment in, the entity for (a) 90 days, or (b) over 90 days where the Society requests, within 90 days of acquiring control of, or acquiring or increasing a substantial investment in, the entity, the Minister’s approval to extend the holding period [557(4)]. At the Society’s request, the Minister may (a) allow the Society to reclassify the investment under the PE category [552(5), (6) and 554(5)] or (b) extend the holding period, including for an indeterminate period [557(4)].• In all other cases, the Society may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [557(1)]. At the Society’s request, the Superintendent may extend the holding period for one or more finite periods [557(3)].
--	--

Appendix B.4 – Fraternal Benefit Societies Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA.

<p>Loan workout [552(3)(b) and 558]</p>	<p>Where an entity is in default with respect to a loan that a Society or its subsidiary has made to the entity, the Society or the subsidiary may acquire all or any of the shares of, or ownership interests in, (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in holding shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loan was made [558(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The Society may hold control of, or a substantial investment in, the entity for 5 years [558(2)] or longer where the Superintendent grants an extension [558(4)]. • Where the entity is not a PE only because the Society did not obtain the Minister’s approval under section 554, the Society may hold control of, or a substantial investment in, the entity for an indeterminate period where the Society, within the holding period described above, (a) reclassifies the investment under the PE category, with the Minister’s approval [552(5), (6) and 554(5)] or (b) obtains the Minister’s approval [558(7)]. <p>Despite the above, where a foreign government, or an entity controlled by a foreign government, is in default with respect to a loan from, or debt obligations held by, a Society, the Society may acquire all or any of the shares of, or ownership interests in, the entity or any other entity designated by the foreign government, if the acquisition is part of a debt restructuring program [558(5)]. The Society may hold those shares or ownership interests for a period specified by the Superintendent, including for an indeterminate period [558(6)].</p>
<p>Realization of a security interest [552(3)(c) and 559]</p>	<p>A Society may, through the realization of a security interest held by the Society or its subsidiary, acquire control of, or acquire or increase a substantial investment in, any entity [559(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The Society may hold control of, or a substantial investment in, the entity for 5 years [559(2)] or longer where the Superintendent grants an extension [559(4)]. • where the entity is not a PE only because the Society did not obtain the Minister’s approval under section 554, the Society may hold control of, or a substantial investment in, the entity for an indeterminate period where the Society, within the holding period described above, (a) reclassifies the investment under the PE category, with the Minister’s approval [552(5), (6) and 554(5)] or (b) obtains the Minister’s approval [559(5)].

Appendix B.5 – Trust and Loan Companies

Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA.

Notes:

In this Appendix,

- **Company** refers to a trust or loan company, as the case may be;
- other abbreviations and capitalized terms have the meaning ascribed to them on pages 1 and 2 of the Advisory; and
- references to provisions are to those of the TLCA.

Temporary investment [451(3)(a) and 456]	<p>A Company may acquire control of, or acquire or increase a substantial investment in, any entity as a temporary investment [456(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none">• Where the entity is not a PE only because the Company did not obtain the Minister’s approval under subsection 453(5), the Company may hold control of, or a substantial investment in, the entity for (a) 90 days, or (b) over 90 days where the Company requests, within 90 days of acquiring control of, or acquiring or increasing a substantial investment in, the entity, the Minister’s approval to extend the holding period [456(4)]. At the Company’s request, the Minister may (a) allow the Company to reclassify the investment under the PE category [451(6), (7) and 453(5)] or (b) extend the holding period, including for an indeterminate period [456(4)].• Where the entity is not a PE only because the Company did not obtain the Superintendent’s approval under subsection 453(6), the Company may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [456(1)]. At the Company’s request, the Superintendent may (a) allow the Company to reclassify the investment under the PE category [451(6), (7) and 453(6)] or (b) extend the holding period for one or more finite periods [456(3)] or for an indeterminate period [456(5)].• In all other cases, the Company may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [456(1)]. At the Company’s request, the Superintendent may extend the holding period for one or more finite periods [456(3)].
--	---

Appendix B.5 – Trust and Loan Companies

Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the TLCA.

<p>Loan workout [451(3)(b) and 457]</p>	<p>Where an entity is in default with respect to a loan that a Company or its subsidiary has made to the entity, the Company or the subsidiary may acquire all or any of the shares of, or ownership interests in, (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in holding shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loan was made [457(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The Company may hold control of, or a substantial investment in, the entity for 5 years [457(2)] or longer where the Superintendent grants an extension [457(4)]. • Where the entity is not a PE only because the Company did not obtain the Superintendent’s or the Minister’s approval under section 453, the Company may hold control of, or a substantial investment in, the entity for an indeterminate period where the Company, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [451(6), (7) and 453] or (b) obtains the Minister’s approval [457(7)]. <p>Despite the above, where a foreign government, or an entity controlled by a foreign government, is in default with respect to a loan from, or debt obligations held by, a Company, the Company may acquire all or any of the shares of, or ownership interests in, the entity or any other entity designated by the foreign government, if the acquisition is part of a debt restructuring program [457(5)]. The Company may hold those shares or ownership interests for a period specified by the Superintendent, including for an indeterminate period [457(6)].</p>
<p>Realization of a security interest [451(3)(c) and 458]</p>	<p>A Company may, through the realization of a security interest held by the Company or its subsidiary, acquire control of, or acquire or increase a substantial investment in, any entity [458(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The Company may hold control of, or a substantial investment in, the entity for 5 years [458(2)] or longer where the Superintendent grants an extension [458(4)]. • Where the entity is not a PE only because the Company did not obtain the Superintendent’s or the Minister’s approval under section 453, the Company may hold control of, or a substantial investment in, the entity for an indeterminate period where the Company, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [451(6), (7) and 453] or (b) obtains the Minister’s approval [458(5)].

Appendix B.6 – Associations

Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA.

Notes:

In this Appendix,

- abbreviations and capitalized terms have the meaning ascribed to them on pages 1 and 2 of the Advisory; and
- references to provisions are to those of the CCAA.

Temporary investment [388(3)(a) and 393]	<p>An association may acquire control of, or acquire or increase a substantial investment in, any entity as a temporary investment [393(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none">• Where the entity is not a PE only because the association did not obtain the Minister’s approval under subsection 390(5), the association may hold control of, or a substantial investment in, the entity for (a) 90 days, or (b) over 90 days where the association requests, within 90 days of acquiring control of, or acquiring or increasing a substantial investment in, the entity, the Minister’s approval to extend the holding period [393(4)]. At the association’s request, the Minister may (a) allow the association to reclassify the investment under the PE category [388(6), (7) and 390(5)] or (b) extend the holding period, including for an indeterminate period [393(4)].• Where the entity is not a PE only because the association did not obtain the Superintendent’s approval under subsection 390(6), the association may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [393(1)]. At the association’s request, the Superintendent may (a) allow the association to reclassify the investment under the PE category [388(6), (7) and 390(6)] or (b) extend the holding period for one or more finite periods [393(3)] or for an indeterminate period [393(5)].• In all other cases, the association may hold control of, or a substantial investment in, the entity for 2 years or such other period specified by the Superintendent [393(1)]. At the association’s request, the Superintendent may extend the holding period for one or more finite periods [393(3)].
--	--

Appendix B.6 – Associations

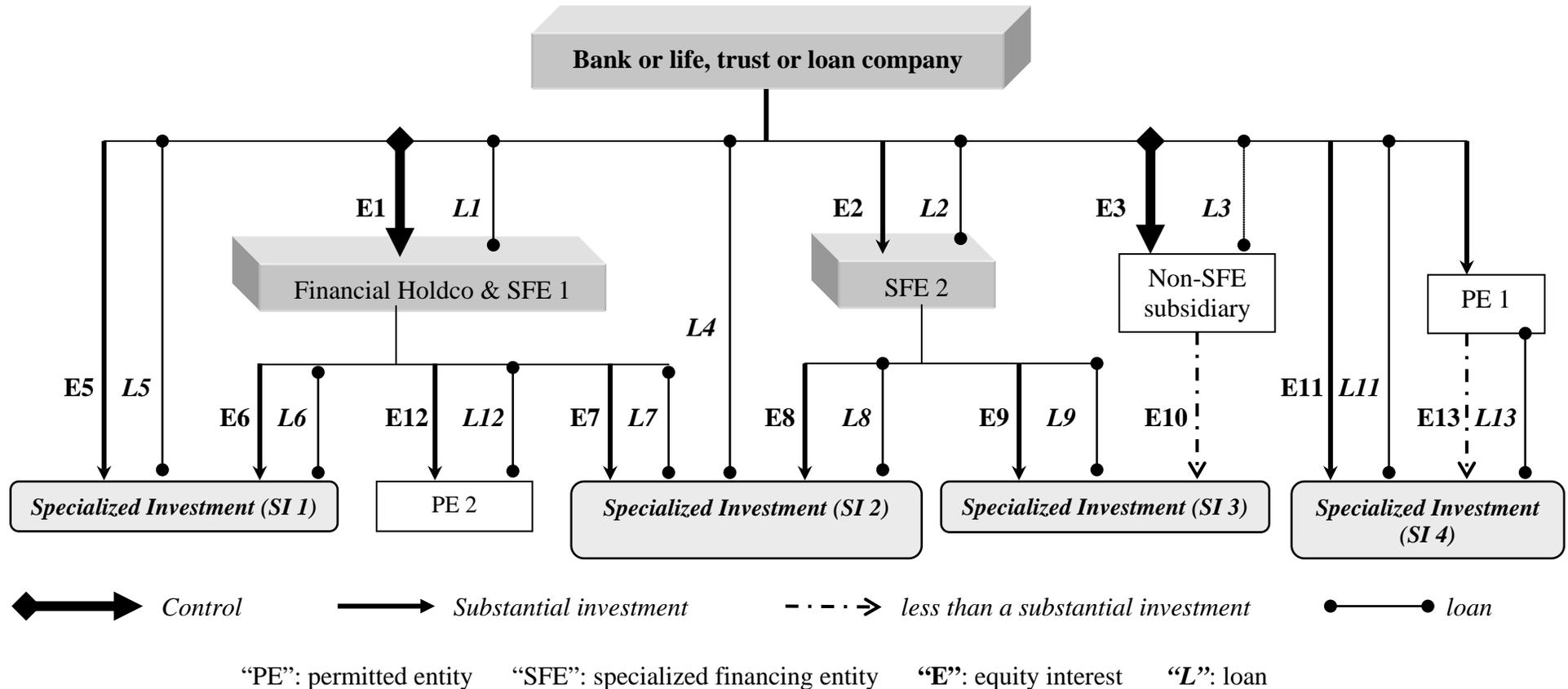
Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the CCAA.

<p>Loan workout [388(3)(b) and 394]</p>	<p>Where an entity is in default with respect to a loan that an association or its subsidiary has made to the entity, the association or the subsidiary may acquire all or any of the shares of, or ownership interests in, (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in holding shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loan was made [394(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The association may hold control of, or a substantial investment in, the entity for 5 years [394(2)] or longer where the Superintendent grants an extension [394(4)]. • Where the entity is not a PE only because the association did not obtain the Superintendent’s or the Minister’s approval under section 390, the association may hold control of, or a substantial investment in, the entity for an indeterminate period where the association, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [388(6), (7) and 390] or (b) obtains the Minister’s approval [394(7)]. <p>Despite the above, where a foreign government, or an entity controlled by a foreign government, is in default with respect to a loan from, or debt obligations held by, an association, the association may acquire all or any of the shares of, or ownership interests in, the entity or any other entity designated by the foreign government, if the acquisition is part of a debt restructuring program [394(5)]. The association may hold those shares or ownership interests for a period specified by the Superintendent, including for an indeterminate period [394(6)].</p>
<p>Realization of a security interest [388(3)(c) and 395]</p>	<p>An association may, through the realization of a security interest held by the association or its subsidiary, acquire control of, or acquire or increase a substantial investment in, any entity [395(1)].</p> <p><u>Holding period:</u></p> <ul style="list-style-type: none"> • The association may hold control of, or a substantial investment in, the entity for 5 years [395(2)] or longer where the Superintendent grants an extension [395(4)]. • Where the entity is not a PE only because the association did not obtain the Superintendent’s or the Minister’s approval under section 390, the association may hold control of, or a substantial investment in, the entity for an indeterminate period where the association, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent’s or the Minister’s approval [388(6), (7) and 390] or (b) obtains the Minister’s approval [395(5)].

Appendix C Equity and Exposure Limits - Specialized Financing

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the applicable Specialized Financing Regulations.

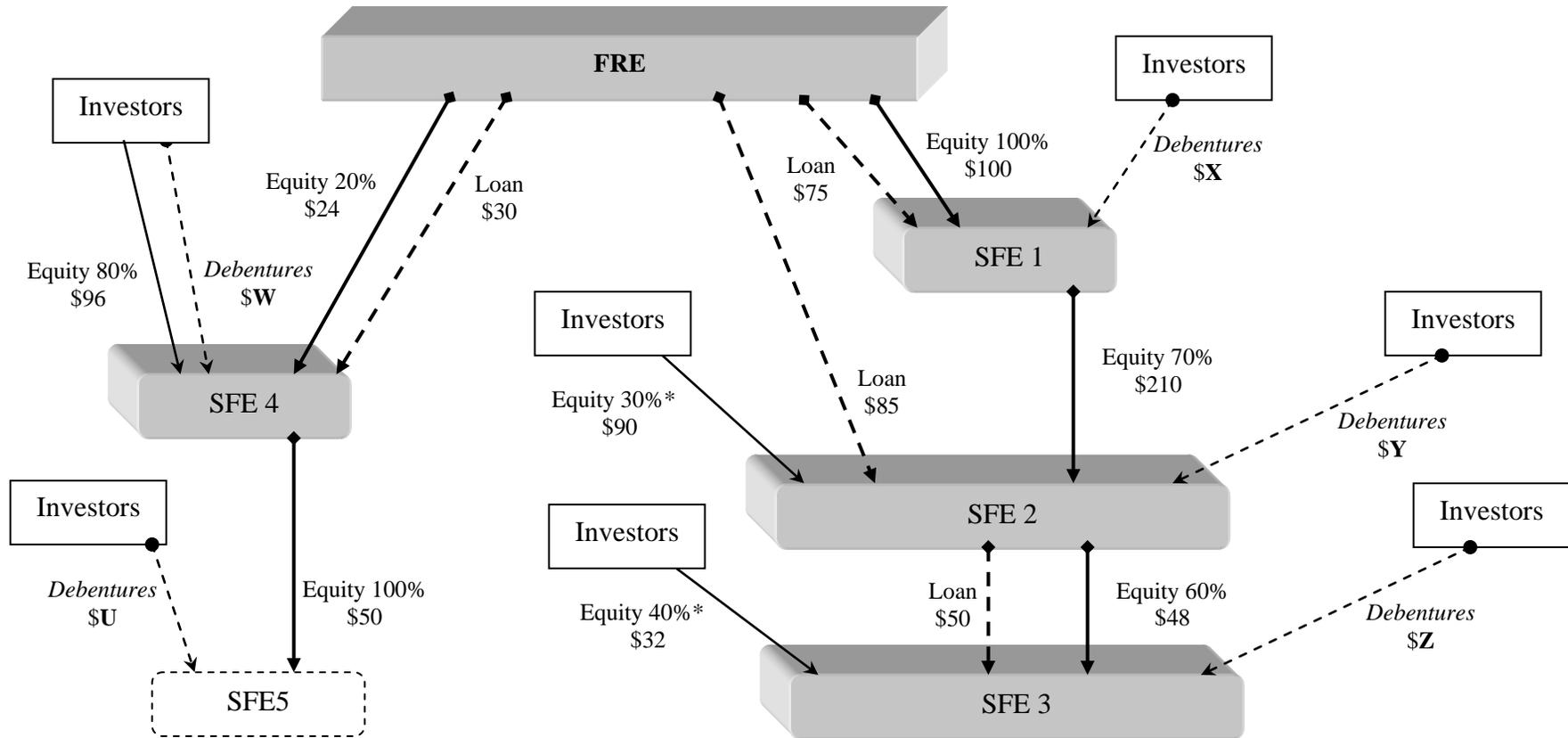


\$250 m. Equity Limit – per entity	SI 1: E5 + E6	PE 2: E12	SI 2: E7 + E8	SI 3: E9 + E10	SI 4: E11
10% Regulatory Capital Limit	E1 + L1 + E2 + L2 + E5 + E11				
25% Regulatory Capital Limit	SFE 1: E1 + L1 + E5 + L5 + L4	SFE 2: E2 + L2 + L4 + E10	In-house: E11 + L11		

Per SFE and In-house – excluding exposure held through another SFE

Appendix D Leverage Limit Applicable to Specialized Financing Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the applicable Specialized Financing Regulations.



“FRE”: federally regulated entity

“SFE”: specialized financing entity

* Non-controlling interest in the SFE

Appendix D Leverage Limit Applicable to Specialized Financing Entities

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the applicable Specialized Financing Regulations.

Mathematical formula of the leverage limit: $A - B < 2(C + D)$

Where

- A** is the value of all outstanding debts of both the SFE and all its subsidiaries that are also SFE as reported on their respective balance sheets on an unconsolidated basis;
- B** is the value of all outstanding debts of both the SFE and all its subsidiaries that are also SFE that are payable to the bank or BHC and their respective subsidiaries;
- C** is the value of the excess of assets over liabilities (i.e. equity) of the SFE as reported on its balance sheet on an unconsolidated basis; and
- D** is the value of the non-controlling interest as reported on the SFE's balance sheet on a consolidated basis.

	A	-	B	< 2 x	(C	+	D)
SFE 1	$X + Y + Z + 75 + 85 + 50$		$75 + 85 + 50$		100		$90 + 32$
	$X+Y+Z < 444$						
SFE 2	$Y + Z + 85 + 50$		$85 + 50$		$210 + 90$		32
	$Y+Z < 664$ but $Y+Z < 444 -- X$						
SFE 3	$Z + 50$		50		$48 + 32$		0
	$Z < 160$ but $Z < 444 - X - Y$						
SFE 4	$W + 30$		30		$24 + 96$		0
	$W < 240$						
SFE 5	Leverage limit does not apply –the FRE does not control, or have a substantial investment in, SFE 5						