



Office of the Superintendent of
Financial Institutions Canada

Bureau du surintendant des
institutions financières Canada

Office of the Superintendent of Financial Institutions

2016–17

Departmental Results Report

The Honourable William Francis Morneau, P.C., M.P.
Minister of Finance



Canada 

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Superintendent's message

The past year was notable for the continuing low interest rate environment, growing levels of household debt and slow economic growth. In 2016-17, OSFI undertook several activities to address developing risks in these areas, and others, to further strengthen Canada's system of prudential regulation and supervision.



Given record levels of household debt in Canada, combined with extremely active residential real estate markets, in the past year OSFI enhanced its supervisory oversight around mortgage underwriting and insurance, tightened its expectations around due diligence and reinforced its existing guidance in this area.

As well, in January 2017, our advisory on Capital Requirements for Federally Regulated Mortgage Insurers defined a new, more risk-sensitive approach to the regulatory capital requirements for mortgage insurance.

In addition to our work on the housing file, after over a decade of work, OSFI finalized its Life Insurance Capital Adequacy Test (LICAT) in September 2016. The LICAT replaces the current Minimum Continuing Capital and Surplus Requirements (MCCSR) guideline and represents an evolution in OSFI's regulatory capital expectations.

In the fall of 2016, OSFI conducted a survey with executives of the financial institutions to assess OSFI's performance as a prudential regulator and supervisor. Respondents rated the organization highly for its effectiveness in supervising their institutions and noted that OSFI remains focused on appropriate areas of risk. The survey results also revealed some areas for improvement, including the scalability of our guidance for small and medium-sized institutions.

In December 2016, OSFI launched a comprehensive review of its expectations around corporate governance at federally regulated financial institutions. The feedback received through these targeted industry consultations will guide revisions to OSFI's Corporate Governance Guideline, which outlines our expectations for boards of directors and senior management.

Internally, our focus continued to be on supporting a high-performing workforce. OSFI continued its Supervision Training Initiative, a multi-year plan to ensure our supervisors have the skills and knowledge necessary to perform their work. We created a new group – Common Supervisory Services – to improve the consistency of support activities across supervision groups. We also continued work on a new human capital strategy and a cyber security action plan.

OSFI welcomed two new executive members in 2016-17. Carolyn Rogers was appointed Assistant Superintendent, Regulation Sector. Ms. Rogers came from the Financial Institutions Commission (FICOM), the integrated financial services regulator of British Columbia, where she served as Superintendent and CEO. Michelle Doucet was appointed Assistant Superintendent, Corporate Services Sector. Ms. Doucet came from the Privy Council Office, where she served as Assistant Deputy Minister, Corporate Services Branch.

As we mark OSFI's 30th anniversary year in 2017-18, we – and those who came before us – can be proud of this organization and its important role in contributing to public confidence in the Canadian financial system.

Results at a glance

OSFI's total actual spending for 2016-17 was \$148.0 million and the total actual full-time equivalents were 672.

The key results achieved in 2016-17 include the following:

- OSFI made a significant contribution to the stability of the financial sector by conducting targeted examinations, maintaining up to date risk assessments, and communicating with financial sector participants. Specific activities that support financial sector stability included OSFI's successful taking-control of the assets in Canada and requesting the winding-up of Maple Bank GmbH (Toronto Branch), an instance where the liquidator does not expect any Canadian depositors or creditors to suffer a loss. OSFI also improved the supervision of small and medium sized banks through the establishment of a CEO Roundtable to facilitate information sharing and improved supervisory approaches to small institutions. Due to the impact of persistently low interest rates on the insurance industry and specifically the smaller insurers, OSFI also implemented a formal approach to assessing the financial viability of companies that are severely affected and worked with them to find a resolution that avoids disruption to policyholders and creditors.
- OSFI made revisions to its capital adequacy requirements for FRFIs to ensure that these requirements continue to reflect underlying risks and developments in the financial industry. In the area of capital adequacy for insurance companies, OSFI finalized and published a new and more risk-based Life Insurance Capital Adequacy Test and Mortgage Insurance Capital Advisory. Both of these standards modernize the capital requirements and improve risk measurement for these two industries. OSFI also amended capital rules for deposit-taking institutions to become more risk sensitive to uncertain housing valuations in several major urban centres. These changes required domestic systemically important banks to be more conservative in their estimates of mortgage loan risk, with a concurrent increase in levels of required capital for new housing finance.
- The [Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans](#)ⁱ came into effect on June 15, 2016 between the governments of Canada, British Columbia, Nova Scotia, Quebec, and Saskatchewan; Ontario became a signatory to the Agreement effective March 31, 2017. The Agreement effectively delegates to OSFI the responsibility for licensing, registering and supervising PRPPs whose operations fall within the jurisdiction of both the federal government and that of the participating provinces, with the exception of Quebec.

For more information on the agency's plans, priorities and results achieved, see the "Results: what we achieved" section of this report.

Raison d'être, mandate and role: who we are and what we do

Raison d'être

OSFI was established in 1987 by an Act of Parliament: the Office of the Superintendent of Financial Institutions Act (OSFI Act). It is an independent agency of the Government of Canada and reports to Parliament through the Minister of Finance.

OSFI supervises and regulates all banks in Canada and federal credit unions in Canada and all federally incorporated or registered trust and loan companies, insurance companies, fraternal benefit societies and private pension plans. Under the OSFI Act, the Superintendent is solely responsible for exercising OSFI's authorities and is required to report to the Minister of Finance from time to time on the administration of the financial institutions legislation.

The Office of the Chief Actuary (OCA), which is an independent unit within OSFI, provides actuarial valuation and advisory services for the Canada Pension Plan, the Old Age Security program, the Canada Student Loans and Employment Insurance Programs and other public sector pension and benefit plans (see Program 2.1 on page 22 for further detail on the OCA).

Mandate and role

OSFI was created to contribute to public confidence in the Canadian financial system.

Under its legislation, OSFI's mandate is:

Fostering sound risk management and governance practices

OSFI advances a regulatory framework designed to control and manage risk.

Supervision and early intervention

OSFI supervises federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting regulatory and supervisory requirements.

OSFI promptly advises financial institutions and pension plans if there are material deficiencies, and takes corrective measures or requires that they be taken to expeditiously address the situation.

Environmental scanning linked to safety and soundness of financial institutions

OSFI monitors and evaluates system-wide or sectoral developments that may have a negative impact on the financial condition of federally regulated financial institutions.

Taking a balanced approach

OSFI acts to protect the rights and interests of depositors, policyholders, financial institution creditors and pension plan beneficiaries while having due regard for the need to allow financial institutions to compete effectively and take reasonable risks.

OSFI recognizes that management, boards of directors and pension plan administrators are ultimately responsible for risk decisions and that financial institutions can fail and pension plans can experience financial difficulties resulting in the loss of benefits.

In fulfilling its mandate, OSFI supports the government’s objective of contributing to public confidence in the Canadian financial system.

For more general information about the agency, see the “Supplementary information” section of this report. For more information on the agency’s organizational mandate letter¹ commitments, see the [Minister's mandate letter](#).ⁱⁱ

¹ Note that OSFI is an agency of the Government of Canada and reports to Parliament through the Minister of Finance. The Minister’s mandate letter focuses on priorities within the Finance portfolio and does not directly link to OSFI’s priorities.

Operating context and key risks

Operating context

In 2016-17, sustained high levels of domestic household indebtedness, low interest rates, and ongoing global political and financial uncertainty continued to be sources of potential systemic vulnerability. OSFI took action to address the possible impact of these challenges and achieve its strategic priorities. It communicated its expectations for risk management to FRFIs and conducted reviews in several areas, including corporate and commercial lending, mortgage and other retail lending, risk data aggregation and risk reporting, risk management, and compliance. OSFI also continued to enhance its supervisory processes and tools.

Within the above context, OSFI supervises and regulates financial institutions and private pension plans to enhance their resilience to adverse conditions and prolonged periods of stress.

Operating within the broader Government of Canada context, OSFI continues to participate in shared services and harmonization initiatives that form part of its plans for the upcoming years.

Key risks

Key risks

Risks	Mitigating strategy and effectiveness	Link to the department's Programs	Link to mandate letter commitments or to government-wide and departmental priorities
<p>Financial Institution (FI) Resilience to the Economy and Financial Sector Conditions: Some financial institutions may lack resilience to sustain stress stemming from the economic environment, in Canada and abroad.</p> <p>This risk is of concern given the ongoing vulnerabilities of the financial system.</p>	<p>This risk was identified in the 2016-17 Report on Plans and Priorities (RPP). Risk responses during 2016-17 included:</p> <ul style="list-style-type: none"> • Developing industry-wide stress tests for mortgage insurers and presenting a macro stress test plan for large banks; • Finalizing the Life Insurance Capital Adequacy Test (LICAT) guideline, which better aligns capital and risk measures with the economic realities of the life insurance business; and, • Finalizing the advisory on capital requirements for federally regulated mortgage insurers, which is more 	<p>Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions</p>	<p>OSFI Priority B – Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system.</p>

	<p>sensitive to risks affecting mortgage default insurance.</p> <ul style="list-style-type: none"> Amending capital rules for deposit-taking institutions to become more risk sensitive to uncertain housing valuations in several major urban centres. These changes required domestic systemically important banks to be more conservative in their estimates of mortgage loan risk, with a concurrent increase in levels of required capital for new housing finance. <p>The above mitigating strategies continued to be effective in supporting the identification of FI exposures to risk and in strengthening the FI frameworks for capital which in turn promotes a more resilient economy and financial sector.</p>		
<p>Government, Shared or Harmonization Initiatives: This relates to the risk that focus on the core mandate may be diluted as a result of Government, shared or harmonization initiatives. Given its small size, OSFI needs to monitor, plan for, and carefully manage the implementation of shared or harmonization initiatives to minimize business disruption and maintain the flexibility necessary to conduct business effectively.</p>	<p>This risk was identified in the 2016-17 RPP. Risk response during 2016-17 included:</p> <ul style="list-style-type: none"> Establishing principles as a basis for the development of an office-wide change management framework aimed at supporting the implementation of change initiatives; OSFI developed a conversion plan to Public Sector Accounting Standards (PSAS) consisting of five phases: (1) Diagnostic assessment; (2) Design and planning; (3) Assessment, design and development; (4) Implementation; and, (5) Post implementation review. OSFI completed the first two phases during 2015-16 and phases three and four during 2016-17. 		<p>OSFI Priority E – Set and meet high standards for managing our own resources.</p>

Results: what we achieved

Programs

Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions

Description

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

Costs for this program are recovered through base assessments and user fees and charges paid by the federally regulated financial institutions covered under the Bank Act, Trust and Loan Companies Act, Insurance Companies Act, Green Shield Canada Act, Protection of Residential Mortgage or Hypothecary Insurance Act, and Cooperative Credit Associations Act (until January 15, 2017). The Office of the Superintendent of Financial Institutions also receives revenues for cost-recovered services to provinces, for which it provides supervision of their institutions on a fee for service basis.

Results

OSFI took action to address ongoing global financial uncertainty by conducting numerous reviews and on-going monitoring activities in 2016-17. OSFI met its targets for the indicators outlined in the table below, which is an indication that these activities were effective and timely.

OSFI worked to identify a technology solution to enhance supervisory processes (to be developed in future years) and continues to work on a revised supervisory training program to strengthen supervisory expertise.

OSFI also implemented international standards for liquidity, put in place mechanisms to modernize capital requirements and improve risk measurement for life and mortgage insurance and actively participated in the development of global capital standards for banks and insurers.

OSFI continued to administer a regulatory approval process that is prudentially effective, responsive and transparent.

In order to respond to emerging risks in the environment, OSFI monitored cyber security threats and strengthened its internal knowledge of financial technologies.

The effectiveness of OSFI’s regulatory and supervisory frameworks is regularly assessed by international organizations. In particular, the third indicator below is supported by three effectiveness assessments that were completed during 2014-15 (the latest year for which results are available), each of which resulted in an overall “compliant” rating. Links to these assessments are provided below:

- [March 2014 International Monetary Fund \(IMF\) Financial Sector Assessment Program \(FSAP\) - Basel Core Principles for Effective Banking Supervisionⁱⁱⁱ](#);
- [March 2014 International Monetary Fund \(IMF\) Financial Sector Assessment Program \(FSAP\) - for Insurance Core Principles^{iv}](#);
- [June 2014 Basel Committee on Banking Supervision Regulatory Consistency Assessment Programme \(RCAP\)^v](#).

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2016–17 Actual results	2015–16 Actual results	2014–15 Actual results
Depositors and policyholders are protected while recognizing that not all failures can be prevented.	Percentage of estimated recoveries on failed institutions (percentage recovered per dollar of claim).	90%	March 31, 2017	100%	100%	100%
	Percentage of institutions with a Composite Risk Rating of low or moderate.	80%	March 31, 2017	94.6%	94%	91%.
OSFI's regulatory and supervisory framework is consistent with international standards.	Percentage of assessment programs which deem OSFI's regulatory and supervisory framework as being consistent with international standards.	100%	March 31, 2017	100%	100%	100%

Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
80,602,151	80,602,151	80,602,151	78,131,916	(2,470,235)

Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
433	417	(16)

Program 1.1.1: Risk Assessment and Intervention

Description

OSFI regulates and supervises financial institutions to determine whether they are in sound financial condition and are complying with their governing statute law and supervisory requirements. This program involves the administration and application of an effective supervisory process to assess the safety and soundness of regulated financial institutions by evaluating an institution's risk profile, financial condition, risk management processes, and compliance with applicable laws and regulations. This program includes activities to monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues; and intervene on a timely basis when a financial institution's business practices may be imprudent or unsafe, by exercising supervisory powers to take, or require management or boards to take, necessary corrective measures to protect depositors and policy holders.

Results

OSFI made a significant contribution to the stability of the financial sector by conducting targeted examinations, maintaining up to date risk assessments, and communicating with financial sector participants. Specific activities that support financial sector stability included OSFI's successful taking-control of the assets in Canada and requesting the winding-up of Maple Bank GmbH (Toronto Branch), which fully protected Canadian depositors and creditors. OSFI also improved the supervision of small and medium sized banks through the establishment of a CEO Roundtable to facilitate information sharing and improved supervisory approaches to small institutions. Due to the impact of persistently low interest rates on the insurance industry and specifically the smaller insurers, OSFI also implemented a formal approach to assessing the financial viability of companies that are severely affected and worked with them to find a resolution that avoids disruption to policyholders and creditors.

Over the past year, progress was made on improving supervisory processes and optimizing capacity. Strides were made towards updating supervisory activities and enhancing supervisory processes with enabling technology. A technology solution was identified and the procurement phase has been initiated in partnership with Public Services and Procurement Canada (PSPC). As well, the implementation of a revised supervisory training program began with the creation of a

dedicated team to support the development of in-house training and provide opportunities for advanced technical training.

OSFI has implemented the Liquidity Adequacy Requirements Guideline, which applies to all deposit-taking institutions on a risk-based, consistent basis. OSFI uses various tools under this guideline to assess the liquidity position of its deposit taking institutions, including the international Liquidity Coverage Ratio standard and a domestic Net Cumulative Cash Flow metric. The international Net Stable Funding Ratio (NSFR) standards will also form a part of OSFI's tool kit once it is implemented. OSFI remains committed to implementing the NSFR, however it has decided to extend the timeline from January 2018 to January 2019 to better align with the implementation schedules in other major jurisdictions, given the international activities of many Canadian institutions.

During 2016-17, OSFI monitored the progress that FRFIs made in completing cyber risk remediation activities that had been identified during reviews in 2013 and 2014, as well as new and emerging cyber threats that include the next generation distributed denial-of-service (DDoS) attacks. OSFI also reviewed risks to financial institutions' legacy information systems and will assess the responses of 12 FRFIs to a severe but plausible cyber risk scenario as a part of the Cyber Review planning for 2017-18 that is now complete.

OSFI also made progress on the recovery and resolution planning front. Of the three life insurance conglomerates that required a recovery plan, the final one commenced the preparation of its plan in mid-2016 with target submission to OSFI in late 2017. Once submitted, all three life insurance conglomerates will have recovery plans in place (one conglomerate also has a resolution plan in place).

Through OSFI's active participation on the Basel Task Force on Financial Technology, inter-agency committees and working groups, interactions with FRFIs and general market surveillance, OSFI has continued to increase its knowledge of risk factors arising outside of its direct responsibilities (e.g., financial technologies, shadow banking, reinsurance, securities financing) as well as potential implications for OSFI's regulatory policies and supervisory practices.

These efforts contributed to OSFI meeting its performance targets, which is an indication that risk assessment and intervention activities were timely and effective.

Results

Expected results	Performance indicators	Target	Date to achieve target	2016-17 Actual results	2015-16 Actual results	2014-15 Actual results
Issues in institutions are identified and acted on at an early stage.	Percentage of (financial institutions) supervisory rating increases ² that are two or more levels within any rolling three month period.	20%	March 31, 2017	0%	20% ³	0%
	Percentage of supervisory letters that are issued within established standards.	80%	March 31, 2017	94%	90%	89%

Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
57,281,264	57,281,264	57,281,264	55,858,134	(1,423,130)

Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
312	303	(9)

² Supervisory ratings are aligned with the risk profile of institutions and range from 0 (normal) to 4 (non-viable/insolvency imminent). Significant increases in ratings, as opposed to progressive ones, can signal issues with the timeliness or effectiveness of OSFI supervisory efforts.

³ This result has been re-stated. There was one institution in the period that had a two or more level increase and 5 intervention stage rating increases in total, which is a low number by historical standards.

Program 1.1.2: Regulation and Guidance

Description

This program involves advancing and administering a regulatory framework of rules and guidance that promotes the adoption by regulated financial institutions of sound risk management practices, policies and procedures designed to plan, direct and control the impact on the institution of risks arising from its operations.

This program includes the issuance of various forms of guidance, which may include guidelines and advisories as well as input into federal legislation and regulations affecting financial institutions; contributions to accounting, auditing and actuarial standards; and involvement in a number of international regulatory activities.

Results

The focus of OSFI's Regulation and Guidance sub-program continues to be on ensuring that OSFI's regulatory framework remains effective and responsive by making appropriate adjustments to align with domestic and international developments.

In the area of capital adequacy for insurance companies, OSFI finalized and published a new and more risk-based Life Insurance Capital Adequacy Test and Mortgage Insurance Capital Advisory. Both of these standards modernize the capital requirements and improve risk measurement for these two industries.

OSFI amended capital rules for deposit-taking institutions to become more risk sensitive to uncertain housing valuations in several major urban centres. These changes required domestic systemically important banks to be more conservative in their estimates of mortgage loan risk, with a concurrent increase in levels of required capital for new housing finance. OSFI also completed consultations on model risk guidance, pending the completion of the design of a review program for implementation in 2018.

At the international level, OSFI actively participated in the development of global capital standards for banks and for insurers. A near final version of Basel III standards for bank capital that increases risk sensitivity and reduces variability of risk estimates is near completion and is ready for adaptation to the Canadian market. OSFI led a foreign Regulatory Consistency Assessment Programme for Switzerland that, once completed, will add to the body of evidence on how consistently liquidity rules are applied in other jurisdictions. In the area of insurance capital for internationally active insurance groups, OSFI actively participated in the development of the International Association of Insurance Supervisors (IAIS) Insurance Capital Standard, which is near completion.

OSFI regulates FRFIs that vary widely in size, complexity and business risk. In 2016-17, it continued to take a risk-based approach that is sensitive to the size and complexity of smaller institutions. For example, OSFI’s guideline on Enterprise-wide Model Risk Management for Deposit-taking Institutions will incorporate expectations that vary in relation to the size, complexity and risk of regulated financial institutions. Similarly, OSFI’s supervisory assessments of FRFIs in this area will consider the flexibility of expectations built into the guideline.

These efforts contributed to OSFI meeting its established performance targets.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2016–17 Actual results	2015–16 Actual results ⁴	2014–15 Actual results
Stakeholders are of the opinion that guidance is updated in a timely manner in response to market changes and/or industry suggestions.	Percentage of industry stakeholders who rate OSFI as good or very good at responding in a timely manner to market changes or to industry suggestions that guidance need updating.	75%	March 31, 2017	80%	77%	77%
OSFI's expectations are communicated effectively in guidance to stakeholders.	Percentage of industry stakeholders that rate OSFI's guidance as somewhat or very effectively indicating OSFI's expectations.	75%	March 31, 2017	91%	85%	85%
Industry is consulted on the development of guidance.	Percentage of industry stakeholders that rate OSFI as good or very good at consulting with industry on the development of guidance.	70%	March 31, 2017	83%	79%	79%

Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
16,089,284	16,089,284	16,089,284	15,964,846	(124,438)

⁴ There was no survey in 2015-16; the results were carried over from the 2014-15 survey.

Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
91	85	(6)

Program 1.1.3: Approvals and Precedents

Description

Federally regulated financial institutions are required to seek regulatory approval for certain types of transactions. This program involves evaluating and processing applications for regulatory consent; establishing positions on the interpretation and application of the federal financial institutions' legislation, regulations and guidance; identifying precedential transactions that may raise policy or precedent-setting issues; and developing recommendations that recognize the need to allow institutions to compete effectively and take reasonable risk.

Results

OSFI administers a regulatory approval process that is prudentially effective, responsive and transparent.

The soundness of the process is supported by performance results showing that a vast majority of knowledgeable observers understand the basis upon which OSFI makes its decisions. OSFI also has performance standards establishing timeframes for processing applications for regulatory approvals and for other services, all of which were surpassed during 2016-17. More information on [service performance standards](#)^{vi} can be found on OSFI's website.

In 2016-17, OSFI processed 180 applications of which 178 were approved and 2 were withdrawn. Individual applications often contain multiple approval requests. The 178 approved applications involved a total of 421 individual approvals, 268 of which were granted by the Superintendent and 153 by the Minister of Finance. The number of applications decreased slightly relative to the previous year, when 197 applications were approved. The majority of approved applications for 2016-17 related to property and casualty (P&C) insurers (36%) and banks (37%).

In keeping with the objective of enhancing the transparency of OSFI's legislative approval process and promoting a better understanding of our interpretation of the federal financial institution statutes, OSFI develops and publishes legislative guidance, including advisories, rulings, and transaction instructions. In 2016-17, OSFI issued a ruling regarding the promotion of

a “comprehensive credit insurance” policy by a bank. OSFI also issued revised versions of the transaction instructions for assumption reinsurance and substantial investments approvals.

During 2016-17, OSFI made recommendations that resulted in the Minister of Finance’s approval of thirteen new federally regulated financial institutions, seven of which were under the Bank Act (including the first federal credit union) and six under the Insurance Companies Act. OSFI also developed both a Bank and Federal Trust and Loan Companies Continuance Guide and a Federal Credit Union Continuance Guide, to provide guidance for entities that are interested in becoming federally regulated financial institutions.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2016–17 Actual results	2015–16 Actual results	2014–15 Actual results
Decisions on regulatory approvals are transparent and timely.	Percentage of industry stakeholders that understand somewhat or very well the basis upon which OSFI makes its decisions as part of the approval process.	85%	March 31, 2017	89%	88%	88%
	Percentage of completed applications for FI regulatory approvals that are processed within established standards.	90%	March 31, 2017	99%	98%	99%

Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
7,231,603	7,231,603	7,231,603	6,308,936	(922,667)

Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
30	29	(1)

Program 1.2: Regulation and Supervision of Federally Regulated Private Pension Plans

Description

This program involves regulating and supervising federally regulated private pension plans to determine whether they are meeting minimum funding requirements and are complying with their governing laws and supervisory requirements. This program provides risk assessments of pension plans covering employees in federally regulated areas of employment. It ensures timely and effective intervention and feedback to protect the interests of plan members and beneficiaries, while recognizing that plan administrators are ultimately responsible and that plans can fail to pay the expected benefits. This program also provides a balanced and relevant regulatory framework and a prudentially effective and responsive approvals process.

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

Results

OSFI's [2016-17 Report on Plans and Priorities](#)^{vii} highlighted the Private Pension Plans Division's initiatives related to Pooled Registered Pension Plans (PRPPs) and pension plans with defined contribution (DC) provisions. The [Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans](#) came into effect on June 15, 2016 between the governments of Canada, British Columbia, Nova Scotia, Quebec, and Saskatchewan; Ontario became a signatory to the Agreement effective March 31, 2017. The Agreement effectively delegates to OSFI the responsibility for licensing, registering and supervising PRPPs whose operations fall within the jurisdiction of both the federal government and that of the participating provinces, with the exception of Quebec. The agreement also permits administrators authorized to administer a Voluntary Retirement Savings Plan in Quebec to apply to OSFI to register a PRPP federally without first obtaining a federal PRPP licence.

Having acquired new responsibilities under the PRPP Multilateral Agreement, OSFI continued to develop guidance and supervisory approaches for PRPPs in 2016-17. Guidance for PRPP administrators was issued regarding PRPP licensing, registration, termination and annual information returns. Guides that describe the rights and interests of PRPP members under the applicable federal or provincial PRPP legislation were developed in 2016-17 and are expected to be published in 2017-18.

Based on a study OSFI had conducted on DC plans, it was determined in 2016-17 that no changes to the supervision of pension plans with DC provisions are necessary at this time. OSFI will continue to collect and analyse information and follow trends regarding pension plans with DC provisions, including by way of plan examinations, in order to consider potential future changes to how OSFI supervises this type of plan.

Highlights of other activities completed by OSFI to support and strengthen the regulation and supervision of federally regulated private pension plans in 2016-17 include:

- Significant upgrades to OSFI’s Risk Assessment System for Pensions (RASP) in order to ensure better coordination with the Regulatory Reporting System (RRS) through which pension plan filings are submitted; and,
- Publishing updated guidance, including disclosure guides for both defined benefit and defined contribution pension plans.

In 2016-17, OSFI exceeded its performance targets with respect to issues in pension plans being identified and acted on at an early stage, which is an indication that OSFI’s risk assessment and intervention activities related to pension plans were timely.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2016–17 Actual results	2015–16 Actual results	2014–15 Actual results
Issues in plans are identified and acted on at an early stage.	Percentage of (pension plan) supervisory rating increases ⁵ that are two or more levels within any rolling three month period.	20%	March 31, 2017	5%	6%	7%
OSFI is perceived as being effective in monitoring and supervising pension plans.	Percentage of industry stakeholders that rate OSFI as “somewhat effective” or “very effective” in monitoring and supervising their pension plan(s).	75%	March 31, 2017	81% ⁶	81%	81%

⁵ Supervisory ratings are aligned with the risk profile of pension plans and range from 0 (normal) to 4 (non-viable/insolvency imminent). Significant increases in ratings, as opposed to progressive ones, can signal issues with the timeliness or effectiveness of OSFI supervisory efforts.

⁶ Source: the [2014 Pension Plans Survey](#). This program surveys industry stakeholders triennially and the next survey is scheduled for 2017.

OSFI's expectations are communicated effectively in guidance to stakeholders.	Percentage of industry stakeholders that rate OSFI's guidance as "somewhat effective" or "very effective" in providing an indication of OSFI's expectations.	75%	March 31, 2017	78% ⁷	78%	78%
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Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
4,178,274	4,178,274	4,178,274	4,194,466	16,192

Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
26	26	0

Program 2.1: Actuarial Valuation and Advisory Services**Description**

The federal government and the provinces, through the Canada Pension Plan (CPP), public sector pension arrangements and other social programs have made commitments to Canadians and have taken on emanated responsibility for the financing of these commitments. Some are long-term and it is important that decision-makers, Parliamentarians and the public understand these and the inherent risks. This program plays a vital and independent role in this process. It provides checks and balances on the future costs of the different pension plans under its responsibilities.

This program provides a range of actuarial services, under legislation, to the CPP stakeholders and several federal government departments. It conducts statutory actuarial valuations of the

⁷ Source: the [2014 Pension Plans Survey](#). This program surveys industry stakeholders triennially and the next survey is scheduled for 2017.

CPP, Old Age Security (OAS), Employment Insurance (EI) and Canada Student Loans programs, and pension and benefits plans covering the Federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police (RCMP), federally appointed judges, and Members of Parliament.

The Office of the Chief Actuary (OCA) is funded by fees charged for its actuarial valuation and advisory services and by an annual parliamentary appropriation.

Results

In 2016-17, the OCA continued to provide independent, accurate, high quality and timely actuarial reports, professional actuarial services and advice. This claim is supported by a third party assessment of the OCA's expertise and its compliance with professional standards. With the view of maintaining high quality services, and as recommended by the CPP independent peer review panel, the OCA continued to maintain its programs of research on subjects relevant to the preparation of future actuarial reports.

In 2016-17, following the agreement reached by federal and provincial Ministers of Finance on CPP enhancement, the Chief Actuary and his staff discussed extensively, both in Canada and internationally, the design for the expansion of the CPP as well as actuarial estimates presented in the 28th CPP Actuarial Report.

In 2016-17, the OCA published Actuarial study No. 17 Old Age Security Program Mortality Experience, which addresses mortality assumptions.

In 2016-17, the Office of the Auditor General (OAG) also informed the OCA that it would be using the work that it performed for the Public Accounts of Canada 2015-16 (tabled in the House of Commons on October 25, 2016) as independent evidence for auditing them.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2016–17 Actual results	2015–16 Actual results	2014–15 Actual results
Stewards of Canada's public retirement income system receive accurate, high quality and timely professional actuarial services and advice.	Percentage of members of a panel of three Canadian peer actuaries selected by an international independent body that attest the OCA provides accurate, high quality and professional services and advice.	100% agreement among all three members of peer review panel	March 31, 2017	100%	N/A (next report 2017-18)	100%

	Use of the OCA's work by the Office of the Auditor General (OAG) as an independent evidence for the Public Accounts of Canada.	Confirmation from the OAG	March 31, 2017	Confirmation received	Confirmation received	Confirmation received
	Percentage of reports that are provided to the Minister for tabling in Parliament as per statutory deadlines.	100%	March 31, 2017	100%	100%	100%

Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
5,710,390	5,710,390	5,710,390	5,416,540	(293,850)

Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
37	32	(5)

Program 2.1.1: Services to the Canada Pension Plan and Old Age Security Program

Description

This program involves the preparation of statutory actuarial valuations and providing expert actuarial advice and services on the Canada Pension Plan (CPP) and Old Age Security (OAS) Program. These valuations estimate the financial status of these plans and programs as required by legislation. This program estimates long-term expenditures, revenues and current liabilities of the Canada Pension Plan and estimates long-term future expenditures for Old Age Security programs. Pursuant to the Canada Pension Plan and the Public Pensions Reporting Act, the Office of the Chief Actuary (OCA) prepares statutory triennial actuarial reports on the financial status of these programs, as required by legislation.

Results

In 2016-17, the OCA continued to provide high quality services under its Canada Pension Plan and Old Age Security Program sub-program, as demonstrated by performance results.

The 27th Actuarial Report on the CPP as at December 31, 2015 was tabled before Parliament on September 27, 2016. Prepared by the OCA, this triennial actuarial report on the CPP involves projections of CPP revenues and expenditures over a 75-year period, so that the future impact of historical and projected trends in demographic and economic factors can be properly assessed.

In developing the 27th Actuarial Report on the CPP, the OCA considered the recommendations included in the external peer review of the previous report. Of the eight recommendations put forward by the panel, two were rejected and six were implemented in 2016-17.

In 2016-17, the OCA commissioned an external peer review of the [27th CPP Actuarial Report](#)^{viii}. The independent panel's findings confirm that the work performed by the OCA on the report meets professional standards of practice and statutory requirements, and that the assumptions and methods used are reasonable. The panel also stated that the report fairly communicates the results of the work performed by the Chief Actuary and his staff.

On June 20, 2016, the federal and provincial Ministers of Finance agreed in principle to a CPP enhancement. Bill C-26 formalizing this agreement was introduced in Parliament in early October 2016. In compliance with the Canada Pension Plan, the 28th Actuarial Report was completed to show the effect of Bill C-26 on the long-term financial state of the CPP. It was tabled before Parliament on October 28, 2016.

The legislation following the Federal Budget 2016 proposals has restored the age of eligibility for OAS benefits to age 65 and has increased the Guaranteed Income Supplement top-up benefit for the most vulnerable single seniors. In compliance with Public Pensions Reporting Act, the OCA prepared the 13th Actuarial Report, which was tabled before Parliament on August 17, 2016.

In 2016-17, the OCA began work on the triennial 14th Actuarial Report on the Old Age Security (OAS) Program as at December 31, 2015. The OAS Program is another important pillar of Canada's retirement income system and is financed from Government of Canada general tax revenues. The purpose of this triennial report is to inform the general public of the current and projected financial status of the OAS Program. Many of the assumptions and methodologies developed for the Actuarial Report on the CPP are used in the Actuarial Report on the OAS Program. The report will be submitted to the appropriate Minister in 2017-18.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2016–17 Actual results	2015–16 Actual results	2014–15 Actual results
Accurate, high quality and timely actuarial valuations are provided to inform Canada Pension Plan (CPP) and Old Age Security (OAS) stakeholders and Canadians of the current and projected financial status of the Plan and Program.	Percentage of members of a panel of Canadian peer actuaries selected by an international independent body that deem the CPP actuarial valuation accurate and high quality.	100%	March 31, 2017	100%	N/A (next report 2017-18)	100%
	Percentage of recommendations from the previous peer review report and within the scope and influence of the OCA that are implemented before the next peer review.	80%	March 31, 2017	100%	33%	In progress
	Percentage of reports on CPP and OAS that are provided to the Minister for tabling in Parliament as per statutory deadlines.	100%	March 31, 2017	100%	N/A (next statutory deadline in 2016-17)	100%

Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
1,452,041	1,452,041	1,452,041	1,233,593	(218,448)

Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
13	10	(3)

Program 2.1.2: Services to Public Sector Pension and Insurance Programs

Description

This program involves the preparation of statutory actuarial valuations of various federal public sector employee pension and insurance plans. These valuations estimate the financial status of these plans as required by legislation. Pursuant to the Public Pensions Reporting Act, this program involves preparing statutory triennial actuarial reports on the financial status of federal public sector employee pension and insurance plans covering the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police, the federally appointed judges and Members of Parliament. This program provides actuarial information to decision makers, parliamentarians and the public, thereby increasing transparency and confidence in Canada's retirement income system. It serves the public interest by ensuring good governance of the plans, appropriate disclosure in the actuarial reports and contributing to the overall accountability of the plans sponsor to various stakeholders. This program also involves the provision of sound actuarial advice that assists different government departments in the design, funding and administration of these plans. As part of this program, the Chief Actuary submits the actuarial reports to the President of the Treasury Board.

Results

As part of its statutory requirements, the OCA completed three actuarial reports with respect to public sector insurance and pension plans, which were submitted to the President of the Treasury Board for tabling before Parliament. The Actuarial Report on the Pension Plan for the Canadian Forces - Reserve Force as at 31 March 2015 was tabled on November 25, 2016, the Actuarial Report on the Pension Plan for the Royal Canadian Mounted Police as at March 31, 2015 was tabled on November 4, 2016, and the Actuarial Report on the Benefit Plan Financed Through the Royal Canadian Mounted Police (Dependants) Pension Fund as at March 31, 2016 was tabled on January 18, 2017. These reports provide actuarial information to decision makers, parliamentarians, and the public, thereby increasing transparency and confidence in Canada's retirement income system. In 2016-17 work also began on the Actuarial Report on the Pension Plan for the Canadian Forces – Regular Force and Reserve Force as at March 31, 2016, the Actuarial Report on the Pension Plan for the Members of Parliament as at 31 March 2016 and the Actuarial Report on the Pension Plan for Federally Appointed Judges as at March 31, 2016.

In 2016-17, the OAG informed the OCA that it would be using the work that it performed for the Public Accounts of Canada 2015-16, which was tabled in the House of Commons on October 25, 2016. This included utilizing OCA's work as independent evidence for the OAG's audit of the Public Accounts of Canada, specifically for programs included under the Public Sector Insurance and Pension Programs. Comments and recommendations put forward by Ernst and Young in the fall 2016 on actuarial reports for Public Accounts purposes will be reflected in future valuation reports, as appropriate.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2016–17 Actual results	2015–16 Actual results	2014–15 Actual results
Accurate, high quality and timely actuarial valuation reports on Public Pension and Insurance Plans are provided to departments to assist with design, funding and administration of the plans.	Percentage of Public Pension and Insurance Plans valuations that are deemed accurate and high quality by an independent actuarial firm.	100%	March 31, 2017	100%	100%	100%
	Percentage of reports on actuarial valuation of Public Pensions and Insurance Plans that are provided to the President of the Treasury Board for tabling in Parliament as per statutory deadlines.	100%	March 31, 2017	100%	100%	100%

Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
3,048,119	3,048,119	3,048,119	2,992,947	(55,172)

Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
19	17	(2)

Program 2.1.3: Services to the Canada Student Loans and Employment Insurance Programs

Description

Pursuant to the Canada Student Financial Assistance Act, the Employment Insurance Act, and Department of Employment and Social Development Act this sub-program involves preparing statutory actuarial valuations of the Canada Student Loans Program (CSLP) and performing the statutory actuarial forecasts and estimates necessary to set the Employment Insurance premium rate under Section 66 of the Employment Insurance Act.

Results

In 2016-17, the OCA continued to provide high quality services under its Canada Student Loans and Employment Insurance Programs sub-program, as demonstrated by performance results. This sub-program also includes services related to the annual actuarial reports on the Government Annuities and the Civil Service Insurance Program.

The OCA presented to the Canada Employment Insurance Commission the 2017 Actuarial Report on the Employment Insurance Premium Rate, which was tabled before Parliament on September 29, 2016. This report provides the forecast break-even premium rate for 2017 and a detailed analysis in support of this forecast.

The OCA also submitted the Actuarial Report on the Government Annuities as at March 31, 2016, the Actuarial Report on the Civil Service Insurance Program as at March 31, 2016, and the inter-valuation Report on the Canada Student Loans Program as at July 31, 2015 to Employment and Social Development Canada for accounting purposes.

In 2016-17, the OAG informed the OCA that it would be using the work it performed for the Public Accounts of Canada 2015-16, which was tabled in the House of Commons on October 25, 2016. This included utilizing OCA's work as independent evidence for the OAG's audit of the Public Accounts of Canada, specifically for the CSLP and Government Annuities.

Results achieved

Expected results	Performance indicators	Target	Date to achieve target	2016–17 Actual results	2015–16 Actual results	2014–15 Actual results
Accurate, high quality and timely actuarial valuation reports on Canada Student Loans Program (CSLP) and Employment Insurance (EI) are provided to inform stakeholders	Percentage of reports on actuarial valuation of the CSLP that are used by the Office of the Auditor General (OAG) as an external audit evidence for the Public Accounts of Canada.	100%	March 31, 2017	100%	100%	100%

and Canadians of the future costs and rates for these programs.	Percentage of actuarial reports on CSLP and EI programs that are submitted to the Minister/Employment Insurance Commissioner for tabling in Parliament as per statutory deadlines.	100%	March 31, 2017	100%	100%	100%
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Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
1,210,230	1,210,230	1,210,230	1,190,000	(20,230)

Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
5	5	0

Internal Services

Description

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support Program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Results

During 2016-17, OSFI delivered effective and efficient internal services in support of program delivery, as evidenced by the following key achievements.

Communicating Effectively

OSFI communicated its plans and activities to a wide range of stakeholders via its website, webcast information sessions and other means. As in previous years, OSFI received many requests for speakers to address external conferences and events. The Superintendent and senior officials delivered presentations and remarks across Canada and internationally.

Throughout the year, OSFI communicated with interested Canadians, by serving 2,691,839 visitors to OSFI's website, responding to 9,369 public enquiries, 141 enquiries from Members of Parliament and 205 enquiries from representatives of the news media. OSFI also delivered more than 61 presentations to industry and regulatory forums, including nine key speeches that were posted on the website and processed 52 access to information requests and 41 inter-departmental consultations within permitted statutory timelines, as per the Access to Information Act.

Renewing Technology and Systems

OSFI made substantial progress on the implementation of a new enterprise document and records management system (eSpace) to improve organizational efficiency and information management. This new collaborative tool ensures better sharing and access to information and enhances the protection of information assets. The eSpace system will be fully implemented by June 2017.

Planned work was carried out to assess suitable technologies to support supervisory processes and this will continue in 2017-18. The Supervision Technology Tools Renewal (STTR) initiative moved toward implementation. Vendor input gathered through an industry research initiative was used to inform a formal Request for Proposal, expected to be released in fiscal 2017-18. An independent review affirmed the options that OSFI has considered and will ensure the implementation of a solution that directly supports OSFI's needs.

Managing Human Resources

To achieve its strategic outcomes, OSFI needs a high-performing and effective workforce. To this end, OSFI:

- Developed a multi-year Human Capital Strategy that identifies critical priorities for HR policies, programs and practices, and supports the organization in meeting its mandate;
- Implemented organizational changes that will result in a simpler and clearer alignment of roles, responsibilities and accountabilities;
- Supported the development and delivery of core learning modules, which are part of the Supervision Training Initiative for OSFI supervisors;
- Assisted the new Common Supervisory Services (CSS) Division with the implementation of its learning mandate by co-developing the Supervision Learning Strategy; and,
- Launched Informal Conflict Management Services for OSFI employees, which help prevent, manage and resolve workplace conflicts informally and confidentially.

Budgetary financial resources (dollars)

2016–17 Main Estimates	2016–17 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2016–17 Difference (actual minus planned)
59,213,140	59,213,140	59,213,140	60,278,454	1,065,314

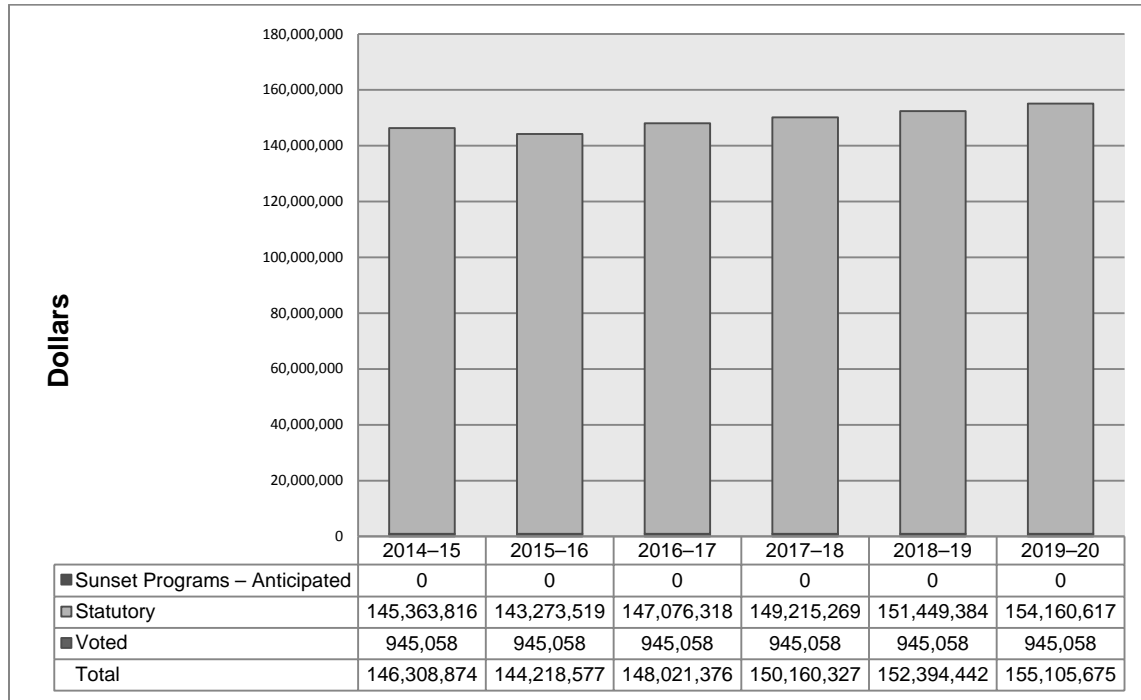
Human resources (full-time equivalents)

2016–17 Planned	2016–17 Actual	2016–17 Difference (actual minus planned)
188	197	9

Analysis of trends in spending and human resources

Actual expenditures

Departmental spending trend graph



The graph above represents OSFI’s actual and planned spending from 2014-15 to 2019-20. Statutory expenditures, which are recovered from respendable revenue⁸, represent 99.4% of total expenditures. The remaining 0.6% of OSFI’s spending is funded from a parliamentary appropriation for actuarial services related to federal public sector pension and benefit plans.

⁸ OSFI is funded mainly through assessments on the financial institutions and private pension plans that OSFI regulates and supervises, cost-recovered services, and a user-pay program for legislative approvals and selected services.

Budgetary performance summary for Programs and Internal Services (dollars)

Programs and Internal Services	2016–17 Main Estimates	2016–17 Planned spending	2017–18 Planned spending	2018–19 Planned spending	2016–17 Total authorities available for use	2016–17 Actual spending (authorities used)	2015–16 Actual spending (authorities used)	2014–15 Actual spending (authorities used)
Regulation and Supervision of Federally Regulated Financial Institutions	80,602,151	80,602,151	81,253,463	82,859,566	80,602,151	78,131,916	76,831,313	79,674,770
Regulation and Supervision of Federally Regulated Private Pension Plans	4,178,274	4,178,274	4,335,253	4,425,156	4,178,274	4,194,466	3,984,053	3,944,690
Actuarial Valuation and Advisory Services	5,710,390	5,710,390	5,938,078	6,017,476	5,710,390	5,416,540	5,443,559	5,092,171
Subtotal	90,490,815	90,490,815	91,526,794	93,302,198	90,490,815	87,742,922	86,258,925	88,711,631
Internal Services	59,213,140	59,213,140	58,633,533	59,092,244	59,213,140	60,278,454	57,959,652	57,597,243
Total	149,703,955	149,703,955	150,160,327	152,394,442	149,703,955	148,021,376	144,218,577	146,308,874

OSFI's 2016-17 actual expenditures were \$1.7 million or 1.1% lower than planned. This was largely due to a greater number of vacant positions and longer than anticipated periods to staff them and lower requirements for professional services. OSFI's total expenditures⁹ are expected to remain relatively stable in the next two years, increasing slightly by normal merit and economic adjustments based on best estimates at the time the 2017-18 Departmental Plan was prepared.

Fluctuations in actual spending between 2014-15 and 2016-17 are largely due to changes in the number of vacant positions and estimated annual economic adjustment rates year-over-year. At the program level, the significant variances are as follows:

⁹ The cost of new enabling technology to support OSFI's updated supervisory methodology and processes has not yet been determined and will be reflected in future budgetary estimates.

- Year-over-year spending in the Regulation and Supervision of Federally Regulated Financial Institutions program increased by 1.7% in 2016-17. This was largely due to a higher number of vacant positions and normal merit and updated annual economic adjustments. The 3.6% reduction in spending from 2014-15 to 2015-16 was due to a greater number of vacant positions in 2015-16 as well as a one-time payment in 2014-15 related to the Government of Canada’s move to an employee compensation model of “pay in arrears”. Spending in this program is planned to increase by 4.0% in 2017-18 due to normal merit and economic adjustments as well as staffing of vacant positions;
- Spending in the Regulation and Supervision of Federally Regulated Private Pension Plans program increased by 5.3% in 2015-16 due to normal merit and updated annual economic adjustments and an increase in legal fees;
- Spending in the Actuarial Valuation and Advisory Services increased by 6.9% in 2015-16 from the previous year with the filling of approved vacant positions and new positions to address incremental work related to actuarial valuations. Expenditures in 2016-17 were relatively unchanged from 2015-16 as savings from vacancies were offset by costs for the triennial Canada Pension Plan review. Thereafter, spending is expected to increase due to the planned filling of vacant positions; and,
- Spending in Internal Services increased by 4.0% in 2016-17 from 2015-16. This was largely due to the filling of vacant positions, normal merit and updated annual economic adjustments and higher information management/information technology professional services costs.

Actual human resources

Human resources summary for Programs and Internal Services
(full-time equivalents)

Programs and Internal Services	2014–15 Actual	2015–16 Actual	2016–17 Forecast	2016–17 Actual	2017–18 Planned	2018–19 Planned
Regulation and Supervision of Federally Regulated Financial Institutions	428	418	420	417	421	421
Regulation and Supervision of Federally Regulated Private Pension Plans	26	26	26	26	25	25
Actuarial Valuation and Advisory Services	32	33	34	32	36	36
Subtotal	486	477	480	475	482	482
Internal Services	201	189	200	197	193	192
Total	687	666	680	672	675	674

In 2016-17, OSFI's actual number of full-time equivalents (FTE) was 1.2% or 8 FTEs below the forecast due to vacant positions. The FTE total represents a growth of 1.0% that is largely due to the staffing of vacant positions in the Internal Services program. FTEs are expected to remain relatively stable over the planning horizon.

Expenditures by vote

For information on OSFI's organizational voted and statutory expenditures, consult the [Public Accounts of Canada 2017](#).^{ix}

Alignment of spending with the whole-of-government framework

Alignment of 2016–17 actual spending with the [whole-of-government framework](#)^x (dollars)

Program	Spending area	Government of Canada activity	2016–17 Actual spending
1.1 Regulation and Supervision of Federally Regulated Financial Institutions	Economic Affairs	Strong economic growth	78,131,916
1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	Economic Affairs	Income security and employment for Canadians	4,194,466
2.1 Actuarial Valuation and Advisory Services	Economic Affairs	Income security and employment for Canadians	5,416,540

Total spending by spending area (dollars)

Spending area	Total planned spending	Total actual spending
Economic affairs	90,490,815	87,742,922
Social affairs	0	0
International affairs	0	0
Government affairs	0	0

Financial statements and financial statements highlights

Financial statements

OSFI's financial statements for the year ended March 31, 2017, are available on [OSFI's website](#)^{xi}.

Financial statements highlights

Over the course of 2016-17, OSFI continued to operate on the full accrual basis of accounting, in accordance with International Financial Reporting Standards.

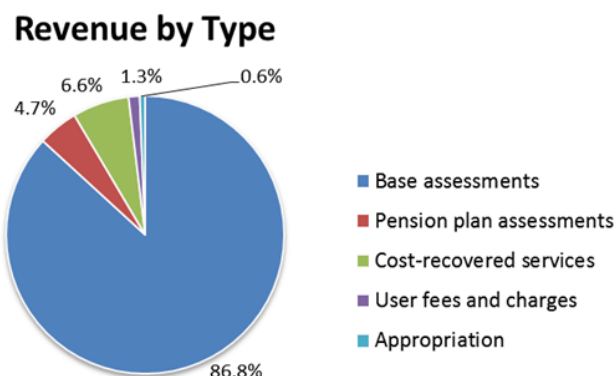
The tables below provide highlights from OSFI's Statement of Operations and Statement of Financial Position, as presented in its audited financial statements. As such, there are differences between these tables and those presented in other sections of the Departmental Results Report, which are prepared on the appropriation (i.e., modified cash) basis of accounting, in accordance with the Guide to Preparation of Part III of the 2016-17 Estimates. Typically the differences stem from the accounting treatment of capital expenditures and accounts receivable.

Condensed Statement of Operations (unaudited) for the year ended March 31, 2017 (dollars)

Financial information	2016–17 Planned results	2016–17 Actual	2015–16 Actual	Difference (2016–17 actual minus 2016–17 planned)	Difference (2016–17 actual minus 2015–16 actual)
Total expenses	153,500,000	150,454,499	143,534,744	(3,045,501)	6,919,755
Total revenues	152,554,942	149,509,441	142,589,686	(3,045,501)	6,919,755
Net cost of operations before government funding and transfers	(945,058)	(945,058)	(945,058)	0	0

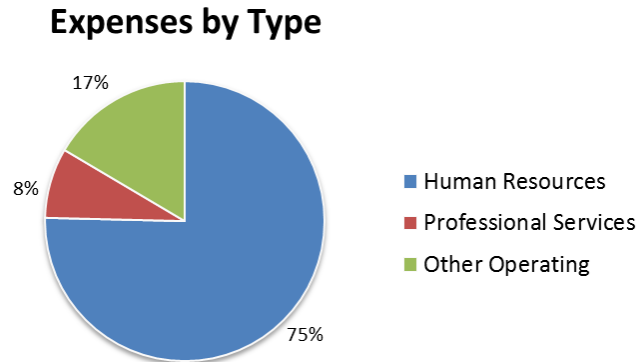
OSFI's Future-Oriented Statement of Operations is available on [OSFI's website](#)^{xii}.

OSFI is funded mainly through assessments on the financial institutions and private pension plans that it regulates and supervises, and a user-pay program for legislative approvals and selected services. OSFI also receives revenues for cost-recovered services and a small parliamentary appropriation for actuarial services relating to federal public sector pension and benefit plans. Overall, on an



accrual basis of accounting, OSFI recovered all of its expenses for the year.

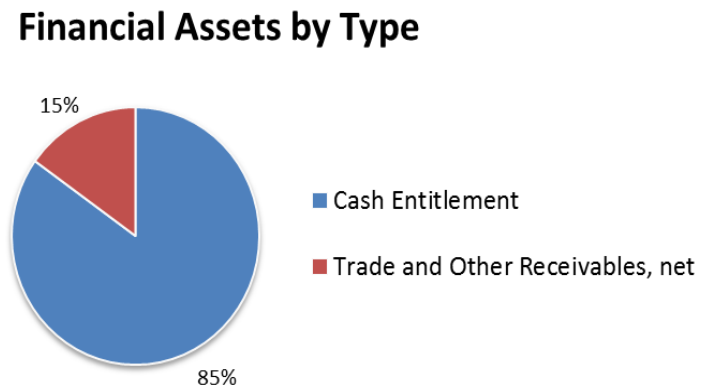
In 2016-17, total expenses were \$150.5 million, a \$6.9 million or 4.8% increase from the previous year, and \$3.0 million lower than planned. The year-over-year increase was primarily attributable to higher personnel costs due to updated estimates of the annual economic adjustment rates for 2014-15 to 2016-17, as well as normal merit increases and filling of vacant positions.



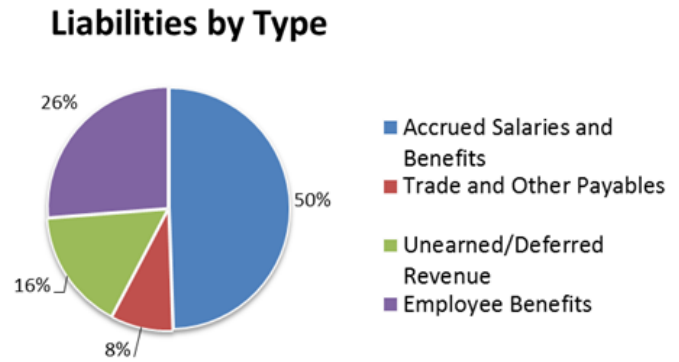
Condensed Statement of Financial Position as at March 31, 2017 (dollars)

Financial Information	2016–17	2015–16	Difference (2016–17 minus 2015–16)
Total net liabilities	48,641,000	45,986,000	2,655,000
Total net financial assets	55,199,000	50,974,000	4,225,000
Departmental net debt	6,558,000	4,988,000	1,570,000
Total non-financial assets	18,430,000	20,000,000	(1,570,000)
Departmental net financial position	24,988,000	24,988,000	0

Total net financial assets at the end of 2016-17 were \$55.2 million, an increase of \$4.2 million from the previous year. The growth is driven by an increase in the Cash Entitlement account, which represents the amount that OSFI is entitled to withdraw from the Consolidated Revenue Fund without further authority, and in increase in Accrued Base Assessments, which represents the difference between billed estimates and actual costs incurred for the year.



Total net liabilities were \$48.6 million at the end of 2016-17, which was \$2.7 million higher than the previous year, driven by an increase in accrued salaries and benefits, mainly for the estimated retroactive economic adjustments that will become payable when new collective agreements are reached with OSFI's two unions.



Supplementary information

Corporate information

Organizational profile

Appropriate minister[s]: William Francis Morneau

Superintendent: Jeremy Rudin

Ministerial portfolio: Finance

Enabling instrument[s]: [Office of the Superintendent of Financial Institutions Act](#) (OSFI Act)^{xiii}

Year of incorporation / commencement: 1987

Reporting framework

The Office of the Superintendent of Financial Institutions' Strategic Outcomes and Program Alignment Architecture of record for 2016–17 are shown below.

1. Strategic Outcome: A safe and sound Canadian financial system

1.1 Program: Regulation and Supervision of Federally Regulated Financial Institutions

1.1.1 Sub-Program: Risk Assessment and Intervention

1.1.2 Sub-Program: Regulation and Guidance

1.1.3 Sub-Program: Approvals and Precedents

1.2 Program: Regulation and Supervision of Federally Regulated Private Pension Plans

2. Strategic Outcome: A financially sound and sustainable Canadian public retirement income system

2.1 Program: Actuarial Valuation and Advisory Services

2.1.1 Sub-Program: Services to the Canada Pension Plan and Old Age Security Programs

2.1.2 Sub-Program: Services to Public Sector Pension and Insurance Programs

2.1.3 Sub-Program: Services to the Canada Student Loans and Employment Insurance Programs

Internal Services

Supplementary information tables

The following supplementary information tables are available on the [OSFI's website](#):

- ▶ Departmental Sustainable Development Strategy
- ▶ Internal audits and evaluations
- ▶ User fees, regulatory charges and external fees

Federal tax expenditures

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures each year in the [Report on Federal Tax Expenditures](#).^{xiv} This report also provides detailed background information on tax expenditures, including descriptions, objectives, historical information and references to related federal spending programs. The tax measures presented in this report are the responsibility of the Minister of Finance.

Organizational contact information

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K1A 0H2

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TTY services: (647) 788-2977
Email: information@osfi-bsif.gc.ca
Web: <http://www.osfi-bsif.gc.ca>

Appendix: definitions

Appropriation (crédit)

Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

Budgetary Expenditures (dépenses budgétaires)

Operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Core Responsibility (responsabilité essentielle)

An enduring function or role performed by a department. The intentions of the department with respect to a Core Responsibility are reflected in one or more related Departmental Results that the department seeks to contribute to or influence.

Departmental Plan (Plan ministériel)

Provides information on the plans and expected performance of appropriated departments over a three-year period. Departmental Plans are tabled in Parliament each spring.

Departmental Result (résultat ministériel)

A Departmental Result represents the change or changes that the department seeks to influence. A Departmental Result is often outside departments' immediate control, but it should be influenced by program-level outcomes.

Departmental Result Indicator (indicateur de résultat ministériel)

A factor or variable that provides a valid and reliable means to measure or describe progress on a Departmental Result.

Departmental Results Framework (cadre ministériel des résultats)

Consists of the department's Core Responsibilities, Departmental Results and Departmental Result Indicators.

Departmental Results Report (Rapport sur les résultats ministériels)

Provides information on the actual accomplishments against the plans, priorities and expected results set out in the corresponding Departmental Plan.

Evaluation (évaluation)

In the Government of Canada, the systematic and neutral collection and analysis of evidence to judge merit, worth or value. Evaluation informs decision making, improvements, innovation and accountability. Evaluations typically focus on programs, policies and priorities and examine questions related to relevance, effectiveness and efficiency. Depending on user needs, however,

evaluations can also examine other units, themes and issues, including alternatives to existing interventions. Evaluations generally employ social science research methods.

Full-Time Equivalent (équivalent temps plein)

A measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government-Wide Priorities (priorités pangouvernementales)

For the purpose of the 2017–18 Departmental Plan, government-wide priorities refers to those high-level themes outlining the government’s agenda in the 2015 Speech from the Throne, namely: Growth for the Middle Class; Open and Transparent Government; A Clean Environment and a Strong Economy; Diversity is Canada's Strength; and Security and Opportunity.

Horizontal Initiatives (initiative horizontale)

An initiative where two or more federal organizations, through an approved funding agreement, work toward achieving clearly defined shared outcomes, and which has been designated (for example, by Cabinet or a central agency) as a horizontal initiative for managing and reporting purposes.

Management, Resources and Results Structure (Structure de la gestion, des ressources et des résultats)

A comprehensive framework that consists of an organization’s inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

Non-Budgetary Expenditures (dépenses non budgétaires)

Net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

Performance (rendement)

What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve, and how well lessons learned have been identified.

Performance Indicator (indicateur de rendement)

A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

Performance Reporting (production de rapports sur le rendement)

The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

Planned Spending (dépenses prévues)

For Departmental Plans and Departmental Results Reports, planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their Departmental Plans and Departmental Results Reports.

Plans (plans)

The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

Priorities (priorité)

Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

Program (programme)

A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture (architecture d'alignement des programmes)

A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Results (résultat)

An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

Statutory Expenditures (dépenses législatives)

Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic Outcome (résultat stratégique)

A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

Sunset Program (programme temporisé)

A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

Target (cible)

A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

Voted Expenditures (dépenses votées)

Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

Endnotes

- i The Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans, <http://www.osfi-bsif.gc.ca/fra/pp-rr/ppa-rra/prpp-rpac/Pages/marprpp.aspx>
- ii. The Minister's mandate letter, <http://pm.gc.ca/eng/mandate-letters>
- iii. International Monetary Fund's 2014 Financial Sector Assessment Program for Canada – Basel Core Principles for Effective Banking Supervision, <http://www.imf.org/external/pubs/ft/scr/2014/cr1471.pdf>
- iv. International Monetary Fund's 2014 Financial Sector Assessment Program for Canada - Insurance Core Principles, <http://www.imf.org/external/pubs/cat/longres.aspx?sk=41408.0>
- v. Basel Committee on Banking Supervision – Regulatory Consistency Assessment Programme, http://www.bis.org/bcbs/implementation/12_ca.pdf
- vi. Service Standards, <http://www.osfi-bsif.gc.ca/Eng/fi-if/app/aag-gad/Pages/standards.aspx>
- vii 2016-17 Report on Plans and Priorities, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/rpp/rpp1617/Pages/default.aspx>
- viii. Review of the 27th Actuarial Report on the Canada Pension Plan, <http://www.osfi-bsif.gc.ca/Eng/Docs/ar27.pdf>
- ix. Public Accounts of Canada 2017, <http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html>
- x. Whole-of-government framework, [https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#tag-nav/~\(current_branch~'GOCO~sort_key~'name~sort_direction~'asc~open_nodes~\(~'tag_SA0001~'tag_SA9999~'tag_SA0002~'tag_SA0003~'tag_SA0004~'tag_SA0005\)\)](https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#tag-nav/~(current_branch~'GOCO~sort_key~'name~sort_direction~'asc~open_nodes~(~'tag_SA0001~'tag_SA9999~'tag_SA0002~'tag_SA0003~'tag_SA0004~'tag_SA0005)))
- xi Financial Statements, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/ar-ra/Pages/default.aspx>
- xii Future-Oriented Statement of Operations, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/rpp/Pages/default.aspx>
- xiii. Office of the Superintendent of Financial Institutions Act, <http://laws-lois.justice.gc.ca/eng/acts/O-2.7/>
- xiv. Report on Federal Tax Expenditures, <http://www.fin.gc.ca/purl/taxexp-eng.asp>