

# **Office of the Superintendent of Financial Institutions**

## **Additional Corporate Information**

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

### **Raison d'être**

The Office of the Superintendent of Financial Institutions (OSFI) was established in 1987 by an Act of Parliament: the Office of the Superintendent of Financial Institutions 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.

### **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, 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.

The OCA is an independent unit within OSFI that provides a range of actuarial valuation and advisory services to the Government of Canada.

## **Operating Context**

The Canadian economic environment continues to be characterized by high levels of household indebtedness, which is of concern over the planning horizon given the continued elevated housing prices in some markets and the potential for shifting conditions due, for example, to increasing interest rates. To contribute towards the resiliency of financial institutions, OSFI proactively monitors and assesses the potential impact of adverse economic conditions and implements changes as appropriate. This includes aligning its regulatory and supervisory capacity and approaches with the growing size and complexity of the Canadian financial sector.

As financial institutions continue to focus on cost efficiencies and product innovation, they are placing greater reliance on technology and a variety of third party providers. This increased dependency contributes to technology risks and requires financial institutions to develop more robust IT risk management frameworks, including increased cyber security readiness capability.

In the interest of maintaining public confidence, OSFI continues to focus on earning the trust and respect of Canadians and it remains accountable to external stakeholders through increased transparency, consultation and communications.

There is heightened awareness within the financial services industry and particularly amongst life and property and casualty insurers of the threats to the industry associated with climate change and catastrophic events. In support of financial stability, OSFI is exploring regulatory responses to these threats.

Within this context, OSFI has established priorities and plans for regulating and supervising financial institutions and private pension plans.