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 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.

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

Federally regulated financial institutions have benefited from favourable business conditions characterized by low credit losses and continued economic growth, which have contributed to profitability and stability in the financial system. However, historically high levels of Canadian household debt, institutional indebtedness, and asset imbalances, including still-elevated house prices, continue to be of concern to financial institutions.

In 2018-19, FRFIs' business strategies continued to focus on product innovation and new services, expansion into new markets, efficiency improvements and reaping benefits from investment in technology. Financial institutions are expanding their business capabilities through a powerful combination of new technology and rapid digitization. They are extending channels for existing financial products and services, digitizing paper-based processes and outsourcing many aspects of their businesses to third-party providers. Many of these developments have taken place outside of traditional financial institutions giving rise to new risks and leading OSFI to increase its monitoring of advancements in this area.

OSFI monitors and assesses the potential impact of a number of risks on an ongoing basis to inform its regulatory and supervisory activities. While maintaining its focus on financial resilience, the shifting risk landscape requires OSFI to also direct its efforts and thinking toward the management of non-financial risks. OSFI is making internal changes to respond to non-financial risks by building new capability and infrastructure to address the supervision of operational resilience as a key component of financial safety and soundness.

While the Key Risks section below expands on actions that were undertaken by OSFI to address major areas of risk identified at the beginning of fiscal year 2018-19, i.e., industry advancement in financial technology and financial institution cyber security vulnerability, the agency continues to monitor and support the resilience of FRFIs to a number of other systemic vulnerability sources. These include elevated household debt, institutional indebtedness, climate change / global warming, and the potential for financial system stress emanating from financial market, trade or geopolitical developments in Europe and China.

Key risks

Key risks

Risks	Risk response strategy and effectiveness	Link to department's Core Responsibilities	Link to mandate letter commitments and any government-wide or departmental priorities (as applicable)
Industry advancement in financial technology (fintech) There is a risk that OSFI may not keep pace with technological advancements / development in the financial industry.	This risk was identified in the 2018-19 Departmental Plan. Risk responses during 2018-19 included: • Monitoring developments in the area of advanced analytics such as artificial intelligence and machine learning with plans to develop regulatory and supervisory expectations in this area. • Organizing OSFI's first Innovative Technology Risk Seminar to inform supervisors about recent developments in how innovative technology is being applied in the Canadian financial services context.	Financial Institution and Pension Plan Regulation and Supervision	OSFI Priority B: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system.
FI cyber-security vulnerability There is a risk that OSFI may not respond effectively to cyber threats to Canadian FIs or to a major cyber-security incident. This could impact OSFI's ability to support the resilience of FIs.	This risk was identified in the 2018-19 Departmental Plan. Risk responses during 2018-19 included: • OSFI issued an Advisory in January 2019 formalizing reporting requirements of actual or potential incidents that have been assessed to	Financial Institution and Pension Plan Regulation and Supervision	OSFI Priority B: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system.

	materially impact the normal operations of a FRFI. New cyber security incident reporting procedures for FRFIs were implemented effective March 31, 2019. • Creation of a new technology risk division within OSFI that focuses on cyber and fintech. • Collaborating with a number of national and international forums to leverage best practices in guidance and supervision. For example, OSFI worked with the Financial Stability Board regarding Cyber Incident Response and Recovery and with the G7 on Cyber Vulnerabilities across the financial sector. The latter work is in partnership with the Bank of Canada. • Working with the Canadian Centre of Cyber Security to enhance coordination and collaboration in the event of a national security incident.		