



May 27, 2020

Hon. Wayne Easter, Chair
House of Commons Standing Committee on Finance
The House of Commons
Ottawa, Ontario K1A 0A4
Canada

Subject: Follow-up responses from OSFI on questions posed by members on May 21, 2020.

Dear Mr. Easter,

During OSFI's appearance before the House of Commons Standing Committee on Finance on May 21, 2020, members of the Committee asked questions to which the Superintendent committed to providing further information. Specifically, the members wanted more information on the amount of support provided to the banking and financial sector.

OSFI's lowering of the Domestic Stability Buffer (DSB) on [March 13, 2020](#) provided approximately \$300 billion of additional lending capacity for Canada's largest banks. OSFI requires Canada's largest banks to set aside a portion of their capital, to be released when there are economic challenges. The lowering of the DSB does not impose any direct costs on the Government or taxpayers. Banks continue to have strong capital levels that help them absorb losses; and ample liquidity that enables them to make payments as they come due, even in times of stress.

The Bank of Canada has established [several large-scale asset programs](#) to increase liquidity in core funding markets. Each of these asset purchase programs has different limits and conditions. These measures have provided in excess of \$300 billion in liquidity to the financial system. One way to track the overall level of financial market support would be through the [Bank of Canada balance sheet](#).

In addition, CMHC's [Insured Mortgage Purchase Program](#) stands ready to support the purchase of up to \$150 billion of insured mortgages. This program provides on-going funding to banks and mortgage lenders in order to support continued lending to Canadians. The program buys insured mortgages that are pooled into securities guaranteed by CMHC. As stated on its website, this means there is no additional risk to taxpayers or CMHC.

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While the programs are different, the measures introduced by the Bank of Canada and CMHC together can provide in excess of \$450 billion dollars of potential liquidity to the financial system. The Bank of Canada and CMHC are best placed to respond to further question about their programs. Further, the institutions themselves will disclose their use of these measures through their quarterly reports.

The scope, speed and effectiveness of these responses is the result of continued improvements to financial system resilience since the lessons learned in the 2008 global financial crisis.

OSFI has taken other measures to allow financial institutions to focus their operations to provide credit and financial services to Canadians. Descriptions of all of OSFI's actions are available on OSFI's [COVID-19 updates](#) page. Where OSFI observes that institutions are not meeting the expectations we have set, we will take action through a wide range of direct supervisory tools to ensure compliance and protect depositors, policyholders and private pension plan beneficiaries.

OSFI and its partner agencies in the federal government continue to monitor the effectiveness of the tools announced, the financial stability of the system, and what other measures may help support Canadians. We also continue to plan for the eventual unwinding of these measures and a resumption of a more normal course of business.

Thank you for inviting OSFI to appear before the Committee. We are happy to respond to any further questions the Committee members may have.

Sincerely,

Tracie Nofle
Managing Director
Communications and Engagement
Office of the Superintendent of Financial Institutions