



Index DA No. 2

PURCHASE OR REDEMPTION OF SHARES OR MEMBERSHIP SHARES

Legislative Authorities

- Sections 71 and 715 of the [Bank Act](#) (BA)
- Section 74 of the [Trust and Loan Companies Act](#) (TLCA)
- Sections 75 and 754 of the [Insurance Companies Act](#) (ICA)
- Section 79 of the [Cooperative Credit Associations Act](#) (CCAA)

Information Requirements

The applicant is generally expected to provide:

1. a description of the transaction or series of transactions (the transaction), including:
 - (a) the rationale for the purchase or redemption of shares or membership shares,
 - (b) the number and type of shares or membership shares that would be purchased or redeemed, and the rationale supporting the purchase or redemption price of these shares or membership shares, and
 - (c) the proposed timing of the purchase or redemption of shares or membership shares;
2. a certified copy of the board resolution authorizing the purchase or redemption¹;
3. if applicable, a copy of any proposed release or notice prepared in connection with the transaction pursuant to the requirements of any exchange, securities commission or other regulatory authority;
4. an analysis of the effect of the purchase or redemption on the financial position and risk profile of the applicant, including:
 - (a) details regarding the projected changes to the applicant's balance sheet – where the transaction is material to the applicant, these details are expected to be in the form of a comparative *pro forma* balance sheet (pre- and post-purchase or redemption) including relevant assumptions,

¹ OSFI may accept a certified board resolution approving a capital plan in satisfaction of this requirement so long as the approved plan, in effect, authorizes the applicant to proceed with the purchase or redemption.



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- (b) details regarding the projected changes to the applicant's capital position and liquidity position² – where the transaction is material to the applicant, these details are expected to be in the form of a comparative *pro forma* capital position and liquidity position (pre- and post-purchase or redemption) that confirms compliance with the applicant's internal target(s) and with OSFI's requirements applicable to the applicant, together with relevant assumptions and a breakdown of:
- (i) in the case of a deposit-taking institution, all elements used to calculate:
 - 1. the capital ratios, in accordance with the *Capital Adequacy Requirements Guideline*,
 - 2. the leverage ratio, in accordance with the *Leverage Requirements Guideline*, and
 - 3. the liquidity coverage ratio, in accordance with the *Liquidity Adequacy Requirements Guideline*,
 - (ii) in the case of a life insurance company, all elements used to calculate the Life Insurance Capital Adequacy Test, or
 - (iii) in the case of a property and casualty insurance company, all elements of the Minimum Capital Test or the Mortgage Insurer Capital Adequacy Test, as applicable,
- (c) a confirmation that, following the purchase or redemption, the applicant will be in compliance with its relevant policies, which may include those related to liquidity, capital management, risk management and investments; and
5. in the case of a redemption of shares or membership shares, confirmation that the redemption price is determined in accordance with the formula stated in the applicant's by-laws or in accordance with the conditions attaching to the shares or membership shares.

Administrative Guidance

1. Federally regulated entities are expected to maintain adequate capital and liquidity at all times³ and applicants should ensure that any planned purchase or redemption of shares or membership shares will not impede their ability to meet capital and liquidity targets required by OSFI or its internal processes.⁴
2. No approval is required under the Legislative Authorities in respect of the purchase of shares or membership shares where such shares or membership shares are being converted or exchanged into a separate class of shares of the applicant.

² A liquidity position is only expected to be provided where the applicant is a deposit-taking institution.

³ Please see subsections 485(1) of the BA, 473(1) of the TLCA, 515(1) of the ICA or 409(1) of the CCAA, as applicable.

⁴ Federally regulated entities are prohibited from purchasing or redeeming shares or membership shares where such actions would cause them to contravene capital/liquidity requirements or any direction to increase or maintain capital/liquidity. Please see subsections 71(2) of the BA, 74(2) of the TLCA, 75(2) of the ICA or 79(2) of the CCAA, as applicable.

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3. The following email address should be used for the initial submission of documents in support of requests for approval(s) that are addressed in this document: approvalsandprecedents@osfi-bsif.gc.ca. Once the initial submission has been received, a case officer will be assigned to the matter. Thereafter, all case-related documents and correspondence should be directed to the case officer.
 4. Requests for approval(s) that are addressed in this document are not subject to a service charge.⁵

The information requirements and administrative guidance are intended to satisfy typical applications. They have been derived from OSFI's experience in assessing applications. Applicants who provide all information and material requested can generally expect a more timely assessment of their applications. As appropriate to the circumstances, OSFI may request additional information, take into account other matters, impose terms and conditions, or require undertakings.

⁵ Please see [Charges for Services Provided by the Office of the Superintendent of Financial Institutions Regulations 2002](#).