Annual Risk Outlook

Title	OSFI's Annual Risk Outlook – Fiscal Year 2025-2026
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Introduction

The Office of the Superintendent of Financial Institutions' (OSFI) Annual Risk Outlook (ARO) for 2025-2026 provides an overview of the current risk environment, the top risks currently faced by the Canadian financial system, and the actions OSFI is taking in response.

The annex sets out our regulatory guidance priorities and a summary of supervisory industry strategies for federally regulated financial institutions (institutions) and federally regulated pension plans (pension plans) for the calendar periods from Q2 2025 to Q2 2026 fiscal year.

Current risk environment

Financial markets experienced a period of relative stability over the last half of 2024 and responded well as central banks shifted from rate hikes to a series of rate cuts. Consumers and businesses remained resilient as economic growth slowed and unemployment increased.

While that resilience reflects underlying strengths in our financial system, vulnerabilities remain. Debt levels are elevated, and economic growth is facing headwinds. For example, trade disputes and geopolitical turbulence may exacerbate economic uncertainty.

Thus, the risk landscape is becoming more complicated for Canada, which has historically thrived in a competitive, open trade environment.

OSFI has consulted with Canadian stakeholders about actions OSFI could take in response to the economic uncertainty that trade protectionism could produce. We have built a toolbox of relief measures that we could apply dynamically as conditions warrant. We will closely monitor developments in Canada's financial system, as well as the

broader economic environment, and adjust to prevailing conditions. We stand ready to responsibly utilize the financial sector resilience built up since the global financial crisis of 2008-2009.

In addition, the digitalization of financial services has picked up speed, in OSFI's view, which provides benefits to the financial system while simultaneously introducing new vulnerabilities. Risks such as cyber, technology, third-party, and financial crime persist and are interconnected.

Rapid innovation in artificial intelligence (AI) and related technologies introduces new opportunities and risks. While providing financial institutions with new horizons for growth and efficiency, AI brings about new challenges related to governance and complexity. Additionally, AI has the potential to amplify existing risks, such as fraud and other financial crime.

While the prioritized risks in this year's ARO have the same titles as in last year's risk outlook, our priorities and the risk environment have shifted significantly. The re-ordering of risks in this year's ARO represents a substantial change in the focus of our work. The risks listed below are key risks to Canadian institutions and core areas of supervisory focus. Elevated threats in the current risk environment have a higher probability of triggering a scenario in which these risks materialize for institutions. This environment provides the backdrop and context for the risks we are prioritizing this fiscal year and the way we address specific risks.

2025-2026 Top risks

This year's ARO focuses on and details four risks in order of importance.



Integrity and security risk



Wholesale credit risks



Funding and liquidity risks



Real estate secured lending and mortgage (RESL) risks

Integrity and security risk

Heightened geopolitical tensions, rapid technological advancements, and increased reliance on a complex network of third parties create vulnerabilities to the integrity and security of Canadian institutions and the financial system. The number of threats to integrity and security, as well as the complexity of managing those threats has made this risk our top priority.

Criminals and state-linked actors engaging in activities such as money laundering, fraud, and cyber-attacks are becoming more advanced and difficult to detect. We expect these activities to continue to accelerate driven by advancements in AI, digitalization, and increasing reliance on third-party service providers. In a more volatile political climate, state actors and state-sponsored actors may target Canadian institutions not just for financial gain but to further their political objectives and disrupt the smooth functioning of Canada's financial infrastructure and

broader economy.

Increased global regulatory actions targeting financial crimes highlight the risk from threats to integrity and security. Institutions that have weaknesses in their integrity and security policies, procedures, and governance could face significant pressure and penalties in foreign jurisdictions, particularly if those breaches facilitate money laundering, drug trafficking, or other illicit and prohibited activities or are deemed intolerable by foreign regulators.

We observe elevated levels of ransomware, exploited software vulnerabilities, and data breaches globally. Cyber-attacks are constant and require institutions to be highly vigilant to protect their operational resilience and safeguard their stakeholders.

Increased reliance on third-party service providers and the absence of robust regulatory frameworks in many third-party industries create new channels for cyber-attacks or insider threats. Financial institutions will have to engage in due diligence to ensure their complex network of service providers is secure and that they have the operational resilience to withstand business disruptions.

The many threats to integrity and security require financial institutions to ensure they have robust controls around compliance, risk, and governance while being committed to continuous maintenance of their risk frameworks.

OSFI response

Given the rapidly changing threat landscape, we have begun a broad range of activities to address integrity and security risks and will advance those activities further in the year ahead. Our National Security Sector (NSS) is strengthening relationships with security and intelligence partners to better assess integrity and security risks during approval processes and supervisory examinations and to enhance institutions' resilience to national security threats. Our intelligence teams within NSS are now conducting holistic assessments of security risks posed by individuals and entities influencing institutions, with a particular focus on foreign jurisdictions. Recently, we co-hosted a classified national security threat forum where specialists from the Canadian security and intelligence community provided insights to help attendees assess geopolitical, cyber, and insider threats to their institutions. Senior representatives from Canadian institutions attended the inaugural event that we will repeat at least annually in the years to come.

The information we received from institutions following the release of our Integrity and Security Guideline in January 2024 informed our views of the adequacy of policies and procedures against threats to integrity and security. Our first Annual Report on the Integrity and Security of Federally Regulated Financial Institutions was issued to the Minister of Finance in December 2024. We will communicate specific themes from our analysis to the industry in March 2025. In addition, we will reach out to specific institutions to address areas of weakness relative to expectations.

To assess institutions' management of the risks that underpin integrity and security, we engage in direct discussions, targeted reviews, and analyze data related to operational, third party, technology, compliance, governance, and cyber risks. We plan to develop enhanced expectations on corporate governance, including the suitability and accountability of boards and senior management. We plan to consult on a draft Corporate Governance and Accountability Guideline in the fall.

Our focus on AI and its impact to institutions' integrity and security has increased. We are working together with the private sector, Department of Finance, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), and the Financial Consumer Agency of Canada (FCAC) to understand how AI impacts a broad range of risks related to integrity and security as well as conducting supervisory work to assess AI risks and institutions' preparedness.

Additionally, we enhanced the incident reporting process used by institutions to report cyber and technology incidents to OSFI. Improvements to this process support timely risk identification, peer comparisons, and supervisory actions.

Wholesale credit risks

Corporate and commercial borrowers continue to face economic challenges. Despite recent interest rate cuts, businesses remain vulnerable to macroeconomic uncertainties, elevated debt servicing costs, and weakening consumer demand that can lead to refinancing challenges. Geopolitical events, including increased trends of trade protectionism, can negatively impact industries and lead to greater vulnerabilities in the institutions we supervise.

While significant credit losses have not occurred, negative credit migration may continue as delinquencies and defaults are trending higher. Private credit firms are increasing their presence and interactions with federally

regulated financial institutions. This can introduce additional risks to the industry such as more lenient deal terms with potentially less stringent underwriting standards.

Commercial real estate (CRE), especially both the office and the construction and development sub sectors, is experiencing weakness driven by reduced demand and interest rates that remain elevated despite recent reductions. High vacancy rates are driving declines in office property values. Many companies continue with work-from-home arrangements and may downsize their office space at lease renewal. Older buildings and less desirable locations are under the most stress. Additional equity may be required from owners to refinance negatively impacted office properties. The industrial CRE sector, which had been performing well, is softening and giving rise to concerns about valuations sustainability. Due to lower demand and higher deliveries, available supply in the CRE industrial sector is growing, which can accelerate in a slowing economy.

High-rise condo construction is undergoing a significant slowdown with some developers facing increased stress. Lower demand, lower valuations, and higher construction costs are creating near-term challenges for developers. Pre-sales are taking much longer to reach thresholds necessary for projects to move forward, which is causing delays and cancellations. Valuation declines and interest rate levels are contributing to walkaway risk.

CRE sector risks can impact multiple industries, including banking through direct and indirect lending, life insurance companies given their material exposures to the sector, including investments in commercial mortgages and property ownership, particularly in the office subsegment, and pension funds through their investments.

OSFI response

As the credit landscape becomes more volatile and less certain, we are focussing our supervisory efforts on assessing developments, both domestically and internationally, that could negatively impact the credit environment for our institutions. We perform continuous research and analytics to help identify wholesale credit risks trends and appropriate responses.

We continue to assess credit risk management practices and loan loss provisioning as well as borrower and portfolio vulnerabilities at institutions. We are conducting supervisory reviews on account management practices, risk ratings, and downturn readiness. Institutions can expect follow-up questions and information requests arising

from our monitoring and review efforts.

An expanded, loan level, non-retail data call that collects detailed data from institutions on wholesale credit risk exposures enhances our supervisory efforts. This data call provides timely information on credit exposures across the financial system and enhances our ability to identify vulnerabilities and assess potential impacts from stress scenarios. Additionally, the data supports monitoring of institutions' alignment with our supervisory expectations as outlined in our regulatory guidance, which helps us compare peers and take a targeted approach to supervisory work on this risk.

Funding and liquidity risks

Market confidence and conditions drove a stable liquidity and funding environment for financial institutions over the past year. Renewed uncertainty within financial markets, driven by heightened geopolitical risk, could challenge this stability if it drives market participants to reassess their risk appetites.

Deposit flows have remained stable for banks, supported by retail customer confidence in the banking system. Wholesale funding markets are operating effectively as central banks around the globe continue their pivot from higher policy rates to more accommodative monetary policies. Institutions continue to be met with strong investor appetite when going to market for funding. However, renewed geopolitical uncertainty transmitted through to financial markets could create liquidity shocks. These can occur quickly if there is a change in sentiment among depositors or counterparties as they react to macroeconomic volatility and/or bank specific risk events.

If geopolitical and macroeconomic uncertainty worsen and trigger material levels of interest rate, foreign currency, or credit volatility, wholesale funding markets could tighten quickly, with reduced access and increased issuance spreads and hedging costs. Dysfunctional capital markets would have detrimental effects on the global financial system.

The interconnected nature of funding and liquidity markets makes them highly susceptible to rapid transmission of risk events. For example, intraday liquidity is inherently vulnerable due to the increasingly near real-time nature of payment flows as digitalization continues to increase, potentially reducing reaction time and thoughtful responses to stress events. A disruption can rapidly exacerbate liquidity stress across payment counterparties and the system

as a whole. Additionally, institutions relying on foreign currency funding may encounter unexpected disruptions amid foreign currency volatility or retrenchment of counterparty appetite. Similarly, liquidity and funding intersect with credit markets. Institutions that rely on securitization markets for funding, could face considerable challenges if economic conditions negatively influence credit risk appetite.

OSFI response

In 2025, we plan to assess institutions' liquidity risk arising from complexities of operating in multiple jurisdictions and currencies. The plan will consist of the following:

- We will assess institutions' preparedness for addressing potential frictions arising from cross-border liquidity flows and currency mismatch. In doing so, we will consider aspects related to exposures, risk appetite and policy limits, mitigation strategies, and contingency planning.
- We will continue to deepen our line of sight into liquidity risk management at institutions' material foreign operations. We will assess the effectiveness of the management programs that reflect host market conditions and regulatory expectations while maintaining alignment with the enterprise framework.

In conjunction with these supervisory plans, we will also continue with targeted updates to liquidity guidance. Specifically, we plan to consult on revisions to the Liquidity Adequacy Requirements Guideline, introducing new funding categories to better reflect emerging funding sources. We also plan to consult on a more structured approach to supervising liquidity risk with a discussion paper describing an Internal Liquidity Adequacy Assessment Process, which will require Holistic Liquidity Plans with a strategic approach to risk management and mitigation.

Real estate secured lending and mortgage (RESL) risks

Recent interest rate cuts of 200 basis points since June 2024, are providing some relief to residential mortgage borrowers. However, many borrowers still face rates that will be higher than their original mortgage rate upon renewal.

As of November 2024, 36% of all outstanding mortgages that have yet to experience a payment increase since origination will be up for renewal by the end of 2026. These are fixed rate mortgages (FRM) and variable rate

mortgages with fixed payments (VRMFP) originated when rates were at historic lows. VRMFPs are expected to experience the largest increase in mortgage payments upon renewal. While lower interest rates may help to address this size of the increase in payments, it could also lead to an increase in new VRMFP originations.

At a national level, delinquencies increased from their historic lows but continue to be below pre-pandemic levels. We expect delinquencies to continue their rise as mortgage holders make higher mortgage payments after renewing at higher interest rates. Regional differences exist across Canada, with the Greater Toronto Area and the Greater Vancouver Area exhibiting the greatest signs of stress.

As mentioned earlier, the condominium market is under pressure due to the 2024 completion of a backlog of condo construction projects leading to oversupply in a soft market. At the same time, there has been a significant drop in demand from investors and owner-occupied borrowers due to negative carrying costs without offsetting capital appreciation as well as economic pressures.

Changes to the economic environment, such as increases in unemployment rates and uncertainty driven by potential U.S. trade protectionism, could lead to more vulnerable segments of the market being unable to service their mortgage debts. These developments could hamper the recovery of the housing market and stabilization of RESL risks.

OSFI response

We continuously monitor the risk profiles of institutions' residential mortgage lending activities though advanced analytics and a robust examination framework to ensure mortgage lenders adhere to prudent underwriting standards, portfolio and account management practices outlined in OSFI's Guideline B20.

The number of VRMFP mortgages in negative amortization, or paying interest only, decreased by 60% from peak levels in 2023 as a result of proactive actions taken by banks and borrowers, as well as a decline in interest rates. However, we continue to promote active management of the risks posed by VRMFP mortgages through adequate loan loss reserves and early intervention with borrowers vulnerable to payment shock.

In 2024, we clarified expectations of sound practices when granting forbearance to borrowers experiencing financial difficulty in anticipation of substantial mortgage renewals at higher rates amid a backdrop of increased cost of living and high household indebtedness. We also introduced institution-specific limits on the proportion of uninsured mortgage originations that exceed a 4.5x loan-to-income ratio to prevent excessive household leverage, especially during periods of low interest rates. This effort has improved OSFI's supervisory acuity into risk concentrations in the mortgage lending space, as well as our ability to mitigate those risk concentrations. We will continue to press forward these responses over the next year.

Additionally in 2024, we removed the need to apply the Minimum Qualifying Rate to uninsured stand-alone mortgage borrowers when it is a straight-switch from one federally regulated financial institution to another.

Annex I – Planned quarterly policy releases for fiscal 2025-2026

For information on our planned guidance priorities for calendar quarters Q2 2025 to Q1 2026 please visit OSFI's policy releases and announcements schedule.

Releasing OSFI guidance – Quarterly Releases and Industry Days

In 2024 and early 2025, OSFI piloted three Quarterly Release (QR) dates. On these dates, and to the extent possible, OSFI guidelines, regulatory notices and consultations for that quarter were released at the same time. Two weeks following, Industry Days (ID) information sessions were held which provided an opportunity for the industry participants to ask questions.

Following each of these, as well as during our on-going engagements, OSFI evaluated the effectiveness of the QR and ID pilot. Our findings conclude that since their launch stakeholder support has been overwhelmingly positive to the pilot with feedback indicating that the QR/ID meets most or all their needs. Generally, the comments we received focused positively on the predictability of knowing what would be released on specific dates, as well an appreciation for the two-week period in-between the QR and ID; however, some feedback indicated that stakeholders did not find the technical briefing the day of the announcement of use.

As a result, OSFI will be continuing with the cadence of Quarterly Releases and Industry Days for 2025-2026. Based on the feedback, small modifications have been made including:

- Removing the specificity of the timing to allow more flexibility (i.e. holding the QRs in the second month of the quarter on the third Thursday. Two weeks following the release, on the first Thursday of the third month of the quarter holding the ID).
- Removing the industry briefing the day of the QR.

The 2025-2026 dates are as follows and they have been added to OSFI's web site:

Q2 2025

- Quarterly Release Date – Thursday, May 22, 2025
- Industry Day – Friday, June 6, 2025

Q3 2025

- Quarterly Release Date – Thursday, September 11, 2025
- Industry Day – Thursday, September 25, 2025

Q4 2025

- Quarterly Release Date – Thursday, November 20, 2025
- Industry Day – Thursday, December 4, 2025

Q1 2026

- Quarterly Release Date – Thursday, January 29, 2026
- Industry Day – Thursday, February 12, 2026

This standardized approach offers predictability and continued transparency about OSFI's work while streamlining our approach to releasing guidance. This said, OSFI will make announcement outside of this cadence under the following circumstances:

- Significant events that require immediate and urgent action, in which not doing so and waiting for the next Quarterly Release date would be a detriment to the Canadian financial system.
- Joint, coordinated, or inter-jurisdictional activities where we need to align the timing of release with another government department, stakeholder, level of government, or international body.

This approach **excludes** announcements about the Domestic Stability Buffer (DSB), as well as the publication of the Annual Risk Outlook (ARO) and Semi-Annual Risk Outlook (SARO).

Annex II – Supervisory industry strategies

This document summarizes industry strategies for each of pension, insurance, and banking. There are many similarities in the industry strategies, which are framed in the context of the Supervisory Framework as well as our Annual Risk Outlook and industry risk registers.

Through our supervisory work, which includes monitoring activities and reviews (idiosyncratic and thematic, also known as cross-system), we seek to expand the breadth and depth of our risk assessments. With all our supervisory work, we apply a risk-based approach that considers the risk environment, our risk appetite, and resource constraints of both front-line teams as well as specialists.

We present these strategies by industry, and within each industry there are three sections: introduction, priorities for 2025-26, and further details of supervisory priorities. Before delving into the specific industry strategies, we comment on the importance of our expanded mandate related to assessing Canadian federally regulated financial institutions' (institutions) policies and procedures to protect themselves against threats to their integrity or security.

Assessment of integrity and security risks

Supervisory considerations related to integrity and security can impact any of the four pillars of the Supervisory Framework – business risk, financial resilience, operational resilience, or risk governance.

Our supervisory work in the upcoming year will reflect the industry themes we found from our first year of integrity and security risk assessments, which we communicated to institutions in March 2025 as well as ongoing work in this area.

Pension

Introduction

Employer-sponsored private pension plans provide an important source of retirement income for employees and their families. Employers generally set up pension plans voluntarily.

We supervise private pension plans and pooled registered pension plans covering employees in federally regulated areas of employment to determine whether the plans meet the minimum funding requirements and comply with legislative and supervisory requirements. Our focus is on long-term viability and benefit security rather than day-to-day business operations.

Recently, the higher interest rate environment buoyed plan solvency ratios. Investment and liquidity risks persist, however, due to market and interest rate volatility.

Priorities for 2025-26

Over the plan horizon, pension supervision will:

- maintain focus on monitoring and enforcing minimum funding as well as legislative and supervisory requirements
- further risk quantification and enhance supervisory approach specifically for our largest pension plans, in line with our Supervisory Framework
- support confidence in the pension industry by responding to enquiries from plan administrators, plan members, and industry stakeholders
- contribute to a successful system transition from the Risk Assessment System for Pensions (RASP) to Vu including new pension analytical and reporting tools

Further details of 2025-26 supervisory priorities

We will continue to leverage insights from our risk indicators to prioritize our work, including which valuation reports we review in depth. We will also continue to review plan amendments and actively enforce sponsor remittances.

Insurance

Introduction

A highly competitive landscape is leading to changes in distribution channels and inorganic growth in the search for scale, which can lead to execution and business risks. In addition to the increasing uncertainty and threats to integrity and security mentioned previously, insurers face headwinds including continued investment volatility, significant claims inflation in auto insurance, and the impact of natural catastrophes. For the property and casualty (P&C) industry, 2024 was an exceptional year with more than $8.5 billion of catastrophe claims, which followed years of increasing frequency and severity of weather-related events.

Priorities for 2025-26

Over the plan horizon, insurance supervision will:

- continue to focus on capital management practices, with emphasis on assessing how insurers establish their internal targets and key business practices that have implications for insurers' capital ratios
- intensify focus on operational resilience with activities targeted towards cyber resilience and third-party supplier risks for critical outsourced operations
- assess risk governance practices in the oversight of business risks

We will reflect the current macroeconomic and geopolitical environments and the impact of threats to integrity and security in conducting the above supervisory work.

Further details of 2025-26 supervisory priorities

During 2025-26, insurance supervision will address each of the main pillars of the Supervision Framework as well as the administration of the *Insurance Companies Act* (ICA). Through our supervisory work, we will focus on insurers' actions to remediate deficiencies identified in policies and procedures that present threats to their resilience and risk governance.

Business risk

We will monitor the insurers' strategies and business plans as well as external risk factors to assess threats and vulnerabilities to insurers' business models. We will assess the business strategy exposure to geopolitical risks and integration risks from the pursuit of inorganic growth and also assess the implications of geopolitical risks on supply chain disruptions and claims inflation, particularly for P&C insurers.

For internationally active insurance groups (IAIGs) where we are the group wide supervisor, we will support these assessments by hosting supervisory colleges. We will also participate in the supervisory colleges of international insurers operating in Canada.

Financial resilience

We will conduct thematic reviews for a cohort of insurers on own risk solvency assessment (ORSA) to assess the comprehensiveness of risks assessed, the extent of diversification benefits, and the breadth of scenarios considered when insurers establish their internal targets. We will also conduct a thematic review of auto insurance to assess effective risk oversight and the impact that shifting risks have on earnings and capital.

We will continue to assess how the evolving housing market affects the financial resilience of mortgage insurers.

For certain life insurers, we will assess investment risk, asset liability management, and the implications of IFRS 17 policies on capital. For all insurers, we will monitor resilience to climate transition and physical risks.

Operational resilience

We will conduct a thematic review on third-party risk management of critical outsourced functions of the IAIGs. For selected insurers, we plan to conduct targeted cyber and technology currency risk reviews as well as thematic monitoring on the use and risk oversight of artificial intelligence (AI). We will continue to roll out our intelligence-led cyber resilience testing (I-CRT) to large insurers; and for all insurers, we will respond to significant cyber incidents that are reported to us and assess their cyber preparedness.

Risk governance

A compliance risk review will assess risk governance, with a focus on anti-money laundering (AML) for life insurers and regulatory data quality for P&C insurers. We will continue to assess the execution risk of complex technology and business transformations. We will continue to monitor and assess the use of combined oversight functions at insurance companies.

Banking

Introduction

Trends in unemployment rates in 2025 will be critical for banks' financial performance and resilience. Economic and political uncertainty in Canada are key concerns, and the outlook is further exacerbated by potential changes to U.S. trade policy and ongoing geopolitical conflicts.

Priorities for 2025-26

Priorities for the banking teams are similar to those of the insurance teams. Over the plan horizon, banking supervision will:

- continue to focus on prudence and conservatism in capital and liquidity management practices, with emphasis on assessing how banks establish their internal targets, including the role of Pillar 2, and key business practices that have implications for banks' capital and liquidity ratios

- maintain intensity of supervisory activities covering top credit risks, in particular real estate secured lending (RESL) as well as corporate and commercial lending
- intensify focus on operational resilience with activities targeted towards cyber resilience and third-party supplier risks for critical outsourced operations
- assess risk governance practices, including an additional focus on the oversight of compliance management

Similar to insurance, we will reflect the current macroeconomic and geopolitical environments and the impact of threats to integrity and security in conducting the above supervisory work.

Further details of 2025-26 supervisory priorities

Similar to insurance, banking supervision will address all four risk rating areas of the Supervisory Framework.

Business risk

We will monitor banks' strategies and business plans, and external and internal risk factors to assess vulnerabilities to business models. This will include assessing strategic and/or execution risks associated with the integration of new acquisitions, the launch of significant new business lines (or entry into new markets), and large-scale remediation initiatives.

For systemically important banks (SIBs), we will host supervisory colleges and crisis management groups (CMGs) to support our assessments. We will also participate in the supervisory colleges of international banks operating in Canada.

Financial resilience

In Domestic Banking, we will conduct targeted reviews of select institutions' 2024 internal capital adequacy assessment processes (ICAAPs) that will include assessment of the recommendations from our work on 2023 ICAAPs. We will also closely monitor expected credit loss provisioning and other credit metrics of select small and medium sized banks (SMSBs).

In International Banking, we will examine key treasury functions, including in the U.S. and Latin American subsidiaries. We will expand our evaluation of contingency funding planning and evaluate structural interest rate risk management practices. We will perform RESL reviews at select SIBs, expand coverage of commercial and corporate lending activities, and undertake a select number of trading market risk reviews.

In both Domestic Banking and International Banking, we will monitor and assess remediation of findings from our more recent supervisory work. This will include remediation of commercial and residential real estate account management practices, expected credit loss provisioning methodologies, contingency funding plans, intraday liquidity, and internal audit.

We will monitor institutions' capital and liquidity and funding positions with the expectation that they are able to absorb severe but plausible stress conditions, including an expected deterioration in credit conditions.

Operational resilience

We will assess banks' preparedness to address technology and cyber-related risks as well as the ability of critical functions to recover rapidly from disruptions and external threats. We will prioritize technology and cyber reviews based on risk as well as the need to fill in gaps in our current assessments of these areas. Through our supervisory activities, we will assess business continuity planning across all SIBs.

Risk governance

In partnership with specialists, we will focus on the effectiveness of banks' risk and compliance oversight functions, in particular on regulatory compliance including AML, as well as internal audit, in some instances via cross-system reviews. The integrity and security-related work referenced above will also inform our assessment of banks' governance, including their oversight of foreign operations.

Other risks

We will conduct a cross-system review of SIBs' climate risk quantification processes and controls used to identify and measure the current and potential future impact of climate-related risks (for example, credit, market, insurance, operational).

Responsive Monitoring Oversight Group-specific reviews

The Responsive Monitoring Oversight Group will continue conducting "day with institution" reviews to complete not yet rated assessments on operational resilience for tier 4 insurers and banks. For branches with elevated issues or operational events, we will continue to conduct risk-based monitoring and desk reviews to update risk assessments. We will follow up on recommended actions items on CRE and ICAAPs for banks. Finally, we will align supervisory work with Insurance and Domestic Banking, where relevant.

Crisis readiness

Crisis readiness continues to be an important theme for both the insurance and banking industries. Insurance supervisors will support the Crisis Readiness Unit (CRU) to develop expectations on recovery planning and CMGs, with a focus on the IAIGs. Banking supervisors will work with the CRU to update recovery plan expectations, including measures to ensure proportionality and enhancements to plan maintenance and testing. Supervisors of global SIBs will support the CRU's engagements with CMG members to ensure effective cross-border coordination of recovery and resolution-related activities.

Applicable legislation

In our supervision of more than 400 financial institutions and 1,200 pension plans, we consider the applicable statutes for banks (the *Bank Act*) as well as federally regulated trust and loan companies (the *Trust and Loan Companies Act*), insurers (the *Insurance Companies Act* (ICA)), and pension plans (the *Pension Benefits Standards Act, 1985* and *Pension Benefits Standards Regulations, 1985*). Further, we expect an institution's regulatory compliance management frameworks and practices to ensure compliance with laws, rules, regulations, and prescribed practices in any jurisdiction in which it operates.

Insurance lead supervisors conduct risk assessments for more than 700 transactions annually related to the functioning of the vested asset regime of branch insurers and related party reinsurance transactions (such as the DA-21 regime).

Issues management and recommendations related to new entrants, acquisitions, and capital deployment

All industries will continue to follow-up on open recommendations and strive to achieve established goals related to issues management.

Banking and insurance supervisors support the risk assessment and transmittals needed for recommendations of colleagues in Regulatory Response Sector to the Superintendent or Minister of Finance for transactions related to new entrants, acquisitions, or capital deployment.