Letter

Title	Revised OSFI Capital Ruling for Limited Recourse Capital Notes
Category	Capital Adequacy Requirements
Date	December 14, 2022
Sector	Banks Life Insurance and Fraternal Companies Property and Casualty Companies
No	2020 – 01

To: Federally Regulated Financial Institutions (FRFIs)

OSFI has published an update to its July 18, 2020 capital ruling on the Limited Recourse Capital Notes (LRCNs). The revised ruling clarifies LRCN issuance limitations for property & casualty (P&C) insurers and mortgage insurers.

The Office of the Superintendent of Fianncial Institutions (OSFI) applies a prudent approach to assessing the quality and quantity of financial instruments used as regulatory capital. This is consistent with our mandate to protect the rights and interests of depositors, policyholders, and financial institution creditors, while also allowing financial institutions to compete effectively and take reasonable risks.

The ruling continues to conclude that federally regulated financial institutions may recognize the LRCNs as regulatory capital subject to the capital treatment, conditions and limitations set out in the revised ruling.

Should you have any questions, please contact Confirmations@osfi-bsif.gc.ca.

Yours sincerely,

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Deputy Superintendent

Supervision Sector