Draft guideline

Title	Consultative document on a proposed senior leader regime
Category	Sound Business and Financial Practices
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Table of Contents

Modernizing expectations for enhanced accountability

Responding to a rapidly evolving landscape

Learning from international best practices

Proposing a principles-based accountability framework

- Questions

Annex

Consultation status: Closed

Consultation closed October 31, 2026. We'll keep this draft on the site until the final guideline is released.

Modernizing expectations for enhanced accountability

We are reviewing our suitability and accountability expectations for senior leaders of federally regulated financial institutions (referred to as a 'senior leader regime'). We expect to establish a senior leader regime to modernize suitability expectations and introduce strengthened accountability measures in the coming year.

Senior leaders are members of the board of directors and senior management, including the “c-suite”, heads of oversight functions, heads of business platforms, or anyone else reporting directly to the CEO or the board. Suitability refers to their fitness (in other words, education, business record, and experience) and propriety (in other words, character, judgment, and integrity). Accountability involves the clear assignment of senior leader responsibilities, oversight, and an obligation to be answerable for decisions, conduct, and outcomes. It gives effect to the institution's suitability standards.

We are seeking stakeholder input on our proposal for a modernized senior leader regime with specific emphasis on accountability within institutions. We aim to engage stakeholders early in the policy development process.

Please submit your input by October 31, 2026, to pds-epn@osfi-bsif.gc.ca.

Responding to a rapidly evolving landscape

Financial services in Canada continue to evolve, becoming increasingly complex and uncertain. The rise of new systemic and non-traditional risks, characterized by new technologies, products, and increasingly complex organizational structures, are challenging the adequacy of prudential oversight. At OSFI, we are continuously advancing our risk-focused approach to effectively manage the dynamic risks that are shaping the Canadian financial system.

As the financial landscape evolves, governance standards and practices must also adapt to address new skill sets and risk management capabilities. Senior leaders of institutions face growing pressures and increasingly challenging decisions. Outdated suitability criteria can permit individuals who lack the competence and integrity to hold key positions. To remain effective, our standard of senior leader suitability must be strengthened to keep pace with these emerging pressures and to adequately equip institutions and their senior leaders. This is especially important for institutions’ boards of directors, given the critical role they play in setting the tone for effective governance, conduct, and risk oversight.

Current federal statutes and OSFI guidance already incorporate certain elements of suitability and accountability (see **Annex** for a summary). However, emerging risks call for stronger measures, particularly in guidance, that complement our existing framework. Strengthening accountability as the foundation of governance ensures senior

leaders remain responsible for their decisions and helps protect trust in our financial system.

Recent events, including governance cases in Canada and the failures of several banks globally, have highlighted the growing imperative to ensure that senior leaders are well-equipped to make sound decisions and held accountable in an environment that poses increased risks to their resilience or the solvency of their institutions.

As risks become more unpredictable, senior leaders are a critical line of defense in ensuring that financial institutions remain sound and resilient. Strengthening standards for senior leader suitability is a key priority. Central to this work – and the focus of this consultation – is accountability; that is, ensuring clear assignment of senior leader responsibilities, effective oversight, and an obligation to be answerable for outcomes within the institution. Accountability enables the institution to meet its suitability standards, linking individual competence and integrity to governance outcomes and consequences, leaving no room for complacency.

In an evolving risk environment, the complexity of risks and their management requires clear lines of ownership and accountability to ensure institutions can adapt and respond efficiently under stressed conditions.

Learning from international best practices

Financial regulators in other jurisdictions have varied senior leader regimes. We have reviewed the regimes of the Prudential Regulation Authority (PRA) in the UK, the Australian Prudential Regulation Authority (APRA), the Monetary Authority of Singapore (MAS), and the Central Bank of Ireland, among others. A few of these are currently reviewing their senior leader regimes as well. Elements of these regimes include:

- specific suitability requirements, including criteria for both fitness and propriety
- prescribed roles and responsibilities for certain or all senior leaders, including members of the board
- detailed mappings of roles and responsibilities, individual and collective
- attestations confirming the suitability of senior leaders
- a regulatory approvals process for certain or all senior leaders, which often includes interviews with regulators
- a notification process to regulators for any control failures or conduct breaches
- ongoing suitability assessments by regulators

In certain jurisdictions, institutions are subject to broader disclosure requirements, and the regulator makes suitability assessments public. In all cases, institutions are expected to comprehensively map the responsibilities of their senior leaders. Senior leader regimes are often backed by legal intervention tools for remediation or removal from their positions.

In the Canadian context, our research leads us towards a scaled and moderated approach that aligns with international trends and complements our existing legislative requirements and guidance expectations.

Proposing a principles-based accountability framework

We are developing a senior leader regime in guidance that aligns with our principles-based, outcomes-focused approach. It would apply to all federally regulated financial institutions. While not our initial focus, we will also evaluate our approach for branch management of foreign entities operating in Canada on a branch basis.

Our supervisory experience, along with international best practices, demonstrate that the effectiveness of senior leaders is highly dependent on both their suitability to fulfill their responsibilities (in other words, their role and duties), as well as their accountability for their decisions, actions, inactions, omissions and oversight of the institution (in other words, the outcome of their responsibilities, as determined by their role). Establishing clear lines of accountability, supported by responsibility maps and integrated into governance and risk management frameworks, helps eliminate areas of unaccountable risk.

Our objective is to strengthen accountability within a suitability framework. This approach would enhance responsibility for risk, support regulatory oversight by identifying where decisions are made, how risks are managed, and ensure accountability in the event of control failures or conduct breaches. It would also align individual responsibility and performance with broader governance outcomes, promoting collective governance while maintaining individual accountability.

The intended outcome of our proposed regime is the clear assignment of responsibilities, oversight, transparency and accountability among senior leaders. It also aims to refine our ability as a regulator to proactively target our supervisory actions, particularly when business or operational lapses occur, or in response to events such as financial distress or threats to the institution’s solvency.

Based on our initial considerations, institutions would be expected to develop, implement, and maintain their own **Accountability Framework**, drawing from existing governance documents, risk management structures, and internal control practices. The framework would clearly set out how accountability is defined and monitored for senior leaders. Core components of the framework would include:

- suitability criteria (for example, fitness and propriety), which would be applied to all senior leaders upon appointment and on an ongoing basis for continuous assurance of individual and collective suitability
- mapping of clear individual responsibilities, including key roles, functions and accountabilities for clarity on senior leaders' individual responsibilities
- mapping of institution's governance arrangements and oversight procedures (for example, committees, escalation procedures, challenge function), demonstrating how accountability is structured and maintained within the institution
- process for regular, individual attestations by senior leaders as to their roles and responsibilities, particularly upon appointment, to demonstrate a clear, verifiable line of accountability
- practices for compensation, which embed accountability in senior leader performance assessments by linking remuneration to governance outcomes
- practices for monitoring and addressing lapses or breaches, including disciplinary measures.

This Accountability Framework would be updated and approved by the board and submitted to OSFI annually, or as requested. The board chair may be required to provide an annual attestation to OSFI, offering assurances that the institution adheres to its Accountability Framework and all senior leaders of the institution are, and remain, suitable to execute their roles and responsibilities.

We are also considering other features to reinforce accountability. For example, we may expect that a summary (or version) of an institution's Accountability Framework is publicly available, either through proactive disclosure or by request.

OSFI does not intend to adopt a system of regulatory approvals for the appointment of senior leaders or insert itself into the senior management appointment process. Instead, institutions would file and update their own assessments and responsibility maps regularly with OSFI, possibly through a standardized regulatory return.

Questions

1. What are the current governance practices of institutions regarding the suitability and accountability of senior leaders? How is the effectiveness of these practices measured?
2. What are your reactions to OSFI's proposal? Will the proposed guidance enhance leadership suitability standards, governance, and public confidence?
3. Are there any alternatives to our proposal, or specific elements you think we should include, prioritize, or omit in our guidance? For example, is the scope of our definition of "senior leaders" adequate? Is there a need to expand or reduce it?

Annex

Suitability and Accountability Elements in Federal Statutes and OSFI Guidance

Instrument	Elements
Federal statutes (157-159; 646.1-647.1) (165-167; 678.01-678.2) (161-163; 509.01-509.2) (167-170; 441.01-141.2)	• Board duties and composition • Disqualification or removal of a director or senior officer based on competence, business record, experience, conduct or character • Information on the appointment of directors or senior officers to be provided to OSFI
	• Expectations on board competencies, effectiveness, and composition (beyond statutes)
	• Expectations on conducting background checks, information to be obtained, and assessment policy for responsible persons (board, senior management, branch management) • Information for assessments to be provided to OSFI
	• Expectations on the integrity and character of responsible persons • Enhanced expectations on conducting background checks (beyond Guideline E-17 Background Checks on Directors and Senior Management