Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada

Office of the Superintendent of Financial Institutions

ANNUAL REPORT

April 1st, 2024 - March 31st, 2025

OSFI
BSIF

Canada

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I, Peter Routledge, on behalf of the Office of the Superintendent of Financial Institutions (OSFI), present the annual performance statement of OSFI for the Fiscal Year 2024-25 reporting period. In my opinion, this annual report accurately presents the performance of OSFI. It is provided for the purpose of section 40 of the OSFI Act, section 40 of the Pension Benefits Standards Act, 1985 (PBSA) and section 78 of the Pooled Registered Pension Plans Act (PRPP Act).

A Letter from the Superintendent

I am pleased to present the Office of the Superintendent of Financial Institutions' (OSFI) 2024-25 Annual Report to Parliament. This report highlights the key accomplishments we have achieved from April 1, 2024 to March 31, 2025. The Office of the Chief Actuary (OCA), which operates as an independent unit within our organization to provide a range of actuarial valuation and advisory services to the federal government, is included in this report.

OSFI is Canada's regulator and supervisor of banks, most insurance companies, and many private pension plans. Our efforts and expertise have helped to reinforce one of the world's most resilient financial systems, guiding it through both stable and turbulent times. Yet, we are not immune to system-wide stresses and accumulating shocks. With the rapidly evolving global risk landscape and long-term financial outlooks increasingly uncertain, we must be prepared for more severe scenarios. By continuously monitoring, assessing, and refining our guidance, tools and advice, we are better prepared to navigate challenging times.

We have also strengthened our operational resilience and advanced our mandate on integrity and security. Close collaboration with Canada's security and intelligence community and international allies remains essential for timely information sharing and coordinated responses to emerging threats. To this end, we are building deeper relationships with government and industry partners to address emerging national security issues impacting financial stability, including state-sponsored cyberattacks or foreign interference.

Our achievements reflect the dedication and expertise of our entire office, as well as the strong partnerships we have built with industry and global peers. I am proud of what we have achieved this year, and I am confident that Canadians can trust in the strength and stability of our financial system. With a more robust financial regulatory framework and agile, risk-based interventions in an evolving economy, Canada stands as a global leader in financial stability and sound governance.

We will continue to safeguard Canadians' interests by ensuring our financial system remains stable, secure, and resilient now and well into the future.

Thank you,

Peter Routledge , Superintendent

OSFI was established in **1987** to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks.

OSFI by the Numbers 2024-25

Supervised and regulated over **400** institutions

4 new financial institutions granted approval to commence business

174 reviews conducted

Approximately **1,300** full-time equivalents (FTEs) operating from offices in Vancouver, Toronto, Ottawa and Montreal

Office of the Chief Actuary prepared **20** actuarial reports and studies

Supervised and regulated approximately **1,200** pension plans that included **1.3 million** active members and beneficiaries and assets of **$246 billion**

Chapter 1

About us

Mandate

OSFI is an independent agency of the Government of Canada (GoC). We contribute to public confidence in the Canadian financial system by regulating and supervising approximately 400 federally regulated financial institutions (financial institutions)[1] and 1,200 federally regulated pension plans (pension plans).

In exercising our mandate, we protect the rights and interests of depositors, policyholders, and creditors of financial institutions while having due regard for the need to allow financial institutions to compete effectively and take reasonable risks. We also protect the rights and interests of pension plan members, former members, and entitled beneficiaries.

Our funding model

Our budget is prepared in accordance with the Basel Core Principles for Effective Banking Supervision. These core principles specifically enumerate the de facto minimum standards for the sound prudential supervision and regulation of banks and the banking system. We apply this vigorous, challenge-based process across all industries we supervise to ensure we identify key risks and allocate the resources required to discharge our mandate.

Per the *OSFI Act*, more than 99% of our expenses are cost-recovered, primarily through assessments on financial institutions and pension plans. As such, our expenses have minimal impact on the GoC's fiscal position.

[1] Federally regulated financial institutions include all banks in Canada, all federally incorporated or registered trust and loan companies, insurance companies, and fraternal benefit societies.

Our mandate is to

- ensure that financial institutions remain in sound financial condition and determine if pension plans are meeting minimum funding requirements and other requirements under the legislation
- ensure that financial institutions protect themselves against threats to their integrity and security, including foreign interference
- act early when issues arise and require financial institutions and pension plans to take necessary corrective measures without delay
- monitor and evaluate risks and promote sound risk management by financial institutions and pension plans

Organizational context

Our organizational structure

Our organization is led by the Superintendent of Financial Institutions, who is also the deputy head of the Office. We have a diverse group of engaged and committed employees who work to enhance confidence in the Canadian financial sector. As of March 31, 2025, OSFI consists of five sectors, the Internal Audit team, and the OCA.

The OCA is an independent unit within OSFI, mandated to deliver a broad range of actuarial valuation and advisory services to the federal government. It prepares actuarial reports for programs such as the Canada Pension Plan (CPP), Old Age Security Program, and the Canada Student Financial Assistance Program. While the Chief Actuary reports to the Superintendent of Financial Institutions, the development of the reports' content and actuarial opinions is conducted independently.

Internal governance

We have established a governance framework that is aligned with our risk management approach and three lines model. The internal governance committees serve to meet our strategic priorities within our risk appetite statement by enabling timely and risk-informed decision making, supporting agile risk response, and reinforcing governance discipline.

Our core governance committees

Executive Committee
Our senior level governing body that supports the Superintendent and is responsible for defining our overall strategic priorities and risks and providing effective oversight of our operations.

Management Oversight Committee
Our central governance body on key operational, administrative, and corporate matters.

Supervision and Policy Oversight Committee
Our governance body that provides strategic oversight of supervision and policy issues, supporting the Superintendent with prudential oversight for financial institutions and pension plans.

Enterprise Risk Management Committee
Our risk governance body that provides leadership and oversight for our risk appetite statement, enterprise risk management framework, and the assessment, monitoring, and reporting of key risks facing our organization.

Departmental Audit Committee (DAC)
Our advisory body that provides the Superintendent with objective and independent advice in the areas of governance, risk management, and internal control. The committee membership includes external experts who are familiar with private and public sector financial reporting. The DAC also offers the Superintendent feedback and suggestions on specific emerging priorities, concerns, risks, opportunities, and accountability reporting.

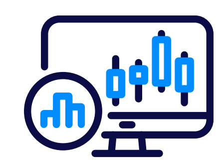
Our executive leadership team

Organization details

How we work

While OSFI is headed by the Minister of Finance and reports to Parliament through the Minister, our legislation distinguishes between the powers of the Minister of Finance and the Superintendent, which are exercised independently.

REGULATORY
We develop rules, interpret legislation and regulations, provide various regulatory approvals, and contribute to the development of new accounting, auditing, and actuarial standards.



SUPERVISORY
We analyze financial and economic trends, assess financial conditions, non-financial, and material risks, and evaluate the quality of governance, risk management, and compliance. Additionally, we determine whether financial institutions have adequate policies and procedures in place to protect themselves against threats to their integrity or security, including foreign interference.

Who we work with

The *OSFI Act* establishes the Financial Institutions Supervisory Committee (FISC) to coordinate on regulatory and supervisory matters. The FISC facilitates information sharing and discussion of issues related to financial institutions. Chaired by our Superintendent, FISC committee members include the Governor of the Bank of Canada (BoC), the Deputy Minister of Finance, the President and Chief Executive Officer of the Canada Deposit Insurance Corporation (CDIC), and the Commissioner of the Financial Consumer Agency of Canada (FCAC). The FISC meets on at least a quarterly basis.

While a close partner, as of March 31, 2025, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is not yet a member of the FISC. However, legislation introduced in June 2025 aims to include the Director of FINTRAC as a FISC member. FINTRAC and OSFI share strategic information regarding financial institutions' compliance with anti-money laundering, terrorist financing, sanctions evasion, and national security obligations. Leveraging FINTRAC's tactical financial intelligence and strategic information, OSFI undertakes supervisory examinations to verify that financial institutions maintain effective corporate governance, appropriate regulatory compliance management, and oversight of culture risks.

International organizations play a vital role in shaping regulatory frameworks. To support a resilient global financial system, we actively engage with key international organizations and participate in forums focused on developing international financial regulatory frameworks. These international organizations include:the Financial Stability Board, the Basel Committee on Banking Supervision, and the International Association of Insurance Supervisors.

1. Chelsea Jones, Specialist, Enterprise Risk Management

2. Varesh Kumar Beeharry, Actuarial Officer, Social Insurance Programs

3. Bindi Doshi, Manager, Culture, Diversity, Equity and Inclusion, HR Planning, Programs, Systems and Analytics

Suneil Dham, Senior Specialist IMIT, Data Collection Operations

Scarlett Li, Manager, Applied Research, Data and Analytics Risk

Jo Kim, Specialist, Integrity and Security Risk Division

Bruno Levesque, Manager, Domestic Banking

Annual Risk Outlook

The risk environment we operate in

The risk environment for the financial system continues to evolve rapidly. Trade and economic uncertainties have increased, geopolitical tensions have heightened concerns around national security and foreign interference, and digital technologies have introduced both new threats and opportunities. Cyber warfare and digital attacks targeting critical infrastructure have become more frequent and severe.

Since 2022, we have published an Annual Risk Outlook (ARO) in the spring, followed by an update in the fall. The ARO identifies key risks facing financial institutions and outlines our supervisory and regulatory actions. Serving as a strategic risk oversight tool, it helps ensure alignment between key risks confronting the Canadian financial system and our regulatory response.

We released our 2024-25 Annual Risk Outlook in May 2024, highlighting four top risks and the actions taken to address them. These include risks related to real estate secured lending (RESL) and mortgages, wholesale credit risks, funding and liquidity challenges, and integrity and security concerns amid geopolitical uncertainty.

Our Semi-Annual Update released in October 2024 highlighted changes in the risk environment while reaffirming that the four top risks remain a consistent focus. In addition, the updated risk assessment found that integrity and security risks have continued to intensify and diversify. Notably, two key integrity and security risks were identified. The first risk concerns operational resilience, encompassing integrity and security risks stemming from governance gaps within financial institutions, third-party technology risks, and the threat of cyber incidents. The second risk relates to the impact and interconnected nature of artificial intelligence (AI) adoption.

In Canada, financial institutions and pension plans are interconnected through a complex web of relationships. Effectively managing and responding to risks in the financial sector during challenging times requires preparedness and agile, risk-based actions guided by early intervention.

Auriel Cordeiro, Director, Enterprise Risk Management

Francois Lemire, Director, Public Pensions

Tanisha Salakoh, Principal Analyst, Insurance

Lilly Sheng, Manager, Data Collection Modernization

Chapter 2

Our key accomplishments

In 2024-25, we continued to focus on the following strategic priorities, as outlined in our 2024-27 Strategic Plan:

- Integrity and security regime
- Supervisory renewal
- Culture
- Data management and analytics
- Critical functions
- Operational resilience

Integrity and security regime

Public confidence in Canada's financial system relies on the integrity and security of its financial institutions. While financial institutions possess well-developed systems and processes to identify and respond to today's complex and evolving risk environment, we support their understanding of current threats related to integrity and security, including risks of foreign interference. We also provide guidance on measures to strengthen their resilience. To manage their integrity and security risks effectively, we require financial institutions to implement appropriate policies and procedures as outlined in OSFI's Integrity and Security Guideline.

Over the past year, we have examined national security issues affecting financial institutions we oversee by utilizing national security assessments and advice to inform our oversight activities. We have also collaborated closely with security and intelligence partners, as well as government departments and agencies. Our efforts have contributed to the GoC's efforts to prevent, detect, and deter integrity and security threats against the financial sector.

Given the rapidly changing threat landscape, we initiated a range of activities in 2024-25 to address integrity and security risks:

- Continued to strengthen our relationships with security and intelligence partners to better assess integrity and security risks during approval processes and supervisory activities and to enhance the resilience of financial institutions to national security threats.
- Conducted holistic assessments of security risks posed by individuals and entities influencing financial institutions, with a particular focus on foreign jurisdictions.
- Facilitated classified threat briefings between the Canadian security and intelligence community and select financial institutions to discuss insights and assess geopolitical, cyber, and insider threats to them.
- Engaged in direct discussions and conducted targeted reviews and data analysis related to non-financial risks that underpin the integrity and security of financial institutions' risk management.

- Collaborated with the private sector, Department of Finance, FINTRAC, and FCAC to deepen our understanding of how technology advancements, such as AI, could impact a broad range of risks related to integrity and security.

Supervisory renewal

We supervise financial institutions to determine whether they are in sound financial condition and comply with regulatory and supervisory requirements. Similarly, we oversee pension plans to confirm they meet minimum funding and other statutory obligations. A critical aspect of our supervisory work is evaluating the overall risk management practices of financial institutions to verify their alignment with the evolving risk environment in which they operate. As external risks and trends continue to change, establishing the right conditions and expectations, along with the consistent application of regulations and policies, is essential to enable timely risk responses and reinforce public confidence in the financial system.

Supervisory reporting

Part of our work involves sharing letters and other supervisory information with certain provincial regulators, where agreements are in place. Supervisory ratings and any changes to these ratings are communicated privately to the institution through written letters. These supervisory letters also serve to remind financial institutions of the legal prohibitions against inappropriate disclosure of supervisory information.

We similarly share information with foreign regulators under established agreements. Continuing our practice of convening colleges of supervisors to facilitate information sharing among regulators and to strengthen the supervision of Canada's largest banks, we hosted five supervisory colleges in 2024-25. Financial institutions participate on a rotating basis to promote effective consolidated supervision.

2024-25 Supervisory activities
Table 1: Supervisory activities year over year

Measures	2022-2023	2023-2024	2024-2025
Number of reviews completed	Over 130	140	174
Number of letters issued	375	368	744*
Number of colleges hosted by OSFI	7	3	5

Note: There were 20 staged institutions, as of March 31, 2025.

**We attribute the increase in 2024-25 letters to several thematic reviews, including a first cross-sector review in relation to our new integrity and security mandate, that resulted in letters to more financial institutions. Additionally, annual supervisory letters were extended to branches.*

A supervisory approach for the future

Good prudential supervision is vital to protect the safety and soundness of Canada's financial system. On April 1, 2024, we implemented the most transformative overhaul of our supervisory approach in 25 years with the introduction of our new Supervisory Framework. The modernized framework applies to both financial institutions and pension plans and is tailored where necessary to reflect the evolving risk dynamics, and distinctive characteristics of deposit-taking financial institutions, insurance companies, and pension plans.

While our new framework is still principles-based and forward-looking, it is designed to respond quickly to the most serious risks and provide greater transparency to financial institutions through the following:

- A 5-point scale Tier Rating that guides our work to identify risks and helps us apply our risk appetite. The tier rating is based on size, complexity, and potential for contagion.
- An expanded 8-point Overall Risk Rating scale for more nuanced risk assessments and better integrated critical risk categories such as business risk and operational resilience.
- For larger financial institutions, we include ratings for business risk, financial resilience, operational resilience, and risk governance.
- The Intervention Stage Rating continues along the existing scale; however, the new framework is more responsive to changes in risk, meaning financial institutions are likely to see their rating change more frequently, helping them address outcomes related to supervisory concerns.

Monitoring regulatory capital

We continuously monitor financial institutions' regulatory capital positions and respond promptly to ensure they effectively manage risks and maintain financial resiliency.

To support this work, in 2024-25, we released the following guidelines:

- We published the OSFI guideline on International Financial Reporting Standards 17 (IFRS 17) Insurance Contracts in November 2024, which strengthens stability of the financial system. The guideline clarifies the accounting for certain insurance products and transactions to address concerns identified by stakeholder during the IFRS 17 transition project in Canada. The guideline also marks the completion of a seven-year project aimed to align accounting standards for all IFRS filers globally and support well-informed decision-making related to capital buffers for insurers, strengthening the stability of the financial system.
- We published the final Life Insurance Capital Adequacy Test Guideline in November 2024, which came into effect on January 1, 2025. The revision includes a new framework to determine capital requirements and improve segregated fund guarantee risk sensitivity for life insurers, adjusts the available capital calculation and the Base Solvency Buffer, and includes transition measures.

- Following public consultation that closed in September 2023, we published the final guideline on the Capital and Liquidity Treatment of Crypto-asset Exposures – Banking Guideline and Capital Treatment of Crypto-asset Exposures Insurance Guideline in February 2025 (with an effective date of November 2025 to January 2026). The final guideline aims to make sure that banks and insurers hold adequate capital and implement the appropriate liquidity treatment for their crypto-asset exposures.
- Throughout 2024-2025, we consulted with stakeholders on our draft guidelines that incorporated the Basel Committee on Banking Supervision final Pillar 3 standard on crypto-asset exposure disclosures by financial institutions, published in August 2024. As a result of the feedback received, we published final amendments to the Pillar 3 Disclosure Guidelines for domestic systemically important banks (D-SIBs)[2] and small and medium-sized deposit-taking institutions (SMSBs) in February 2025. The guidelines incorporate the crypto-asset disclosure requirements effective for the fiscal Q1 2026 reporting period.
- We announced a 60-day public consultation on proposed revisions to the Capital Adequacy Guideline in February 2025. At the same time, we deferred scheduled increases to the Basel III capital floor and committed to providing affected banks with at least two years' notice before resuming any increases. While the proposed revisions are likely to enhance the financial resilience and stability of Canada's financial system, there remains uncertainty about whether other jurisdictions will fully implement Basel III. Final implementation was paused to confirm that Canada's banks will be well positioned to compete internationally.
- We issued the revised regulatory notice on commercial real estate (CRE) lending in November 2024, to clarify and reinforce expectations around forbearance practices for CRE lending. The updated expectations highlight the importance of prudent forbearance practices, including sound internal policies, limits, risk governance, and monitoring.
- We continued to provide guidance on risk management practices, such as the release of Guideline E-21: Operational Risk Management and Resilience to minimize the frequency and intensity of disruptions and losses and consider critical operations. We also released Guideline B-15: Climate Risk Management, which focuses on building resilience against climate-related risks to financial institutions.

To see our complete list of current guidance for financial institutions, consult OSFI's Guidance library.

[2] Canada has six domestic systematically important banks (DSIBs), which include: Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, and Toronto-Dominion Bank. DSIBs have stricter requirements than other banks in Canada for capital absorbency, disclosure and supervisory expectations. This higher level of supervision helps to ensure that these banks remain prudentially sound to protect the Canadian financial system.

Policy modernization

Our Policy Modernization initiative aims to improve how we develop policy by focusing on timely, risk-based regulatory responses using the appropriate policy instruments. It seeks to ensure the right response, with the right tools, for the right risks, at the right time by:

- Providing enhanced predictability and transparency in our policy processes.
- Removing redundancy, duplication, and ineffective regulatory expectations.
- Offering greater clarity, focus, and accessibility in our policy documents.

As part of this initiative, we conducted a Policy Review, rescinding 20 guidelines and advisories assessed as outdated, redundant, or no longer fit-for-purpose. To enhance transparency and predictability, we adopted a new approach where we issue draft and final guidance and announcements on predetermined quarterly dates. These releases are followed by a dedicated industry day during which our experts are available to answer questions from stakeholders. In 2024-25, we held three successful and well-attended industry day events.

Supervision institute

The Supervision Institute supports our supervisors in achieving excellence in prudential supervision by providing essential tools, training, resources, and technologies. A new Supervision Institute portal was launched in April 2024 to support employees involved in supervision. As part of this effort, we introduced the Supervision Apprenticeship Program, a two-year program that trains apprentices through structured learning and developmental activities to deepen their supervision expertise. Additionally, we piloted the Supervision Human Library app, where subject matter experts within the organization act as "books" that can be "borrowed" to ask questions or learn more about certain topics. Finally, in March 2025, we released the OSFI Style Guide to support consistent drafting and formatting of supervision documents, including supervisory letters and external reports.

Fan Bai, Principal Analyst, Insurance

Julia Kim, Senior Officer, Approvals Division

Culture

Culture remains central to advancing our mandate and achieving consistent success. By drawing on our critical success factors—grit, urgency, and integrity—while cultivating a growth mindset and embracing diversity, equity, and inclusion, we will continue to strengthen and evolve our culture journey.

Human capital strategy

We support the advancement of our employees through knowledge and skills development. Throughout 2024-25, our 2024-27 Human Capital Strategy focused on enhancing the employee experience. We refreshed our leadership competency model to reflect our critical success factors of grit, urgency, and integrity. Through more consistent onboarding, we created a more personal and experience-driven process that integrates new onboarding guidance for managers and employees. We also modernized our Human Capital Management System (HCMS), the digital application that underpins our human resources, and initiated a new HCMS WorkDay project that will be launched in fiscal year 2025-26.

Employee pulse check

Our third Employee Pulse Check questionnaire results were released in February 2025 with a high response rate of 80% - the highest completion rate for any employee feedback survey in five years. The results provided our leadership team with valuable insights into what makes our culture strong and where our focus areas should be. A large majority of our employees feel they can have a positive influence on their team's work and are motivated to work to their full potential. We were also pleased to hear that most employees are clear on what they are accountable for and have positive views about their immediate supervisors. Our efforts will continue to set necessary conditions that enable our employees to thrive and feel well-supported in their roles.

Culture action plan

Our Culture Action Plan 2024-26 outlines five objectives aimed at building on our strengths and addressing opportunities for growth. As part of this effort, we held two all-staff events featuring Canadian athletes as guest speakers who embody our critical success factors and culture through their personal journeys. Additionally, we supported employees by promoting foundational culture training.

Official languages

We advanced key activities set out in our first Official Languages (OL) Strategy and Action Plan to support linguistic inclusion and foster a workplace where both official languages thrive. Our efforts included continuing to offer language training and exchange opportunities, providing OL tools and resources, and encouraging bilingualism. We also celebrated International Francophonie Day by sharing employee-written blogs reflecting on their French heritage, lived experiences, and personal reflections.

Accessibility, equity, diversity, and inclusion

In 2024-25, we continued to advance on commitments outlined in our Diversity, Equity & Inclusion Strategy 2022-2025 and Action Plan. We engaged employees through our first Annual Accessibility Survey, which measured progress on the seven accessibility priorities of the Accessible Canada Act and gathered feedback on inclusivity, and new technology options. Additionally, we fulfilled commitments from our 2023-25 Accessibility Plan by collaborating with employees and experts to evolve our policies, programs, and services.

Peter Routledge, Superintendent, speaking at the BMO Capital Markets Canadian Bank CEO Conference (left) and at the GRI Summit (right).

Data management and analytics

Data in the financial sector is growing at an unprecedented rate. As a data-driven organization, we continue to invest in and expand our data and analytic capabilities to keep pace with digital innovation. This empowers us to regulate and supervise effectively in a rapidly evolving digital landscape. Our teams actively explore the application of emerging digital technologies within the financial industry to enhance both efficiency and effectiveness in our work.

Data collection modernization

In collaboration with Financial Information Committee (FIC) partners including the BoC and CDIC, our new data platform will enable analytical research and insight-generation, while simultaneously eliminating most ad hoc data requests to regulated financial institutions.

Launched in 2023, we continued to work alongside our FIC partners on the data collection modernization (DCM) initiative, with the goal of replacing our data collection technology and enhancing our regulatory data assets.

In 2024-25, we advanced the DCM initiative through close collaboration with our partners, and achieved the following:

- Identified new data initiatives, clarified project requirements and completed the Memorandum of Understanding/DCM project charter to align expectations for data granularity, data standards, and data quality enhancements, helping us move towards modernizing our data technology platform and enhancing our data processes.
- Finalized the public procurement process for a new regulatory reporting system (RRS) platform.
- Prepared for the transition of existing regulatory data returns from the RRS to the new technology platform and established a new data collection operations team to support the legacy RRS.
- Completed a consolidated overview of regulatory data initiatives and set out implementation timelines for key data projects.

As we roll out data projects to support the DCM initiative in the coming years, learning more about how and when it would be appropriate to retire or decommission low-value data sets or data points will be important. We've met with business areas across the organization to better assess long-term data enhancements and opportunities for rationalization, which will enable the development of a holistic understanding and facilitate effective planning for both the short and long term.

Data literacy strategy

We launched our Data Literacy Strategy in 2024-25 designed to help employees develop their ability to understand and communicate with data. As part of this initiative, we developed Foundational Data Literacy Training and a Data Literacy Competency Model that outlines data literacy personas and their associated competencies, enabling personalized learning paths for all employees. We will continue integrating the Data Literacy Competency Model into our human resource processes to clarify data skills required for specific roles and to support employees across our organization.

AI strategy

The adoption of AI in the financial sector is changing how financial institutions conduct core business operations and manage risk. While AI offers many advantages—such as enhanced risk management and operational efficiencies—it also introduces new risks that must be carefully identified and managed. By recognizing digital innovations within our existing regulatory framework, we can better assess the nature and sources of these risks, establish clear expectations for risk management, and guide oversight.

In 2024-25, we released our AI Strategy, which provides a comprehensive strategic vision for the responsible adoption of AI within our organization. This strategy builds trust by balancing innovation and opportunity with robust governance and risk management. It also supports our employees by increasing capacity for high-value work through AI-assisted automation of repetitive and time-consuming tasks. Consequently, this approach creates opportunities for skill development, encourages innovation, and advances our data analytics capacity—enabling stronger and more informed decision-making.

We introduced a series of new tools in 2024-25 to support the responsible use of AI by our employees:

- Released a new Artificial Intelligence Acceptable Use Policy and AI Ethics Code of Conduct.
- Developed an AI Use Case governance process.
- Launched Microsoft 365 Copilot Chat, a secure, generative AI tool to simplify day-to-day tasks for employees.
- Piloted generative AI chatbots and machine learning models to support monitoring and reviews, and other activities.
- Facilitated a series of online training for employees including AI Prompt Engineering training, mandatory AI Ethics training, and information governance training.
- Launched a new OSFI AI Insight Podcast in January 2025 to keep employees updated on the latest AI developments, risks, and trends.
- Hosted the first Data & AI Week to engage staff through keynotes, panels, and interactive sessions that emphasized the role of analytics and AI in regulatory work.

Critical functions

We are responsible for ensuring that we have the capacity and capabilities to continue to deliver critical functions amid crisis events.

Domestic stability buffer

In June 2024 and December 2024, we announced that the Domestic Stability Buffer (DSB) would be maintained at 3.5%. This level was first announced in June 2023 and reinforced in December 2023. The DSB decisions for June 2024 and December 2024 were supported by an assessment of systemic risks and vulnerabilities in the financial sector. We also implemented an enhanced governance process around DSB recommendations, expanded the selection of key macroeconomic and financial indicators, and developed a comprehensive internal application to share information in one space.

Financial Sector Assessment Program

The Financial Sector Assessment Program (FSAP) is a comprehensive assessment of Canada's financial system conducted by the International Monetary Fund (IMF) every five years. Throughout 2024-25, we were a key contributor into Canada's 2025 FSAP response. Teams across our organization provided expert input into questionnaires, participated in on-site meetings, and satisfied many data requests covering topics such as banking, insurance and pensions oversight, cyber risk, climate risk, crises preparedness, systemic liquidity, and systemic risk.

Initial 2025 FSAP findings showed that Canada has a strong and well-regulated financial system that has demonstrated commendable resilience. Notably, the IMF praised OSFI's work and our new Supervisory Framework, highlighting that supervision of financial institutions in Canada is well-functioning and mature.

Real estate and housing

We remained vigilant in monitoring and addressing heightened risks in the real estate mortgage lending environment. This included monitoring the risk profile of financial institutions' RESL activities and reinforcing expectations on sound residential mortgage underwriting and account and portfolio management practices. We introduced a new measure to limit the amount of leverage in lenders' mortgage originations. These loan to income (LTI) limits took effect in financial institutions' fiscal first quarter 2025 reporting period. We continue to work with financial institutions on their measurement and reporting of LTI limits.

Given the size of RESL portfolios and the importance of housing to the Canadian economy, ensuring that banks prudently manage the amount of leverage in their RESL portfolios is essential to the overall resilience of Canada's financial system.

Stress testing

Stress testing provides critical insights into systemic risks by evaluating actions that banks would take under severe but plausible scenarios. These exercises help inform policy decisions and supervisory priorities.

Over the past year, we redesigned the macro stress test exercise by developing and validating new scenario creation models through external experts, and by upgrading the associated schedules and instructions. The updated exercise will launch in fall 2025 and is expected to enhance banks' financial resilience to future shocks. We also developed and executed a geopolitical risk stress test, improving our ability to understand and prepare for evolving geopolitical threats. In addition, we conducted targeted stress testing and sensitivity analysis to assess the potential impact of tariffs on banks' capital ratios and the possible implications to the DSB.

Stakeholder affairs

Throughout 2024-25, we streamlined our approach to stakeholder affairs through the launch of our stakeholder Relationship Management Tool across the organization. This tool enabled us to capture key engagement information data to support evidence-based decision-making and to coordinate our stakeholder engagement more strategically, helping us to manage our public presence effectively.

Operational resilience

Enhancing our organizational resilience is essential to effectively navigate today's dynamic and increasingly complex risk environment. Our ability to fulfill our mandate and maintain operational continuity amid disruptions and unforeseen events depends on the strength and reliability of our most critical functions, systems, and activities. Key operational risks we face include business continuity, third-party dependencies, and information security. To mitigate these risks, we continuously enhanced our risk management and governance practices and identified risk-based actions needed to sustain operational resilience.

Enterprise risk management

Our approach to enterprise risk management (ERM) is principles-based and comprised of four key components: a three lines model, risk appetite statement, risk management process, and risk culture. The three lines represent those responsible for owning and managing risks (first line), overseeing risk management practices (second line), and providing independent assurance of risk management (third line). Together, with a strong governance structure, this framework helps us deliver on our mandate while safeguarding against potential risks and pursuing opportunities for growth.

Key ERM activities that we undertook in 2024-25 include the following:

- Released our ERM Framework and ERM Policy. These core elements of an ERM function support the proactive management of risks across strategic and operational areas and foster resilience. They establish guiding principles to manage both internal and external risks in alignment with our risk appetite.
- Developed an integrated reporting strategy, including risk reporting dashboards and heatmaps, in-depth research and assessment of key risks, and a new Chief Risk Officer quarterly report that brings together the identification, assessment, and monitoring of key internal and external risks and recommended actions to address the most pressing risks.
- Continued collaboration between risk owners and the second line to strengthen risk management integration and further build resilience.
- Conducted our annual Risk and Control Self Assessment, focusing on building risk management capacity across sectors through tailored training on the enhanced methodology and supporting tool.

> ***"This year's CRO Roundtable reinforced the power of shared knowledge and leadership. As we look ahead, we must continue to challenge our thinking and work together to strengthen risk management across our respective organizations."***
>
> – Angie Radiskovic, Assistant Superintendent, Chief Strategy and Risk Officer (CSRO) and Acting Assistant Superintendent, Regulatory Response

Second International Financial Regulators Chief Risk Officer roundtable

The second International Financial Regulators Chief Risk Officer Roundtable was hosted by OSFI in Toronto, Ontario on March 4-5, 2025.

The second annual International Financial Regulators Chief Risk Officer Roundtable underscored OSFI's continued progress in advancing enterprise risk leadership. The two-day event brought more than 30 financial regulators from around the world together (in person and virtually) to share unique expertise and discuss key developments in managing financial risks. Productive discussions focused on supervision and policymaking, internal controls, addressing third-party and people risks, as well as strategies for effective resource management. The roundtable highlighted the importance of collaboration and information-sharing among international financial regulators for a more resilient financial system. The third annual international Chief Risk Officer Roundtable is planned for Spring 2026.

Information security

Improving our information security posture remains a top priority amid the global rise of increasingly sophisticated and prevalent cyber threats. Digital spaces have become battlegrounds for increasingly targeted attacks and disruptions. To safeguard our most critical functions and uphold strong information security, we must maintain cyber vigilance and continue strengthening the resilience of our information management/information technology (IM/IT) systems.

We enhanced our cyber and corporate security capabilities in 2024-25 through the following investments:

- Integrated cyber security engagement into all projects and programs, ensuring security validation for all solutions prior to rollout.
- Established a Tiger Team to address OSFI's current cyber security risk profile, which developed a comprehensive strategic action plan to guide future cyber-related investments, ensuring alignment with identified gaps in the existing cyber security posture and reinforcing OSFI's overall cyber defense capabilities.
- Initiated a comprehensive Insider Risk Management Program aligned with industry standards, GoC policies, and current threat mitigation practices for regulated financial institutions.
- Enhanced employee awareness about their role in ensuring our corporate security and informing them how to detect cyber threats, such as phishing scams.
- Mandated obligatory training for all employees on cybersecurity and security awareness, focusing on how to protect ourselves and our information and assets.
- Updated our Security Management Policy to clarify responsibilities and help employees classify and handle information based on sensitivity.

Office of the Chief Actuary (OCA)

The OCA operates as an independent actuarial centre, producing actuarial studies and reports, and providing actuarial advice that supports sound decision making. In 2024-25, the OCA conducted the following:

- Initiated work on the triennial Actuarial Report on the CPP as at 31 December 2024, which projects CPP revenues and expenditures over a 75-year period based on assumptions from historical and projected demographic and economic trends.
- Organized an interdisciplinary seminar in September 2024 on Demographic, Economic and Investment Perspectives for Canada, bringing together representatives from federal, provincial, and territorial governments, along with leading experts in the field. Participants exchanged professional insights and reflected on emerging trends.
- Prepared timely and accurate actuarial information on the cost of public programs and government pension and benefit plans by submitting the following actuarial reports to the President of Treasury Board for tabling before Parliament in 2024-25:
    - Actuarial Report on the Pension Plan for the Public Service of Canada as at 31 March 2023
    - Actuarial Report on the Public Service Death Benefit Account as at 31 March 2023
    - Special Actuarial Report on the Funding of the Pension Plan for Public Service of Canada as at 31 March 2024
- Submitted the 2025 Actuarial Report on the Employment Insurance Premium Rate to the Canada Employment Insurance Commission that was published in September 2024 and submitted the Actuarial Report on the Canada Student Financial Assistance Program as at 31 July 2023 to the Minister of Employment, Workforce Development and Official Languages, which was tabled before Parliament in September 2024.
- Submitted various actuarial reports to the Office of Comptroller General for the purpose of Public Accounts of Canada, presenting the obligations and costs, as at 31 March 2024, associated with federal public sector pension and benefit plans including future benefits to veterans.
- Published an actuarial study on the potential impacts of climate change on assumption-setting process of the OCA.
- Assisted several government departments in designing, funding, and administering the plans and programs for which they are responsible. Client departments included federal and provincial Departments of Finance, Employment and Social Development Canada, Treasury Board Secretariat, Veterans Affairs Canada, National Defence, Royal Canadian Mounted Police, the Department of Justice, Public Services and Procurement Canada, and Health Canada.

Internal audit

Risk based internal audit plan

As the third line in our three lines model, our Internal Audit (IA) group provides independent assurance and advice on the execution of our mandate and operations, and aims to strengthen our organizational governance and control environment. Using agile auditing, the IA group prioritizes increased collaboration, flexible approaches, and continuous learning.

Our 2024-26 Internal Audit Plan, released in June 2024, aligns to OSFI's 2024-27 Strategic Plan and reflects the evolving risk environment. The plan was developed through a comprehensive analysis of all sectors, management activities, processes, policies, and control functions. The plan identifies four thematic areas for internal auditing over the next two years: including information management and technology, core functions, internal services and financial management, as well as risk management.

Canadian audit quality roundtable

We co-hosted the sixth annual Canadian Audit Quality Roundtable in Toronto on October 21, 2024, alongside the Canadian Securities Administrators and the Canadian Public Accountability Board. The roundtable brought together financial regulators, audit firms and key stakeholders to explore current and emerging risks and their impact on audit quality in Canada. Discussions covered the impact of technologies like AI, climate-related risks in financial audits, and the evolving role of external auditors in capital markets, including growing demand for assurance services.

*Jasmine Pan, Specialist,
Insurance Risk and Capital and Pension Risk*

*Kim Hennigar, Manager - Corporate HR
Policy and Program, Workplace Effectiveness*

Chapter 3

OSFI's legislated reporting requirements

We have various legislated reporting expectations set out in the *OSFI Act*, the *Bank Act*, the *Insurance Companies Act*, the *Trust and Loan Companies Act*, the *Cooperative Credit Associations Act*, the *Pension Benefits Standards Act, 1985* (*PBSA*) and the *Pooled Registered Pension Plans Act* (*PRPP Act*).

Disclosure[3]

As the regulator for financial institutions, we are responsible for establishing the expectations for operating within Canada's financial industry. To promote active disclosure, we routinely publish financial information and provide advice to guide disclosures by financial institutions that we regulate.

Notable actions we took to strengthen disclosure in our financial services industry in 2024-2025 include the following:

- We released Crypto-asset disclosures for banks (Domestically systematically important banks and Small and Medium-Sized Deposit-Taking Institutions) in August 2024, and consulted stakeholders for feedback.
- To address climate change and the global response on the safety and soundness of financial institutions and the financial system, we updated our disclosure requirements for financial institutions on B-15: Climate Risk Management so they remain consistent with the Canadian Sustainability Standards Board's final standards.

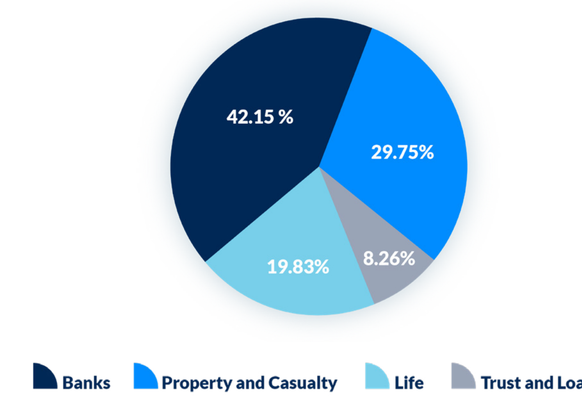
Approvals

The *Bank Act*, the *Trust and Loan Companies Act*, and the *Insurance Companies Act* require financial institutions to obtain regulatory approval from the Superintendent or the Minister of Finance before engaging in certain transactions. Additionally, individuals seeking to incorporate an institution, as well as foreign banks or insurers aiming to establish a presence or to make specific investments in Canada, must also secure regulatory approval.

For the 2024-25 fiscal year, there were 241 approval requests granted. Of these, 82 requests were approved by the Minister and 159 were approved by the Superintendent.

[3] Under section 22(6) the *OSFI Act*, the Superintendent must report the disclosure of information by financial institutions and describe the state of progress made in enhancing the disclosure of information in the financial services industry.

**Figure 1:
Breakdown of approved cases by industry**



Pension Benefits Standards Act, 1985

40 (1) The Superintendent shall, after consultation with the Chief Actuary of the Office of the Superintendent of Financial Institutions and as soon as possible after the end of each fiscal year, submit to the Minister a report on (a) the operation of this Act during that year; and (b) the success of pension plans in meeting the funding requirements, determined in accordance with section 9, and the corrective measures taken or directed to be taken to deal with any pension plans that are not meeting the funding requirements.

(2) The Minister shall cause the report to be tabled in each House of Parliament on any of the first 15 days on which that House is sitting after the day the Minister receives it.

(3) As soon as possible after the tabling of the report in Parliament, the Superintendent shall transmit the report to the relevant provincial ministers responsible for finance and provincial securities commissions.

Table 2: Comparison of the types of federally regulated private pension plans subject to the *PBSA* as at March 31, 2024 and as at March 31, 2025

Indicators	Type	As at March 31, 2024	As at March 31, 2025
Number of Plans	Defined Benefit[4]	239	233
	Combination[5]	115	120
	Defined Contribution[6]	830	838
	Total	1,184	1,191
Active Membership	Defined Benefit	166,200	164,904
	Combination	378,400	387,486
	Defined Contribution	180,700	180,872
	Total	725,300	733,262
Other beneficiaries	Defined Benefit	230,100	228,305
	Combination	314,500	323,277
	Defined Contribution	29,000	33,035
	Total	573,600	584,617
Assets ($ millions)	Defined Benefit	104,044	107,809
	Combination	130,456	144,161
	Defined Contribution	11,227	13,695
	Total	245,727	265,665

[4] A defined benefit plan provides members with a defined pension benefit when they retire. For more information, see the Pension Members' Guide 2016.

[5] A combination plan is a hybrid pension plan, with elements of both a defined contribution plan and a defined benefit plan. A defined contribution plan is one that provides a benefit based on the contributions made by the member and employer as well as the net investment performance of the fund.

[6] In a defined contribution plan, the employer contributions and employee contributions (if any) are defined and the pension benefit is determined based on the amount of these accumulated contributions and the investment income they generate.

Our supervisory activities for pension plans—including assessing compliance with minimum funding requirements and relevant legislative and supervisory requirements—enhance transparency and bolster confidence in Canada's retirement income system and its long-term sustainability. We prioritize protecting members' benefits by clearly communicating our expectations directly to plan administrators and employers, and, if necessary, exercising our enforcement powers to ensure compliance with legislative requirements.

We develop guidance on risk management and mitigation, assess whether pension plans are meeting their funding requirements and managing risks effectively, and intervene promptly when corrective action is necessary. Ultimately, pension plan administrators bear the responsibility for the sound and prudent management of their pension plans.

Interventions

In 2024-25, 324 pension plans failed to meet the minimum funding requirements under the *PBSA* due to either insufficient negotiated contributions or contributions remained outstanding for over 30 days. We issued letters to employers who did not remit contributions on time, reminding them of their obligation to make the required contributions. In five cases, despite these efforts, contributions remained unpaid for an extended period. We intervened by issuing a notice of intent to issue a direction of compliance or an actual direction of compliance. Following these interventions, three pension plans have fully remitted their outstanding contributions along with interest, while we continue to work closely with the other two pension plans to ensure they meet the minimum funding requirements.

At the end of 2024, the median solvency ratio of pension plans increased to 1.20, compared 1.17 in 2023. Figure 2 below shows the evolution of the solvency position since 2015. As of December 31, 2024, 92% of pension plans with defined benefit provisions are fully funded on a solvency basis. There was a reduction in the percentage of underfunded plans (8% in 2024 versus 11% in 2023). All significantly underfunded plans are designated plans, for which funding is limited by the *Income Tax Regulations*. The graph "Distribution in % of the Solvency Ratio" illustrates the distribution of the solvency ratios as at December 31 of each year since 2015.

Figure 2: Solvency position of pension plans as at December 31

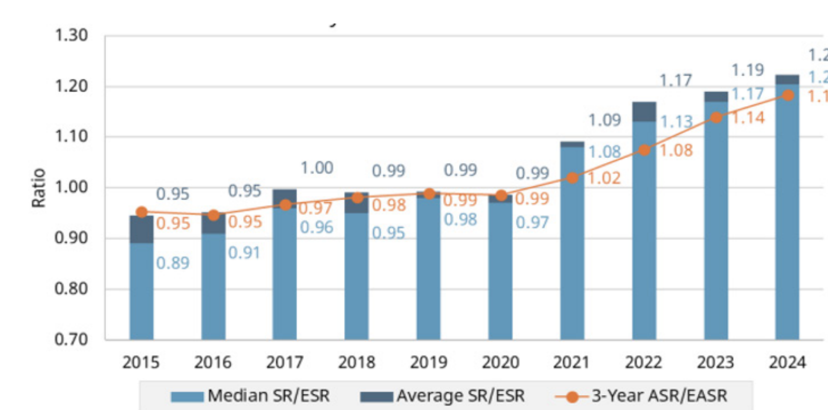
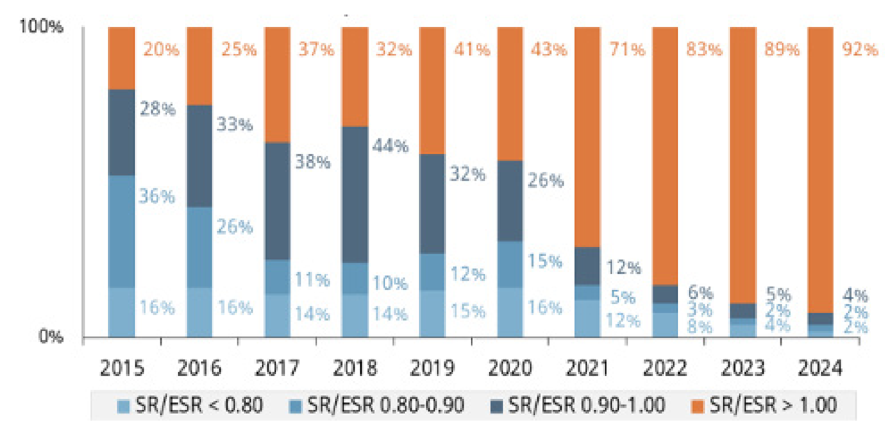


Figure 3: Distribution in % of the Solvency Ratio for 2015 to 2023 and Estimated Solvency Ratio for 2024 of pension plans as at December 31



Actuarial reports

In 2024-25, 216 actuarial reports were filed with us. In-depth reviews of selected reports prompted questions regarding certain actuarial assumptions and facilitated enforcement of compliance with relevant legislation and guidance. We communicated any issues identified during in-depth reviews to pension plan actuaries, especially when the concerns affect current or future funding requirements. As a result of our interventions, some pension plans amended their actuarial reports.

Reviews

During 2024-25, we completed a thematic review on investment risk management for seven pension plans. The findings and observations indicate that these pension plans have effective mechanisms in place to manage investment risks, appropriate governance structures overseeing their investment functions, and asset mixes that correspond with their plans' demographics and liabilities. Our recommendations included completing a governance self-assessment, ensuring adherence to the Statement of Investment Policies and Procedures, and providing accurate data reporting in the Certified Financial Statements.

Pension plan approvals

Pension plans are required to obtain the approval of the Superintendent for various types of transactions, including registrations, terminations, asset transfers, surplus refunds, and accrued benefits reductions.

In 2024-25, we successfully:

- Registered 23 new pension plans of which 16 were defined contribution plans.

- Approved 10 plan termination reports.
- Authorized one accrued benefit reduction for a designated plan.

In total, 44 pension plan transactions were submitted for approval in 2024-25, compared to 26 in the previous fiscal year. We processed 39 applications and successfully met our service standard for pension plan approvals.

Pension guidance and newsletters

During the fiscal year 2024-25 reporting period, we released two editions of our newsletter called InfoPensions in May and November 2024. These newsletters serve as a valuable communication tool, providing important announcements, reminders, and descriptions of how we apply pension legislation and its guidance.

We also published a Guide for the Administration of Negotiated Contribution Plans, reflecting changes made in spring 2024 to the legislative framework for these plans and setting our expectations regarding managing the funding limitations of these plans.

The Canadian Association of Pension Supervisory Authorities released its Guideline for Risk Management for Plan Administrators in fall 2024, and we published a letter to plan administrators communicating that we expect them to follow this guideline as part of their efforts to meet their fiduciary duties in the administration of their pension plans and their pension funds or plan assets.

For more information on guidance to administer pension plans, see OSFI's Pension Guidance library.

Pooled Registered Pension Plans Act

78 The Superintendent must, as soon as feasible after the end of each fiscal year, submit to the Minister a report on the operation of this Act during that year, and the Minister must cause the report to be laid before each House of Parliament on any of the first 15 days on which that House is sitting after the day the Minister receives it.

Under the ***Pooled Registered Pension Plans Act***, the Superintendent is responsible for licensing pooled registered pension plans (PRPP) administrators, registering PRPPs, and conducting ongoing supervision of these plans. At the end of 2024, there were five federally registered PRPPs, covering 20 employers and 195 members. The total value of investments was $1.9 million.

Chapter 4

Looking forward

As we reflect on fiscal year 2024-25, we celebrate numerous accomplishments and take pride in our role in safeguarding the safety and soundness of Canada's financial system. Over the past fiscal year, we established clear regulatory expectations and, through our supervisory efforts, effectively monitored and assessed how financial institutions and pension plans met these standards. We promoted strong risk management practices and intervened early when necessary. Additionally, we have evolved our organization to remain agile—strengthening our capacity, mandate, and strategic priorities—enabling us to adapt and thrive amid risk and uncertainty.

As risks in the financial sector continue to evolve rapidly, we remain committed to agility and a forward-looking approach. We envision a dynamic, data-driven regulatory environment that harnesses analytics and automation to enhance oversight. To stay future-ready, it is essential to balance our innovation with resilience. The reinforcements implemented this year lay a strong foundation for this balance. Moving quickly and thoughtfully will be crucial to enabling timely information sharing and decisive action. We also recognize that financial institutions and pension plans have a vital role in managing their own risks. Given the interconnectedness of global systems, effective risk management will require ongoing collaboration with our trusted partners.

Grit, urgency, and integrity are the keystones of our business model. By embracing these critical success factors, we promote effective governance and foster a culture that values challenge, candour, and timely escalation. As we identify emerging challenges and develop solutions, integrated planning and prioritization will guide our execution to achieve the priorities and initiatives outlined in our Strategic Plan 2024-27.

Canada's financial system stands out globally for its strength and stability. Our banks and insurers are well-capitalized, resilient, and prepared to manage complex risks. Despite an increasingly volatile risk environment, Canadians can have confidence in our robust regulatory frameworks and proactive oversight. This lasting resilience stems from prudent policies, strong governance, and a shared commitment to safeguarding the financial well-being of all Canadians.

Shaquille Gulamhusein, Analyst, Insurance

Farida Morcos, Principal Analyst, Domestic Banking

Mehreen Khan, Principal Analyst, Insurance

Tim Hardie, Senior Specialist, Insurance

2024-25 Financial overview

Financial review and highlights

We are funded mainly through assessments charged to financial institutions and private pension plans that we regulate, as well as a user-pay program for legislative approvals and other select services.

The amount charged to individual financial institutions is established in regulations and covers our main activities, including:

- Risk assessment and intervention (supervision)
- Approvals and precedents
- Regulation and guidance

Our system generally allocates costs according to the approximate time spent supervising and regulating each industry. Within each industry, costs are then assessed to individual financial institutions based on a formula that considers both the industry and the size of the institution. Financial institutions classified as staged incur an additional surcharge on their base assessment to reflect the extra supervision resources they require.

In addition to our annual financial statements, we publish quarterly financial statements to maintain transparency about our financial position and activities. We generate revenues through cost-recovered services, which include fees from federal Crown corporations such as the Canada Mortgage and Housing Corporation—which we supervise under the *National Housing Act*, as well as from provinces that contract with us to oversee their financial institutions. Additionally, we receive revenues from other federal organizations to which we provide administrative services.

We collect administrative monetary penalties from financial institutions when they contravene provisions of a financial institutions act. These penalties are charged pursuant to the *Administrative Monetary Penalties (OSFI) Regulations* and are collected and remitted to the Consolidated Revenue Fund. These funds cannot be used to reduce the overall assessment costs for the industries we regulate.

The OCA operates as a separate unit within our organization and provides a range of actuarial valuation and advisory services under legislation such as the *Canada Pension Plan Act* and the *Public Pensions Reporting Act*. These services are delivered to the CPP and some federal government entities. Among its responsibilities, the OCA prepares actuarial reports that are tabled in Parliament, providing expert and independent actuarial advice. These services are funded by fees charged to either the underlying pension plan or the federal government entity receiving the advisory services, as well as by a small parliamentary appropriation.

Significant activities for 2024-25

During 2024-25, we completed the implementation of our 2022-2025 Strategic Plan and began the implementation of our 2024-2027 Strategic Plan. The 2022-2025 Strategic Plan established goals and priorities for the 2022-25 period, centered around six priority initiatives:

- Culture
- Risk Strategy and Governance
- Strategic Stakeholder and Partner Engagement
- Policy Innovation
- Supervisory Framework
- Data Management and Analytics

Building on this foundation, our 2024-27 Strategic Plan emphasizes the advancement of key initiatives such as supervision renewal, culture, data management and analytics, and supports for our expanded mandate. It also emphasizes proactive risk mitigation by prioritizing critical functions and strengthening operational resilience. These initiatives have not resulted in significant growth in personnel or expenditures; rather, 2024-25 was a year focused on consolidating and refining the changes implemented during the previous two years.

2024-25 Financial overview

Our financial statements for the 2024-25 fiscal year can be found in Annex A. Our total costs were $314.4 million, a $2.7 million or 0.9% increase from the previous year. Personnel costs, OSFI's largest expense, rose by $4.6 million, or 1.8%. This variance reflects normal economic and merit increases, offset in part by a slight decrease in the number of full-time equivalent (FTE) employees as OSFI capped its number of FTE employees at 1,300. Professional services costs decreased by $2.4 million or 8.1% as OSFI's spend rate decreased following the implementation of the initiatives outlined in the Blueprint and Strategic plan over the last 2 years. All other costs, in total, increased by $0.5 million.

OSFI's FTE employees in 2024-25 were 1,278, a 2.9% decrease from the previous year.

Federally regulated financial institutions

Revenues

Total revenues from financial institutions were $287.5 million, an increase of $0.2 million or 0.1% from the previous year. Base assessments on financial institutions, which are recorded at an amount necessary to balance revenue and expenses after all other sources of revenue are considered, decreased by $5.5 million or 1.9% from the previous year.

Revenue from user fees and charges increased by $5.5 million or 411.5% because of an increase in the number of surcharge assessments for staged institutions.

Revenue from cost recovered services increased by $0.2 million or 12.2% because of an increase in the amount of work done for federal crown corporations.

Costs

Total costs attributed to financial institutions were $287.5 million, an increase of $0.2 million or 0.1% from the previous year. The increase is primarily due to higher personnel costs ($3.5 million) offset by lower professional services ($2.9 million), as explained above.

Federally regulated private pension plans

Assessments

Our costs for regulating and supervising pension plans are recovered through an annual assessment charged to plans, based on the number of beneficiaries. Plans are assessed at the time of application for registration under the *PBSA*, and annually thereafter.

The assessment rate is established based on our estimate of current year costs to supervise these pension plans, adjusted for any accumulated excess or shortfall of assessments in the preceding years. The estimate is then divided by the anticipated number of assessable beneficiaries to arrive at a base fee rate. The rate established for 2024-25 was $11.00 per assessable beneficiary, unchanged from the previous year. Total fees assessed during the fiscal year were $8.3 million ($8.0 million in 2023-24) whereas total fees recognized as revenue in 2024-25 were $9.1 million (up from $7.6 million in 2023-24). The difference between revenue recognized and fees assessed gives rise to unearned or accrued assessments, as discussed below.

Any excess or shortfall of assessments in a given year is amortized over five years in accordance with the assessment formula set out in regulations. Under this approach, the annual shortfall or excess is recovered from or returned to pension plans over a five-year period, staring one year after it is established, through an adjustment to the annual fee rate. The rate established and published in the *Canada Gazette* in September 2024 for 2025-26 is set at $12.00 per assessable beneficiary, up from $11.00 for 2024-25. We anticipate that the rate for 2025-26 will fully recover the estimated annual costs of this program; however, variations between actual and estimated costs or plan beneficiaries in any particular year will cause an excess or shortfall of assessments.

Costs

The cost of administering the *PBSA* for 2024-25 was $9.1 million, an increase of $1.5 million or 20.2% from the previous year and reflects the staffing of vacant positions and normal escalation and merit increases.

Table 3: Assessments and Costs for Fiscal Years 2019-2020 to 2024-2025 ($000, except Basic Fee Rate)

Fiscal year	2019 -2020	2020 -2021	2021 -2022	2022 -2023	2023 -2024	2024 -2025
Assessments	6,295	7,131	7,093	7,223	8,015	8,252
Costs	6,646	7,175	7,351	5,613	7,556	9,085
Basic fee rate* per assessable beneficiary	9.00	10.00	10.00	10.00	11.00	11.00

** The minimum and maximum annual assessment per plan is derived by multiplying the annual assessment by 50 and 20,000 respectively. With an annual assessment of $11.00 per member, the minimum annual assessment is $550, and the maximum is $220,000.*

Costs were significantly lower than normal in 2022-23 due to significant vacancies in the pension division caused by retirements and employee turnover. As those vacancies have been filled, costs are returning to expected levels.

Actuarial valuation and advisory services

The OCA is funded by fees charged for actuarial valuation and advisory services and by an annual parliamentary appropriation. Total expenses in 2024-25 were $17.8 million, an increase of $0.9 million, or 5.4%, from the previous year due primarily to an increase in the number of FTE employees in accordance with the new strategic plan, normal economic and merit increases, and an increase in associated overhead costs.

Statement of Management Responsibility including Internal Control over Financial Reporting

The accompanying financial statements for the year ended March 31, 2025 and all information contained in these statements are the responsibility of the management of the Office of the Superintendent of Financial Institutions (OSFI). These financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian Public Sector Accounting Standards (PSAS).

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the amounts and financial information in the financial statements reflect management's best estimates and judgment, and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of OSFI's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in OSFI's Departmental Results Report, is consistent with these financial statements.

Management has developed and maintains an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, assets are safeguarded and transactions are properly authorized and recorded in accordance with the Financial Administration Act and other applicable legislation, regulations, authorities and policies.

To ensure the integrity and objectivity of financial data, management emphasizes the recruitment, training, and development of qualified staff; maintains an organizational structure that provides clearly defined responsibilities and appropriate segregation of responsibilities; and promotes awareness of regulations, policies, standards, and managerial authorities. An annual assessment of the effectiveness of the system of OSFI's ICFR system is also conducted.

The ICFR system is designed to mitigate risks to a reasonable level through an on-going process of identifying key risks, assessing the effectiveness of associated key controls, and implementing any necessary improvements.

Under the responsibility of the Chief Financial Officer, a risk based assessment of the ICFR system for the year ended March 31, 2025 was completed in accordance with the Treasury Board Policy on Financial Management. The results and action plans are summarized in the annex.

The effectiveness and adequacy of OSFI's system of internal control is reviewed by the internal audit staff, who conduct periodic risk based audits of different areas of OSFI's operations, and by OSFI's Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which reviews and provides advice to the Superintendent on the audited financial statements.

Deloitte LLP has audited the financial statements of OSFI and reports on their audit to the Minister of Finance. This report does not include an audit opinion on the annual assessment of the effectiveness of OSFI's internal controls over financial reporting.

Ottawa, Canada
July 28, 2025

Adelle Laniel CPA
Chief Financial Officer

Peter Routledge
Superintendent of Financial Institutions

Independent Auditor's Report

To the Superintendent of Financial Institutions and the Minister of Finance.

Opinion

We have audited the financial statements of the Office of the Superintendent of Financial Institutions ("OSFI"), which comprise the statement of financial position as at March 31, 2025, and the statements of operations, changes in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OSFI as at March 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of OSFI in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for public sector, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing OSFI's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate OSFI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing OSFI's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OSFI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on OSFI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause OSFI to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte S.E.N.C.R.L./s.r.l.

Chartered Professional Accountants

Licensed Public Accountants

July 28, 2025

Office of the Superintendent of Financial Institutions

Statement of financial position

As at March 31, 2025 (in thousands of Canadian dollars)

	Note(s)	2025	2024
Financial assets			
Cash entitlement		**$ 84,388**	**$ 72,958**
Trade and other receivables, net	3, 4	**11,614**	**7,366**
Accrued base assessments	3	**-**	**16,901**
Total financial assets		**96,002**	**97,225**
Liabilities			
Accrued salaries and benefits	11	**49,193**	**59,268**
Trade and other payables	4, 11	**6,218**	**8,337**
Unearned base assessments	11	**11,404**	**-**
Unearned pension plan assessments	11	**1,811**	**2,644**
Deferred revenue		**230**	**415**
Employee benefits – severance	6	**4,485**	**4,563**
Employee benefits – sick leave	6	**13,553**	**13,464**
Total financial liabilities		**86,894**	**88,691**
Net financial assets		**9,108**	**8,534**
Non-financial assets			
Tangible capital assets	5	**13,772**	**14,601**
Prepaid expenses		**2,800**	**2,545**
Total non-financial assets		**16,572**	**17,146**
Accumulated surplus	12	**$ 25,680**	**$ 25,680**
Operating lease arrangements	9		
Contingencies	10		

The accompanying notes form an integral part of these financial statements.

Adelle Laniel CPA
Chief Financial Officer

Peter Routledge
Superintendent of Financial Institutions

Office of the Superintendent of Financial Institutions

Statement of operations

For the year ended March 31, 2025 (in thousands of Canadian dollars)

	Note(s)	Budget 2024-25	2025	2024
Regulation and supervision of federally regulated financial institutions				
Revenue		**$ 294,998**	**$ 287,502**	**$ 287,258**
Expenses		**294,998**	**287,502**	**287,258**
Net results before administrative monetary penalties		**-**	**-**	**-**
Administrative monetary penalties revenue	**8**	**50**	**530**	**68**
Administrative monetary penalties revenue earned on behalf of the Government		**(50)**	**(530)**	**(68)**
Net results		**-**	**-**	**-**
Regulation and supervision of federally regulated private pension plans				
Revenue		**11,059**	**9,085**	**7,556**
Expenses		**11,059**	**9,085**	**7,556**
Net results		**-**	**-**	**-**
Actuarial valuation and advisory services				
Revenue		**16,899**	**16,414**	**15,663**
Expenses		**18,143**	**17,817**	**16,907**
Net results		**(1,244)**	**(1,403)**	**(1,244)**
Net results from operations before government funding		**(1,244)**	**(1,403)**	**(1,244)**
Government funding	**4**	**1,244**	**1,403**	**1,244**
Surplus from operations		**$ -**	**$ -**	**$ -**

Revenue and Expense by Major Classification Note 7

The accompanying notes form an integral part of these financial statements.

Office of the Superintendent of Financial Institutions

Statement of changes in net financial assets

For the year ended March 31, 2025 (in thousands of Canadian dollars)

	Note(s)	Budget 2024-25	2025	2024
Surplus from operations		**$ -**	**$ -**	**$ -**
Tangible capital assets				
Acquisition of tangible capital assets	5	**(8,634)**	**(2,122)**	**(4,278)**
Amortization of tangible capital assets	5	**7,950**	**2,951**	**3,405**
		(684)	**829**	**(873)**
Non-financial assets				
Change in prepaid expenses		**-**	**(255)**	**(263)**
Increase (decrease) in net financial assets		**(684)**	**574**	**(1,136)**
Net financial assets, beginning of the year		**8,534**	**8,534**	**9,670**
Net financial assets, end of the year		**$ 7,850**	**$ 9,108**	**$ 8,534**

The accompanying notes form an integral part of these financial statements.

Office of the Superintendent of Financial Institutions

Statement of cash flow

For the year ended March 31, 2025 (in thousands of Canadian dollars)

	Note(s)	2025	2024
Operating activities			
Cash receipts from financial institutions, pension plans and other government entities		**$ 345,808**	**$ 303,862**
Cash paid to suppliers and employees		**(331,726)**	**(300,180)**
Administrative monetary penalties revenue remitted to the consolidated revenue fund	8	**(530)**	**(68)**
Net cash provided by operating activities		**13,552**	**3,614**
Capital activities			
Acquisition of tangible capital assets	5	**(2,122)**	**(4,278)**
Net cash used in capital activities		**(2,122)**	**(4,278)**
Net increase (decrease) in cash entitlement		**11,430**	**(664)**
Cash entitlement, beginning of the year		**72,958**	**73,622**
Cash entitlement, end of the year		**$ 84,388**	**$ 72,958**

The accompanying notes form an integral part of these financial statements.

Office of the Superintendent of Financial Institutions

Notes to the financial statements

For the year ended March 31, 2025 (in thousands of Canadian dollars)

1. Authority and objectives

The Office of the Superintendent of Financial Institutions (OSFI) was established by the *Office of the Superintendent of Financial Institutions Act* (*OSFI Act*) in 1987.
Pursuant to the *Financial Administration Act* (*FAA*), OSFI is a division of the Government of Canada for the purposes of that Act and is listed in schedule I.1 of the Act. The Government of Canada is OSFI's parent and the ultimate controlling party of OSFI.

OSFI's purpose is to contribute to public confidence in the Canadian financial system by regulating and supervising approximately 400 federally regulated financial institutions (FRFIs) and 1200 federally regulated pension plans (FRPPs).

OSFI's mandate is to:

- ensure FRFIs and FRPPs remain in sound financial condition
- ensure FRFIs protect themselves against threats to their integrity and security, including foreign interference
- act early when issues arise and require FRFIs and FRPPs to take necessary corrective measures without delay
- monitor and evaluate risks and promote sound risk management by FRFIs and FRPPs

In exercising its mandate:

- for FRFIs, OSFI strives to protect the rights and interests of depositors and creditors while having due regard for the need to allow FRFIs to compete effectively and take reasonable risks
- for FRPPs, OSFI strives to protect the rights and interests of pension plan members, former members and entitled beneficiaries

Revenue and spending authority

Pursuant to Section 17 of the *OSFI Act*, the Minister of Finance may spend any revenues collected under Sections 23 and 23.1 of the *OSFI Act* to defray the expenses associated with the operation of OSFI. The Act also establishes a ceiling for expenses at $100,000 above the amount of revenue collected to be drawn from the Consolidated Revenue Fund (CRF) of Canada.

OSFI's revenues comprise assessments, service charges and fees. The expenses against which assessments may be charged include those in connection with the administration of the *Bank Act*, the *Cooperative Credit Associations Act*, the *Green Shield Canada Act*, the *Insurance Companies Act*, the *Protection of Residential Mortgage or Hypothecary Insurance Act* and the *Trust and Loan Companies Act*. The formula for the calculation of assessments is included in regulations.

Subsections 23(1.1) and 23(5) of the *OSFI Act* provide that assessments may be charged for the administration of the *Pension Benefits Standards Act, 1985* (*PBSA, 1985*) and the *Pooled Registered Pension Plans Act*. The assessments for the administration of pension plans subject to

the *PBSA* are set annually in accordance with the *Assessment of Pension Plans Regulations*.

Section 23.1 of the *OSFI Act* provides that the Superintendent may assess against a person a prescribed charge (service charge) and applicable disbursements for any service provided by or on behalf of the Superintendent for the person's benefit or the benefit of a group of persons of which the person is a member. "Person" includes individuals, corporations, funds, unincorporated associations, His Majesty in Right of Canada or of a province, and a foreign government. The service charges are detailed in the regulations.

The Office of the Chief Actuary (OCA) provides a range of actuarial valuation and advisory services, under the *Canada Pension Plan Act* and the *Public Pensions Reporting Act* to the Canada Pension Plan (CPP), public pension plans and some federal government entities, including the provision of advice in the form of reports tabled in Parliament. The costs of providing these services are recovered through fees charged to either the underlying pension plans or the federal government entity to which advisory services are provided. Pursuant to Section 16 of the *OSFI Act*, Parliament has provided annual appropriations to fund the cost of certain actuarial valuations prepared by the Office of the Chief Actuary on behalf of the Government of Canada.

2. Significant accounting policies

The financial statements of OSFI have been prepared in accordance with the Government of Canada's accounting policies, which are based on Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board (PSAB). The accounting policies used in the financial statements are based on the PSAS applicable as at March 31, 2025. The policies set out below are consistently applied to all periods presented.

The significant accounting policies of OSFI are set out below:

a) Cash entitlement (Cash overdraft)

OSFI does not have its own bank account. The financial transactions of OSFI are processed through the CRF. Cash entitlement represents the maximum amount OSFI is entitled to withdraw from the CRF without further authority.

OSFI has a statutory revolving expenditure authority pursuant to Section 17(4) of the *OSFI Act*. This authority establishes a ceiling for expenses at $100,000 above the amount of revenue collected to be drawn from the CRF. Drawings on this facility are presented as cash overdraft.

No interest is earned or charged on these amounts.

b) Financial instruments

i. Recognition

All financial instruments are recognized initially at fair value. The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

ii. Classification and Measurement

OSFI's financial instruments are classified at either fair value or amortized cost based on the purpose for which the financial assets were acquired, or liabilities incurred.

Classification	Accounting Treatment
Cash entitlement	Cash entitlement shall be measured at fair value. Gains and losses arising from changes in the fair value of a cash entitlement shall be recorded in Net results from operations before government funding in OSFI's *Statement of Operations*.
Trade and other receivables and Accrued base assessments	Trade and other receivables and Accrued base assessments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value, Trade and other receivables and Accrued base assessments are measured at amortized cost using the effective interest method, less impairment, if any. Any gain, loss or interest income is recorded in revenue or expenses depending on the nature of the receivables that gave rise to the gain, loss or income.
Financial liabilities	Accrued salaries and benefits, Trade and other payables excluding employer's contributions for employee benefit plans, Unearned base assessments, and Unearned pension plan assessments are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenue or expenses depending on the nature of the financial liability that gave rise to the gain, loss or expense.

c) Impairment of financial assets

OSFI assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, OSFI first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If OSFI determines that there is objective evidence of impairment for an individual financial asset, it must be

assessed for impairment either individually, or in a group of financial assets with similar credit risk characteristics. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The impairment assessment must be based on the best estimates available in light of past events, current conditions, and taking into account all circumstances known at the date of the preparation of the financial statements. If a future write-off is later recovered, the recovery is credited to the *Statement of Operations*.

d) Tangible capital assets

Tangible capital assets are stated at historical cost, net of accumulated amortization and any accumulated impairment losses. Historical cost includes the costs of replacing parts of property and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the *Statement of Operations* as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful life
Leasehold improvements	Lesser of useful life or remaining term of the lease
Furniture and fixtures	7 years
Office equipment	4 years
Informatics hardware	3 to 5 years
Informatics software	5 to 10 years

Internally developed and externally purchased software are capitalized as tangible capital assets. Software acquired separately is measured on initial recognition at cost. The cost of internally developed software consists of directly attributable costs necessary to create, produce, and prepare the software to be capable of operating in the manner intended by OSFI. Amortization of the assets begins when development is complete and the assets are available for use. Costs incurred during the pre-development or post-implementation stages are expensed in the period incurred.

The assets' residual values, useful lives and methods of amortization are reviewed at each financial year end and adjusted prospectively, if appropriate.

e) Impairment of non-financial assets

OSFI assesses at each reporting date whether there is an indication of impairment. If any indication exists, or when annual impairment testing for an asset is required, OSFI estimates the asset's recoverable amount. When a non- financial asset no longer contributes to OSFI's ability to provide goods and services, or the value of future economic benefits associated with the non-financial asset is less than its net book value, the cost of the non-financial asset is reduced to reflect the decline in the asset's value. Impairment losses are reflected in the *Statement of Operations* in the period the decline is recognized.

OSFI assesses internally developed software not yet in use for impairment on an annual basis.

f) Employee benefits

Short-term benefits are recorded in the *Statement of Operations* when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date is accrued at the reporting date and not discounted. OSFI contributes to the Government of Canada sponsored Public Service Health Care Plan and Dental Service Plan for employees. These contributions represent the total obligation of OSFI with respect to these plans.

Pension benefits

Substantially all of the employees of OSFI are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and OSFI to cover current service cost. Pursuant to legislation currently in place, OSFI has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of OSFI.

Severance

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. The severance benefits are based upon the final salary of the employee.

The projected accrued benefit obligation is determined using an accrued benefit method which incorporates management's best estimate of salary, retirement age and discount rate.

Other benefits

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to OSFI retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by OSFI to cover current service costs. Pursuant to legislation currently in place, OSFI has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of OSFI with respect to these plans.

Sick leave

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation are determined using an actuarial valuation.

g) Leases

Leases in which a significant portion of the risks and rewards of ownership related to the leased property are substantially retained by the lessor shall be accounted for as operating leases. OSFI records the costs associated with operating leases in the *Statement of Operations* in the period in which they are incurred. Any lease incentives received from the lessor are charged to the *Statement of Operations* on a straight-line basis over the period of the lease.

OSFI does not have borrowing authority and therefore cannot enter into lease agreements that are classified as leased tangible assets. OSFI has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to OSFI of substantially all the benefits and risks incidental to ownership.

h) Revenue recognition

OSFI recognizes revenue on a cost recovery basis. Amounts that have been billed and for which costs have not been incurred are classified as unearned on the Statement of Financial Position. Revenue is recognized in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. At the end of the period, amounts may have been collected in advance of the incurrence of costs or provision of services, or alternatively, amounts may not have been collected and are owed to OSFI.

<u>Base assessments</u> – Revenue from federally regulated financial institutions base assessments is recognized based on actual costs incurred as services are charged based on cost recovery and all costs are considered recoverable. Base assessments are typically billed annually based on an estimate of the current fiscal year's operating costs (an interim assessment) together with adjustments related to the final accounting of the previous year's assessment for actual costs incurred. Assessments are calculated prior to December 31 of each year, in accordance with Section 23(1) of the *OSFI Act* and the *Assessment of Financial Institutions Regulations*, 2017. Differences between billed estimates and actual costs incurred at the end of the period are recorded as accrued base assessments or unearned base assessments.

Pension plan assessments are earned from registered pension plans. Assessment rates are set annually by regulation based on budgeted expenses, pension plan membership and actual results from previous years. Pension plan assessments are charged in accordance with Section 23(1.1) and 23(5) of the *OSFI Act*. Revenue from pension plan assessments is recognized based on actual costs incurred as services are charged based on cost recovery and all costs are considered recoverable. Differences between the amounts billed to industry and actual costs incurred at the end of the period are recorded as accrued pension plan assessments or unearned pension plan assessments.

User fees and charges include revenue earned pursuant to the *Charges for Services Provided by the Office of the Superintendent of Financial Institutions Regulations*, 2002 – as amended from time to time – in respect of legislative approvals and approvals for supervisory purposes, and surcharges assessed to federally regulated financial institutions assigned a "stage" rating other than "zero" pursuant to the Guide to Intervention for Federal Financial Institutions. Assessment surcharges are charged in accordance with the *Assessment of Financial Institutions Regulations, 2017*. Revenue from user fees is recognized at the completion of the service.

Administrative monetary penalties are penalties levied to financial institutions when they contravene a provision of a financial institutions Act and are charged in accordance with the *Administrative Monetary Penalties (OSFI) Regulations*. Penalties levied are not available to reduce the net costs that OSFI assesses the industry (i.e., they are non-respendable) and are remitted to the CRF when collected. OSFI assesses its Administrative monetary penalties revenue against specific criteria in order to determine if it is acting as principal or agent. OSFI has concluded that it is acting as a principal for Administrative monetary penalty revenue.

Cost-recovered services represent revenue earned from sources other than those listed above. These services are provided in accordance with the terms and conditions agreed to by the transacting parties. Revenue from costrecovered services is recognized based on actual costs incurred, and all costs are considered recoverable. Revenue and the matching expenses from cost-recovered services not specifically related to the Regulation and supervision of federally regulated pension plans or Actuarial valuation and advisory services are grouped with the Regulation and supervision of federally regulated financial institutions on the *Statement of Operations*. This includes costs recovered from other government entities such as the Canada Mortgage and Housing Corporation for OSFI's supervisory oversight in accordance with the *National Housing Act*.

i) Government funding

Government funding, including parliamentary appropriations, is recognized in the period that the appropriation was authorized, and any eligibility criteria met. Parliamentary appropriations for operating purposes are considered to be without stipulations restricting their use and are recognized as revenue when the appropriations are authorized.

j) Contingent liabilities

Contingent liabilities are potential liabilities, which may become liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

k) Budget figures

The 2024-2025 budget is reflected in the *Statement of Operations* and the *Statement of Changes in Net Financial Assets* as approved by OSFI's Executive Committee.

l) Significant judgments, estimates and assumptions

The preparation of OSFI's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Estimates and assumptions are reviewed on an ongoing basis. Revisions will be recognized in the financial statements of a future fiscal period in which the estimates or assumptions are revised.

In the process of applying its accounting policies, management has made certain judgments. The following specific judgments have the most significant effect on the amounts recognized in the financial statements:

- Recognition of internally developed software.
- Lease classification;
- Estimated useful lives of tangible capital assets;
- Actuarial assumptions used to value sick leave and severance obligations;
- Likelihood of occurrence for contingent liabilities;
- Estimates for the allowance for doubtful accounts; and,
- Estimates related to accrued salary increases.

3. Trade and other receivables

The breakdown of all amounts owing to OSFI, by type, is as follows:

	Federally regulated financial institutions	Federally regulated private pension plans	Actuarial valuation and advisory services	Other	Total March 31, 2025
Trade receivables	$ 3,862	$ 2,688	$ -	$ 552	$ 7,102
User fees and charges	6,104	-	-	-	6,104
Cost-recovered services and other	-	-	55	982	1,037
Trade and other receivables, gross	9,966	2,688	55	1,534	14,243
Allowance for doubtful accounts	(121)	(2,508)	-	-	(2,629)
Trade and other receivables, net	9,845	180	55	1,534	11,614
Accrued base assessments	-	-	-	-	-
Total	**$ 9,845**	**$ 180**	**$ 55**	**$ 1,534**	**$ 11,614**
% of Total exposure	**84.8 %**	**1.5 %**	**0.5 %**	**13.2 %**	**100.0 %**

	Federally regulated financial institutions	Federally regulated private pension plans	Actuarial valuation and advisory services	Other	Total March 31, 2024
Trade receivables	$ 1,758	$ 2,568	$ -	$ 2,546	$ 6,872
User fees and charges	1,155	-	-	-	1,155
Cost-recovered services and other	-	-	-	1,323	1,323
Trade and other receivables, gross	2,913	2,568	-	3,869	9,350
Allowance for doubtful accounts	(119)	(1,865)	-	-	(1,984)
Trade and other receivables, net	2,794	703	-	3,869	7,366
Accrued base assessments	16,901	-	-	-	16,901
Total	**$ 19,695**	**$ 703**	**$ -**	**$ 3,869**	**$ 24,267**
% of Total exposure	**81.2 %**	**2.9 %**	**- %**	**15.9 %**	**100.0 %**

The majority of OSFI's revenue is comprised of assessments, which are typically invoiced once a year, usually in the second quarter. As a result, trade receivable balances will vary significantly during the year and may also vary from year to year depending on the timing of the invoicing.

OSFI records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. An allowance for doubtful accounts is also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Net impairment losses on trade and other receivables recognized during the year ended March 31, 2025 were $645 (Year ended March 31, 2024 - $380).

A receivable is written off when OSFI is certain that collection will not occur and all requirements of the *OSFI Act* or the *Debt Write-Off Regulations, 1994* have been met. No amounts were written off during the year ended March 31, 2025 (Year ended March 31, 2024 - $ Nil). During the period, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

The aging of trade receivables was as follows:

Days outstanding	Current	31-60	61-90	91-120	>120	Total
March 31, 2025	**$ 2,973**	**$ 14**	**$ 1**	**$ 3**	**$ 4,111**	**$ 7,102**
March 31, 2024	**$ 2,812**	**$ 2**	**$ 3**	**$ 53**	**$ 4,002**	**$ 6,872**

Refer to Note 11 b) for further information on credit risk applicable to OSFI.

4. Related party transactions

OSFI is related, in terms of common ownership, to all Government of Canada departments, agencies and crown corporations. OSFI enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended March 31, 2025, OSFI purchased goods and services for $69,278 (2024 - $73,729) and earned revenue of $18,659 (2024 - $17,899) from transactions with other government entities. Although most transactions or groups of similar transactions are not individually significant, OSFI did have the following individually significant transactions:

Entity	Nature	2025 Expenditure	2025 Payable	2024 Expenditure	2024 Payable
Treasury Board Secretariat	**Pension contributions, other employee benefits and other services**	**$ 49,851**	**$ 6,747**	**$ 49,355**	**$ 4,252**
Public Services Procurement Canada	**Rent and other services**	**$ 13,507**	**$ 729**	**$ 15,506**	**$ 1,879**

Entity	Nature	2025 Revenue	2025 Receivable/ (Payable)	2024 Revenue	2024 Receivable/ (Payable)
Employment and Social Development Canada	**Actuarial valuation and advisory services**	**$ 8,279**	**$ 28**	**$ 7,921**	**$ (128)**

As at March 31, 2025, the amount of trade and other receivables and trade and other payables from related parties was $417 (March 31, 2024 - $2,105) and $7,681 (March 31, 2024 - $6,617), respectively.

OSFI receives an annual parliamentary appropriation pursuant to Section 16 of the *OSFI Act* to support its mandate relating to the OCA. During the year ended March 31, 2025, OSFI was granted $1,403 (2024 - $1,244) which was recognized into net results and shown on the *Statement of Operations*. There are no unfulfilled conditions or stipulations attached to this appropriation.

5. Tangible capital assets

March 31, 2025 Cost	March 31, 2024	Acquisitions	Transfer to "in use"	Disposals	March 31, 2025
Leasehold improvements	$ 20,541	$ 294	$ -	$ -	$ 20,835
Furniture and fixtures	455	-	-	(57)	398
Office equipment	2,006	-	-	(637)	1,369
Informatics hardware	6,659	1,241	-	(1,739)	6,161
Externally purchased software	788	63	-	(128)	723
Internally developed software	30,014	-	669	(2,008)	28,675
Internally developed software under development	145	524	(669)	-	-
Total	$ 60,608	$ 2,122	$ -	$ (4,569)	$ 58,161

Accumulated amortization	March 31, 2024	Amortization		Disposals	March 31, 2025
Leasehold improvements	$ 14,963	$ 729	$ -	$ -	$ 15,692
Furniture and fixtures	453	2	-	(57)	398
Office equipment	1,470	174	-	(637)	1,007
Informatics hardware	5,267	672	-	(1,739)	4,200
Externally purchased software	684	51	-	(128)	607
Internally developed software	23,170	1,323	-	(2,008)	22,485
Total	$ 46,007	$ 2,951	$ -	$ (4,569)	$ 44,389
Net book value	$ 14,601	$ -	$ -	$ -	$ 13,772

March 31, 2024 Cost	March 31, 2023	Acquisitions	Transfer to "in use"	Disposals	March 31, 2024
Leasehold improvements	$ 18,917	$ 2,475	$ -	$ (851)	$ 20,541
Furniture and fixtures	561	-	-	(106)	455
Office equipment	1,602	414	-	(10)	2,006
Informatics hardware	7,954	640	-	(1,935)	6,659
Externally purchased software	782	13	-	(7)	788
Internally developed software	30,412	-	742	(1,140)	30,014
Internally developed software under development	151	736	(742)	-	145
Total	$ 60,379	$ 4,278	$ -	$ (4,049)	$ 60,608

Accumulated amortization	March 31, 2023	Amortization		Disposals	March 31, 2024
Leasehold improvements	$ 15,542	$ 272	$ -	$ (851)	$ 14,963
Furniture and fixtures	556	3	-	(106)	453
Office equipment	1,268	212	-	(10)	1,470
Informatics hardware	6,541	661	-	(1,935)	5,267
Externally purchased software	608	83	-	(7)	684
Internally developed software	22,136	2,174	-	(1,140)	23,170
Total	**$ 46,651**	**$ 3,405**	**$ -**	**$ (4,049)**	**$ 46,007**
Net book value	**$ 13,728**	**$ -**	**$ -**	**$ -**	**$ 14,601**

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. As at March 31, 2025, OSFI had $35,515 (2024 - $ 38,901) of tangible capital assets at cost that were fully amortized and still in use. These assets are primarily fully amortized leasehold improvements and internally developed software applications that are near the end of their useful life and are scheduled to be replaced. Their fair value is insignificant.

6. Employee benefits

a) Post-employment benefits

i. Pension benefits

Substantially all of the employees of OSFI are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and OSFI. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate, on pensionable earnings, effective as at March 31, March 31, 2025 was 9.656% (2024 - 8.994%). Total contributions of $19,724 were recognized as expense for the year ended March 31, 2025 (2024 - $17,905).

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

ii. Severance benefits

OSFI used to administer a severance benefits plan for its employees. On termination of employment, eligible employees were entitled to certain benefits provided for under their

conditions of employment based on their years of service. The plan was substantially curtailed in 2013 and employees no longer accumulate years of service. OSFI's remaining liability in regards to this plan relates primarily to employees who chose to defer receipt of their entitlement until departure. Current service benefit costs relate to the cost of involuntary departures.

Information about OSFI's severance benefit plan is presented in the table below.

	March 31, 2025	March 31, 2024
Accrued benefit obligation, beginning of the year	**$ 4,575**	**$ 4,663**
Current service cost	318	310
Interest cost	154	142
Benefits paid	(536)	(308)
Actuarial gain	(193)	(232)
Accrued benefit obligation, end of the year[1]	**4,318**	**4,575**
Unamortized net actuarial loss (gain)	**167**	**(12)**
Accrued benefit liability	**$ 4,485**	**$ 4,563**

Net benefit plan cost - severance	March 31, 2025	March 31, 2024
Current service cost	$ 318	$ 310
Interest cost	154	142
Amortization of actuarial (gain) loss	(14)	1
Benefit cost	**$ 458**	**$ 453**

The most recent actuarial valuation for severance benefits was completed as at March 31, 2025. OSFI measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring OSFI's accrued benefit obligation is a discount rate of 3.01% (2024 - 3.44%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2025 is an annual economic increase of 2.00% for the plan year 2026 (2024 - 2.25% for the plan year 2025). Thereafter, an annual economic increase of 2.5% is assumed (2024 - 2.0% to 2.7%). The average remaining service period of active employees covered by the benefit plan is 15 years (2024 - 14 years).

b) Other long-term benefits

i. Sick leave

Information about OSFI's sick leave plan is presented in the table below.

	March 31, 2025	March 31, 2024
Accrued benefit obligation, beginning of the year	**$ 9,621**	**$ 17,343**
Current service cost	1,826	1,760
Interest cost	333	533
Benefits used	(1,834)	(1,338)
Actuarial (gain)/loss	299	(8,677)
Accrued benefit obligation, end of the year[1]	**10,245**	**9,621**
Unamortized net actuarial gain	**3,308**	**3,843**
Accrued benefit liability	**$ 13,553**	**$ 13,464**

Net benefit plan expense - sick leave	March 31, 2025	March 31, 2024
Current service cost	$ 1,826	$ 1,760
Interest cost	333	533
Amortization of actuarial gain	(236)	(296)
Benefit cost	**$ 1,923**	**$ 1,997**

The most recent actuarial valuation for sick leave benefits was completed as at March 31, 2025. OSFI measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring OSFI's accrued benefit obligation is a discount rate of 2.95% (2024 - 3.46%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2025 is an annual economic increase of 2.00% for the plan year 2026 (2024 - 2.25% for the plan year 2025). Thereafter, an annual economic increase of 2.5% is assumed (2024 - 2.0% to 2.7%). The average remaining service period of active employees covered by the benefit plan is 15 years (2024 - 15 years).

7. Revenue and expenses by major classification

	Budget for the year ending March 31, 2025	2025	2024
Revenue			
Base assessments	$ 290,293	$ 278,782	$ 284,238
Cost-recovered services	18,604	18,305	17,348
Pension plan assessments	11,059	9,085	7,556
User fees and charges	3,000	6,829	1,335
Total revenue earned from respendable sources	**322,956**	**313,001**	**310,477**
Expenses			
Personnel	252,736	252,861	248,274
Professional service	32,166	27,827	30,275
Rental	19,986	18,359	17,824
Amortization	7,950	2,951	3,405
Travel	1,999	1,660	1,405
Machinery and equipment	3,436	4,003	3,949
Information	3,439	3,245	3,400
Communications	1,263	1,221	1,405
Repairs and maintenance	956	1,298	995
Materials and supplies	292	232	382
Other	(23)	747	407
Total expenses	**324,200**	**314,404**	**311,721**
Net results of operations before government funding and non-respendable administrative monetary penalties revenue	(1,244)	(1,403)	(1,244)
Government funding	1,244	1,403	1,244
Administrative monetary penalties revenue	50	530	68
Administrative monetary penalties earned on behalf of the government	(50)	(530)	(68)
Surplus from operations	$ -	$ -	$ -
Full-time equivalent number of employees	**1,300**	**1,278**	**1,315**

	Budget for the year ending March 31, 2025	2025	2024
Personnel expenses			
Wages and salaries	$ 199,322	$ 198,858	$ 193,333
Other benefits	34,094	33,786	36,554
Post-employment benefits other than severance	18,679	19,724	17,905
Severance benefits	598	458	453
Other personnel costs	43	35	29
Total	$ 252,736	$ 252,861	$ 248,274

8. Administrative monetary penalties

Administrative monetary penalties levied by OSFI are remitted to the CRF. The funds are not available for use by OSFI and are not included in the balance of the Cash entitlement. As a result, the penalties do not reduce the amount that OSFI assesses the industry in respect of its operating costs.

In the year ended March 31, 2025, OSFI levied $530 (2024 - $68) in administrative monetary penalties.

9. Operating lease arrangements

OSFI has entered into operating lease agreements for office space and office equipment in four locations across Canada. The minimum aggregate annual payments for future fiscal years are as follows:

March 31, 2026	$ 10,186
March 31, 2027	8,544
March 31, 2028	8,045
March 31, 2029	7,607
March 31, 2030	6,881
Thereafter	189
Total	$ 41,452

10. Contingencies

A claim for unspecified damages was lodged against the Government of Canada and its constituent entities (including OSFI) during 2020-21. The claim has not advanced to a point where the potential outcome or the amount at risk can be determined, as such no provision for contingent liabilities has been accrued at the date of these financial statements. In the normal course of its operations, OSFI is involved in a limited number of legal claims.

Although the final result of these claims cannot be determined at this time, management is of the opinion that the results will not have a material impact on the financial statements.

11. Financial risk management

OSFI's financial liabilities include: Accrued salaries and benefits, Trade and other payables, Unearned base assessments and Unearned pension plan assessments. These liabilities provide short-term financing for OSFI's operations. Financial assets: include Cash entitlement, Trade and other receivables, Accrued base assessments, Accrued pension plan assessments.

OSFI is exposed to market risk, credit risk and liquidity risk in connection with its financial instruments. OSFI's risk exposures and its processes to manage these risks did not change significantly during the year ended March 31, 2025.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. OSFI is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar but is not exposed to interest rate risk nor to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. OSFI's exposure to the risk of changes in foreign exchange rates relates primarily to OSFI's operating activities (when expenses are denominated in a currency other than the Canadian dollar).

OSFI manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of OSFI's transactions presented were denominated in Canadian dollars; as such, OSFI's exposure to currency risk for all periods presented is insignificant.

There is no impact to revenues since all billings are in Canadian dollars.

b) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss. The maximum exposure OSFI has to credit risk as at

March 31, 2025 is $11,614 (March 31, 2024 - $24,267) which is equal to the carrying value of its Trade and other receivables and Accrued base assessments.

All FRFIs and FRPPs are required to register with OSFI and pay the assessments as established by OSFI. Any loss incurred by OSFI as a result of a counterparty not meeting its obligations is recorded in the year incurred and collected in the following year through assessments to the industry to which the balance pertains, as outlined in the *OSFI Act*. All remaining receivables are with other Canadian federal and provincial government organizations, where there is minimal potential risk of loss. OSFI does not hold collateral as security.

c) Liquidity risk

Liquidity risk is the risk that OSFI will encounter difficulty in meeting its obligations associated with current and future financial liabilities. OSFI's objective is to maintain sufficient Cash entitlement through its collection of base assessments, cost-recovered services and other fees and charges in order to meet its operating requirements. OSFI manages liquidity risk through detailed annual planning and billing processes that are structured to allow for sufficient liquidity from one billing period to the next. OSFI's objective is to accurately estimate its operating costs and cash requirements for the current year and to recover these through its interim base assessments, fees and other sources of revenue.

OSFI's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Disbursing payments from its Cash entitlement account; and,
- Drawing on its revolving expenditure authority, pursuant to Section 17.4 of the *OSFI Act*.

Drawings on this facility were $Nil as at March 31, 2025 (March 31, 2024 - $Nil).

Refer to Note 1 for further information on OSFI's authority.

The table below summarizes the maturity profile of OSFI's financial liabilities as at March 31, 2025 and March 31, 2024 based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which OSFI can be required to pay. When amounts are due in installments, each installment is allocated to the earliest period in which OSFI can be required to pay.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2025 Total
Accrued salaries & benefits	$ 15,093	$ 34,100	$ -	$ -	$ -	$ 49,193
Trade and other payables	-	6,218	-	-	-	6,218
Unearned base assessments	-	-	11,404	-	-	11,404
Unearned pension plan assessments	-	153	461	1,197	-	1,811
Total	**$ 15,093**	**$ 40,471**	**$ 11,865**	**$ 1,197**	**$ -**	**$ 68,626**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2024 Total
Accrued salaries & benefits	$ 14,484	$ 28,907	$ 15,877	$ -	$ -	$ 59,268
Trade and other payables	-	8,337	-	-	-	8,337
Unearned pension plan assessments	-	120	769	1,454	301	2,644
Total	**$ 14,484**	**$ 37,364**	**$ 16,646**	**$ 1,454**	**$ 301**	**$ 70,249**

Unearned pension plan assessments represent the accumulation of in-year surplus or deficit against assessments collected. These are in turn paid or collected over a period of five years commencing one year from the year in which they were established. OSFI does not charge nor pay interest to the various pension plans over the five years.

12. Accumulated surplus

	March 31, 2025	March 31, 2024
Contributed surplus	**$ 28,327**	**$ 28,327**
Accumulated deficit	**(2,647)**	**(2,647)**
Accumulated surplus	**$ 25,680**	**$ 25,680**

OSFI was established on July 2, 1987 by the *OSFI Act*. OSFI was created through the merger of its two predecessor agencies – the Department of Insurance and the Office of the Inspector General of Banks. To help fund OSFI's first year of operations and establish a pool of working capital necessary to support its annual assessment and expenditure cycle, OSFI was credited with the assessments that recovered the costs of its predecessors for the previous fiscal year. This amount is reflected as contributed surplus.

OSFI fully recovers its costs each year resulting in no in-year surplus or deficit. The accumulated deficit of $2,647 represents the net impact of transition adjustments arising from the transition to accrual accounting in 2000-2001 and the adoption of new or revised accounting standards since then. The balance has not changed since the transition to PSAS on April 1, 2017.

Annex to the Statement of Management Responsibility including Internal Control over Financial Reporting

(Unaudited)

Fiscal Year 2024-2025

1. Introduction

This document provides summary information on the measures taken by the Office of the Superintendent of Financial Institutions (OSFI) to maintain an effective system of internal control over financial reporting (ICFR) including information on internal control management, assessment results and related action plans.

Detailed information on OSFI's authority, mandate and program activities are available in the Departmental Plan and the Departmental Results Report.

2. Departmental system of internal control over financial reporting

2.1 Internal Control Management

OSFI has a well-established governance and accountability structure to support the organizational assessment efforts and oversight of its system of internal control. An internal control management framework is in place and includes the following:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including clear roles and responsibilities for employees in their areas of responsibility for control management;
- Commitment to integrity and ethical values, including the implementation of the Statement of Values and Code of Conduct which is a complement to the Values and Ethics Code for the Public Sector to strengthen the ethical culture and contribute to the public sector integrity;
- On-going communication and training on statutory requirements, policies and procedures for sound financial management and control; and,
- Monitoring and regular updates on internal control management, including the provision of related assessment results and action plans.

The Audit Committee is independent and provides advice to the Superintendent on the adequacy and functioning of the agency's risk management, control and governance frameworks and processes.

2.2 Service arrangements relevant to financial statements

2.2.1 Reliance on other federal government organizations

OSFI relies on other organizations for the processing of certain transactions that are recorded in its financial statements, as follows.

Common Arrangements

- Public Services and Procurement Canada (PSPC) administers the payments of salaries, the shared travel system (STS), office space arrangement, and the procurement of certain types of goods and services falling outside OSFI's contracting delegation of authority.
- Shared Services Canada (SSC) administers the procurement of certain goods related to information management and information technology falling outside OSFI's contracting delegation of authority.
- The Department of Justice provides legal services to OSFI.
- Treasury Board Secretariat (TBS) provides OSFI with information used to calculate various accruals, such as employee benefits rate.

Specific Arrangements

- TBS provides OSFI with corporate financial systems support. The services relate to the support of the SAP financial system platform for capturing all financial transactions. As the service provider, TBS is responsible for ensuring that IT General Controls (ITGCs) over the SAP environment are designed and operating effectively. As a client, OSFI retains responsibility over certain ITGCs over the SAP environment, such as user access controls and segregation of duties.

Readers of this annex may refer to the annexes of the above-noted departments for a greater understanding of the systems of ICFR related to these specific services.

2.2.2 Services that other organizations rely upon

Specific Arrangements

- OSFI provides financial services for the calculation of assessment revenue to the Financial Consumer Agency of Canada (FCAC). The Office of the Chief Actuary (OCA) also provides actuarial services to the FCAC.
- The OCA is an independent unit within OSFI that provides a range of actuarial valuation and advisory services to the Government of Canada. The OCA provides appropriate checks and balances on the future costs of the different pension plans and social programs that fall under its responsibility, including, but not limited to, the Canada Pension Plan (CPP), the Old Age Security Program and the Canada Student Financial Assistance Program.

3. OSFI's assessment results during fiscal year 2024-2025

The following table summarizes the status of the ongoing monitoring activities according to *OSFI's Five-Year Risk Based Plan for the Assessment, Remediation and Ongoing Monitoring of Internal Controls over Financial Reporting*. The plan covers the five-year period from April 1, 2024 to March 31, 2029.

Monitoring results for 2024-2025

As part of its ongoing monitoring plan, OSFI completed its assessment of the financial controls within the following seven key business processes:

Business process	Status
Procurement and Contracting	Completed as planned and remedial actions identified to be implemented
Month-end/Year-end Accruals and Reconciliations	Completed as planned and remedial actions identified to be implemented
Payroll	Completed as planned and no remedial actions required
Revenue – Base Assessments	Completed as planned and no remedial actions required
Revenue – Pension Plan Assessments	Completed as planned and no remedial actions required
Quarter-end/Year-end Financial Statements and Note disclosure process	Completed as planned and no remedial actions required
Accounts Receivable & Cash Receipts	Completed as planned and no remedial actions required

Overall, the key controls tested performed as intended, with some exceptions requiring remediation in the procurement and contracting and month-end/year-end accruals and reconciliations. Specifically, the areas requiring remediation are:

- Appropriate financial delegation approval and quality review of procurement actions
- Timely approval of the accruals and reconciliations

Management is aware of the remediations required and action plans have been started to address them. The risk of material misstatement due to these exceptions is low.

New or significantly amended key controls

In the current year, there were no significantly amended key controls in existing processes that required reassessment. There were only minor changes to the design process of the key business processes.

Entity Level Controls

The triennial evaluation of entity level controls (ELCs) was completed in 2024-2025 and the controls operated as intended with some remediation actions recommended. Remediation centered around the development of internal controls documentation on financial management and fraud risk, as well as review of key job descriptions.

IT General Controls

ITGCs over the SAP financial system are shared between OSFI and the SAP cluster host, TBS. OSFI completed the operating effectiveness assessment of controls under its responsibility while TBS completed a *Reporting on Controls at a Service Organization* commonly called the Canadian Standard on Assurance Engagements (CSAE 3416) audit over the design and operating effectiveness of the SAP system, which benefits all members of the cluster. As the service provider of the SAP financial system, TBS is responsible for completing any remedial actions identified as a result of the CSAE 3416 audit.

For fiscal year 2024-2025, the CSAE 3416 report is unqualified. TBS reports on the findings of this audit in its Annex to the *Statement of Management Responsibility including Internal Control over Financial Reporting*.

As a complimentary control, OSFI performed a semi-annual review of SAP user access with no issues noted.

Financial fraud risk monitoring activities

With the objective to enhance the detection and reporting of fraudulent activity, OSFI utilizes data analysis techniques (using a data analytics software) to identify anomalies, trends, and risk indicators within a large population of transactions with the objective to identify financial fraud and irregular transactions.

Scope of Testing
Business processes in scope include Accounts Payable, Travel, Acquisition Cards, and Contracting.

Summary of Results: No potential fraud was identified.

4. OSFI's action plan for the next fiscal year and subsequent fiscal years

OSFI's monitoring plan over the next three fiscal years in accordance with the *Five-Year Risk Based Plan for the Assessment, Remediation and Ongoing Monitoring of Internal Controls over Financial Reporting* is shown in the table below.

The ongoing monitoring plan is based on the following:

- Control tests are performed on a rotational basis. High-risk processes are validated annually, medium risk processes every two years, and low risk processes every three years.
- Adjustments to the ongoing monitoring plan are made in accordance with the risk assessment against the inherent risk criteria.

Key Control Area	Level of Risk	2025-2026	2026-2027	2027-2028
Entity level controls	Low	No	No	Yes
Accounts Payable and Payments	Medium	Yes	No	Yes
Accounts Receivable and Cash Receipts	Low	No	No	Yes
Budgeting and Forecasting	Medium	Yes	No	Yes
Procurement & Contracting	High	Yes	Yes	Yes
Month-end/Year-end Accruals and Reconciliations	High	Yes	Yes	Yes
Quarter-end/Year-end Financial statements and Note Disclosure process	Medium	No	Yes	No
Payroll	High	Yes	Yes	Yes
Revenue – Base Assessments	High	Yes	Yes	Yes
Revenue – Pension Plan Assessments	High	Yes	Yes	Yes
Revenue – Cost Recovered Services MOU	Medium	Yes	No	Yes
ITGC related controls - User Access Controls	High	Yes	Yes	Yes

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