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 1, 2025 to March 31, 2026






OSFI BSIF

Canada

I, Peter Routledge, on behalf of the Office of the Superintendent of Financial Institutions (OSFI), present OSFI's Annual Report for the Fiscal Year 2025-26 reporting period. In my opinion, this report accurately presents the performance of OSFI. It is provided in accordance with section 40 of the Office of the Superintendent of Financial Institutions Act, section 40 of the Pension Benefits Standards Act, 1985, and section 78 of the Pooled Registered Pension Plans Act.

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A letter from the Superintendent

Canada's financial system is resilient because OSFI has contributed to its ability to withstand stress via prudent regulation and disciplined supervision. In so doing, we ensure our supervision and regulation reinforce the financial system's ability to finance sustainable growth in Canada's economy.

We cannot take resilience and growth for granted. We face rising economic, geopolitical, technological, and operational threats. Amid this dangerous landscape, OSFI supervises federally regulated financial institutions so they sustain the resilience they need to support growth in Canada's economy.

This Annual Report highlights OSFI's activities and key accomplishments from April 1, 2025 to March 31, 2026. This year, we made meaningful progress on priorities aimed at strengthening the resilience of Canada's financial system while calibrating our actions to support Canada's economic growth potential. We led with a risk-based, smart oversight approach, with greater emphasis on early risk identification, proportional intervention, and horizon scanning for emerging threats.

We also continued to integrate integrity and security risks into prudential oversight, recognizing that resilience depends not only on capital and liquidity, but also on sound governance, operational readiness, and reliable data.

As an independent unit within OSFI, the Office of the Chief Actuary (OCA) continued to provide high-quality actuarial analysis and advice that supported informed decision-making, transparency, and confidence in the long-term financial stewardship of key federal programs.

Guided by resource discipline and sound financial stewardship, we made deliberate trade-offs and focused on the highest-impact priorities: strengthening supervision, modernizing regulation, and reinforcing system-wide preparedness, and enhancing our operational resilience, cyber, and artificial intelligence (AI) capacity.

We will continue to sharpen our focus on risk, act early and decisively, and ensure Canada's financial system remains stable, resilient, and competitive.



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 2025-26

Supervision of financial institutions

Regulated and supervised approximatively 350 financial institutions.

Approval of new financial institutions

Approved 3 new financial institutions to commence business.

Supervisory reviews

Conducted 161 supervisory reviews, including 81 reviews of issues affecting multiple financial institutions and 80 reviews focused on specific financial institutions.

Supervision of pension plans

Regulated and supervised approximately 1,200 pension plans, including 1.3 million active members and beneficiaries, and assets of $276 billion.

Guidance documents

Issued 7 new or updated guidance documents and undertook 3 consultations.

Regulatory guidance

Streamlined regulatory guidance and eliminated more than 50 documents representing more than 600 pages of content in both English and French from OSFI's guidance library.

OCA Actuarial reports

The Office of the Chief Actuary prepared 20 actuarial reports for the Government of Canada.



Dany Abillama
Actuary - Private Pensions



Sharon Chambers Creary
Senior Specialist - Operational Risk Division



Charles Richer
Compensation Analyst - Workplace Effectivness



Patrick Cane
Director - Industry Surveillance



Elizabeth Côté
Director - Operational Risk Division



Tracy Alexander,
Chief of Staff - Deputy Superintendent

Chapter 1: About us

Mandate

OSFI is an independent agency of the Government of Canada. We contribute to public confidence in the Canadian financial system by regulating and supervising approximately 350 federally regulated financial institutions ("financial institutions")[1] and 1,200 federally regulated private pension plans ("pension plans"). More information on who we regulate can be found on the Open Government webpage 'Who We Regulate.'

Our mandate is to:

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

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

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

Our funding model

We prepare our budget in alignment with the Basel Core Principles for Effective Banking Supervision, the Insurance Core Principles, and the Principles of Private Pension Supervision, which set minimum standards for prudential regulation and supervision of banks, insurers and pension plans. We apply a rigorous, challenge-based budgeting process across the industries we regulate to ensure we identify key risks and allocate the necessary resources to fulfill our mandate effectively.

Under the OSFI Act, over 99% of our expenses are cost-recovered, mainly through assessments on regulated financial institutions and pension plans and do not impact the Government of Canada's fiscal position. A small portion of our budget, representing 0.37%, is funded through appropriation to support actuarial services provided by the OCA to certain federal organizations.

Organizational context

Our organizational structure

OSFI is led by the Superintendent of Financial Institutions and reports to Parliament through the Minister of Finance. This year, in line with the Government of Canada's priority to manage public service spending in a more disciplined manner, we refined our organizational structure, consolidating five sectors into three for a leaner and more streamlined operating model (see 'Our Sectors at a Glance' on the next page).

In addition to these three sectors, 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, the Old Age Security program, and public pension and insurance plans. While the Chief Actuary reports to the Superintendent, the development of the reports' content and actuarial opinions is conducted independently.

Finally, OSFI has an independent internal audit function reporting directly to the Superintendent. The Chief Audit Executive and team provide independent, objective assurance that OSFI's risk management, control, and governance processes are adequate and functioning effectively. Internal audit also supports the Departmental Audit Committee, which is an advisory body to the Superintendent in the areas of finance, governance, risk management, and internal controls. The committee membership includes five external independent members as of March 31, 2026.

Our sectors at a glance

The Risk, Strategy and Policy sector

is responsible for developing guidance, interpreting legislation and regulations, providing regulatory approvals, and contributing to accounting, auditing, and actuarial standards. The sector also supervises and analyzes non-financial risks, conducts system wide risk surveillance, and assesses emerging risks. In addition, the sector manages governance, supports effective enterprise-wide risk management, and advances strategic planning, performance, and data capabilities.

The Supervision sector

conducts risk-focused oversight of financial institutions and pension plans. It prioritizes material risks, assesses governance and the management of financial and non-financial vulnerabilities, monitors resilience and compliance, and intervenes as needed to address deficiencies and support safety, soundness, and public confidence. It also supports the effective application of our capital and liquidity expectations through supervisory assessments, monitoring, and engagement with related institutions.

The Integrity, National Security and Integrated Solutions sector

shares intelligence, specialist information, and advice within our organization, as well as to trusted partners and stakeholders, on threats, risks, and vulnerabilities affecting the security and integrity of financial institutions and the broader financial sector. In addition, the sector is responsible for delivering corporate services that support and enable us to deliver on our mandate.

The Office of the Chief Actuary

provides independent actuarial services to the Government of Canada. The Chief Actuary assumes sole responsibility for the content and actuarial opinions in OCA reports and advice, ensuring compliance with statutory mandates. The OCA also collaborates with our Supervision sector on pension oversight.

Who we work with

We have developed close relationships and collaborate regularly with domestic and international partners to support coordinated, risk-informed regulation and supervision, and to maintain shared situational awareness. These partnerships strengthen our ability to identify emerging risks, support effective oversight, and contribute to the resilience and integrity of Canada's financial system.

Domestic collaboration

Federal safety net partners

We work closely with our federal safety net partners to support coordinated oversight of financial institutions and monitor risks to financial stability. These partners include the Department of Finance Canada, the Bank of Canada, the Canada Deposit Insurance Corporation (CDIC), the Financial Consumer Agency of Canada (FCAC), and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

The OSFI Act establishes the Financial Institutions Supervisory Committee (FISC), chaired by the Superintendent of Financial Institutions, to coordinate regulatory and supervisory matters related to financial institutions. FISC meets quarterly to facilitate information sharing and discuss emerging risks, supervisory issues, and matters relevant to financial stability. In addition to the Superintendent, FISC members include the Commissioner of the FCAC, the Governor of the Bank of Canada, the Chief Executive Officer of the CDIC, the Deputy Minister of Finance, and the Director of FINTRAC.

We also engage with federal safety net partners through other committees, including the Senior Advisory Committee, chaired by the Deputy Minister of Finance, and the Heads of Regulatory Agencies Committee, chaired by the Governor of the Bank of Canada.

FINTRAC Joins the Financial Institutions Supervisory Committee

On March 26, 2026, the *Strengthening Canada's Immigration System and Borders Act* received Royal Assent, adding the Director of FINTRAC as a member of FISC. The Act also amended the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* to authorize FINTRAC and other FISC members to exchange supervisory information relevant to FISC's mandate. These changes strengthen coordination across the federal financial safety net and support a more integrated approach to financial integrity, national security, and prudential supervision. For more information, visit our website to learn how we work with FINTRAC.

Provincial regulatory authorities

We collaborate with provincial regulatory authorities to support coordinated supervision, exchange information and perspectives on emerging issues, and promote a consistent, well-informed regulatory environment across jurisdictions. These relationships help us maintain awareness of risks and developments across Canada's broader financial sector.

Security and intelligence partners

In an increasingly complex threat environment, we engage with security and intelligence partners to strengthen situational awareness and identify risks that could affect the integrity and security of the financial sector. These partnerships help informs our supervision and contribute to a more coordinated understanding of emerging threats.



International collaboration

International organizations play an important role in promoting a resilient global financial system. We participate in international standard-setting bodies and supervisory fora to help shape regulatory frameworks, remain aligned with global standards and best practices, and tailor our approach to Canada's risk environment. Key international organizations include the Financial Stability Board, the Basel Committee on Banking Supervision, and the International Association of Insurance Supervisors. Through sustained participation, we contribute Canadian perspectives and maintain a strong international reputation.

We also participate in supervisory colleges for internationally active financial institutions with operations in Canada. These colleges bring together foreign regulators to exchange supervisory perspectives, discuss institution-specific risks and risk management practices, and support coordinated oversight of cross-border groups. In 2025-26, we hosted six supervisory colleges. This collaboration helps us understand how global developments may affect Canadian operations and strengthens our ability to supervise institutions with complex international footprints.

The Risk Environment We Operate In

We published our 2025-26 Annual Risk Outlook in March 2025 and our Semi-Annual Risk Outlook update in October 2025. These publications noted that Canada's financial system remained resilient, while highlighting persistent vulnerabilities related to elevated debt levels, shifting interest rate conditions, and continued economic and geopolitical uncertainty. They also identified prominent non-financial risks, particularly those related to technology, cyber, and third-party dependencies.

The 2025-26 Annual Risk Outlook identified four priority risks facing Canada's financial system: integrity and security, wholesale credit, funding and liquidity, and real estate secured lending and mortgage risk. The Semi-Annual Risk Outlook reaffirmed these priorities and highlighted additional uncertainty related to tariffs and trade, alongside continued strains in the housing market.

In April 2026, in response to the evolving risk environment, we substantially revised the 2026-27 Annual Risk Outlook to sharpen our focus on three priority areas: real estate secured lending, non-bank financial intermediation, and funding and liquidity. Beyond these top risks, we remain vigilant across a broader set of key risks, including wholesale credit risk, artificial intelligence, cyber and technology, integrity and security, and third-party risk, among others.

Overall, these outlooks reinforced the need for strong governance, effective risk management, and focused supervision, recognizing that outcomes increasingly depend on how vulnerabilities interact under stress. These dynamics shaped our supervisory and regulatory priorities in 2025-26 as we worked to strengthen the resilience of Canada's financial system in a changing operating environment. During 2025-26, we focused on the following ways risks can spread and intensify:

- **Interconnectedness and systemic risk**: Reliance on common service providers, shared funding markets, and similar business models can transmit shocks across institutions, while operational or integrity-related events can trigger loss of confidence and liquidity pressure.
- **Non-bank financial institutions**: Growing linkages with banks and insurers can increase spillover risk through counterparty exposures, margin calls, and liquidity demands. Arrangements such as synthetic risk transfers, which can shift credit risk and concentrate exposures under stress.
- **Liquidity and funding risk**: While liquidity buffers remain important, their usability under stress is critical, especially when market volatility and confidence shocks coincide with operational constraints.
- **Operational resilience and third-party reliance**: Cyber incidents, financial crime, data breaches, or third party service provider failures can disrupt critical services, undermine confidence, and amplify financial stress.
- **Crypto-asset and financial innovation risk**: We monitored intersections with regulated entities, including custody, settlement, client services, and stablecoin arrangements, where risks are shaped by governance and the degree of integration.
- **Climate-related financial risk**: Physical, transition, and liability risks can affect asset values and business models over time.
- **Model and data risk**: Increasing reliance on models and imperfect data can heighten uncertainty, particularly when conditions deviate from historical patterns.



Sylvain Lortie
Classification Advisor - Workforce Organization, Resourcing, Learning and Development



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Administrative Coordinator - Supervision Central Office

Chapter 2: Key Accomplishments

In 2025-26, we translated risk awareness into practical action. Across our responsibilities for financial institutions and pension plans, we sharpened oversight, clarified expectations, focused attention on the most material risks, and strengthened preparedness and operational resilience through a risk-based, proportional and judgement-driven approach.

Aligned with OSFI's 2025-26 Departmental Plan and Strategic Plan 2024-27, we made substantial progress across six strategic priorities:

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

We delivered these results amid sustained uncertainty and rising risks, while operating within budgetary constraints through deliberate trade-offs, internal reallocations, efficiency gains, and disciplined use of resources.

Strategic priority: Integrity and security regime

This year, we strengthened our integrity and security oversight and advanced our national security regime by placing greater emphasis on identifying and assessing integrity risks, and by applying intelligence to better understand how financial integrity, governance, and national security risks intersect.

We further integrated integrity and security considerations into our assessment of regulatory approvals and across our supervisory work, including planning, risk assessments, examinations, and ongoing monitoring. We also deepened collaboration with domestic partners and increased direct engagement with financial institutions to strengthen situational awareness, preparedness, and accountability.

Key achievements in 2025-26:

- Advanced a common supervisory approach to integrity and security oversight while clarifying roles, governance, and interaction models to support more consistent and scalable supervision of related risks.
- Built anti-money laundering knowledge and capacity and contributed to broader Government of Canada efforts to strengthen Canada's anti-money laundering regime.
- Strengthened the assessment of integrity and security risks through targeted reviews, including privacy and data governance reviews.
- Developed tailored intelligence products to support supervisory activities, regulatory approvals, and assessments of integrity and security risks, including risks related to foreign interference and high-risk jurisdictions.
- Implemented legislative amendments to enhance our integrity and security authorities and deepened collaboration with FINTRAC and other security and intelligence partners to enhance situational awareness and supervisory assessments.
- Advanced the tools, systems, authorities, secure infrastructure, and classified information-handling processes needed to support intelligence integration, oversight, and engagement with security and intelligence partners.
- Expanded engagement with financial institutions through targeted threat briefings and information sharing.

Strategic priority: Supervisory renewal

This year, our supervisory work was shaped by a risk environment marked by heightened uncertainty, greater interconnectedness, and faster transmission of stress. Evolving market risks, including trade and tariff uncertainty, increased pressure on financial institutions' financial strength and resilience. In response, we enhanced our monitoring and engagement to assess potential impacts on cash flows, asset values, liquidity, and confidence.

We also continued to renew our supervisory approach by strengthening the foundations for effective, consistent, and risk-based oversight. We advanced our Supervisory Framework and aligned our supervisory activities proportionally to the nature, size, complexity, and risk profile of institutions.

Key achievements in 2025-26:

- Strengthened the Supervisory Framework and the Guide to Intervention for Federally Regulated Deposit-Taking Institutions by clarifying expectations for proportionality, integrating integrity and security considerations, and improving how risk assessments translate into intervention.
- Built supervisory capacity by clarifying ratings, introducing new tools, and articulating escalation pathways. This improved consistency across teams, strengthened the integration of financial and non-financial risks, and supported earlier engagement when vulnerabilities emerged.
- Advanced capital supervision through the Holistic Capital Plan and new methodologies and tools for interest rate risk in the banking book and credit concentration risk, strengthening our ability to assess banks' internal risk measurement frameworks and governance.
- Prioritized liquidity supervision and institutional stress preparedness by delivering key milestones under the Holistic Liquidity Plan, including the Internal Liquidity Adequacy Assessment Process discussion paper and the final 2026 Liquidity Adequacy guideline.
- Enhanced systems to better track internal resource allocation, including a standardized resource allocation model and new system capabilities to track and report on monitoring outcomes.

Supervisory Framework Post-Implementation Review

A post-implementation review of the renewed Supervisory Framework, completed in 2025-26, confirmed improvements in the clarity, transparency, and proportionality of supervisory outcomes. Findings released in the November 2025 Summary report: Supervisory Framework post-implementation review will inform targeted refinements to guidance, training, and internal processes throughout 2026-27 to strengthen supervisory consistency across teams.

Supervisory capability building

This year, we also strengthened our capabilities to support effective supervision, including analytics, monitoring tools, intervention processes, and engagement with boards and senior management.

Key achievements in 2025-26:

- Expanded supervisory analytics by advancing the liquidity risk score, launching centralized bilingual supervisory dashboards and tools, and developing a standardized glossary of metrics to support consistent interpretation and use of supervisory data.
- Updated training for monitoring, applied post-implementation review findings, and developed a second-line approach to assessing supervisory effectiveness.
- Advanced the use of technology in supervision by developing and piloting a generative AI tool designed to streamline quarterly monitoring activities.
- Strengthened supervisors' ability to incorporate integrity and security risks and considerations into day-to-day supervisory oversight by providing targeted intelligence tools and advisory support to inform risk assessments, monitoring, and supervisory planning.

Table 1: Supervisory activities of financial institutions

Measures	2022-23	2023-24	2024-25	2025-26
Number of supervisory reviews completed	**Over 130**	**140**	**174**	**161**
Number of supervisory letters issued	**375**	**368**	**744[2]**	**859[3]**
Number of supervisory colleges hosted by OSFI	**7**	**3**	**5**	**6**

Note: There were 14 staged institutions, as of March 31, 2026.

[2] The increase in 2024-25 supervisory letters is attributed to several thematic reviews, including a cross-sector review in relation to our new integrity and security mandate, which resulted in letters to more financial institutions. Additionally, annual supervisory letters were extended to branches

[3] The increase in 2025-26 supervisory letters was driven by a rise in thematic reviews, as insights from these reviews were shared more broadly with industry.

Policy modernization

Building on the most comprehensive Modernization review of our guidance library to date, throughout 2025-26 we streamlined and consolidated guidance to improve coherence across the regulatory framework, reduce unnecessary burden, and reinforce a more agile, risk-based approach.

Key achievements in 2025-26:

- Scaled back planned releases and consolidated guidance where appropriate so institutions could focus on the most material risks. This initiative modernized, consolidated, or removed more than 50 guidance documents representing more than 600 pages of content in both English and French, reducing duplication and improving clarity during a period of heightened economic uncertainty.
- Strengthened policy planning and delivery by improving sequencing and placing greater emphasis on clear communication and implementation readiness, supported by executive oversight of the two-year policy release plan.

New guidance and key publications

This year, we continued regular quarterly releases and industry days, with releases in May, September, November 2025, and January 2026, as well as an ad hoc July 2025 release on capital requirements for federally regulated life insurers. These releases remain an important part of our focused and transparent policy approach, helping us engage industry on critical risks. We also used the Annual Risk Outlook and Semi-Annual Risk Outlook to signal and sequence priorities and support predictable, risk-focused implementation across the financial sector.

This year, we have issued eight new and/or updated guidance documents and completed four consultations, as outlined below. Additional information on our guidance library, consultations, and policy releases and announcements schedule is available on our website.



Table 2: New guidance and key publications issued in 2025-26

Date Issued	Guidance / Publications	Current Status (as of March 31, 2026)
May 22, 2025	Life Insurance Capital Adequacy Test Guideline (2025) —Letter	**Regulatory notice on adjustments; effective immediately.** Provided timely targeted guidance for life insurers by removing the limit on deductions from available capital for certain stop-loss reinsurance arrangements and aligning the treatment of unregistered reinsurance of segregated fund guarantees with the underlying risk exposure.
Jul 3, 2025	Update on Capital Requirement for Federally Regulated Life Insurers— Letter	**Policy update; effective immediately; next broader revision deferred to post-2028.** Reduced capital requirements for qualifying domestic infrastructure debt and equity and provided greater policy predictability by deferring the next broad revision to the Life Insurance Capital Adequacy Test guideline, while allowing targeted interim adjustments if needed.
Sep 11, 2025	Capital Adequacy Requirements— Guideline (2026)	**Final guidance; effective November 1, 2025 or January 1, 2026**[4]**.** Updated capital rules for banks, trust companies, and loan companies to improve clarity and consistency and better align requirements with underlying risks, including targeted clarifications on combined loan products, certain United States government-sponsored entities, residential real estate classification, and selected market risk rules.
Sep 11, 2025	Small and Medium-Sized Deposit-Taking Institutions Capital and Liquidity Requirements— Guideline (2026)	**Final guidance; effective November 1, 2025 or January 1, 2026.** Provided a proportionate prudential framework for small and medium-sized deposit-taking institutions by linking their capital, leverage, and liquidity requirements to the broader Capital Adequacy Requirements and Liquidity Adequacy Requirements guidelines, while tailoring expectations to institution size and complexity.
Sep 11, 2025	Guideline E-23—Model Risk Management (2027)	**Final guidance; effective May 1, 2027, with an 18-month transition period.** Established a principles-based, risk-based framework for managing model risk across financial institutions, including risks associated with AI and machine learning, while allowing institutions time to implement the guidance proportionately.

[4] Effective November 1, 2025, or January 1, 2026, for financial institutions with a fiscal year ending October 31 or December 31, respectively.

Table 2: New guidance and key publications issued in 2025-26 - continued

Date Issued	Guidance / Publications	Current Status (as of March 31, 2026)
Sep, 2025	Guideline E-15: Appointed Actuary: Legal Requirements, Qualifications and Peer Review — Backgrounder	**Backgrounder published.** Explained updates to Guideline E-15 related to appointed actuary legal requirements, qualifications, and peer review expectations.
Nov 20, 2025	Minimum Capital Test— Guideline (2026)	**Final guidance; effective January 1, 2026.** Improved clarity and consistency in the capital framework for federally regulated property and casualty insurers by simplifying the unexpired coverage formula, clarifying treatment for insurance receivables in foreign branches, updating user-fee capital confirmation requirements.
Jan 29, 2026	Liquidity Adequacy Requirements— Guideline (2026)	**Final guidance; effective May 1, 2026.** Clarified how evolving funding products should be treated in liquidity metrics, especially structured notes and partnership deposits sourced through non-bank financial intermediaries, helping improve consistency in liquidity measurement while reflecting market innovation and supporting prudent liquidity planning.

Draft guidance issued for consultation

Throughout the year, we advanced a focused consultation agenda to strengthen prudential guidance on capital, liquidity, credit risk, and governance and accountability. Our draft guidance process gathers stakeholder input before guidance is finalized or revised, helping improve clarity, effectiveness, and proportionality.

Table 3: Draft guidance issued for consultation in 2025-26

Date Issued	Guidance / Publications	Current Status (as of March 31, 2026)
May 22, 2025	Internal Liquidity and Funding Risks: Designing an Internal Liquidity Adequacy Assessment Process for Canadian Deposit-Taking Institutions— Discussion Paper	**Closed on August 22, 2025.** Launched a 90-day consultation on Pillar 2 liquidity and funding risks for Canadian deposit-taking institutions, seeking feedback on a potential Internal Liquidity Adequacy Assessment Process and on proportional implementation, including reporting requirements.

Date Issued	Guidance / Publications	Current Status (as of March 31, 2026)
Nov 20, 2025	Capital Adequacy Requirements—Guideline (2027)	**Closed on February 18, 2026; effective November 2026 or January 2027.**[5] Proposed targeted changes to make capital requirements more risk-sensitive and easier to apply, including revisions affecting land acquisition, development and construction exposures, exposures to small and medium-sized enterprises, exposures to investment-grade corporates, and selected market risk requirements.
Jan 29, 2026	Credit Risk Management—Consultative document	**Open as of March 31, 2026; feedback was due July 29, 2026.** Began work to consolidate and modernize OSFI's credit risk expectations into a single framework, with the goal of improving regulatory and supervisory efficiency, reducing complexity, and better addressing emerging credit risks such as private credit and non-bank financial intermediation.
Jan 29, 2026	Proposed senior leader regime—Consultative document	**Open as of March 31, 2026; feedback due October 31, 2026.** Sought input on modernizing suitability and accountability expectations for senior leaders of federally regulated financial institutions, with the aim of strengthening governance, resilience, and public trust in a more complex risk environment.

Strategic priority: Critical functions

This year, our critical functions focused on maintaining resilience in a more uncertain and interconnected risk environment. We maintained the Domestic Stability Buffer at 3.5% to ensure capital remains available in a stress event,[6] sharpened our monitoring of housing-related vulnerabilities, and continued to deliver timely and predictable approvals. We also advanced supervisory and policy work across financial institutions and pension plans to support resilience, clarity, and operational effectiveness.

[5] Effective November 1, 2025, or January 1, 2026, for financial institutions with a fiscal year ending October 31 or December 31, respectively.

[6] In June 2026, the Domestic Stability Buffer and its range were lowered to provide Canada's largest banks with greater flexibility to deploy capital in support of domestic investment opportunities stemming from shifts in trade policy, evolving geopolitical tensions, and technological innovation.

The Domestic Stability Buffer

The Domestic Stability Buffer is additional capital that Canada's six Domestic Systemically Important Banks must hold. It is intended to be used in periods of stress, allowing banks to absorb losses and continue lending. The buffer is set within a range, currently from 0 to 4%, based on our assessment of systemic vulnerabilities and risks, and is adjusted when conditions materially change.

In June and December 2025, we maintained the buffer at 3.5% of risk-weighted assets. This reflected our view that system-wide vulnerabilities remained elevated but stable, and that the buffer continued to be proportionate to the risks.

Banks' capital remains strong. Average Common Equity Tier 1 ratios were approximately 13.6%, above the 11.5% supervisory expectation. If vulnerabilities increase materially, the buffer could rise. If risks begin to materialize into financial system stress or have sufficiently dissipated, the buffer could be lowered to support lending.

"OSFI uses the Domestic Stability Buffer tool to ensure Canada's six systemically important banks hold capital that is appropriate for the level of risk in the financial system. This underpins the resilience of Canada's financial sector. Today, Canada's six largest banks hold capital levels well above supervisory expectations. This enables them to provide core banking services to the Canadian economy throughout the business cycle."

– Peter Routledge, Superintendent of Financial Institutions

Targeted new entrants

To support innovation and competition in the Canadian financial system, we are modernizing how targeted new entrants access the federal financial system. As business models and technologies evolve, we are making the path to a federal license faster, clearer, and more predictable, while maintaining prudential standards and public confidence.

The streamlined approvals framework will support more tailored reviews of eligible applications and aligns with broader federal policy direction.[7] It is expected to launch in 2026 for eligible applicants and is designed to create efficiencies while maintaining service standards for other applications.

> "OSFI intends to launch the streamlined framework in June 2026 to test our approach. The initial scope will focus on credit unions and entities with technologically innovative or emerging banking models, such as fintechs and crypto custodians."
>
> – Peter Routledge, Superintendent of Financial Institutions

International Monetary Fund Financial Sector Assessment Program

The International Monetary Fund's (IMF) Financial Sector Assessment Program is a periodic, in-depth review of a country's financial sector resilience and the effectiveness of its oversight and crisis-management frameworks. In July 2025, the IMF completed Canada's 2025 Financial System Stability Assessment.

The IMF assessed Canada's financial system as strong, well regulated, and generally resilient under severe solvency and liquidity stress scenarios. It highlighted the importance of continued monitoring of household debt and residential real estate exposures. It also emphasized the need for stronger federal-provincial cooperation and information sharing, particularly for monitoring risks in non-bank financial institutions and improving related data and stress testing. The IMF further noted that effective oversight depends on clear supervisory mandates, strong operational independence and budgetary autonomy, and adequate resources. We are incorporating these insights into our supervisory planning and policy work.

[7] Budget 2025 included measures to facilitate federal entry for credit unions.

Financial institutions

This year, our supervision of deposit-taking financial institutions focused on credit and liquidity risks. Our work emphasized early risk identification of borrower stress, prudent underwriting, and stronger use of stress-testing in risk appetite and portfolio decisions.

Key achievements in 2025-26:

- Implemented a quarterly monitoring approach for loan-to-income limits to track newly originated uninsured mortgages above a 4.5x loan-to-income ratio at each financial institution.
- Deepened engagement with boards and senior leaders through three pilot onboarding sessions for Directors, including two virtual sessions attended by more than 200 board members, and through 360 assessments for 32 Supervision executives.

Residential mortgage lending and household leverage

Our supervisory work on residential mortgage lending and household leverage focused on whether underwriting standards and portfolio risk management were producing resilient outcomes under adverse conditions. Overall, the Canadian financial system remained resilient. Where vulnerabilities or weaknesses were identified, we took supervisory action to support timely remediation and strengthen risk management.

Key achievements in 2025-26:

- Assessed the effectiveness of Guideline B-20: Residential Mortgage Underwriting Practices and Procedures with a focus on whether underwriting standards and portfolio practices supported resilience under stress, particularly for mortgage renewals, refinancing risk, and borrower-level monitoring.
- Increased supervisory challenge on repayment capacity and renewal risk, and required remediation where governance, risk culture, or risk management weaknesses were identified.
- Strengthened the use of stress-testing by challenging scenario severity and plausibility, and requiring clearer links between stress test results, risk appetite, capital and liquidity planning, and portfolio management actions.

Pension plans

Our work on pension plans in 2025-26 focused on improving the consistency and efficiency of pensions supervision and approvals through stronger processes, enhanced monitoring standards, and better analytics.

Key achievements in 2025-26:

- Implemented our internal tool to standardize supervision and approvals processes, and to improve consistency and efficiency.
- Enhanced pensions analytics through dashboard rationalization, including through performance improvements, standardization of key metrics, streamlined reporting, and automation that improved workflow efficiency.
- Improved plan monitoring and follow-up on late contribution remittances by reinforcing expectations for timely reporting and accurate communication with plan custodians, including keeping contribution planners current to avoid preventable non-remittance reporting issues.

Pension Plans Survey 2025-26 Results

As part of our commitment to continuous improvement, we periodically seek feedback from pension plan administrators and other stakeholders, including third-party administrators, actuaries, lawyers, and industry associations. The 2025-26 Pension Plan Survey was administered by an independent third party. Key findings are as follows:

- **Strong confidence in OSFI's oversight:** Most plan administrators and professionals report high satisfaction with OSFI's role as regulator and supervisor, with three-quarters of respondents agreeing that it focuses on the right areas of risk.
- **Continued improvement in performance:** The overall perception of OSFI remains positive, with notable gains in clarity of expectations, more timely processing of regulatory approvals, and enhanced support for plan compliance, including clear written communication.
- **Positive reception of the Supervisory Framework:** Nearly three-quarters of respondents found the new Supervisory Framework helpful, highlighting its value in supporting their work.

The final report on the Pension Plans Survey 2025-26 can be found on our website.

Office of the Chief Actuary

This year, the OCA continued to provide independent actuarial analysis and advice to support transparency and informed decision-making for key federal programs, including Canada's social security arrangements. By providing objective analysis of demographic, economic, and investment trends, and reinforcing credibility through independent peer reviews, the OCA supports sound policymaking and contributes to confidence in the long-term financial stewardship of these programs.

Key achievements in 2025-26:

- Submitted the Actuarial Report on the pension plan for the Royal Canadian Mounted Police as at 31 March 2024, to the President of Treasury Board and tabled in Parliament in November 2025.
- Submitted the 2025 Special Actuarial Report on the financial position of the Public Service Pension Fund as at 31 March 2025, to the President of Treasury Board and tabled in Parliament in December 2025.
- Presented the 2026 Actuarial Report on the Employment Insurance Premium Rate, to the Canada Employment Insurance Commission and published in September 2025.
- Submitted the Actuarial report on the Canada Student Financial Assistance Program as at 31 July 2024, to Employment and Social Development Canada and published in September 2025.
- Strengthened the foundations for consistent delivery of actuarial services by advancing its Quality Management Process.

"The findings of 32nd Actuarial Report on the Canada Pension Plan reaffirm that the Canada Pension Plan is on solid financial footing and will continue to provide reliable retirement income for Canadians for decades to come."

– Assia Billig, Chief Actuary of the Government of Canada

Actuarial Reporting on the Canada Pension Plan

The 32nd Actuarial Report on the Canada Pension Plan was tabled in Parliament and published on our website, providing independent analysis to support public understanding of Canada's social security programs. The report concluded that statutory contribution rates are sufficient to sustain both the base and additional Canada Pension Plan over the long term, even as demographic pressures increase. It also projected that Canada Pension Plan assets would continue to grow, with investment income playing a larger role over time.

The 32nd report on the Canada Pension Plan is designed to support informed decision-making through transparent, expert analysis of long-term trends. To reinforce confidence in the credibility of the analysis, the OCA launched an independent external peer review process in June 2025, with the review expected to take place in 2026.

On June 8, 2026, the OCA published the 33rd Actuarial Report supplementing the Revised Actuarial Report on the Canada Pension Plan. The report assessed the effect of a proposed reduction in the statutory contribution rate for the base Canada Pension Plan.



The OCA team

Strategic priority: Data management and analytics

Strong data foundations and secure digital tools are essential to effective, resilient supervision and reliable operations. In 2025-26, we strengthened data quality and expanded analytics to improve the timeliness and consistency of supervisory judgement, while advancing modernization of our data collection systems.

Key achievements in 2025-26:

- Strengthened data quality capacity and tools to improve the reliability of key supervisory datasets, with efforts to continue focusing on real estate secured lending and non-retail data.
- Improved data literacy and consistency by delivering a standardized glossary of metrics that supports a common set of definitions across supervisory monitoring.
- Advanced data governance work and delivery for implementation of enterprise data governance policies in 2026-27.

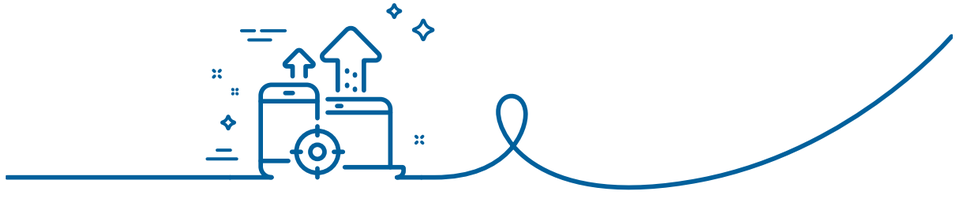
Digital tools and artificial intelligence

Digital modernization

Digital modernization in 2025-26 supported secure operations and strengthened supervisory effectiveness through better tools, clearer workflows, and improved data infrastructure.

Key achievements in 2025-26:

- Enhanced digital tools for supervisory monitoring by improving workflow, tracking, and reporting, supporting more consistent and data-informed oversight across teams.
- Strengthened forward-looking supervision by developing data-driven liquidity risk scores that provide supervisors with comparable, objective metrics to support timely, targeted judgement.



Data Collection Modernization

With our partners the Bank of Canada and Canada Deposit Insurance Corporation, we advanced the tri-agency Data Collection Modernization initiative and met key milestones toward a modern, cloud-based supervisory technology platform. The initiative will support a phased transition to a new regulatory reporting platform between fall 2026 and spring 2028, while improving data quality and helping institutions and pension plans manage reporting requirements more efficiently.

Key achievements in 2025-26:

- Completed vendor planning, beginning technical implementation, and meeting all 2025-26 implementation targets.
- Finalized the solution architecture, provisioned the platform infrastructure, and implemented the base solution in the development environment.
- Strengthened industry readiness and engagement through implementation planning meetings, technology forums, and broader engagement with institutions and plan administrators to support a smooth phased transition beginning in fall 2026.

Artificial intelligence

AI can sharpen insight and boost productivity, but it also introduces operational, integrity, and security risks. Our approach supports innovation while maintaining disciplined oversight. We engage regularly with industry to build an evidence-based view of emerging risks and help ensure AI adoption is grounded in strong governance, controls, and resilience.

Key achievements in 2025-26:

- Strengthened enterprise governance and coordination by establishing an AI Working Group and advancing related initiatives to support responsible AI use across the organization.
- Advanced our enterprise AI strategy and began using the latest Copilot-based AI model capabilities to support supervisors with quarterly monitoring activities and automate repetitive tasks. These tools are designed to augment—not replace—supervisory judgement, and supervisors remain accountable for validating output and making final decisions.

Financial Industry Forum on AI II: A Collaborative Approach to AI

In July 2025, with the Global Risk Institute, we co-led the second phase of the Financial Institutions Industry Forum on Artificial Intelligence. This collaborative initiative deepened our understanding of how AI is reshaping risks and opportunities across the financial system and supported the exchange of effective risk management practices.

Forum discussions highlighted several areas requiring continued attention, including strategic risk, AI-enabled security and cyber threats, third-party concentration, and AI supply chain vulnerabilities. To support safe and responsible AI adoption, the Forum set out a blueprint for resilience and growth in an AI-driven economy, grounded in continued awareness, strong guardrails, ongoing innovation and learning, stronger third-party oversight, regulatory clarity, and fortified system-wide defences.

Strategic priority: Operational resilience

Operational resilience enables us to deliver on our mandate and sustain trust in supervision and internal operations in a more uncertain, threat-intensive environment. This year, we strengthened readiness by prioritizing continuity of critical functions, enhancing crisis and threat response arrangements, and embedding security considerations more consistently into day-to-day operations.

Resilience also depends on reliable internal platforms, strong information management, and the capacity to sustain core services under pressure. This year, we improved our ability to anticipate disruption and deliver with consistency by reinforcing integrity and security practices and continuing to mature our cybersecurity posture.

Cybersecurity posture

Cyber risks remain key drivers of disruption, given reliance on technology, third-party dependencies, and evolving threat conditions. Our layered cyber security posture focuses on prevention, detection, and response, supported by clear escalation paths and senior oversight.

Key achievements in 2025-26:

- Strengthened our readiness for critical operations by completing Business Continuity Plans and identifying all critical functions and systems.
- Continued to mature our cybersecurity posture by investing in data protection capabilities, threat detection, vulnerability management, and overall compliance.

Operational risk management

Operational resilience also depends on the reliability of internal platforms, information management, and the ability to sustain core services under pressure. This year, we strengthened our ability to anticipate disruption and sustain reliable delivery.

Key achievements in 2025-26:

- Strengthened enterprise access to reliable risk information by maturing the Internal Risk Dashboard into a business-as-usual decision support tool.
- Reduced internal information complexity and improved platform stability by significantly streamlining intranet content and progressing migration to a modern intranet platform.
- Enhanced organizational crisis readiness by formalizing and operationalizing national security event response capacity within the integrity and national security function.

Internal audit

Our Internal Audit group provides independent assurance and advice that strengthens organizational governance, controls, and risk management.

Key achievements in 2025-26:

- Completed the audits of Budgeting and Financial Management, Supervision Insurance, and Cybersecurity Governance and Risk Management, which strengthened transparency, consistency, escalation practices, and senior oversight.
- Internal Audit Performance Results confirmed compliance with Treasury Board and professional standards.

Strategic priority: Culture

A strong organizational culture enables us to deliver our mandate effectively and sustainably. This year, we reinforced integrity and values, strengthened risk-aware behaviours through enterprise risk management, and invested in leadership and people.

Key achievements in 2025-26:

- Continued to embed risk and security considerations into day-to-day behaviours by strengthening our internal security culture. Targeted communications and activities helped make an enhanced security posture business-as-usual, and we updated security screening processes to reflect a heightened risk environment.
- Fostered a workplace culture grounded in integrity, learning, and leadership accountability, reinforcing a growth mindset and our critical success factors of grit, urgency, and integrity.
- Strengthened organizational integrity by delivering mandatory Values and Ethics training and equipping leaders with tools to support meaningful conversations on accountability and public service values.
- Advanced accessibility, equity, diversity, and inclusion through targeted actions, including addressing accessibility barriers in the hybrid workplace and initiating work on an employee service portal with a single accessibility catalogue. Representation of employees with disabilities also increased from 9.3% to 10.2%.

Legislative requirements

In addition to the activities described above, we are required under various federal statutes to carry out and report on specific supervisory, approval, and actuarial functions. These legislated reporting requirements are set out in Annex B of this report.



Ellis Paulin
Senior Supervisor - Legislative Affairs and Strategic Relations Division



Bojana Terzic
Chief of Staff- OCA



Justin Blank
Specialist - Banking Risk and Capital



Marzouk Lekkam
Principal Analyst - Domestic Banking



Julie Chalbot
Director - Strategic Governance Office



Regan Toews
Principal Analyst - Finance

Chapter 3: Looking forward

Looking ahead, our 2026-27 Annual Risk Outlook focuses on real estate secured lending, non-bank financial intermediation, and funding and liquidity. We will also remain vigilant across a broader set of key risks, including wholesale credit risk, AI, cyber and technology, integrity and security, and third-party risk, among others. As global financial interconnections deepen, we will continue to strengthen our ability to detect risks early, reinforce expectations for operational resilience, and work with institutions and partners to keep essential financial services stable, secure, and trusted.

Canadians can be confident in their financial system today because it has been built over time with strong safeguards and tested resilience. Canada's financial system continues to stand out globally, and our work helps ensure it remains stable and secure for all of Canada.





Tabassum Khan
Policy and Program Advisor - Planning, Programs, Systems, and Analytics



Josée Brunette
Deputy Chief of Staff- Office of the Superintendent



Ryan West
Senior Actuary- OCA



Diana Tsai
Principal Analyst - Risk Quantification



Evan McKibbon
Senior Actuarial Officer- Social Insurance Programs



Jesus Antolin Sierra Jimenez
Manager - Risk Quantification



Sharon Grossi
Executive Assistant
Deputy Superintendent -Risk, Strategy and Policy

Chapter 4: 2025-26 Financial Overview

Financial review and highlights

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

The amount charged to individual financial institutions is set out in regulations for our main activities:

- 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 a provision of a financial institution's act and are charged in accordance with the Administrative Monetary Penalties Regulations. These penalties 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 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 and some federal government entities, including the provision of advice in the form of reports tabled in Parliament. These services are funded by fees charged to either the underlying pension plan or the federal government entity to which advisory services are provided, and by a parliamentary appropriation.

Significant activities for 2025-26

During 2025-26, we continued implementing our Strategic Plan 2024-27. The plan advances key priorities, including supervisory renewal, culture, data management and analytics, support for our expanded mandate (integrity and security regime), and risk mitigation through prioritization of critical functions and operational resilience.

As part of our risk mitigation efforts, we have prioritized critical functions and strengthened our operational resilience. Through this process, we identified the need for additional resources to fully support our expanded mandate in critical areas including:

- cybersecurity posture
- supervisory oversight
- support for data maturation
- integrity and national security

To ensure these priorities are adequately resourced without increasing their overall full-time equivalent workforce, we launched a workforce adjustment process on September 4, 2025. This process resulted in the elimination of 82 positions within our organization. The workforce adjustment process allows our organization to reallocate resources to these four priority areas while also meeting our Departmental Plan commitments to return to our full-time equivalent cap of 1,295 by March 31, 2027.

Costs of approximately $12.1 million related to the workforce adjustment have been included in 2025-26 costs.

2025-26 financial overview

Our financial statements for the 2025-26 fiscal year can be found in Annex A: Consolidated financial statements and Deloitte report.

Total costs were $332.6 million, an increase of $18.2 million, or 5.8%, from the previous year. Personnel costs, our largest expense, increased by $14.3 million, or 5.7%. This variance reflects annual compensation adjustments and costs related to the workforce adjustment process, partly offset by a decrease in the number of full-time equivalent employees. Professional services costs increased by $3.3 million, or 11.8%, as we invested in implementing initiatives outlined in the Strategic plan. All other costs increased by a combined $0.5 million.

Our full-time equivalent employee count for the year ending on March 31, 2026 was 1,229, a 3.8% decrease from the previous year.

Financial institutions

Revenues

Total revenues from financial institutions were $306.7 million, an increase of $19.2 million or 6.7% 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, increased by $18.4 million or 6.6% from the previous year.

Revenue from user fees and charges increased by $0.6 million or 8.7% because of the full-year impact on surcharge assessments of financial institutions that were staged in 2024-25.

Revenue from cost recovered services increased by $0.2 million or 10.4%, reflecting an increase in the amount of work performed for federal Crown corporations.

Costs

Total costs attributed to financial institutions were $306.7 million, an increase of $19.2 million or 6.7% from the previous year. The increase is primarily due to higher personnel costs ($13.8 million) and by higher professional services ($4.1 million), as explained above.

Pension plans

Assessments

Our costs to regulate and supervise pension plans are recovered from an annual assessment charged to plans based on the number of beneficiaries. Plans are assessed upon applying for registration under the *Pension Benefits Standards Act, 1985* (PBSA), and annually thereafter.

The assessment rate is established based on our estimate of current year's 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 2025-26 was $12.00 per assessable beneficiary, up from $11.00 the previous year. Total fees assessed during the fiscal year were $9.0 million ($8.3 million in 2024-25), whereas total fees recognized as revenue in 2025-26 were $6.9 million (down from $9.1 million in 2024-25). The difference between revenue recognized and fees assessed gives rise to unearned or accrued assessments, as discussed below.

The excess or shortfall of assessments in any particular year is amortized over five years, in accordance with the assessment formula set out in regulations. This means that an annual shortfall or excess is recovered from, or returned to, pension plans over a period of five years, beginning one year after it is established, through an adjustment to the annual fee rate. The rate published in the *Canada Gazette* in September 2025 for 2026-27 is set at $12.00 per assessable beneficiary, unchanged from $12.00 for 2025-26. We anticipate this 2026-27 rate will fully recover the program's estimated annual costs. However, variations between actual and estimated costs or plan beneficiaries may result in an excess or shortfall of assessments in any given year.

Costs

The cost of administering the PBSA for 2025-26 was $6.9 million, a decrease of $2.2 million or 23.9% from the previous year and reflects a reduction in professional service costs and a significant recovery of receivables that had previously been provided for as bad debts. The reduction in professional services related to one-time costs incurred in 2024-25 for system renewal.

Assessments and Costs for Fiscal Years 2020-21 to 2025-26

($000, except Basic Fee Rate)

Fiscal year	2020 -21	2021 -22	2022 -23	2023 -24	2024 -25	2025 -26
Assessments	**7,131**	**7,093**	**7,223**	**8,015**	**8,252**	**8,957**
Costs	**7,175**	**7,351**	**5,613**	**7,556**	**9,085**	**6,918**
Basic fee rate* per assessable beneficiary	**10.00**	**10.00**	**10.00**	**11.00**	**11.00**	**12.00**

*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 $12.00 per member, the minimum annual assessment is $600 and the maximum is $240,000.

Actuarial valuation and advisory services

Revenues

The OCA is funded through fees for actuarial valuation and advisory services, as well as an annual parliamentary appropriation. In 2025-26, total expenses were $19.0 million, up $1.2 million, or 6.5%, from the previous year. The increase was mainly due to annual compensation adjustments, along with higher associated overhead costs.

ANNEX A: FINANCIAL STATEMENTS AND DELOITTE REPORT

ANNEX B: OSFI'S LEGISLATED REPORTING REQUIREMENTS

ANNEX A: Financial Statement and Deloitte Report

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, 2026, 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, 2026, 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 LLP

Chartered Professional Accountants

Licensed Public Accountants

June 16, 2026

Deloitte.

Statement of Management Responsibility including Internal Control over Financial Reporting

The accompanying financial statements for the year ended March 31, 2026 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, 2026 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
June 16, 2026



Adelle Laniel CPA
Chief Financial Officer



Peter Routledge
Superintendent of Financial Institutions

Office of the Superintendent of Financial Institutions

Statement of financial position

As at March 31, 2026 (in thousands of Canadian dollars)

	Note(s)	2026	2025
Financial assets			
Cash entitlement		**$ 94,021**	**$ 84,388**
Trade and other receivables, net	3, 4	**17,544**	**11,614**
Total financial assets		**111,565**	**96,002**
Liabilities			
Accrued salaries and benefits	11	**58,737**	**49,193**
Trade and other payables	4, 11	**10,554**	**6,218**
Unearned base assessments	11	**19,391**	**11,404**
Unearned pension plan assessments	11	**3,850**	**1,811**
Deferred revenue		**486**	**230**
Employee benefits – severance	6	**4,420**	**4,485**
Employee benefits – sick leave	6	**14,030**	**13,553**
Total financial liabilities		**111,468**	**86,894**
Net financial assets		**97**	**9,108**
Non-financial assets			
Tangible capital assets	5	**21,692**	**13,772**
Prepaid expenses		**3,891**	**2,800**
Total non-financial assets		**25,583**	**16,572**
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, 2026 (in thousands of Canadian dollars)

	Note(s)	Budget 2025-26	2026	2025
Regulation and supervision of federally regulated financial institutions				
Revenue		**$ 315,829**	**$ 306,682**	**$ 287,502**
Expenses		**315,829**	**306,684**	**287,502**
Net results before administrative monetary penalties		**-**	**(2)**	**-**
Administrative monetary penalties revenue	**8**	**50**	**1,247**	**530**
Administrative monetary penalties revenue earned on behalf of the Government		**(50)**	**(1,247)**	**(530)**
Net results		**-**	**(2)**	**-**
Regulation and supervision of federally regulated private pension plans				
Revenue		**8,954**	**6,918**	**9,085**
Expenses		**8,954**	**6,918**	**9,085**
Net results		**-**	**-**	**-**
Actuarial valuation and advisory services				
Revenue		**18,939**	**17,657**	**16,414**
Expenses		**20,263**	**18,981**	**17,817**
Net results		**(1,324)**	**(1,324)**	**(1,403)**
Net results from operations before government funding		**(1,324)**	**(1,326)**	**(1,403)**
Government funding	**4**	**1,324**	**1,326**	**1,403**
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, 2026 (in thousands of Canadian dollars)

	Note(s)	Budget 2025-26	2026	2025
Surplus from operations		**$ -**	**$ -**	**$ -**
Tangible capital assets				
Acquisition of tangible capital assets	5	**(8,715)**	**(11,246)**	**(2,122)**
Amortization of tangible capital assets	5	**7,591**	**3,326**	**2,951**
		(1,124)	**(7,920)**	**829**
Non-financial assets				
Change in prepaid expenses		**-**	**(1,091)**	**(255)**
(Decrease) increase in net financial assets		**(1,124)**	**(9,011)**	**574**
Net financial assets, beginning of the year		**9,108**	**9,108**	**8,534**
Net financial assets, end of the year		**$ 7,984**	**$ 97**	**$ 9,108**

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, 2026 (in thousands of Canadian dollars)

	Note(s)	2026	2025
Operating activities			
Cash receipts from financial institutions, pension plans and other government entities		**$ 351,174**	**$ 345,808**
Cash paid to suppliers and employees		**(329,048)**	**(331,726)**
Administrative monetary penalties revenue remitted to the consolidated revenue fund	**8**	**(1,247)**	**(530)**
Net cash provided by operating activities		**20,879**	**13,552**
Capital activities			
Acquisition of tangible capital assets	**5**	**(11,246)**	**(2,122)**
Net cash used in capital activities		**(11,246)**	**(2,122)**
Net increase in cash entitlement		**9,633**	**11,430**
Cash entitlement, beginning of the year		**84,388**	**72,958**
Cash entitlement, end of the year		**$ 94,021**	**$ 84,388**

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, 2026 (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 350 federally regulated financial institutions (FRFIs) and 1200 federally regulated pension plans (FRPPs).

In exercising its mandate OSFI protects 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. OSFI also protects the rights and interests of pension plan members, former members, and entitled beneficiaries.

OSFI's mandate is to:

- ensure FRFIs and FRPPs remain in sound financial condition and determine if pension plans are meeting minimum funding requirements and other requirements under the legislation
- 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

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, 2026. 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.

Base assessments – 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 cost-recovered 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 FRPPs or Actuarial valuation and advisory services are grouped with the regulation and supervision of FRFIs 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 2025-2026 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, 2026
Trade receivables	$ 7,306	1,939	$ -	$ 865	$ 10,110
User fees and charges	7,048	-	-	-	7,048
Cost-recovered services and other	-	-	-	2,288	2,288
Trade and other receivables, gross	14,354	1,939	-	3,153	19,446
Allowance for doubtful accounts	(161)	(1,741)	-	-	(1,902)
Trade and other receivables, net	14,193	198	-	3,153	17,544
Total	$ 14,193	$ 198	-	$ 3,153	$ 17,544
% of Total exposure	80.9 %	1.1 %	- %	18 %	100.0 %

	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
Total	$ 9,845	$ 180	$ 55	$ 1,534	$ 11,614
% of Total exposure	84.8 %	1.5 %	0.5 %	13.2 %	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 recoveries of impairment losses on trade and other receivables recognized during the year ended March 31, 2026 were $727 (Year ended March 31, 2025 - impairment loss $645).

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, 2026 (Year ended March 31, 2025 - $ 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, 2026	$ 7,746	$ 61	$ 16	$ 2	$ 2,285	$ 10,110
March 31, 2025	$ 2,973	$ 14	$ 1	$ 3	$ 4,111	$ 7,102

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, 2026, OSFI purchased goods and services for $80,251 (2025 - $69,728) and earned revenue of $20,621 (2025 - $18,659) 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	2026 Expenditure	2026 Payable	2025 Expenditure	2025 Payable
Treasury Board Secretariat	**Pension contributions, other employee benefits and other services**	**$ 56,105**	**$ 6,076**	**$ 49,851**	**$ 6,747**
Public Services Procurement Canada	**Rent and other services**	**$ 18,252**	**$ 360**	**$ 13,507**	**$ 729**

Entity	Nature	2026 Revenue	2026 Receivable/ (Payable)	2025 Revenue	2025 Receivable
Employment and Social Development Canada	**Actuarial valuation and advisory services**	**$ 8,564**	**$ (75)**	**$ 8,279**	**$ 28**

As at March 31, 2026, the amount of trade and other receivables and trade and other payables from related parties was $1,047 (March 31, 2025 - $417) and $6,554 (March 31, 2025 - $7,681), 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, 2026, OSFI was granted $1,326 (2025 - $1,403) 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, 2026 Cost	March 31, 2025	Acquisitions	Transfer to "in use"	Disposals	March 31, 2026
Leasehold improvements	**$ 20,835**	**$ 4,331**	**$ -**	**$ -**	**$ 25,166**
Furniture and fixtures	**398**	**-**	**-**	**-**	**398**
Office equipment	**1,369**	**86**	**-**	**-**	**1,455**
Informatics hardware	**6,161**	**6,313**	**-**	**(998)**	**11,476**
Externally purchased software	**723**	**516**	**-**	**(109)**	**1,130**
Internally developed software	**28,675**	**-**	**-**	**(3,150)**	**25,525**
Total	**$ 58,161**	**$ 11,246**	**$ -**	**$ (4,257)**	**$ 65,150**

Accumulated amortization	March 31, 2025	Amortization		Disposals	March 31, 2026
Leasehold improvements	**$ 15,692**	**$ 769**	**$ -**	**$ -**	**$ 16,461**
Furniture and fixtures	**398**	**-**	**-**	**-**	**398**
Office equipment	**1,007**	**166**	**-**	**-**	**1,173**
Informatics hardware	**4,200**	**1,096**	**-**	**(998)**	**4,298**
Externally purchased software	**607**	**74**	**-**	**(109)**	**572**
Internally developed software	**22,485**	**1,221**	**-**	**(3,150)**	**20,556**
Total	**$ 44,389**	**$ 3,326**	**$ -**	**$ (4,257)**	**$ 43,458**
Net book value	**$ 13,772**	**$ -**	**$ -**	**$ -**	**$ 21,692**

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

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. Leasehold improvements include $4,998 (March 31, 2025 — $1,148) in assets under construction that are not yet being amortized. Amortization will commence once these projects are substantially complete and placed into service. As at March 31, 2026, OSFI had $32,478 (March 31, 2025 - $ 35,515) 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, 2026 was 9.579% (2025 - 9.656%). Total contributions of $20,605 were recognized as expense for the year ended March 31, 2026 (2025 - $19,724).

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 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, 2026	March 31, 2025
Accrued benefit obligation, beginning of the year	$ 4,318	$ 4,575
Current service cost	290	318
Interest cost	127	154
Benefits paid	(447)	(536)
Actuarial gain	(354)	(193)
Accrued benefit obligation, end of the year	3,934	4,318
Unamortized net actuarial loss (gain)	486	167
Accrued benefit liability	$ 4,420	$ 4,485

Net benefit plan cost - severance	March 31, 2026	March 31, 2025
Current service cost	$ 290	$ 310
Interest cost	127	142
Amortization of actuarial (gain) loss	(35)	(1)
Benefit cost	$ 382	$ 451

The most recent actuarial valuation for severance benefits was completed as at March 31, 2026. 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 3.54% (2025 - 3.01%). 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, 2026 is an annual economic increase of 2.00% for the plan year 2027 (2025 - 2.00% for the plan year 2026). Thereafter, annual economic increases of 2.00% to 2.50% are assumed (2025 - 2.50%). The average remaining service period of active employees covered by the benefit plan is 15 years (2025 - 15 years).

b) Other long-term benefits

i. Sick leave

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

	March 31, 2026	March 31, 2025
Accrued benefit obligation, beginning of the year	**$ 10,245**	**$ 9,621**
Current service cost	**2,265**	**1,826**
Interest cost	**306**	**333**
Benefits used	**(1,981)**	**(1,834)**
Actuarial loss	**1,619**	**299**
Accrued benefit obligation, end of the year	**12,454**	**10,245**
Unamortized net actuarial gain	**1,576**	**3,308**
Accrued benefit liability	**$ 14,030**	**$ 13,553**

Net benefit plan expense - sick leave	**March 31, 2026**	**March 31, 2025**
Current service cost	**$ 2,265**	**$ 1,826**
Interest cost	**306**	**333**
Amortization of actuarial gain	**(113)**	**(236)**
Benefit cost	**$ 2,458**	**$ 1,923**

The most recent actuarial valuation for sick leave benefits was completed as at March 31, 2026. 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 3.47% (2025 - 2.95%). 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, 2026 is an annual economic increase of 2.00% for the plan year 2027 (2025 - 2.00% for the plan year 2026). Thereafter, annual economic increases of 2.00% to 2.50% are assumed (2025 - 2.50%). The average remaining service period of active employees covered by the benefit plan is 15 years (2025 - 15 years).

7. Revenue and expenses by major classification

	Budget for the year ending March 31, 2026	March 31, 2026	March 31, 2025
Revenue			
Base assessments	**$ 310,429**	**$ 297,172**	**$ 278,782**
Cost-recovered services	**20,839**	**19,745**	**18,305**
Pension plan assessments	**8,954**	**6,918**	**9,085**
User fees and charges	**3,500**	**7,422**	**6,829**
Total revenue earned from respendable sources	**343,722**	**331,257**	**313,001**
Expenses			
Personnel	**272,769**	**267,254**	**252,861**
Professional service	**28,769**	**31,100**	**27,827**
Rental	**24,417**	**19,478**	**18,359**
Amortization	**7,591**	**3,326**	**2,951**
Travel	**1,755**	**1,851**	**1,660**
Machinery and equipment	**3,737**	**4,995**	**4,003**
Information	**2,457**	**2,568**	**3,245**
Communications	**2,458**	**952**	**1,221**
Repairs and maintenance	**841**	**1,552**	**1,298**
Materials and supplies	**207**	**208**	**232**
Other	**45**	**(701)**	**747**
Total expenses	**345,046**	**332,583**	**314,404**
Net results of operations before government funding and non-respendable administrative monetary penalties revenue	**(1,324)**	**(1,326)**	**(1,403)**
Government funding	**1,324**	**1,326**	**1,403**
Administrative monetary penalties revenue	**50**	**1,247**	**530**
Administrative monetary penalties earned on behalf of the government	**(50)**	**(1,247)**	**(530)**
Surplus from operations	**$ -**	**$ -**	**$ -**
Full-time equivalent number of employees (unaudited)	**1,300**	**1,229**	**1,278**

	Budget for the year ending March 31, 2026	March 31, 2026	March 31, 2025
Personnel expenses			
Wages and salaries	$ 210,055	$ 199,410	$ 198,858
Other benefits	40,065	46,823	33,786
Post-employment benefits other than severance	22,026	20,605	19,724
Severance benefits	608	382	458
Other personnel costs	15	34	35
Total	$ 272,769	$ 267,254	$ 252,861

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, 2026, OSFI levied $1,247 (2025 - $530) 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, 2027	$ 11,828
March 31, 2028	9,872
March 31, 2029	8,160
March 31, 2030	7,434
March 31, 2031	445
Thereafter	113
Total	$ 37,852

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.

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.

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, 2026.

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, 2026 is $17,544 (March 31, 2025 - $11,614) which is equal to the carrying value of its Trade and other receivables.

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, 2026 (March 31, 2025 - $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, 2026 and March 31, 2025 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, 2026 Total
Accrued salaries & benefits	$ 14,865	$ 42,012	$ 1,860 -	$ -	$ -	$ 58,787
Trade and other payables	-	10,554	-	-	-	10,554
Unearned base assessments	-	-	19,391	-	-	19,391
Unearned pension plan assessments	-	118	354	3,378	-	3,850
Total	$ 14,865	$ 52,684	$ 21,605	$ 3,378	$ -	$ 92,532

	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

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, 2026	March 31, 2025
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 2025-2026

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.
- 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 2025-2026

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, 2025 to March 31, 2030.

Monitoring results for 2025-2026

As part of its ongoing monitoring plan, OSFI completed its assessment of the financial controls within the following eight 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
Accounts Payable – Invoice and Payment	Completed as planned and no remedial actions required
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
Budgeting and Forecasting	Completed as planned and no remedial actions required
Revenue – Cost-Recovered Service MOU	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:

- Documenting signing authority by digital means
- Documenting accrual and reconciliation process
- Documenting approval of monthly reconciliation on Interdepartmental Settlements

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

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 2025-2026, 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-ACL) 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 irregularities were 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	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Entity level controls	Low	No	Yes	No	No	Yes
Accounts Payable – Invoice and Payment	Medium	No	Yes	No	Yes	No
Accounts Receivable - Cash Receipts	Low	No	Yes	No	No	Yes
Budgeting and Forecasting	Medium	No	Yes	No	Yes	No
Procurement & Contracting	High	Yes	Yes	Yes	Yes	Yes
Month-end/Year-end Accruals and Reconciliations	High	Yes	Yes	Yes	Yes	Yes
Quarter-end/ Year-end Financial statements and Note Disclosure process	Medium	Yes	No	Yes	No	Yes
Payroll	High	Yes	Yes	Yes	Yes	Yes
Revenue – Base Assessments	High	Yes	Yes	Yes	Yes	Yes
Revenue – Pension Plan Assessments	High	Yes	Yes	Yes	Yes	Yes
Revenue – Cost Recovered Services MOU	Medium	No	Yes	No	Yes	No
Asset Acquisition	Low	Yes	No	No	Yes	No
ITGC-related controls - User Access Controls	High	Yes	Yes	Yes	Yes	Yes

ANNEX B: OSFI's legislated reporting requirements

This annex summarizes activities undertaken in 2025-26 in support of OSFI's responsibilities under the OSFI Act, the ***Bank Act***, the ***Insurance Companies Act***, the T***rust 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).

Annual Reporting Requirement Under the OSFI Act

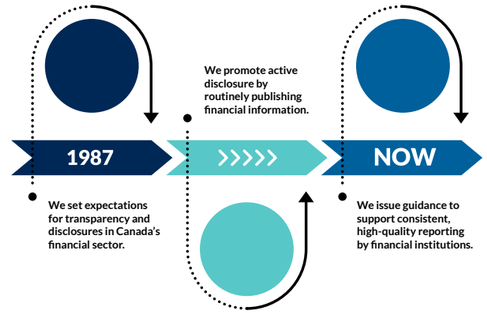
Under section 40 of the OSFI Act, the Superintendent must submit an annual report to the Minister on OSFI's operations. As part of this reporting, we provide information on the exercise of approval authorities under federal financial institutions legislation, including the Bank Act, Insurance Companies Act, Trust and Loan Companies Act, and Cooperative Credit Associations Act.

Statutory disclosure[8]

As the prudential regulator for financial institutions, we set expectations for Canada's financial industry. Under the OSFI Act, we support transparency by publishing financial information, providing disclosure guidance, and promoting consistent and high-quality reporting practices across the federally regulated financial sector. To support strengthened disclosure in the financial services industry, OSFI introduced an expectation in 2025-26 for banks to disclose their crypto-asset exposures.

[8] Under section 22(6) the OSFI Act, the Superintendent is required to include in OSFI's Annual Report a section on disclosure by financial institutions and describe progress in improving disclosure across Canada's financial services industry.

Figure 1: Supporting transparency in Canada's financial sector



Approvals

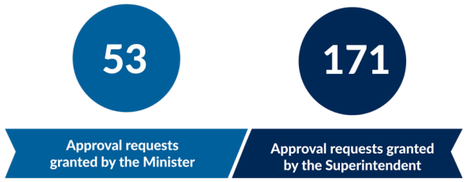
We exercise approval and intervention authorities under federal financial institutions and pension legislation. Under the *Bank Act*, *Trust and Loan Companies Act*, and *Insurance Companies Act*, certain transactions and activities require approval by the Superintendent or the Minister of Finance, including incorporations, and the establishment or expansion of foreign bank or insurer operations and specified investments. These authorities support safety and soundness and promote compliance with legislative and regulatory requirements.

For the 2025-26 fiscal year, there were 224 approval requests granted. Of these, 53 requests were approved by the Minister of Finance and 171 were approved by the Superintendent.

Notable approvals included the continuance of First West Credit Union as Tru Cooperative Bank and the amalgamation of Innovation Federal Credit Union with ABCU Credit Union, further supporting the growth and evolution of the federal credit union sector. The Superintendent also authorized Questbank to commence operations.

In the insurance sector, notable approvals included Definity Insurance Company's acquisition of the Canadian property and casualty business of Travelers Canada and its related entities, as well as the incorporation of PACICC General Insurance Company.

Figure 2: Approval requests granted in 2025-26



Annual Reporting Requirement under the 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.

Supervision and oversight of pension plans

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, 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.

Table 1: Comparison of the types of federally regulated private pension plans subject to the PBSA as at March 31, 2025 and as at March 31, 2026
(In billions of Canadian dollars)

Indicators	Type	As at March 31, 2025	As at March 31, 2026
Number of Plans	**Defined Benefit**[9]	233	235
	Combination[10]	120	114
	Defined Contribution[11]	838	852
	Total	**1,191**	**1,201**
Active Membership	**Defined Benefit**	164,904	163,871
	Combination	387,486	385,160
	Defined Contribution	180,872	182,249
	Total	**733,262**	**731,280**
Other beneficiaries	**Defined Benefit**	228,305	225,327
	Combination	323,277	335,160
	Defined Contribution	33,035	35,330
	Total	**584,617**	**596,510**
Assets ($ millions)	**Defined Benefit**	107,809	111,658
	Combination	144,161	149,633
	Defined Contribution	13,695	14,251
	Total	**265,665**	**275,542**

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

[10] A combination plan is a hybrid plan that combines defined benefit and defined contribution plan elements within a single plan design.

[11] A defined contribution plan provides retirement benefit based on accumulated employer and employee contributions and the investment returns earned on those contributions.

Interventions (funding compliance)

In 2025-26, 301 pension plans failed to meet the minimum funding requirements under the PBSA because required contributions remained outstanding for 30 days or more. In response, we issued late remittance letters reminding employers of their obligations. In 10 cases, contributions remained unpaid for an extended period. Where warranted, we escalated, as appropriate, through notices of intent and/or directions of compliance. Following our interventions, 4 pension plans remitted outstanding contributions with interest. We continued working with the remaining 6 plans toward compliance.

Solvency position (defined benefit provisions)

A solvency ratio indicates the extent to which a pension plan's assets covers its liabilities if the plan were terminated on the valuation date (i.e., solvency basis). Figure 3 presents the median solvency ratio, which is the middle value when plan solvency ratios are ordered from lowest to highest. This differs from an average solvency ratio, which can be more affected by unusually high or low plan results.

At year-end 2025, Figure 3 shows the estimated median solvency ratio of pension plans increased to 1.28 (from 1.20 in 2024), with 93% of plans fully funded on a solvency basis. The share of underfunded plans decreased to 7% in 2025 (from 8% in 2024). All significantly underfunded plans were designated plans with funding constrained by the ***Income Tax Regulations***.

Figure 3: Solvency position of pension plans (2016 to 2024) and estimated 2025 solvency position (as at December 31)

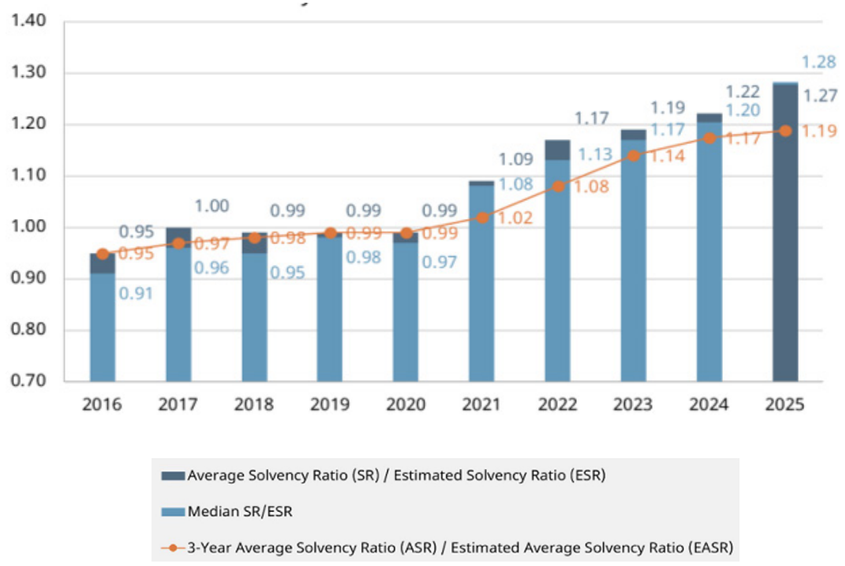
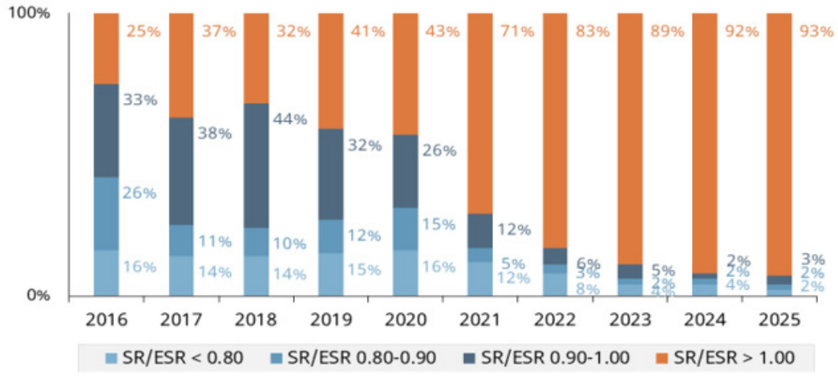


Figure 4: Distribution in % of the Solvency Ratio (2016 to 2024) and Estimated 2025 Solvency Ratio (as at December 31)



In Figure 4, the graph "Distribution in % of the Solvency Ratio" illustrates the distribution of the solvency ratios as at December 31 of each year since 2016.

Actuarial reports and reviews

In 2025-26, we received 200 actuarial reports. We conducted in-depth reviews of selected reports, identifying issues with certain assumptions and supported compliance with legislation and guidance. Where concerns could affect current or future funding requirements, we communicated them to plan actuaries, and some plans subsequently amended their actuarial reports.

Pension plan approvals

Certain pension plan transactions require the approval of the Superintendent, including registrations, terminations, asset transfers, surplus refunds, and reductions of accrued benefits. In 2025-26, we registered 13 new pension plans, of which 10 were defined contribution plans; approved 18 plan termination reports; and authorized one accrued benefit reduction for a designated plan. In total, 37 pension plan transactions were submitted for approval in 2025-26 (compared to 44 in 2024-25). We processed 36 applications and met the service standard for 97% of pension plan approvals.

Figure 5: Pension plan transactions and approvals in 2025-26



Guidance and stakeholder engagement

In 2025-26, we published two issues of our newsletter, InfoPensions, in May and November 2025. These newsletters include important announcements, reminders, and explanations of our guidance and of pension legislation.

We participated in the second annual Pension Awareness Day, an initiative led by Ontario's pension regulator to promote awareness of pension benefits, retirement savings, and workplace pension plans. We also supported a social media campaign and provided plan administrators with information and resources to encourage participation.

Annual Reporting Requirement under the 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 PRPP Act, the Superintendent is responsible for licensing pooled registered pension plan administrators, registering pooled registered pension plans, and conducting ongoing supervision of these plans.

At the end of 2025-26, there were five federally registered pooled registered pension plans, covering 19 employers and 181 members, with total investments of $2.1 million.



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