



Annual Risk Outlook

Title OSFI's Annual Risk Outlook – Fiscal Year 2026-2027

Date April 14, 2026

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Introduction

The Office of the Superintendent of Financial Institutions' (OSFI's) Annual Risk Outlook (ARO) for 2026–2027 provides an overview of the current risk environment, the top risks currently faced by the Canadian financial system, and the actions we are taking in response.

The annex sets out our regulatory guidance priorities and a summary of supervisory industry strategies for federally regulated financial institutions (institutions) and federally regulated pension plans (pension plans) for the calendar periods from April 1, 2026, to April 1, 2027, covering our fiscal year.

Current risk environment

Global markets continue to experience episodes of volatility as investors shift between exuberance and sharp selloffs often triggered by geopolitical events. The Canadian economy continues to contend with the negative impacts of the current geopolitical and trade environments. To date, subdued growth and a softer labour market, particularly in regions most impacted by the changing trade dynamics, have characterized our risk environment. While considerable progress is underway to address these challenges, near-term economic threats remain.

Geopolitics can act as a driver of risk and can trigger scenarios that have negative outcomes. In this uncertain environment, we are focused on core risks that can be influenced by geopolitics but have a direct impact on the Canadian financial sector, many of which are perennial. This year, our ARO highlights the following key risks:

- real estate secured lending (RESL) risk
- non-bank financial institution (NBFI) risk
- liquidity and funding risk

Risks that can materially impact Canadian institutions do not change dramatically year to year, however, the probability that various risks materialize does shift as the risk environment changes. We maintain heightened activity around both high-impact risks and high-probability risks.

We remain committed to continually improving our regulatory approach and continue adjusting regulatory capital requirements for institutions to maintain a balance between current risks and capital levels. Going forward, risk weights in some areas may increase, while others may decrease. We view these adjustments as necessary maintenance to ensure that Canada's financial system adapts to a volatile risk landscape.

In addition to our top risks, we assess the full range of risks that have potential prudential implications. Key risks such as commercial real estate (CRE), wholesale credit, integrity and security, cyber, technology, third-party, and artificial intelligence (AI) are all areas where substantial work continues. Last year, in line with our new national security mandate, integrity and security risk was the top identified risk. Institutions continued to be targeted by those engaged in illicit finance activities, however, we assess that the combination of mitigation by OSFI and institutions is helping to reduce the potential impact of integrity and security risks.

2026-2027 Top risks

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

RESL and mortgage risks

NBFI risks

Funding and liquidity risks

Other risks

1. RESL and mortgage risks

Housing market activities remain muted due to ongoing economic pressures that include trade uncertainty, commodity price volatility, employment risks, and sluggish consumer confidence. These pressures are contributing to an increase in home listings and declines in sales and prices, with more pronounced weakening observed in major urban centres, specifically Toronto and Vancouver. Borrower financial stress, as indicated by delinquencies, has continued to increase across multiple segments and we expect a higher incidence of residential mortgage loan arrears or defaults over the next two years.

The condo segment is strained, particularly in Toronto and Vancouver. Sales have fallen to levels not seen since the 1990s and are insufficient to absorb the excess inventory built up over the past few years. Supply-demand imbalances have resulted in significant price declines, and many new condos are now worth less than their presale purchase prices. Condo price declines are resulting in financially stressed borrower positions upon closing, as borrowers may need a larger down payment to qualify for their mortgage. The near standstill in new condo activity and condo construction builds is straining builders and has negative implications for the labour force they employ.

Mortgage renewal risk also concerns OSFI. As of January 2026, 3.1 million, or 52% of total mortgages will be renewing by the end of 2027. Of these renewals, there are 1.3 million, or 22% of total mortgages, that are fixed rate mortgages or variable rate mortgages with fixed payments (VRMFPs) that will be renewing for the first time since they were originated in the low mortgage-rate period of 2021 and 2022. We expect these mortgagors will experience material monthly payment increases. Relative to late 2022, house prices have fallen and interest rates have increased, which has resulted in a modest subset of these borrowers having current loan-to-value ratios and debt service ratios, higher at renewal than at origination. This could impact these borrowers' ability to refinance or leave them unable to manage their higher payments.

Delinquency levels continue to rise across the board, with heightened levels in certain segments, such as the VRMFP product, which we view as having higher-risk attributes, and at smaller lenders focused on business-for-self borrowers, especially in the Toronto and Vancouver markets. VRMFP mortgage flows are also on the rise, and as of

December 2025, VRMFP originations and renewals made up 36% of total mortgage flows, fast approaching the high of 41% observed in March 2022.

Given the headwinds driven by broad-based geopolitical tensions, upcoming Canada-United States-Mexico Agreement (CUSMA) negotiations, elevated commodity-price volatility, and corresponding negative implications for the employment rate, the housing market faces a challenging environment. While this list of risk factors is expected to contribute to higher delinquency rates, we do not expect the level of RESL-related losses to impact capital levels materially at the vast majority of lenders, due to existing allowances and strong earnings.

OSFI response

We remain focused on the risks in the housing market. We continuously monitor residential mortgage lending risks through advanced analytics and robust supervision of financial institutions. We pay specific attention to delinquency trends and other key risk indicators in the stressed segments, specifically the condo market, VRMFPs, business-for-self, and the upcoming mortgage renewals of the 2021 to 2022 vintages.

We assess mortgage lenders' adherence to the sound mortgage underwriting, account and portfolio management expectations set out in Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures. When our expectations are not met, we implement supervisory consequences. Over the coming years, we intend to consolidate our mortgage lending expectations into a new Credit Risk Management (CRM) Guideline. We set out our overall vision and next steps for the CRM Guideline in an [initial consultative document, published in January 2026](#).

We continue to focus on reinforcing financial resilience in the mortgage market. In 2025, we introduced institution-specific, portfolio limits on the proportion of uninsured mortgage originations that exceed a 4.5x loan-to-income (LTI) ratio. These limits guard against buildups of high household leverage within lender mortgage portfolios, especially during low-interest rate periods, and reduce systemic risk. The LTI limit framework has met our prudential objectives. Accordingly, [we announced in January 2026](#) that the LTI limit framework will continue.

In the year ahead, we will continue conducting supervisory reviews of lenders with significant RESL exposures to assess the adequacy of controls and risk management practices. Proactive account and portfolio risk management practices include:

- intervening early with borrowers vulnerable to payment renewal shock
- ensuring collateral valuations are reflective of current market prices
- mitigating the higher risk portfolio segments through limits and robust controls
- ensuring adequate loan loss reserves

2. NBFIs risks

NBFI is a broad category that includes a diverse set of financial entities, which are often interconnected with our regulated banks, insurers, and pension plans. Regulators internationally are concerned about the transmission of risk from NBFIs to the broader financial system. Transmission of risk could occur both through direct exposure and indirectly through market shocks caused by NBFI stress.

Hedge funds are a type of NBFI that use significant leverage obtained via repo funding and derivatives to amplify risk and return in their trading strategies. To date, the participation of hedge funds in these strategies has fostered increased sovereign-bond market depth and efficiency. However, if funding costs rise or large and sudden margin calls occur, positions can unwind abruptly, destabilizing the markets in which these strategies are deployed, including sovereign bond markets.

Canadian financial institutions provide leverage to funds and other NBFI firms engaged in leveraged trading strategies. When market stress triggers rapid unwinds, federally regulated institutions could face increased counterparty risk, margin disputes, and potential liquidity strains. In extreme cases, this could lead to losses on collateralized positions and force them to tighten credit terms, further amplifying stress across the system.

Building on our previous emphasis on wholesale credit risk, we are now sharpening our focus on corporate lending activities that we view as key contributors to NBFI-related risk. Private capital firms are a type of NBFI that provide debt and equity to businesses. Federally regulated institutions are active lenders to private capital firms, their portfolio companies, and their clients. Canadian institutions' exposures to private capital firms and their portfolio companies have grown considerably in recent years, representing a material component of the balance sheet. In addition to lending and investing in private capital firms, Canadian institutions are also competing with private capital lenders. Competition with less-regulated firms can lead to riskier lending terms. The opaque nature of this

market can mask structural weaknesses, and the highly leveraged nature of these private capital firms can intensify losses in a stress event.

Canadian banks are increasing the use of NBFIs to provide credit protection on their lending portfolios using synthetic risk transfers and other arrangements. During times of economic stress, NBFIs may have reduced capacity to provide credit protection to banks. Reductions in credit protection could reduce banks' ability to lend to core clients, increase credit risk, and negatively impact capital levels.

More broadly, federally regulated Canadian institutions' liquidity and capital frameworks rely on the stability and depth of the sovereign bond market. Any material dislocation in the sovereign markets, where NBFIs are increasingly active, could cause spillover—straining funding conditions and reducing liquidity coverage.

OSFI response

We aim our supervisory efforts towards addressing the risk that NBFIs exposures could weaken financial resilience at federally regulated financial institutions. We will strengthen our research and analytics to better understand the complex relationships and market dependencies between NBFIs and the institutions we regulate.

We are conducting supervisory reviews on exposure to NBFIs, risk rating approaches, and governance processes. Institutions can expect follow-up questions and information requests arising from our monitoring and review efforts.

Our loan-level, wholesale data call collects detailed information from institutions on exposures to NBFIs and other corporate and commercial exposures. This data provides information on lending agreements across the financial system and enhances our ability to identify vulnerabilities. We are committed to working with institutions to address reporting concerns and enhance the quality of this return.

In response to concerns around hedge funds' leveraged trading strategies, we will examine counterparty CRM, stress testing, as well as the provision of liquidity and funding to NBFIs.

As set out in our initial consultative document published in January 2026, we plan to address counterparty credit risks and NBFIs exposures through the planned CRM Guideline. Our approach will be principles-based and aligned

with sound practices set out by the Financial Stability Board and Basel Committee for Banking Supervision.

On synthetic risk transfers, we are conducting supervisory review work, enhancing information and data related to these transactions, and considering other calibrated supervisory or regulatory responses.

3. Funding and liquidity risks

Funding and liquidity remain key areas of focus for us given the ongoing need to be prepared for liquidity stress events. Under severe stress, liquidity is the most acute driver of failure. Canadian financial institutions experienced a stable funding and liquidity environment over the past year. Wholesale funding markets operated smoothly, and bank funding costs remained low with minimal volatility. Deposit flows from retail customers were stable and consistent.

The broader economic backdrop for system liquidity was not as strong during this same period. Sovereign fiscal pressures, trade tensions, and risk sentiment around the feasibility of debt-funded AI investments by large tech firms triggered episodes of market volatility. Canadian financial institutions, however, continued to effectively fund through these bumpy markets.

The cost and availability of funding for Canadian financial institutions demonstrate their position as a source of stability in a macroeconomic landscape marked by uncertainty. With strong liquidity levels and funding access, institutions are well positioned to be resilient during periods of stress.

Geopolitical pressures and the potential knock-on effects to financial markets continue to pose a threat to liquidity in the year ahead. The dependence of our institutions on foreign currency funding makes them susceptible to shocks in global markets. A shock to the domestic economy could also increase funding costs and reduce access. If institutions face a loss of confidence among market participants and retail depositors, liquidity conditions could deteriorate rapidly.

Maintaining confidence requires strong balance sheet management that is built to thrive in periods of market unrest, such as an appropriate funding strategy with robust downturn readiness features. Over reliance on a specific stream of funding can limit resilience in times of stress. For internationally active institutions, geographic

funding considerations are of paramount importance.

OSFI response

In 2026, we will focus on resilience in periods of stress. Supervisory work will include reviewing contingency funding and recovery plans at banks. We will assess how internationally active institutions consider geopolitical shocks in their plans. We will also focus on the ability of institutions to report liquidity and funding positions under short timelines, including cross-border exposures.

In conjunction with these supervisory priorities, we will continue to advance work on liquidity risk guidance for deposit-taking institutions throughout 2026. The most recent revisions to liquidity adequacy requirements will take effect on May 1, 2026, targeting specific retail deposit categories. We will release further updates to liquidity adequacy requirements for consultation as part of the second quarterly release on May 21, 2026. These updates consider several industry proposals to improve the risk sensitivity of the Liquidity Adequacy Requirements Guideline.

Finally, we continue to advance work on the proposed internal liquidity adequacy assessment process (ILAAP) guidance. We plan to release a draft ILAAP guideline for consultation as part of the May quarterly release.

4. Other risks

In addition to our top three risks for 2026, we remain vigilant over a longer list of key risks. We continue significant work on wholesale credit risk, AI, cyber and technology, integrity and security, and third-party risk, among others.

Wholesale credit portfolios are showing general resilience with corporate and commercial financial performance remaining strong, however, business sentiment continues to be weak, while the tariff negotiations between Canada and the United States remain unsettled. CRE remains vulnerable to further downturn, particularly in the high-rise condo construction and development sub-sector.

AI innovation continues to advance rapidly. Financial institutions are adopting sophisticated and complex AI models and systems that can deliver material benefits, efficiencies, and competitiveness when implemented responsibly. At the same time, AI adoption creates more points of vulnerability and amplifies existing risks at institutions.

Malicious cyber activities remain a significant and evolving threat to the financial sector and its critical service partners. Reported incidents demonstrate the growing sophistication of threat actors leveraging advanced and AI-enabled tools which increase both the speed and scale at which cyber threats can materialize. Software vulnerabilities in common and required technology are expected to remain the most persistent and high-impact technology risk.

Concentration and complexity of third-party service providers remain an area of concern for us. Third-party service providers deliver benefits to financial institutions, enabling technological innovation, scalable infrastructure, and cost and operational efficiencies that would be difficult for institutions to achieve on their own. However, third-party service providers introduce vulnerabilities to technology and operating platforms, as well as data security.

Activities such as money laundering, extortion, and foreign interference undermine Canada's social, economic, and political stability. These activities weaken the integrity and security of financial institutions, erode trust in Canada's financial system, distort market signals, and reduce investor confidence. The institutions that OSFI supervises are among the entities with the highest risk profile in Canada's National Risk Assessment. Our improved capacity to assess integrity and security risks, partnership with FINTRAC, and stock-taking of activities at financial institutions revealed that institutions are improving the mitigation of integrity and security risk.

OSFI response

In 2026, we will continue to carry out various activities to address these prioritized and interconnected risks.

We expect to maintain a quarterly monitoring posture on wholesale credit risks. While our primary focus will address NBF-related risks within the wholesale portfolio, we remain attuned to vulnerabilities affecting CRE and corporate and commercial clients. Institutions can expect continued dialogue on condo CRE and trade-impacted corporate and commercial portfolio segments.

We continue to alert boards of directors and senior managers to the clear and present dangers presented by integrity and security risks. We continuously urge them to expand work in this area.

We will continue to deepen our understanding of the innovations and applications of AI in the financial sector. In addition, we will continue to assess the evolving implications of AI on model, cyber, fraud, money laundering, and third-party risks.

We plan to conduct intelligence-led cyber resilience testing, targeted cyber and technology risk reviews, as well as ongoing monitoring of institutions' risk management practices against current and emerging threats. We will also monitor significant cyber incidents that are reported to us and assess impacted institutions' cyber preparedness.

We will perform various supervisory activities to determine institutions' readiness to meet our operational resilience expectations that are effective September 1, 2026. In addition, we will conduct targeted work related to the effectiveness of institutions' third-party risk management practices. We also plan to issue a fourth third-party data call to provide insights into trends and vulnerabilities related to third parties.

While we continue to mature our approach to the supervision of new risks outlined in the Integrity and Security Guideline, we will continue to work with and receive input from partner agencies such as the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to address illicit finance concerns and national security. We will also perform supervisory activities to monitor and assess institutions' management of risks that underpin the integrity and security of financial institutions.

Annex I – Planned quarterly policy releases for calendar 2026-2027

For information on our planned guidance priorities for calendar quarters Q2 2026 to Q1 2027 please visit [OSFI's policy releases and announcements schedule](#).

Annex II – Supervisory industry strategies for fiscal 2026-2027

This document summarizes industry strategies for the pension, insurance, and banking sectors. While each strategy reflects sector specific risks, the approaches share common foundations grounded in the Supervisory Framework, the Annual Risk Outlook, and industry risk registers.

Through our supervisory work, which includes ongoing monitoring and both institution-specific and thematic reviews, we seek to strengthen the breadth and depth of our risk assessments. All supervisory activities apply a risk-based approach that considers the external risk environment, our risk appetite, and resource constraints of front-line supervisory teams and specialist groups.

We present the strategies by industry and structured in three sections: introduction, priorities for 2026-27, and further details of supervisory focus.

Before outlining the individual industry strategies, this document highlights the ongoing uncertain environment and reinforces our mandate to assess whether federally regulated financial institutions (institutions) have effective policies and procedures to protect their integrity and security.

Ongoing uncertainty in operating environment

Institutions continue to operate in an environment of tremendous uncertainty with heightened geopolitical tensions and accelerating technology-driven disruptions. Economic uncertainty remains elevated in Canada as developments related to the Canada-United States-Mexico Agreement could act as a catalyst for shocks affecting governments, industries, and consumers. Canada has experienced muted economic growth and a softer labour market, particularly in economic sectors and regions most affected by changing trade conditions.

Overall, institutions remain adequately capitalized under current financial conditions. However, persistent headwinds continue to present challenges to resilience, and macroeconomic vulnerabilities cloud the horizon.

For institutions with an international footprint, compliance with multiple legal and regulatory regimes creates additional governance and risk management challenges. These factors require ongoing attention by institutions to protect their financial safety and soundness and to maintain stakeholder confidence.

For federally regulated pension plans (pension plans), the current uncertain environment can amplify volatility in asset values and discount rates, which can affect funding positions. However, the sector's robust financial health, supported by high solvency ratios driven by strong equity returns and modest interest rate increases through 2025, provides an important buffer.

Smart supervision

Effective supervision protects depositors, policyholders, creditors, and pension plan beneficiaries. It also supports a resilient financial system that contributes to national prosperity. In 2026-27, we will continue to calibrate supervisory activity by remaining outcome-focused, concentrating on the most significant issues, and eliminating redundant data collections. We will also work closely with our Legislative Approvals and New Entry group to develop a new framework that supports innovation and eases entry barriers.

In addition, we will work closely with our Financial Institutions Supervisory Committee partners and the Financial Transactions Reporting and Reports Analysis Centre of Canada to share information that could inform our risk assessments and, where possible, reduce duplication of effort for institutions.

Pension

Introduction

Employer-sponsored private pension plans provide an important source of retirement income for employees and their families. Employers generally set up pension plans voluntarily. Once a pension plan is established, we expect the plan to be funded and administered in compliance with applicable tax and pension laws.

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

Recent increases in interest rates along with strong returns on equities have helped strengthen solvency ratios. At the same time, exposures to key risks remain elevated. These risks inform our supervisory focus and include investment, interest rate, inflation, and operational risks such as cyber and technology. We also monitor dependencies on third parties and business continuity arrangements. In addition, we consider liquidity and funding pressures, challenges in meeting compliance requirements, and sponsor related risks for select plans. Together, these factors shape the calibration of our risk based supervisory work.

Priorities for 2026-27

Over the plan horizon, pension supervision will:

- maintain focus on monitoring and enforcing minimum funding as well as legislative and supervisory requirements
- further quantify risks and enhance our supervisory approach specifically for our largest pension plans, in line with our Supervisory Framework
- support confidence in the pension industry by responding to enquiries from plan administrators, plan members, and industry stakeholders
- complete the transition to our new internal pension system and reporting tools while actively exploring and testing how AI and advanced analytics can strengthen our supervisory work

Further details of 2026-27 supervisory priorities

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

Insurance

Introduction

Canada's federally regulated insurers continue to demonstrate resilience amid persistent structural and cyclical pressures. The operating environment remains characterized by geopolitical uncertainty, elevated integrity and security risks, rapid technological change, and ongoing catastrophe related losses. Competitive forces are accelerating shifts in operating and distribution models, as well as inorganic growth strategies, contributing to increased execution risks.

Investment risks remain elevated, reflecting continued market volatility. This continues to expose insurers to reinvestment and valuation risk across asset classes. In addition, private market assets are playing a greater role in insurers' investment portfolios, introducing increased opacity, complexity, and potential illiquidity constraints.

Although still modest relative to total available capital, we observed increased volatility and levels in policyholder behaviour losses for life insurers. Shifts in lapses and surrenders can have important implications for earnings, capital adequacy, and in some cases, operational integrity.

Property and casualty (P&C) insurers face ongoing pressure on underwriting. Claims inflation, particularly in auto insurance, and a softening commercial lines market, test financial and operational soundness.

Priorities for 2026-27

Over the plan horizon, insurance supervision will focus on ensuring that insurers maintain resilience and sound risk management by:

- evaluating insurers' responses to market volatility, including oversight of investment, liquidity, and policyholder behaviour risks
- conducting targeted supervisory work on cyber preparedness and third-party risk related to critical outsourced operations
- assessing boards' effectiveness in overseeing the risk appetite framework and alignment to insurers' strategy as well as financial and capital plans

Further details of 2026-27 supervisory priorities

During 2026-27, insurance supervision will address each of the main pillars of the Supervisory Framework as well as the administration of the *Insurance Companies Act* (ICA). Through our supervisory work, we will focus on insurers' actions to remediate deficiencies (in design or operational effectiveness) where these pose risks to resilience and risk governance.

Business risk

We will monitor insurers' strategic direction and business model evolution, including the integration of AI into core operations. We will continue to assess exposure to geopolitical risks and execution risks associated with inorganic growth, including post-transaction integration.

For internationally active insurance groups (IAIGs) where we are the group wide supervisor, we will work closely with foreign authorities to support shared risk insights. We will also participate in the supervisory colleges of international insurers operating in Canada.

Financial resilience

We will conduct targeted reviews of select institutions' own risk solvency assessment (ORSA), including follow-up on recommendations arising from our prior ORSA work. We will also review insurers' investment risk, including private credit, to assess its impact on earnings and capital and the effectiveness of risk oversight. For selected P&C insurers, we will conduct thematic monitoring of cyber insurance underwriting and the emerging coverage of AI in underwriting.

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

For certain life insurers, we will assess policyholder behaviour risk, asset and liability management, and liquidity risks. For all insurers, we will monitor resilience to catastrophe risks.

Operational resilience

For selected insurers, we plan to conduct targeted cyber and technology risk reviews as well as ongoing monitoring of business integration and risk oversight of AI. We will continue our intelligence-led cyber resilience testing for large insurers. For all insurers, we will review their response to cyber incidents and assess their cyber preparedness.

Risk governance

Related to risk governance, we will:

- conduct risk appetite reviews to assess risk governance, with a focus on risk appetite and risk acceptance
- assess the governance of execution risk for complex technology and business transformations
- monitor and assess the use of combined oversight functions at insurers, focusing on the effectiveness of controls in mitigating risks related to independence and stature

Administration of the ICA

Lead supervisors conduct risk assessments and provide approvals for more than 1,100 transactions annually related to the functioning of the vested asset regime of branch insurers and related party reinsurance transactions (DA-21 regime).

We will support the risk assessment and transmittals needed for recommendations of colleagues in Risk, Strategy and Policy Sector to the Assistant Superintendent or Superintendent for transactions related to new entrants, acquisitions, or capital deployment.

Banking

Introduction

Global markets remain volatile, with sharp shifts in investor sentiment often driven by geopolitical events. In Canada, a challenging trade environment continues to weigh on economic growth and labour markets, increasing pressure on borrower performance. For banks, these conditions heighten credit risks, particularly in residential secured lending, corporate credit exposures to non-bank financial institutions, and commercial real estate. While adjustment efforts are underway, near-term risks remain elevated and warrant continued prudence.

Priorities for 2026-27

The priorities for the banking teams are broadly aligned with those for insurance. Over the plan horizon, banking supervision will:

- assess banks' resilience to adverse conditions, including readiness for economic downturns, trade-related shocks, liquidity stress, and counterparty credit risk
- maintain strong supervisory focus on financial risk management, with continued emphasis on prudent capital and liquidity practices and close oversight of key credit risk exposures, particularly RESL, corporate and commercial lending, and the adequacy of expected credit loss provisions
- evaluate the effectiveness of governance and operational resilience oversight, including boards' stewardship of the risk appetite framework and its alignment with strategy, as well as banks' preparedness for cyber risks

and third party risk dependencies tied to critical outsourced services

Further details of 2026-27 supervisory priorities

Similar to insurance, banking supervision will address all four risk-rating areas of the Supervisory Framework. A key additional priority in 2026-27 will be assessing banks' actions to address de-staging conditions, where applicable.

Business risk

We will monitor banks' strategies, business plans, and external and internal risk factors to assess vulnerabilities in business models. This work will include assessing strategic and execution risks associated with the integration of acquisitions, the launch of significant new business lines, entry into new markets (including via banking-as-a-service (BaaS) partnerships), and large-scale remediation initiatives.

For systemically important banks (SIBs), where we are the home regulator, we will host supervisory colleges and crisis management groups (CMGs) to strengthen our risk assessments through the exchange of supervisory perspectives and risk insights. We will also participate in the supervisory colleges of international banks operating in Canada where we act as the host regulator.

Financial resilience

In Domestic Banking, we will conduct targeted reviews of select institutions' 2025 internal capital adequacy assessment processes (ICAAPs), including follow-up on recommendations arising from our 2024 ICAAP work. We will also continue to closely monitor expected credit loss provisioning and other credit metrics of select small and medium sized banks (SMSBs).

In International Banking, we will examine key treasury functions, including structural interest rate risk management, and expand our assessment of contingency funding plans. We will also conduct RESL reviews at select SIBs and expand coverage of commercial and corporate lending activities, including exposures to non-bank financial institutions and private credit funds. In addition, we will undertake a limited number of trading market risk reviews. Targeted monitoring will focus on the risk management of capital market activities, including counterparty credit risk management.

Across all industries, we will monitor and assess institutions' remediation of findings from recent supervisory work. In both Domestic Banking and International Banking, this will include remediation related to commercial and residential real estate account management practices, expected credit loss methodologies, contingency funding plans, intraday liquidity, and internal audit.

We will continue to monitor institutions' capital, liquidity, and funding positions with the expectation that they can absorb severe but plausible stress conditions. This includes potential further deterioration in credit conditions, reduced availability of credit protection, and heightened geopolitical risk. Our work will include reviewing recovery plans and developing a program to assess institutions' ability to provide timely and reliable liquidity information under stress.

We will conduct a thematic monitoring exercise for selected in-scope institutions to quantify exposures reported in their 2026 Climate Risk Return, using a range of third-party peril models. We will also conduct a cross-system review of a subset of banks to assess current practices and forward-looking capabilities to quantify catastrophic physical risks, with a focus on Canadian real estate portfolios.

Operational resilience

We will assess banks' preparedness to manage technology- and cyber-related risks as well as the ability of critical functions to recover rapidly from disruptions and external threats. We will prioritize technology and cyber reviews based on risk and identified gaps in current supervisory assessments. Other key priorities include evaluating how institutions manage third party risks, particularly those related to BaaS arrangements and the origination and servicing of RESL and commercial real estate loans.

Across SIBs, we will assess cloud governance and risk management practices and monitor the remediation of business continuity planning findings. For SMSBs, our work will focus on the integration of acquisitions, third-party risk management, and the remediation of findings related to technology risk management.

Risk governance

Supervisory work will include risk appetite reviews with a focus on the articulation of risk appetite and risk acceptance practices. Through thematic reviews, we will also assess the effectiveness of governance and risk management practices supporting the approval of new business initiatives and monitor institutions' remediation of findings from governance, compliance risk management, and internal audit reviews.

Responsive Monitoring and Oversight Group

The Responsive Monitoring and Oversight Group (RMOG) will continue conducting "day with institution" reviews to assess select banks' ICAAPs and insurers' ORSAs. We will also conduct risk appetite reviews on selected insurers to assess risk governance, with a focus on risk acceptance. For branches with elevated issues or operational events, we will continue to conduct risk-based monitoring and desk reviews to update risk assessments. Finally, we will participate in supervisory work with Insurance and Domestic Banking, where appropriate for RMOG.

Crisis readiness

Crisis readiness remains a key priority for both the insurance and banking sectors. Insurance supervisors will support the Crisis Readiness Unit (CRU) in developing expectations for recovery planning and CMGs, with a focus on IAIGs. Banking supervisors will work with the CRU to update recovery-planning expectations, including measures to ensure proportionality and enhancements to plan maintenance and testing. Supervisors of global SIBs will support the CRU's engagements with CMG members to promote effective cross-border coordination of recovery and resolution activities.

Issues management

Across all industries, supervisors will continue to follow up on open recommendations and work towards achieving established objectives related to issues management.