



December 31, 2005

TO: All Banks, Federally regulated Trust and Loan Companies, Life Insurance Companies, Fraternal Benefit Societies, Property & Casualty Insurance Companies, Cooperative Credit Associations, Cooperative Retail Associations, Bank Holding Companies and Insurance Holding Companies
Attention: Chief Compliance Officer

All Authorized Foreign Banks, Foreign Life Insurance Companies, Foreign Fraternal Benefit Societies, Foreign Property & Casualty Insurance Companies
Attention: Principal Officer / Chief Agent

**SUBJECT: Late and Erroneous Filing Penalty (LEFP) Framework:
2006 Update of Instruction Guide: Administrative Procedures**

OSFI is issuing herewith an update of the above Guide for 2006.

A number of material changes have been made to the Guide. FRFIs are requested to review this letter and the Instruction Guide for changes.

Change in Regulations

During 2005, the LEFP Framework has been integrated into the Administrative Monetary Penalties (AMP regime) established under sections 26 to 37 of the *Office of the Superintendent of Financial Institutions Act* (the “OSFI Act”). The AMP regime became effective on August 31, 2005 when the *Administrative Monetary Penalties (OSFI) Regulations* (the “Regulations”) came into force. Some changes in process and terminology have been made to conform the Guide to the OSFI Act and the Regulations.

Administrative Review Process

Under the AMP regime, institutions have at least 30 days to make representations to OSFI with respect to a proposed penalty and, absent any representations, invoices are issued as a Notice of Decision 40 days after the date of the Notice of Violation (formerly referred to as “report card”). The process for “appealing” a proposed penalty is now incorporated into the Administrative Review Process.

Reasons for requesting an Administrative Review

The Guide expands on the types of reasons for requesting a review of a penalty outlined in a Notice of Violation. Now that the LEFP Framework has been fully operational for nearly four years, OSFI's expectation is that FRFIs should now have robust procedures in place to enable them to comply with our filing requirements. We have therefore clarified the kinds of situations that we would find compelling enough to consider not imposing a penalty.

Reminders about overdue returns

OSFI does not guarantee that a reminder will be issued for all or for any particular return or filing. A decision to impose a penalty will be unrelated to whether OSFI issued a reminder, as it is the institution's responsibility to file on time and error free. **Note that Notices of Violation do not list returns that were due and not received during the applicable quarter.**

Changes in returns and filings for 2006

The Appendix to the Guide reflects changes made in returns and filings during 2005. Of note: three returns have been deleted (B2 and R2 from Part I, and OSFI-85 from Part II).

As in prior years, **all returns and filings must be sent to the Regulatory Information Division, OSFI, 255 Albert Street, Ottawa ON K1A 0H2.**

If you have any questions about the LEFP Framework, please contact the Compliance Division at (416) 973-6117.

The updated Guide is available on our website at http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/returns/late/lefp05_e.pdf. **All returns and filings subject to the LEFP Framework are identified in the Guide.** Reference should be made to the specific filing instructions for more detailed information about individual returns and filings.



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