

Office of the Superintendent of Financial Institutions' Approvals Process: Consultation Results

As part of its mandate of regulating and supervising financial institutions, the Office of the Superintendent of Financial Institutions (OSFI) must review various types of transactions, including corporate restructurings, ownership changes, substantial investments, and the setting up of new financial institutions in Canada. Some require the approval of the Superintendent, for others OSFI makes recommendations to the Minister of Finance.

Similar to other organizations in both the public and the private sector, OSFI strives to deliver high-quality service. To measure satisfaction with its services, OSFI conducts periodic surveys and consultations with stakeholder groups. This consultation, and other similar consultations which OSFI will be conducting on a regular basis, are a critical part of how we assess our effectiveness, and fulfil our commitment to continuous improvement.

The most recent survey focussed on OSFI's approvals process.

The results show that OSFI has improved from three years ago. In particular, respondents say OSFI is doing a better job of providing information on the requirements for filing an application, improving turnaround times, and having knowledgeable staff. The overwhelming majority of respondents (98%) say they are satisfied with how OSFI is processing applications, and that OSFI's approvals process compares favourably to that of other regulators and to its counterparts in other countries.

Some other key findings:

- OSFI's effectiveness in keeping applicants informed about the status of their application has increased significantly, according to 85% of respondents compared with 66% in 2001
- OSFI's timeliness for processing applications is appropriate – 70% from 42% in 2001
- OSFI is sensitive to business deadlines when processing applications – 94% compared to 82% in 2001
- OSFI is very knowledgeable in the areas where applicants are most likely to seek input such as legislation, policy and guidelines

Some challenges were identified, including the need for further improvements on approval timelines, more transparency of the approvals process, and enhancements to the OSFI web site. Another significant challenge is ensuring that the knowledge level of staff keeps pace with an industry that is changing rapidly and becoming more complex. We are working on addressing these issues and will monitor results when we do our next survey.

The consultations conducted by The Strategic Counsel consisted of interviews with senior financial sector executives and lawyers who represent financial institutions. These included domestic and foreign banks, life insurance companies, property and casualty insurers, trust companies and law firms.

OSFI is the primary regulator of federal financial institutions and federally administered pension plans. OSFI's mission is to protect the rights and interests of depositors, policyholders, pension-plan members and creditors of financial institutions, and to advance and administer a regulatory framework that contributes to public confidence in a competitive financial system. OSFI supervises and regulates all banks and all federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations, fraternal benefit societies and pension plans.

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A Report to OSFI

OSFI's Approvals Process Consultation Results

September 2004



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Background and Methodology



Background

- ◆ OSFI, as the federal agency responsible for supervising and regulating all federally regulated financial institutions and pension plans, deals with representatives of regulated institutions and the lawyers who act on behalf of these institutions on a regular basis.
- ◆ Beginning in 1997, OSFI has engaged in a process of stakeholder consultations. These consultations comprise a series of one-on-one interviews with senior financial sector executives and professionals representing a cross-section of the institutions regulated by OSFI.
- ◆ Findings reported here are from the 2004 consultation process undertaken on behalf of OSFI, specifically with respect to its approvals process. OSFI undertook a similar consultation process in 2001. Findings from the 2001 and 2004 consultations are compared.
- ◆ OSFI's Approvals and Precedents group (formerly the Registration and Approvals Division [R&A]) coordinates the approvals process within OSFI.



Objectives

- ◆ The primary objective of the consultation was to obtain an overall assessment of the effectiveness of OSFI's approvals process. Specific objectives were to obtain perceptions about:
 - Strengths and opportunities for improvement in the approvals process.
 - The knowledge level of OSFI staff involved in the approvals process.
 - The overall efficiency of the approvals process.
 - The quality of OSFI's communications practices as they pertain to the approvals process.
 - How OSFI's approvals process compares with similar functions at other domestic and international regulators.
 - Key future challenges facing OSFI's approvals process

Methodology

- ◆ A total of 63 one-on-one interviews were conducted among senior financial sector executives and professionals who represent financial institutions.
- ◆ Interviews were broken out by type of financial institution as shown in the table.
- ◆ OSFI provided *The Strategic Counsel* with a list of regulated institutions and law firms and names of key contacts within each. The sample focused on major financial institutions with a smaller selection of smaller institutions.
- ◆ Guidance on the distribution of interviews across the key categories of regulated institutions was provided by OSFI.
- ◆ The final sample of respondents was selected and contacted by *The Strategic Counsel* independently of OSFI.
- ◆ Interviews were conducted primarily in-person, with a few undertaken by telephone (at the request of the respondent or due to the geographic location of the respondent).
- ◆ The average length of interviews was 45 minutes.
- ◆ In order to improve the quality of the consultation, the 2001 interview guide was modified by adding and deleting questions and by rewording some questions. These modifications did not materially impact the ability to make comparisons between the 2001 and 2004 consultations.
- ◆ Where there is no comparison with 2001 results, this indicates that the question is new for 2004 or that the question asked in 2004 is substantively different from that asked in 2001 and therefore no comparison is possible.



Distribution of Interviews	Number of Interviews Conducted
Large Domestic Banks	8
Other Domestic Banks	7
Foreign Banks	4
Large Life Insurance	5
Other Life Insurance	2
P&C Insurance	6
Trust and Other	4
Law Firms	27
Total	63



Methodology (continued)

- ◆ Some results have been recalculated to exclude those respondents who answered “don’t know”, or who did not offer a response, in order to be consistent with the analysis undertaken in 2001, or where the results are skewed due to a large proportion who were unable to offer a response. When recalculations have been made it is noted on the graph.
- ◆ **The sample sizes for the two consultations are relatively small. Where statistically significant differences are evident in the results they are identified in the following manner:**
 - **↑ indicates significantly higher scores (at 95% confidence interval) than the previous reporting period.**
 - **↓ indicates significantly lower scores (at 95% confidence interval) than the previous reporting period.**
- ◆ Unless otherwise noted, the findings outlined in this report reflect themes emerging across respondents.
- ◆ Subgroup analysis is restricted due to limited sample sizes. However, where statistically significant, or thematically consistent differences occur they are noted.
- ◆ Some graphs may add to greater or less than 100% due to rounding issues associated with small sample sizes.

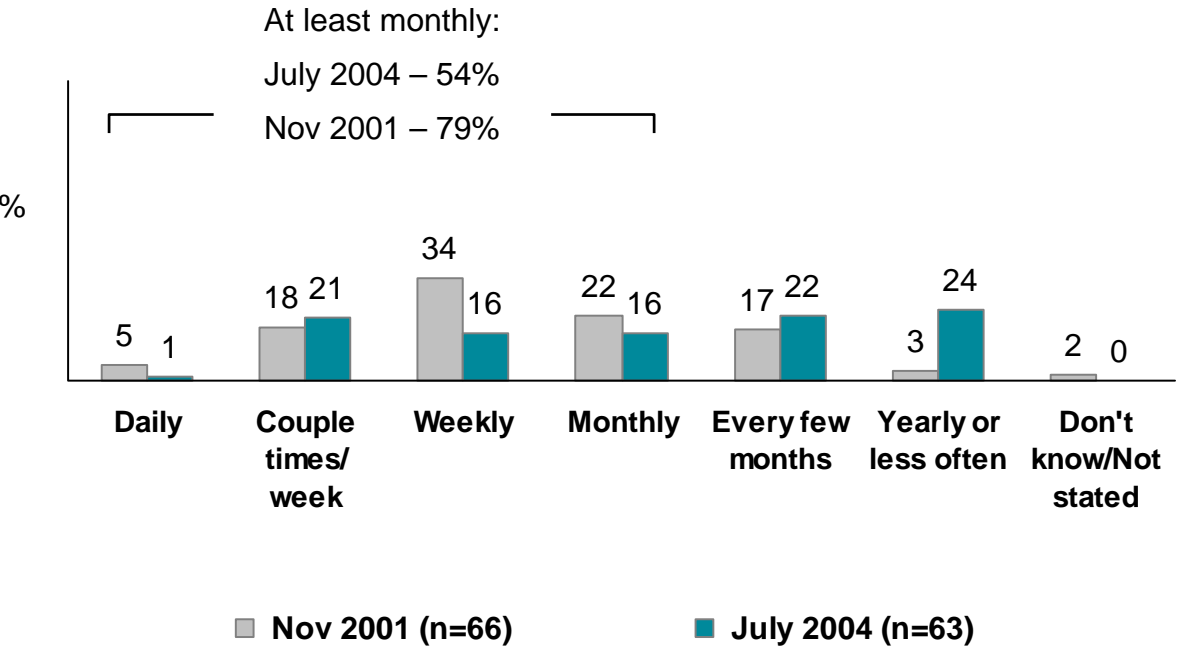


Context and Familiarity



Q.1 How often do you have contact with OSFI A&P?

Frequency of contact with OSFI A&P varies, but is high for a majority of respondents

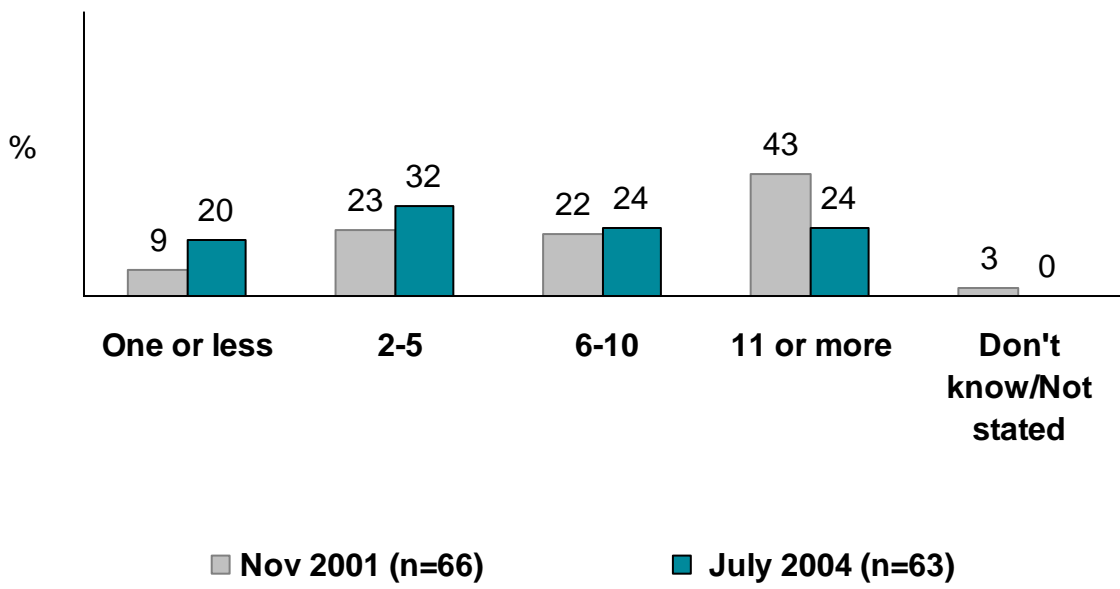


- ◆ Frequency of contact with A&P tends to vary by industry. Law firms are the most likely to report regular contact (a couple of times per week), followed by the larger banks (weekly). Small domestic banks and life insurance companies are the least likely to report frequent contact with A&P (yearly or less often).
- ◆ Overall, the frequency of reported contact with A&P has declined significantly from 2001.



Q.2 In a typical year, about how many separate applications for regulatory consent, or requests for rulings, does your institution/law firm bring to OSFI?

The number of applications submitted also varies, but 48% submit 6 or more per year

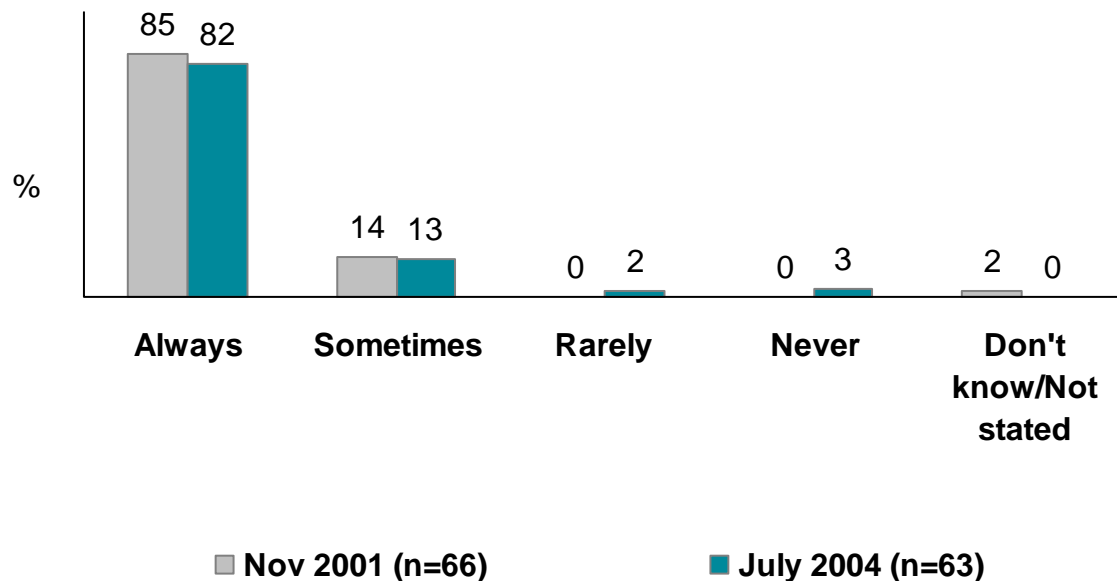


- ◆ The decline in frequency of contact with OSFI is consistent with a decline in the reported number of applications submitted by respondent institutions.
- ◆ The number of applications submitted to OSFI varies widely.
- ◆ Law firms report bringing significantly more applications than do individual financial institutions. Respondents from law firms are significantly more likely to report working on 11 or more applications than are FI representatives.



Q.3 Do you know whom to call at A&P when you need to?

The vast majority of institutions know whom to contact within the A&P division



- ◆ Familiarity with whom to call at A&P remains at a consistently high level.



Q.4 How many A&P staff members do you deal with regularly?

Number of A&P staff members dealt with on a regular basis varies strongly between institutional respondents and lawyers



- ◆ Amongst financial institutions, 39% report dealing with solely one member of A&P on a regular basis.
- ◆ By contrast, among representatives from law firms, only one respondent indicates they deal with only one A&P representative.
 - A strong majority of law firm representatives report dealing with 4 or more A&P staff members on a regular basis.

Note: Wording of this question was substantially different in 2001, therefore results are not comparable. In 2001: Q5 How many different people at R&A do you know?



Q.5 How would you describe the relationship between your organization and OSFI A&P?

Clients describe their relationship with OSFI A&P as collaborative, one based on openness and a willingness to engage in dialogue

The relationship with OSFI A&P continues to be described in positive terms.

There are a number of descriptions that applicants frequently use to describe their relationship with the OSFI A&P division:

- Cooperative
- Open
- Cordial
- Based on dialogue
- Non-adversarial
- Professional

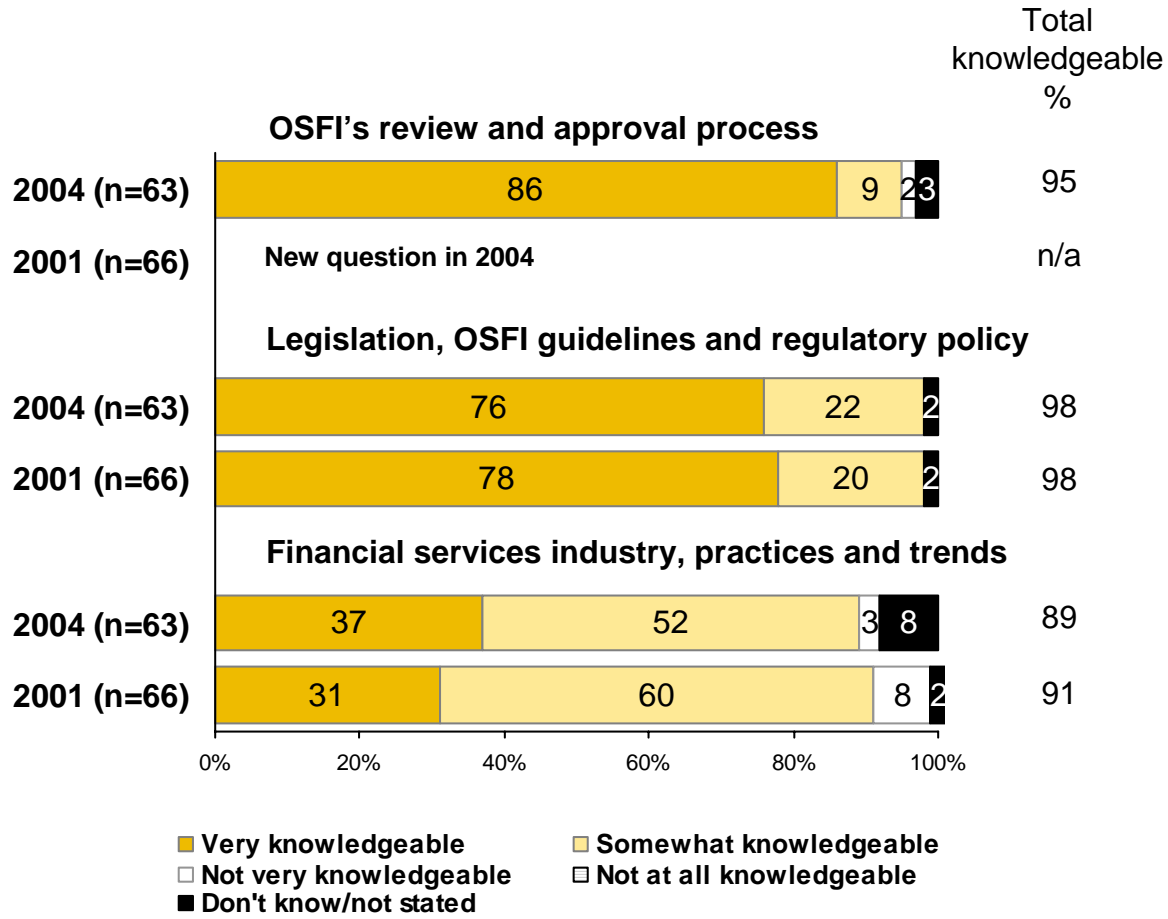


Knowledge Levels and Advice Provision



Q.6 How would you rate A&P staff in general in terms of their knowledge level in the following areas?

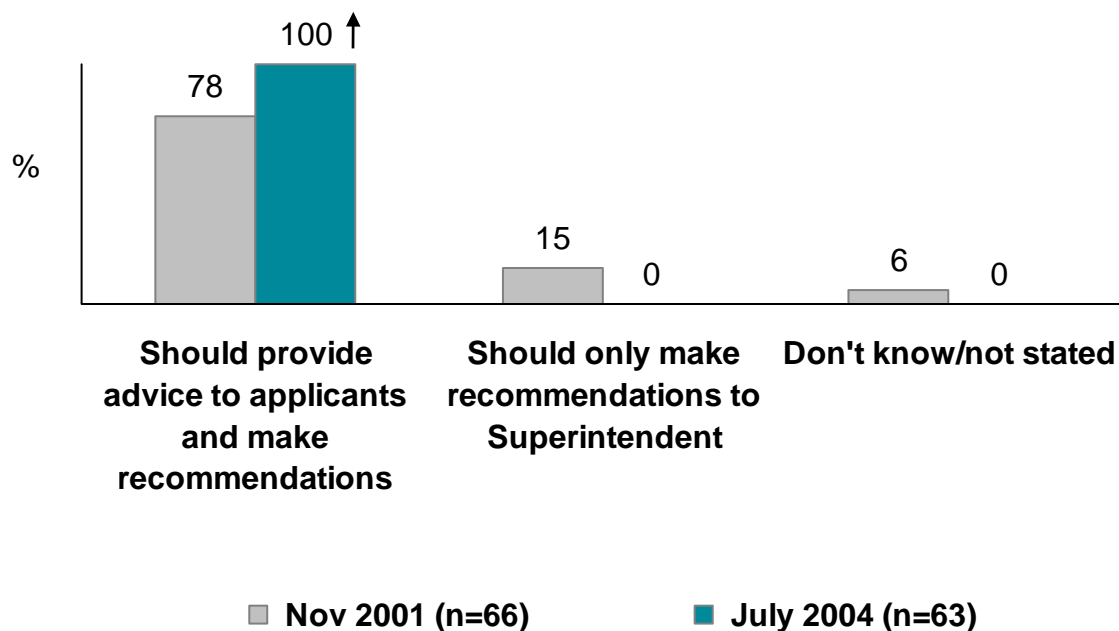
OSFI A&P staff are considered to be highly knowledgeable about their core competencies



- ◆ Universally high ratings are given to A&P staff for their knowledge of both the review and approval process and legislation, OSFI guidelines and regulatory policy – the core competencies of the department.
- ◆ A&P staff are considered to be somewhat less knowledgeable about the financial services industry, practices and trends. However, some respondents suggested that while it would be advantageous, they don't necessarily expect staff members to be experts about industry trends and practices.
- ◆ There was some desire expressed for A&P to seek ways in which to enhance its expertise in broader industry trends.

Q.7 What do you think A&P's role should be?

There is a universal desire for A&P to provide advice to applicants

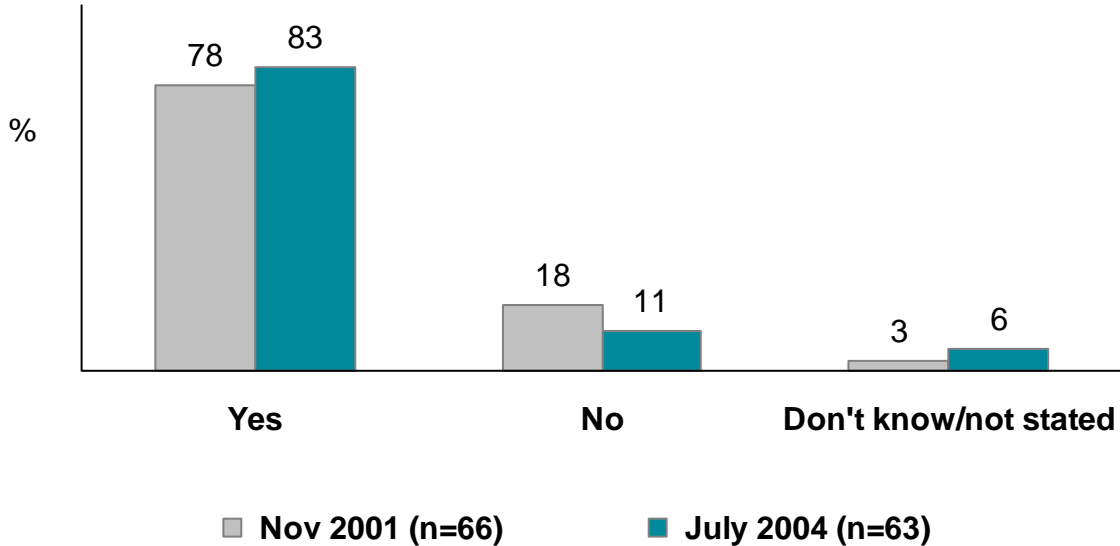


- ◆ Taking on an advisory role is perceived to allow the A&P division to more effectively facilitate the approvals process.
- ◆ There has been a significant increase since 2001 in the preference for A&P to be an advisor to applicants.
- ◆ Further, applicants report that A&P has been providing advisory support (See results for Q.8 and Q.9 on following pages) and that this has enhanced their experience with OSFI.



Q.8 Would you say that A&P is open to providing advice?

A&P is perceived to be open to providing advice to applicants

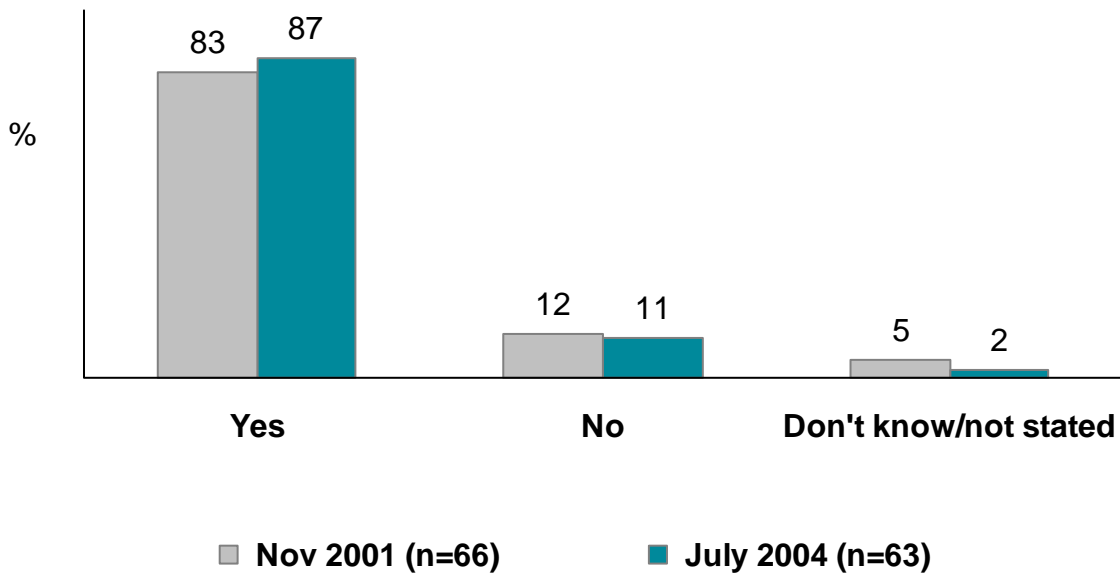


- ◆ Consistent with 2001 results, the strong majority of respondents find A&P open to dialogue about the application process and issues associated with specific submissions.
- ◆ Again, this finding is consistent with the perception that OSFI A&P staff are seeking to be more effective in facilitating the approvals process.



Q.9 Does your organization seek advice from A&P?

Consistent with 2001 results, a strong majority seek advice from A&P



- ◆ Clients clearly wish to engage A&P in an advisory capacity.
- ◆ Lawyers in particular tend to seek OSFI’s counsel prior to bringing an application because they are often involved in complex or novel applications – those that push the boundaries of legislative and policy interpretation.



Q.9A Why does your organization seek advice/not seek advice?

Applicants seek advice because OSFI is the expert in providing information which will streamline and expedite the approvals process

Some respondents report using A&P as a sounding board prior to submitting an application to identify:

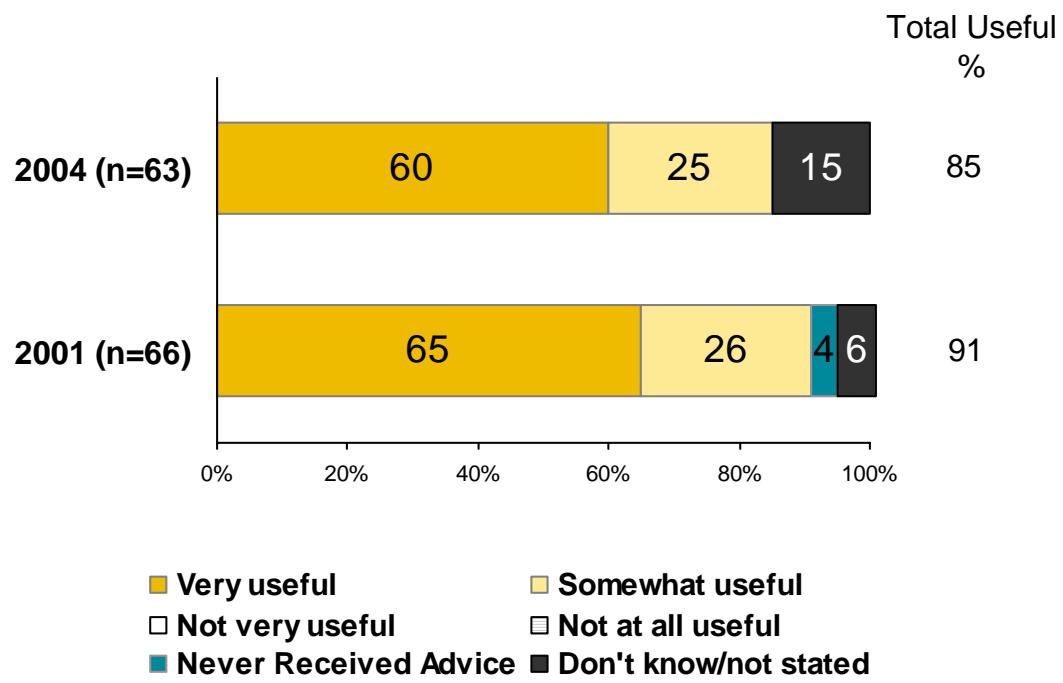
- Whether an approval is needed
- What requirements must be met
- What issues may arise

There are no consistent themes as to why applications did not seek advice.



Q.10 How would you rate the usefulness of advice received from A&P staff?

Advice provided by A&P staff is considered to be highly useful



- ◆ Consistent with 2001, a strong majority of applicants and their representatives find A&P’s advice to be useful. In fact, 6-in-10 find the guidance to be “very useful”.
- ◆ This rating reflects the key reasons for seeking advice from A&P: the division is viewed as the expert in how applications will be received and evaluated.

Note: Wording of this question was slightly different in 2001: Q.20 How would you rate the quality of advice received from R&A staff?

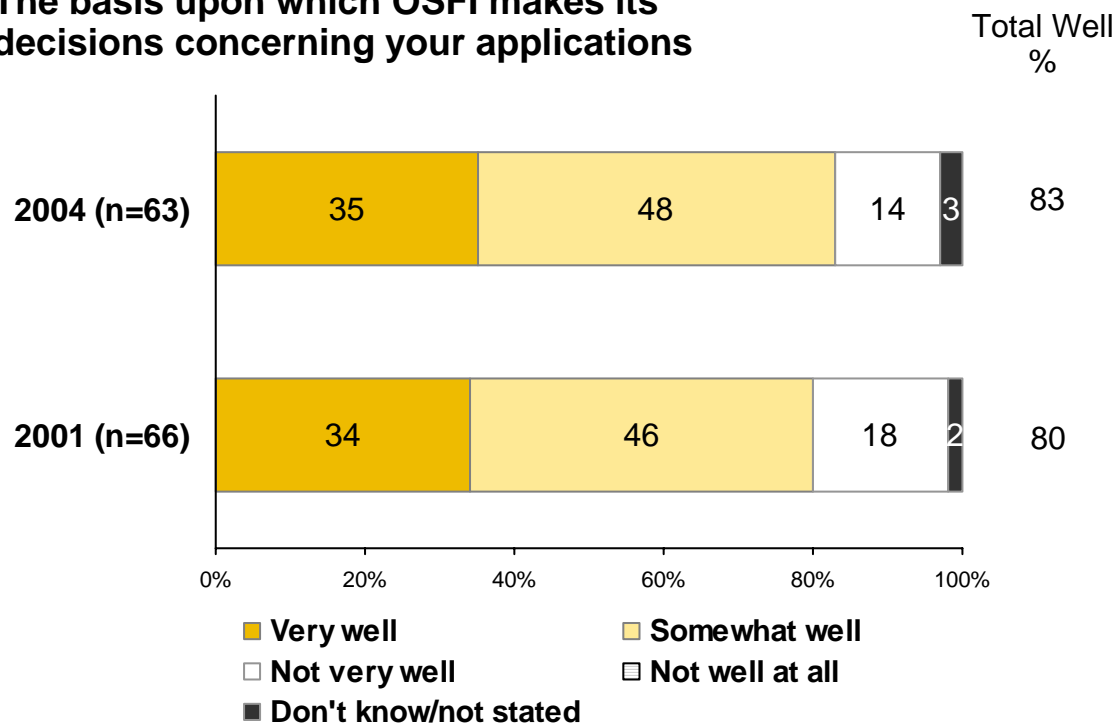


OSFI's Processes

Q.11 How well do you understand ... the basis upon which OSFI makes its decisions concerning your applications?

Understanding of OSFI's decision-making process continues to be moderately strong

The basis upon which OSFI makes its decisions concerning your applications



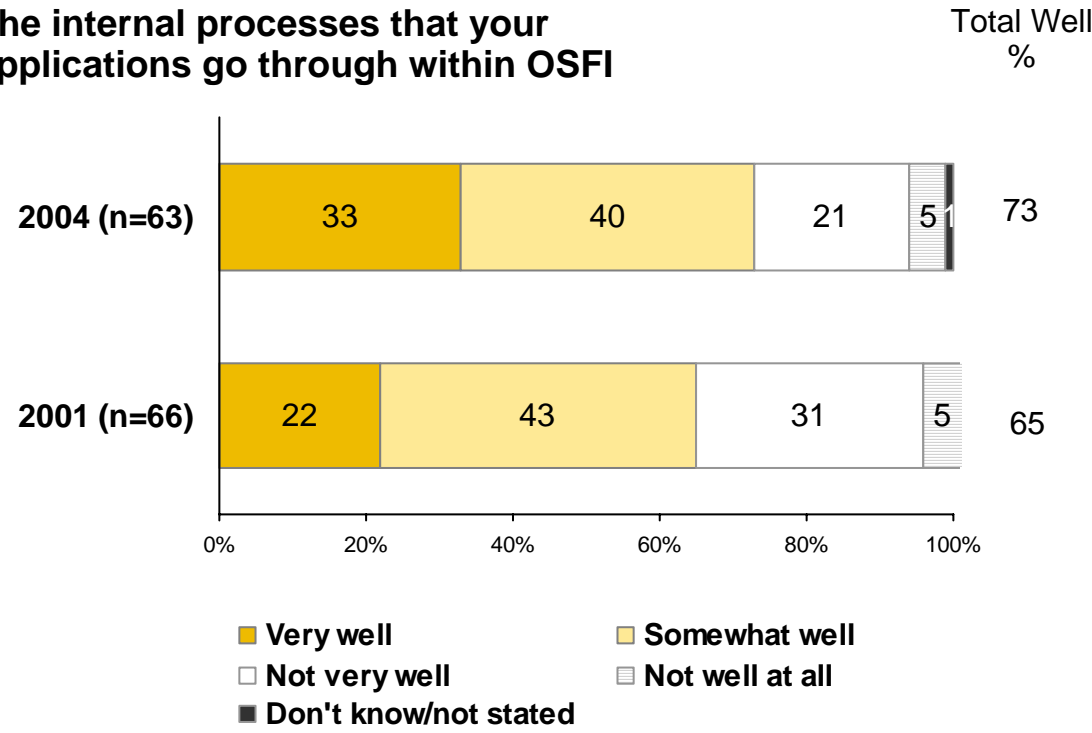
- ◆ A strong majority continue to report that they understand the basis upon which decisions are made concerning their applications.
- ◆ Ratings are split between understanding “very” and “somewhat” well – with the latter accorded more mentions.
- ◆ Additional unprompted commentary suggests that OSFI’s decision-making process is becoming more transparent due to efforts made in publishing requirements and guidelines.
- ◆ Also, OSFI is seen as open to preliminary dialogue, which assists applicants in identifying the information needed and issues that will affect their applications.



Q.12 How well do you understand ... the internal processes that your applications go through within OSFI?

A moderately strong understanding of OSFI's internal processes around processing applications is also evident

The internal processes that your applications go through within OSFI

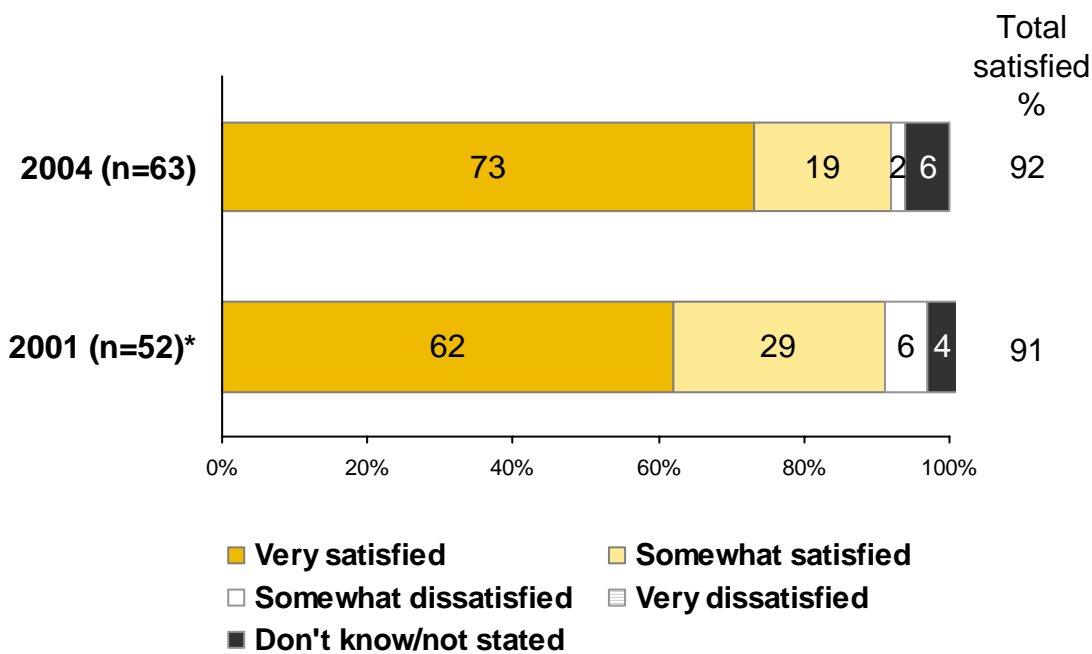


- ◆ 73% feel that they have an understanding about OSFI's internal processes as they pertain to processing applications.
- ◆ Again, this proportion is split between those rating their understanding as "very well" and "somewhat well", with somewhat well receiving more mentions.
- ◆ Some applicants indicated that they do not know enough about OSFI's processes and would like further insight.



Q.13 How satisfied are you with OSFI’s approach of having a single point of contact within A&P for applications submitted by your institution?

A strong majority are “very satisfied” with OSFI’s single contact point approach at A&P



- ◆ Satisfaction with the single point of contact remains at a high level.
- ◆ Applicants identified the value of the single contact to be:
 - That the individual gains knowledge and experience about an institution and its business. There is no need to reeducate that individual for each application.
 - Further, it simplifies the process as the contact person takes care of internal coordination within OSFI.

*Note: Among those familiar with the single point of contact system. 2004 results are for total sample

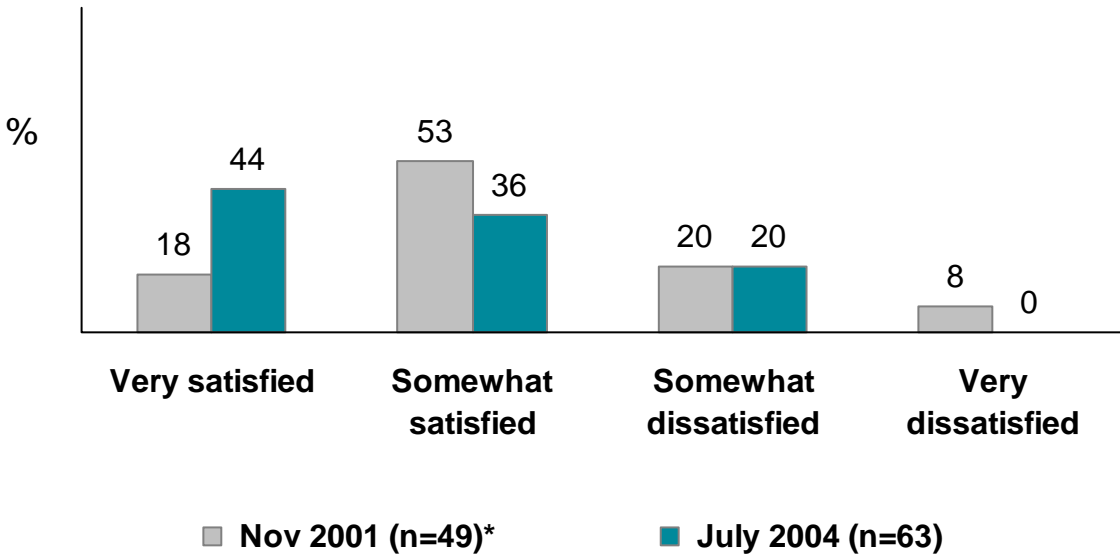
Note: Wording of this question was slightly different in 2001: Q.7 Overall, how would you rate your satisfaction with the system at OFSI R&A of using a single point of contact?



Q.14 How satisfied are you with the way OSFI coordinates the approvals process when two or more groups within OSFI must be involved?

Overall, clients are satisfied with the internal coordination of the review process within OSFI

Total "Satisfied":
July 2004 – 80%
Nov 2001 – 71%



* Percentage based on decided respondents

- ◆ The strong majority of respondents are satisfied with the way the approvals process is coordinated when multiple groups within OSFI are involved.
- ◆ The intensity of satisfaction has increased significantly since 2001.
- ◆ A minority continues to express some dissatisfaction.

Note: Wording of this question was slightly different in 2001: Q.30 How satisfied are you with the process when other units of OSFI are involved in an application?



Q.14A Why are you satisfied/dissatisfied [with the way OSFI coordinates the approvals process when two or more groups within OSFI must be involved]?

Clients are satisfied with the internal coordination of the review process within OSFI

Satisfaction is primarily driven by perceptions that OSFI has improved in its inter-divisional communications. Further, the single point of contact at A&P is viewed as facilitating internal coordination.

Reasons for dissatisfaction tend to focus on:

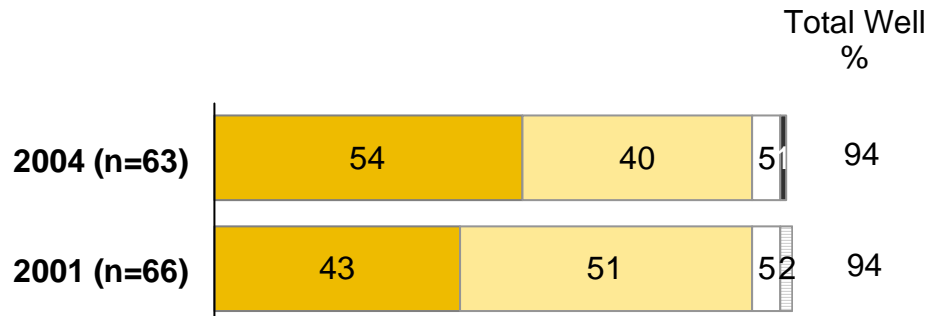
- The longer processing time when other groups within OSFI are involved.
- A lack of understanding among applicants concerning the role played by other groups within OSFI.



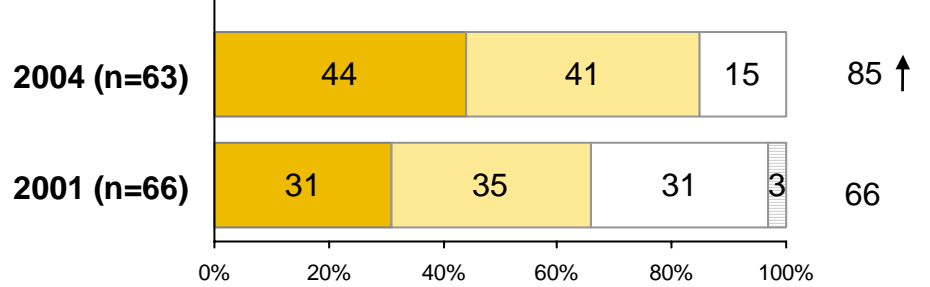
Q.15/16 How well do you think ...?

OSFI A&P is credited with strong communications, particularly relating to its decisions and viewpoints

A&P communicates and explains its point of view and the decisions it makes



A&P keeps you informed about the status and progress of applications that you originate



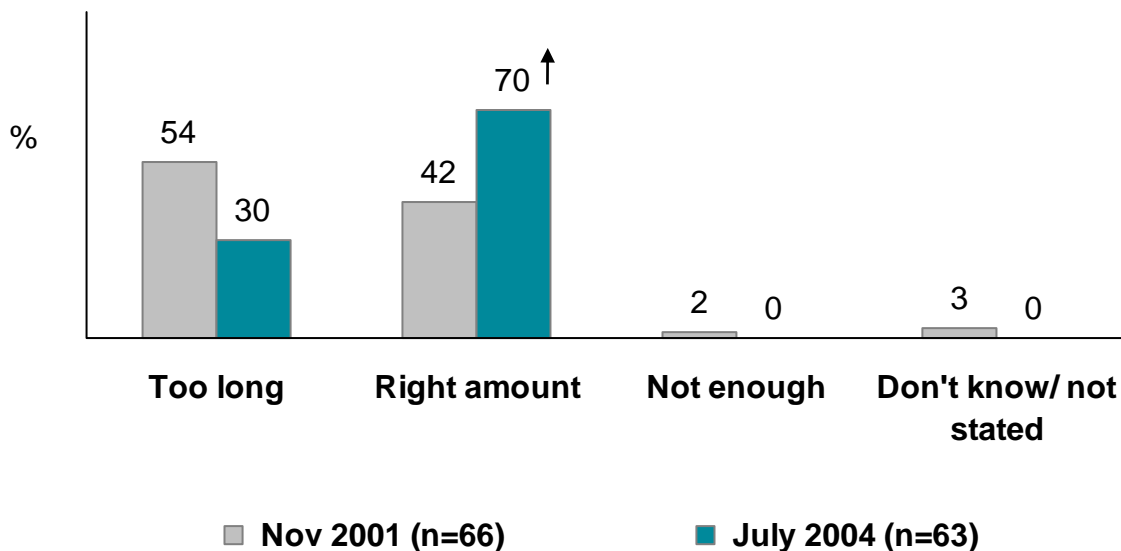
- Very well
- Somewhat well
- Not very well
- Not well at all
- Don't know/not stated

- ◆ Nearly all respondents feel that OSFI does a good job communicating its viewpoints and decisions.
- ◆ A strong majority also feels that A&P does a good job of keeping applicants informed about the status and progress of their applications. In fact, there has been a significant increase in the perceived quality of communications concerning the status and progress of applications since 2001.



Q.17 Taking into consideration the type and complexity of applications submitted by your institution, would you say that generally OSFI takes too long, about the right amount of time or not enough time to process your application?

The majority feel that OSFI’s timelines for processing applications are appropriate



- ◆ A majority feel that OSFI typically takes the “right amount” of time to process their applications.
- ◆ Assessments of OSFI’s timeliness in processing applications have improved significantly since 2001.
 - There is evidence from unprompted commentary and feedback to Q.18 (See following page) that the increase in the proportion who think OSFI is taking the right amount of time may be attributable to the impact of the 30-day deemed approval regime.
 - This change may also be partially attributable to a change in the question wording which asked respondents in 2004 to qualify their rating of OSFI’s timeliness based on the type and complexity of applications.
- ◆ Timelines are considered to be appropriate for routine/transactional submissions. For more complicated or novel applications, however, there is a desire for faster processing.

Note: Wording of this question was slightly different in 2001: Q.31a Would you say that generally R&A takes too long, about the right amount of time or not enough time to deal with applications for regulatory consent, such as new incorporations, business re-organizations or new investments?



Q.18 Please give us an example of a transaction you believe took longer to process than it should have, and indicate how long you believe it should have taken.

Submissions involving novel, complex, or policy-oriented issues are the ones which are most frequently perceived to take an undue amount of time to resolve

While these types of applications are seen to require considerably more time to process, there is some appreciation that:

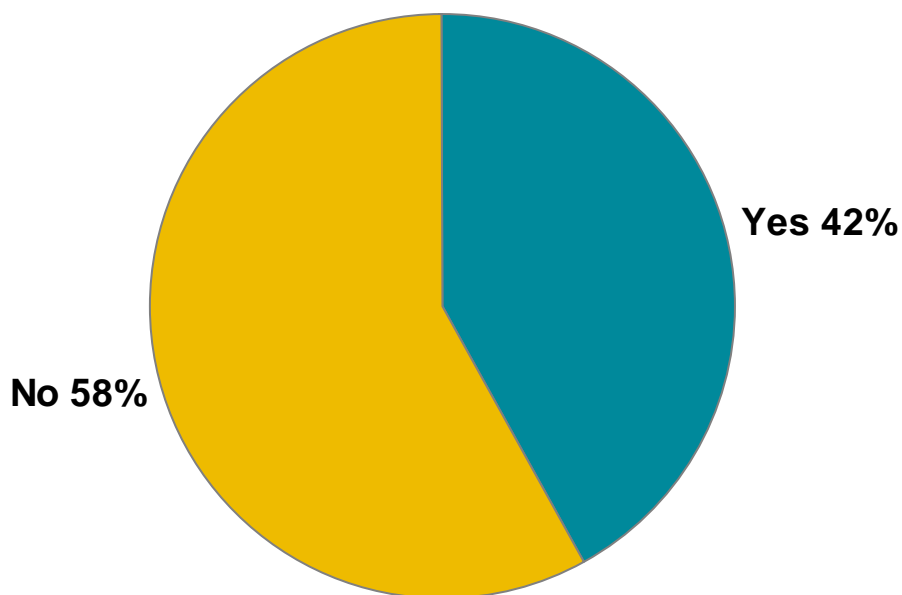
- They require more discussion and analysis in OSFI.
- Other OSFI divisions need to be involved.
- The applicant may not submit all the required material in a timely fashion.

There is also general acknowledgement and appreciation that OSFI typically makes a significant effort to meet an applicant's deadline and is nearly always successful in doing so.

There was also some frustration expressed concerning the length of time it can take to process applications that require ministerial approval.

Q.19 Were the reasons for the length of time taken explained to you?

Among those who provided an example of a transaction that took too long to process, a slight majority report that the reasons for the processing time were not explained to them

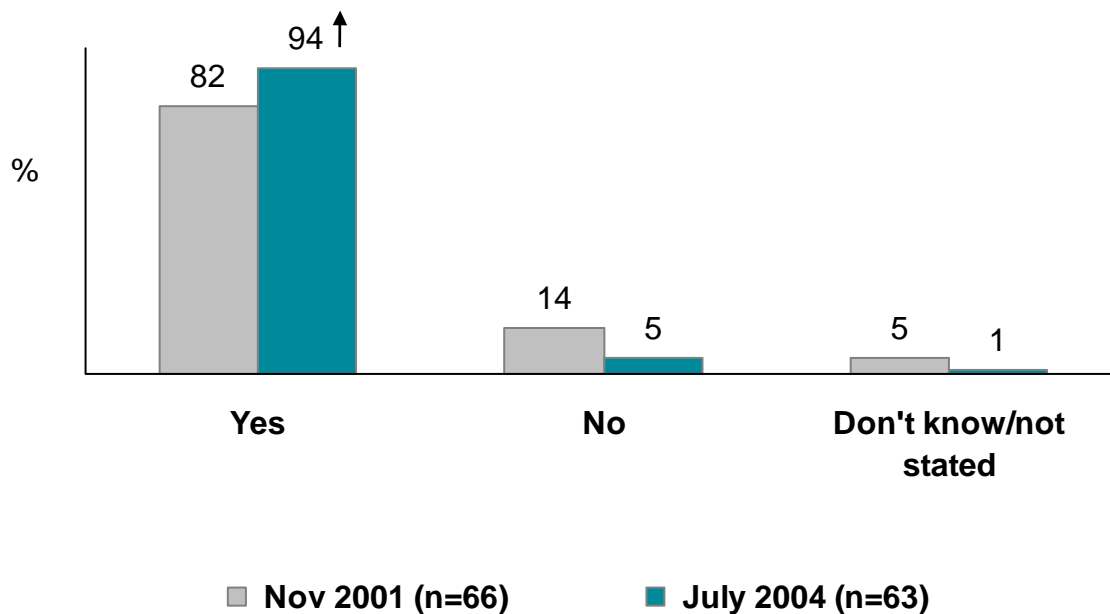


- ◆ This highlights the need for continuing efforts to increase transparency about the applications process.



Q.20 In general, does A&P obtain application approval within a time period that enables you to complete or close your transaction, or to advance your project, within your time line?

OSFI A&P is almost universally perceived to deliver approvals within the applicant's timeframe

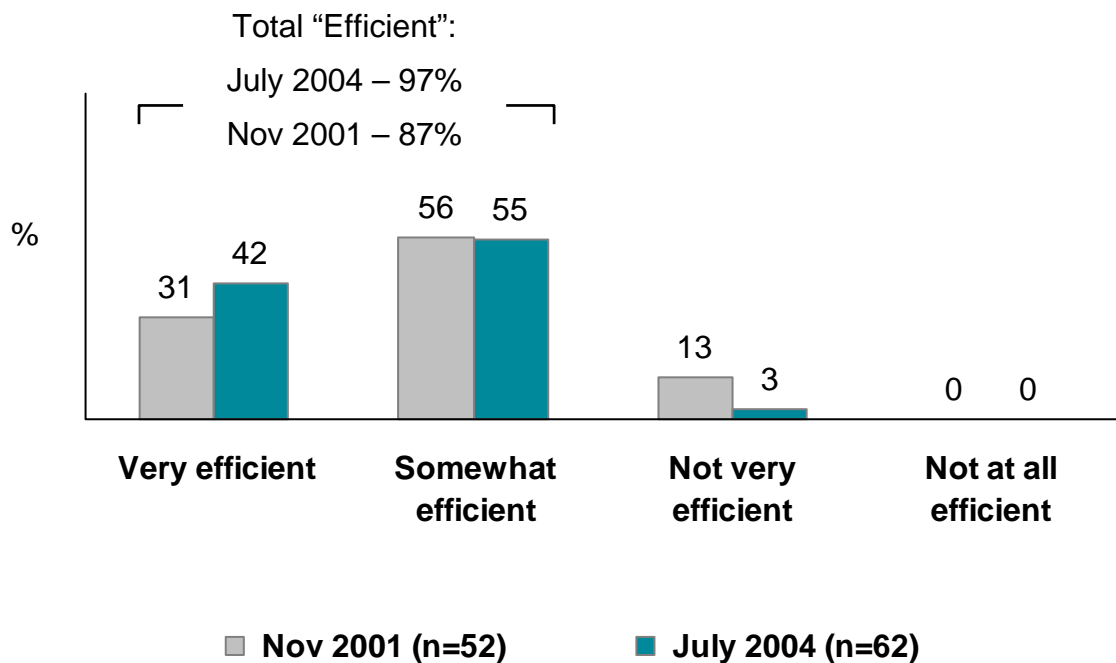


- ◆ There has been a significant increase in the already high proportion that feels that A&P delivers approvals in a timeframe that enables completion or advancement of applicants' business transaction or project.
- ◆ Again, there is also a general acknowledgement that A&P makes every effort (sometimes going beyond the call of duty) to respect and meet applicants' deadlines.



Q.21 Taking into consideration the type and complexity of applications submitted by your institution, how efficient do you feel OSFI's processes are for dealing with applications from your institution?

OSFI's processes for handling applications continue to be perceived as efficient by the strong majority



Percentage based on decided respondents (In 2001, 14 respondents did not feel that they could offer an opinion)

- ◆ Overall, OSFI receives strong ratings for the efficiency of its processes.
- ◆ As in 2001, however, a strong proportion continues to provide the more moderate rating of “somewhat efficient”. Several factors may explain this:
 - Many respondents are not confident in the depth of their understanding of OSFI’s processes and therefore base their rating on the assumption that OSFI is at least somewhat efficient.
 - Several respondents would have liked an “efficient” option—more positive than “somewhat” efficient but less positive than “very” efficient.



Q.21 Taking into consideration the type and complexity of applications submitted by your institution, how efficient do you feel OSFI's processes are for dealing with applications from your institution?

Perceptions of efficiency vary by complexity of application

In answering this question it is evident that efficiency is synonymous with speed of processing in the minds of respondents.

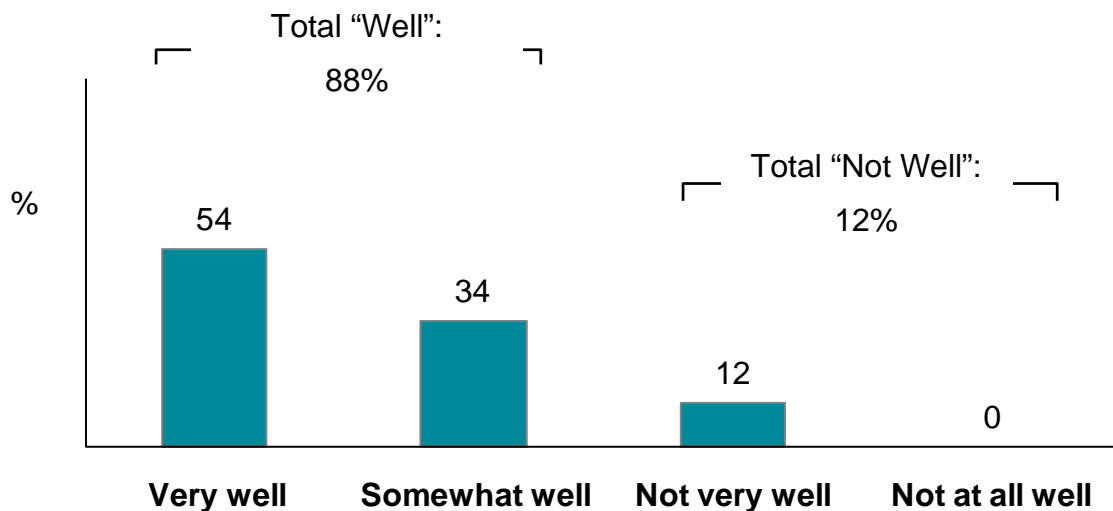
Therefore, when assessing efficiency, respondents distinguish between routine applications (which are perceived to be handled efficiently), and those that are more novel, complex or policy-oriented (which are seen to be prone to delay). OSFI is perceived to be less efficient when dealing with more complex applications.

It should be noted again that there is an acknowledgement of the efforts made by A&P staff to meet applicants' timelines when it is critical to do so.



Q.22 As you know, Bill C-8 established a 30-day “deemed approval” regime for certain applications requiring the Superintendent’s approval. How well do you believe the deemed approval regime is working?

The “deemed approval” regime is considered successful by those familiar with it



■ July 2004 (Among respondents with an opinion n=41)

- ◆ Among those with an opinion, a strong majority hold a positive assessment of the 30-day deemed approval regime, with over one-half rating it as working “very well”.
- ◆ One-third (35%) had no opinion on this issue, primarily because they indicated the types of applications they have brought forward are not eligible for the regime.



Q.22 As you know, Bill C-8 established a 30-day “deemed approval” regime for certain applications requiring the Superintendent’s approval. How well do you believe the deemed approval regime is working?

Increasing certainty of timeframes for approval is the primary reason given for positive ratings of the deemed approval regime

There is a sense that the regime is improving the application process by increasing the certainty of timeframes.

The introduction of the deemed approval regime further reinforces perceptions that OSFI is seeking to streamline the approvals process.

A small minority express some skepticism about deemed approvals as they observe that extensions are permitted and routinely exercised.



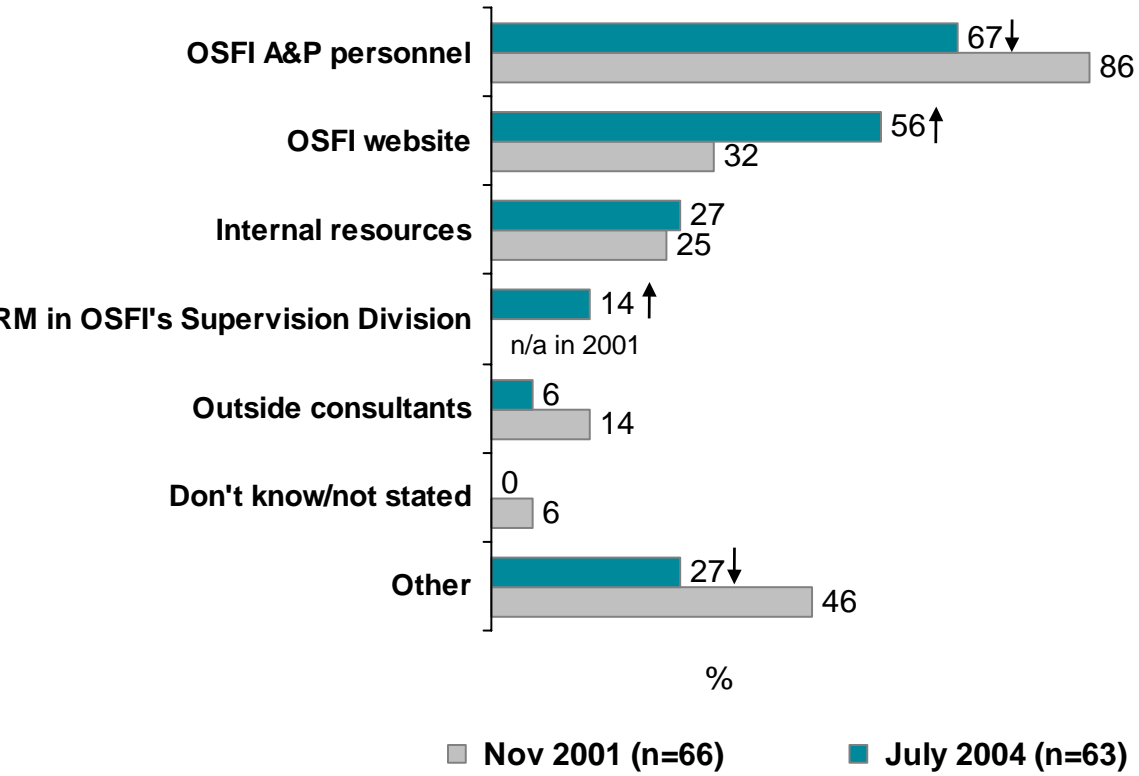
OSFI's Website



Q.23 When you need information about OSFI's requirements for an approval you are seeking, where do you go?

A&P personnel and OSFI's website are the dominant sources of information regarding approval requirements

Note: Multiple responses allowed



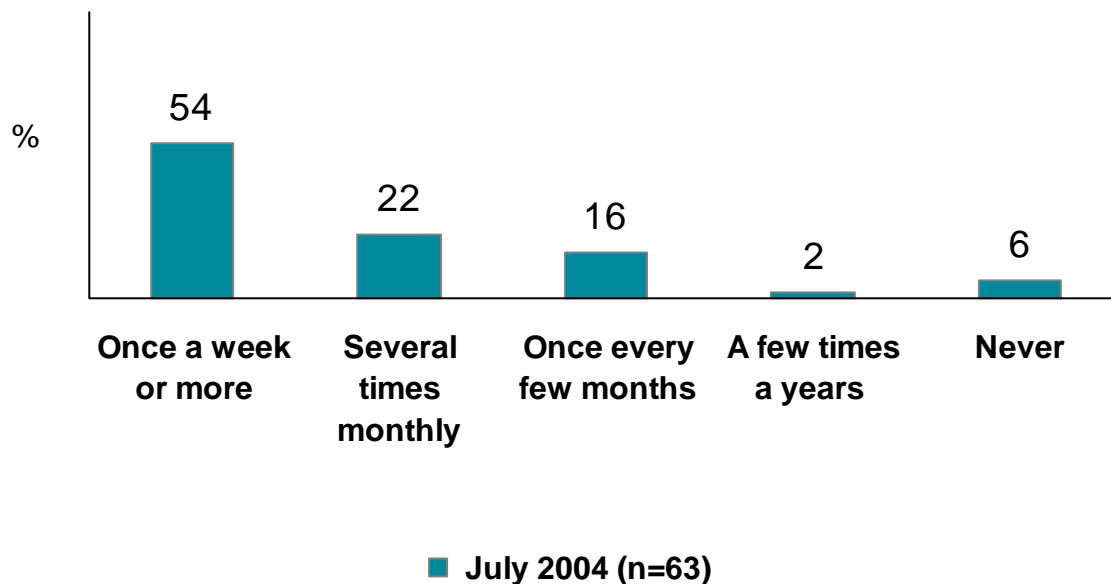
- ◆ Mentions of OSFI's website have increased significantly as a source of information about approval requirements since 2001.
- ◆ Mentions of OSFI A&P personnel as a source of information have declined significantly.

Note: Wording of this question was slightly different in 2001: Q.39 When you need information about R&A issues, where do you go?



Q.24 How frequently do you access the OSFI website?

Respondents report accessing OSFI's website regularly



- ◆ The majority of respondents report that either they, or someone in their department or organization, uses OSFI's website at least once a week.



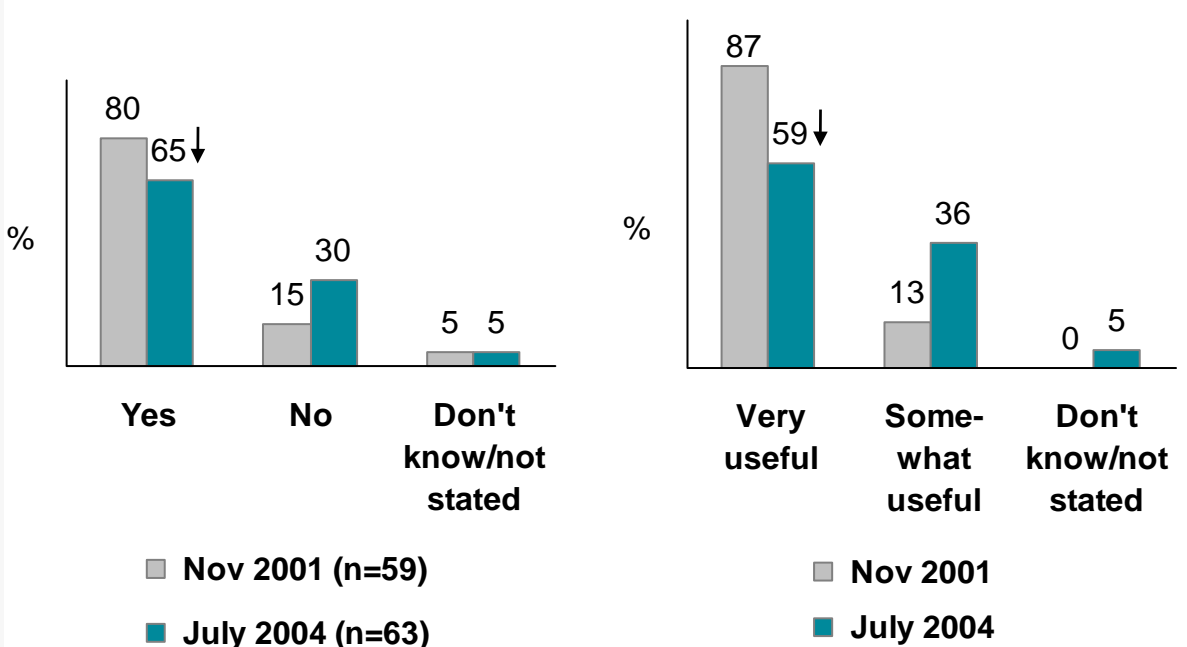
Q.25 When you have accessed the OSFI website, were you able to find the information you needed?
Q.31 How useful have you found the information you've accessed on OSFI's website?

The majority of respondents report that they find the information they need on OSFI's website, and consider it to be highly valuable. However, locating information is a source of considerable frustration for most.

- ◆ The proportion who indicate that they are able to find the information they require on the OSFI website is down significantly from 2001.
- ◆ The degree to which the OSFI website is considered useful has also declined significantly. This is often linked to frustrations around the navigability of the site.

Find information needed?

How useful was information?



Among those who have accessed the website



- Q.25 When you have accessed the OSFI website, were you able to find the information you needed?
Q.31 How useful have you found the information you've accessed on OSFI's website?

The main issues identified about the web site tend to focus on navigational problems and the ineffectiveness of the search function

Respondents were very forthcoming in their commentary about the website. The reasons for lower ratings appear to be linked to the overall development and navigational flow of the site.

- The usefulness of the site is diminished if content cannot be accessed quickly and easily.
- Frustrations are expressed with the organization of information on the site. It is often described as counterintuitive. Further, the search engine is characterized as ineffective.

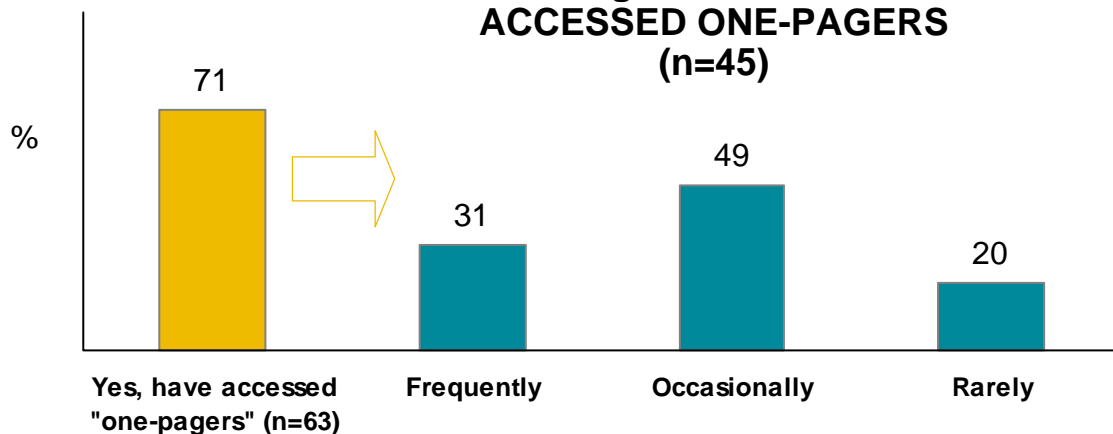
The content of the site, once found, is considered to be strong – it is thorough and up to date. The exception to this is older documents, particularly memoranda. Respondents suggest that these documents do not appear to be kept active or archived on the site, and suggest that they should be.

Q.27/28 Have you accessed any of the “one-pagers” which provide key information requirements for applications for regulatory consent posted on OSFI’s website? How often do you access these documents?

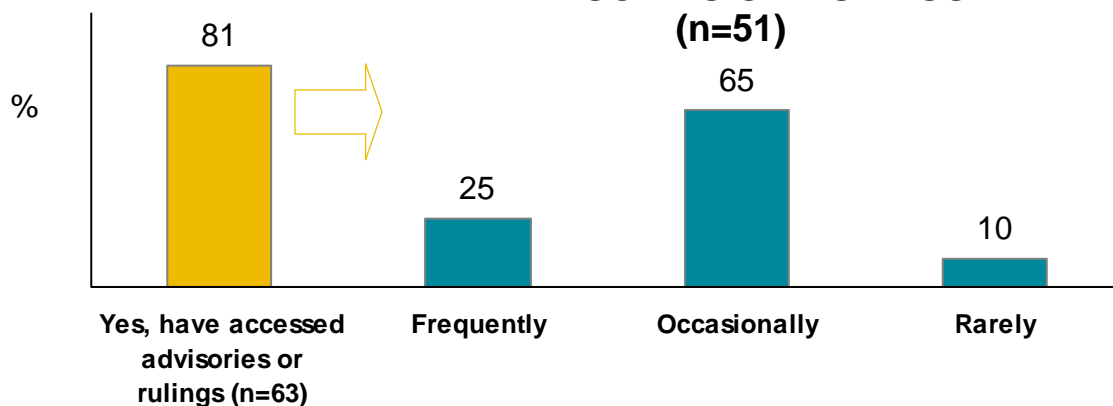
Q.29/30 Have you accessed any of the advisories or rulings posted on OSFI’s website? How often do you access these documents?

The one-pagers and advisories/rulings posted on OSFI’s website are accessed by the majority

Among those who have
ACCESSED ONE-PAGERS
(n=45)



Among those who have **ACCESSED**
ADVISORIES OR RULINGS
(n=51)



- ◆ The majority of applicants report that they access the one-pagers and advisories or rulings on the OSFI website.
- ◆ Most report accessing these postings on an occasional basis, although at least one-quarter are using them frequently.



Q.32 What did you find most useful [on OSFI's website]?

Guidelines and one-pagers outlining application requirements and filing instructions are considered to be the most useful postings on OSFI's website

Rulings and precedents are also deemed useful as they provide insight into OSFI's thinking and interpretation of issues and legislation.

When discussing website issues, respondents spontaneously identified the value of the e-mail alerts notification system in keeping them abreast of updated information regarding OSFI policies and procedures.



Q.33 Would you recommend any specific improvements to the website or OSFI's communications as they pertain to processing applications?

There are many suggestions for improvements to OSFI's website

The primary suggestion is to make the organization/ categorization of content and the navigation of the site more intuitive.

- Presently, the index/category tabs are considered not particularly clear or consistent with the content.
- The search engine is criticized consistently for failing to deliver either concise or useful results.

Adding specific types of content such as an up-to-date organization chart and contact list for OSFI and an archive of older memoranda is suggested.

While most think that improvements could be made within the existing site, a small minority recommend that the site be entirely overhauled.

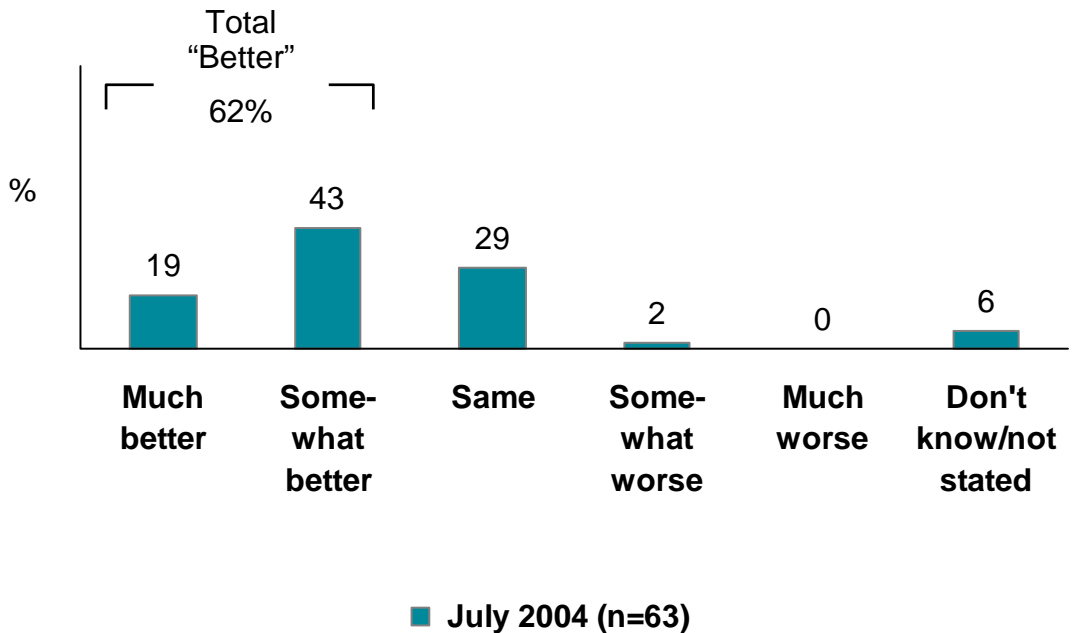


Overall Assessment



Q.34 From your perspective, do you believe that over the past 2-3 years there has been any change in OSFI's overall effectiveness in processing applications?

The majority of respondents note improvements in OSFI's effectiveness in processing applications over the past 2-3 years



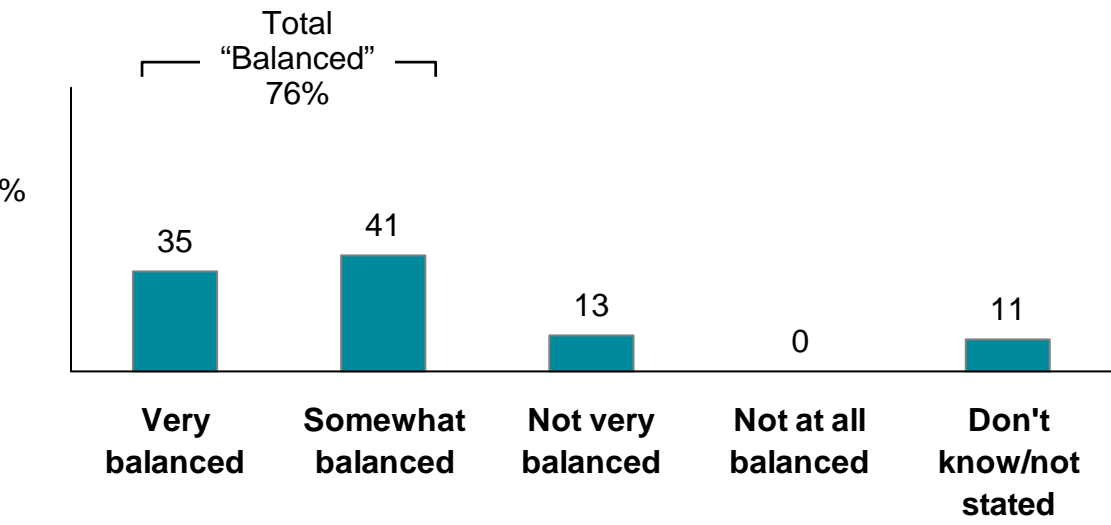
- ◆ The greatest proportion say that OSFI's effectiveness in processing applications is "somewhat" better over the past 2-3 years.
- ◆ 29% view OSFI's effectiveness as unchanged from previous years.
 - This evaluation is qualified by a number of respondents who report that they already have a positive perspective of OSFI's effectiveness. They do not believe significant improvements are required.
- ◆ The areas in which improvements have been noted are:
 - Providing information concerning the requirements for filing an application (through one-pagers and briefings given by relationship managers);
 - The 30-day deemed approval regime in increasing the certainty of turnaround times; and,
 - The quality/knowledge level of A&P staff.

Note: Wording of this question was substantially different in 2001, therefore results are not comparable



Q.35 As a prudential regulator OSFI strives to fulfil its regulatory mandate having due regard to the need to allow institutions to compete. How balanced do you think OSFI is in processing your applications?
Q.35A: Why do you believe OSFI is balanced/not balanced [in processing your applications]?

OSFI is considered to take a balanced approach in processing applications requiring regulatory consent



■ July 2004 (n=63)

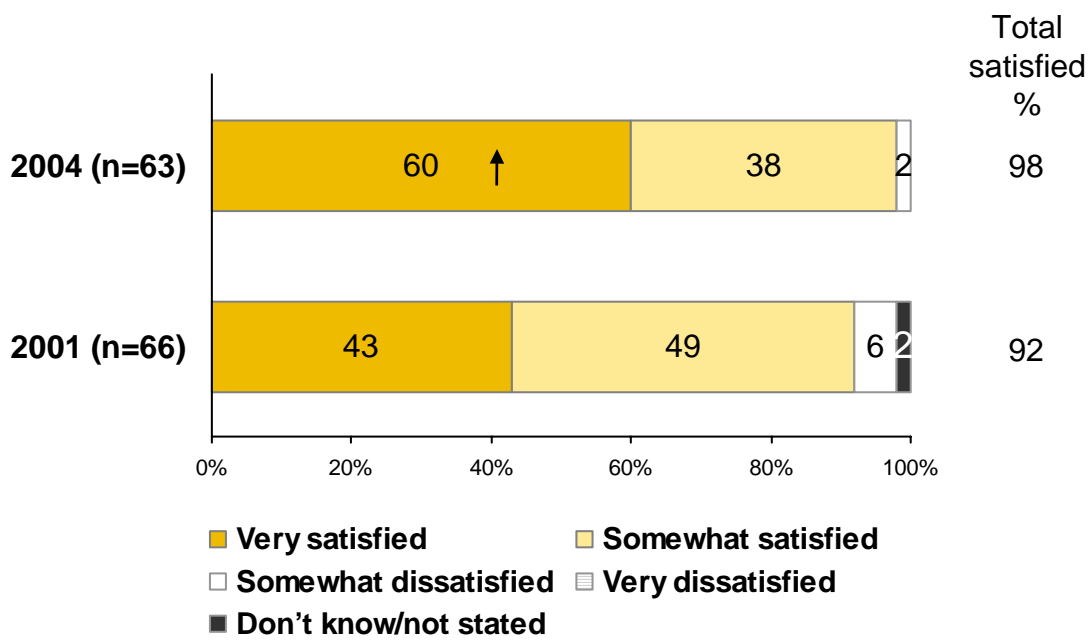
- ◆ 76% of respondents feel that OSFI is balanced in its efforts to fulfill its regulatory mandate while allowing the regulated institutions to compete.
- ◆ Respondents describe OSFI as making real efforts to understand applicant issues, and balance those with protecting the public interest.
- ◆ Of the minority who feel that competitiveness may be subordinated somewhat, they suggest that this is more likely to occur in OSFI rulings on issues with an international component.

Note: Wording of this question was substantially different in 2001, therefore results are not comparable. In 2001: Q36 "As a prudential regulator OSFI is required to fulfill its regulatory mandate having due regard to the need to allow institutions to compete. Does OSFI strike an appropriate balance?" The response categories were "yes" (62%) and "no" (26%). 12% did not offer an opinion.



Q.36 What would you say is your overall level of satisfaction with OSFI in processing applications from your institution/firm?

Overall satisfaction with OSFI is high



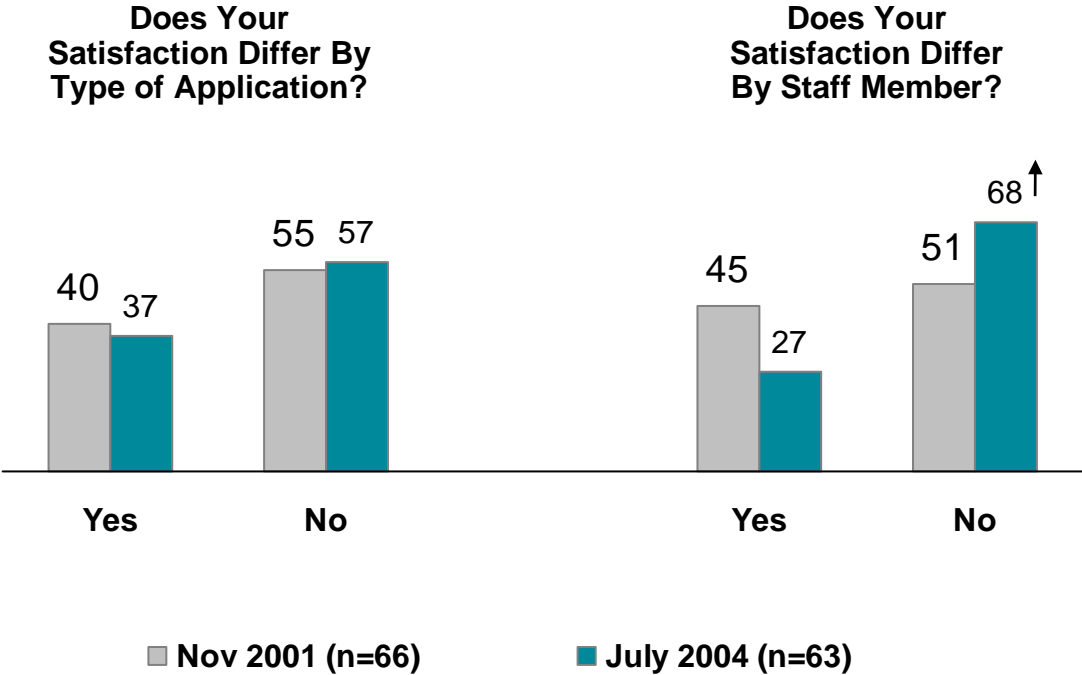
- ◆ Respondents almost universally express satisfaction with OSFI’s handling of their applications.
- ◆ The overall proportion of those who are very or somewhat satisfied is consistent with that found in 2001. However, the proportion who are “very satisfied” has increased significantly.

Note: Wording of this question was slightly different in 2001: Q.33 What would you say is your overall level of satisfaction with the performance of the R&A Division in processing applications for regulatory consents under the legislation?



Q.37/38 Does your satisfaction differ by type of application / by staff member in the A&P section?

Significant minorities continue to report that satisfaction varies by type of application/A&P staff member



- ◆ Among those whose satisfaction varies based on application type, there tends to be less satisfaction with the processing of complex applications, particularly where policy issues are involved because:
 - They take too long to process.
 - The process and reasons for decision-making are not always clear.
- ◆ The incidence of satisfaction differing by A&P staff has fallen significantly since 2001.

Note: Don't know/not stated responses not shown above.

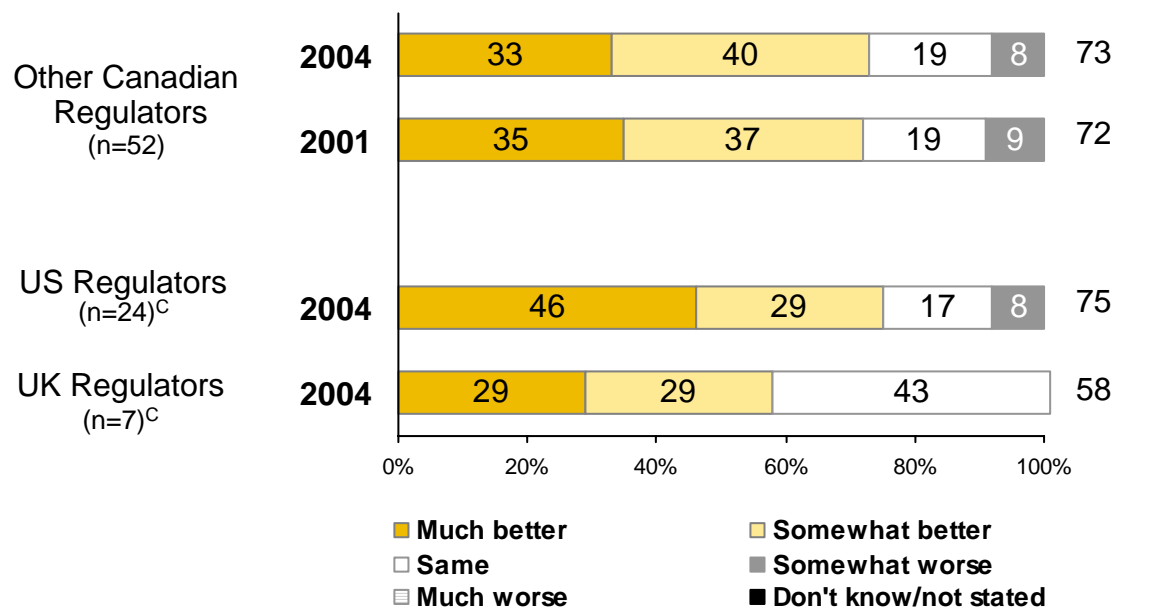


Q.39 Overall, how does OSFI’s performance in processing your applications compare with similar regulatory approvals units and processes in Canada with which you are familiar?

Q.40/41 Overall, how does OSFI’s performance in processing your applications compare with similar regulatory approvals units and processes within U.S./UK regulatory organizations?

OSFI is favourably compared with similar regulatory bodies within Canada, the U.S. and the U.K.

Compared with similar regulatory approvals units in ...



Percentage based on respondents with an opinion

- ◆ Domestically, OSFI is perceived to be more transparent and “customer focused” than provincial regulators.
- ◆ Internationally, OSFI is also seen as encouraging a more open dialogue about submissions. This was particularly the case as compared to U.S. regulators who are seen to rule on applications with little or no discussion.

c Caution, small base size



Concluding Commentary



Q.42 What does OSFI do well concerning the processing of your applications?

Positive overall assessments of OSFI centre around an open-minded and responsive approach to processing applications

The areas in which OSFI is felt to excel are:

- The timeliness of processing applications and the sensitivity shown to applicant-defined timelines.
- Providing clear and proactive communications around the requirements for, and status of, applications.
- The willingness to work together with an organization to facilitate an approval by providing proactive guidance at the front end of the application process concerning requirements and issues that may arise.

OSFI is also credited with:

- A good knowledge of its legislation/rules.
- A good understanding of the organizations it regulates – fostered by OSFI's single point of contact/relationship approach toward case management.
- Being responsive to telephone calls, e-mails, questions etc.
- Having good people.
- Being balanced in the execution of its regulatory mandate.



Q.43 What does OSFI need to improve in the way it processes your applications?

Q.44 If you could give OSFI one piece of advice concerning the processing of applications, what would it be?

Continuing to build on current strengths is the central theme of advice offered to OSFI to improve its processing of applications

Increasing transparency at A&P concerning what is needed to facilitate the approvals process is the most frequently offered suggestion.

- Respondents would like to see the current practice of having an open dialogue about requirements and potential issues with a submission at the front end of the process continue and expand.
- Transparency concerning the existence of policy issues, what the concerns are, and how they might be mitigated is an area where respondents would like to see improvement.



Q.43 What does OSFI need to improve in the way it processes your applications?

Q.44 If you could give OSFI one piece of advice concerning the processing of applications, what would it be?

As with the issue of transparency in A&P, respondents seek the same openness and dialogue when dealing with other OSFI divisions.

Importantly, some respondents directed their recommendations at other OSFI divisions and government rather than at A&P.

Other divisions within OSFI and the Department of Finance are often perceived to be the reason why clarity is lacking in the approvals process.

- The perceived lack of transparency within other divisions is also an issue among many applicants.
- Respondents perceive that when approvals need to go to the Minister, they are often delayed or it is not clear whether they will be approved in a timely manner.

Currently, applications that involve policy issues are a source of some frustration as the basis of OSFI's approach to the process or the reasons for its decision are not perceived to be as transparent as applicants would like.



Q.43 What does OSFI need to improve in the way it processes your applications?

Q.44 If you could give OSFI one piece of advice concerning the processing of applications, what would it be?

The speed of approval processing is an area where respondents feel that OSFI could continue to improve.

Though the majority of respondents credit OSFI with delivering approvals within a reasonable timeframe which allows them to complete their transactions, they also note that approvals can come in at the last minute causing uncertainty and stress.

The issue of timeliness was raised particularly for applications involving novel, complex or policy-oriented issues. While there is an appreciation that these types of applications take longer than more routine applications, there is also a sense that OSFI could process these faster.

Respondents felt that identifying issues with an application early in the process would expedite the process.

Further, respondents talked about the speed that business is currently moving at and the importance of regulators striving to keep up in order to facilitate business growth.



Q.45 And finally, what do you think will be the most important challenges for OSFI in relation to regulatory approvals in the future?

The increasing complexity of the financial services industry, in particular globalization, mergers & acquisitions and new product categories, are seen as the key challenges facing OSFI's approval process in the future.

New products and services, technology and its impact on service delivery, the blurring of the historical pillars of banking/ insurance/ trust/ securities, the globalization of the financial services marketplace, and the rapidity with which these changes are occurring are perceived to have many implications for OSFI:

- The timeliness of approvals – keeping pace with the speed of business.
- The knowledge level and number of staff – managing the volume and complexity of applications.
- Keeping pace with trends in the industry and understanding the risks in the new and changing environment.



Q.45 And finally, what do you think will be the most important challenges for OSFI in relation to regulatory approvals in the future?

With respect to OSFI broadly speaking, the impact of the changing marketplace raises questions about how OSFI will define its regulatory role in the face of tremendous change

Respondents believe that OSFI will be challenged with defining its role in this increasingly complex marketplace. Specifically, they identify:

- Managing emerging issues in the absence of clear legislation (legislation that may not be keeping pace with changes).
- Deciding what issues OSFI should be regulating.
- Determining how to be an effective national regulator in a global financial marketplace.
- Determining how to ensure the continued competitiveness of Canadian financial institutions.
 - Current capital requirements and other Canadian regulations are perceived to hinder Canadian competitiveness domestically and internationally.