

Appendix A

PURCHASE OR REDEMPTION OF SHARES

Legislative Authorities

- sections 71 and 715 of *Bank Act*
- section 74 of *Trust and Loan Companies Act*
- sections 75 and 754 of *Insurance Companies Act*
- section 79 of *Cooperative Credit Associations Act*

Information Requirements

- rationale for purchase or redemption of shares
- the description, number, and value of the shares involved in the transaction and the proposed timing of the purchase or redemption
- confirmation that the purchase or redemption is in accordance with the formula set out in the RE's by-laws and/or in accordance with the conditions set out in the share certificates
- pro-forma balance sheet and pro-forma capital or solvency test calculations, for both before and after the purchase or redemption of shares. For a deposit-taking institution, this would include such key ratios as Tier 1 and Total Capital Ratios and the Assets to Capital Multiple. For a property and casualty insurance company, this would include the Minimum Asset Test (MAT). For a life insurance company, this would include the Minimum Continuing Capital, Surplus and Reserves (MCCSR) calculations. For a bank holding company or an insurance holding company, please contact OSFI for information requirements.*
- a copy of board resolution authorizing the purchase or redemption

Administrative Guidance

An application under any of the legislative authorities:

- must conform with capital adequacy and solvency requirements as applicable
- submitted for the purchase and cancellation of membership shares by an FI subject to the *Cooperative Credit Associations Act*, cannot be for a number of shares that exceeds 1 per cent of the membership shares outstanding at the beginning of the year
- involving a material purchase or redemption program of equities that are publicly listed will require detailed information about how the RE intends to monitor the program and an undertaking to suspend the program in the event that its continuation would reduce the RE's capital levels below OSFI minimum requirements for the RE

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- * When this document was published there were no federally regulated bank holding companies or insurance holding companies in existence. This document will be revised to include information requirements relating to capital for the purchase and redemption of shares of these entities, upon OSFI's completion of their capital rules.