

Appendix A

ISSUANCE OF SUBORDINATED DEBT IN CONSIDERATION OF PROPERTY

Legislative Authorities

- Sections 80 and 723 of the [Bank Act](#)
- Section 83 of the [Trust and Loan Companies Act](#)
- Sections 84 and 762 of the [Insurance Companies Act](#)
- Section 87 of the [Cooperative Credit Associations Act](#)

Information Requirements

The applicant is generally expected to provide:

1. a description of the transaction or series of transactions (the transaction), including:
 - a) the reason for the transaction,
 - b) a description of the property that the applicant would receive, including substantiation of the value of the property (e.g., a report to the board of directors or a report from a qualified independent valuation expert),
 - c) the value, terms and conditions of the subordinated debt that would be issued, and the justification supporting the value, terms and conditions of the subordinated debt, and
 - d) the name of the person with whom the applicant would be dealing and, if applicable, a description of the nature of the applicant's affiliation with that person; and
2. an analysis of the effect the transaction will have on the financial position and risk profile of the applicant, including:
 - a) a comparative pro forma balance sheet (pre- and post-transaction) including relevant assumptions,
 - b) a comparative pro forma capital position (pre- and post-transaction) confirming compliance with OSFI's requirements, as applicable to the applicant, together with relevant assumptions and, in the case of:
 - i) a deposit-taking institution, a breakdown of all elements used to calculate the Capital Adequacy Requirements, including the risk-based Tier 1 capital ratio, the risk-based total capital ratio and the assets to capital multiple,
 - ii) a life insurance company or fraternal benefit society, a breakdown of all elements used to calculate the Minimum Continuing Capital and Surplus Requirements, including the Tier 1 capital by component and total capital required, or
 - iii) a property and casualty insurance company, details of the Minimum Capital Test, and
 - c) a confirmation that, following the transaction, the applicant will be in compliance with its liquidity policy.

Administrative Guidance

1. Generally, OSFI will not approve the issuance of subordinated debt in consideration of a bond, debenture, note or other evidence of indebtedness of the person to whom the subordinated debt would be issued.

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2. When assessing an application pursuant to the legislative authorities, OSFI will generally:
 - a) take into account the impact of the transaction on the applicant's asset mix, capital, income, liquidity position, and risk profile to ensure that the overall solvency of the applicant will not be unduly threatened; and
 - b) ascertain whether the applicant has demonstrated that:
 - i) it would receive fair consideration for the subordinated debt to be issued,
 - ii) the transaction is in its best interests, and
 - iii) the transaction will not adversely affect its business and operations.
3. If the subordinated debt will be issued to a related party, the applicant may also require an approval under the applicable provisions of the relevant financial institution statute pertaining to self-dealing.
4. This approval is subject to a [user pay fee](#).

The information requirements and administrative guidance are intended to satisfy typical applications. They have been derived from OSFI's experience in assessing applications. Applicants who provide all information and material requested can generally expect a more timely assessment of their applications. As appropriate to the circumstances, OSFI may request additional information, take into account other matters, impose terms and conditions, or require undertakings.