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Office of the Superintendent of
Financial Institutions Canada

Bureau du surintendant des
institutions financières Canada

Conflict of Interest Policy



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1. PART I - INTRODUCTION

1.1 Introduction and Guiding Principle

OSFI requires that at all times, employees uphold and be seen to uphold the highest ethical standards, so as to enhance public confidence in OSFI's integrity, objectivity and impartiality.

Employees must act in a manner that will bear the closest public scrutiny, an obligation that is not fully discharged by simply acting within the law. Employees must be aware of the perception of a particular situation in the public eye and act with a view to minimizing actual and perceived conflicts of interest. Employees shall take necessary actions and arrange their private affairs in a manner that will prevent real, potential or apparent conflicts between their private interests and public service duties from arising, but if such a conflict does arise, it shall be resolved, in a timely manner, in favour of the public interest.

This Policy seeks to help employees avoid situations that could give rise to a real or apparent conflict of interest and guide employees in making decisions when they find themselves in a situation that has the potential to create such a conflict. Throughout this Policy, examples are provided to illustrate the application of the Policy and the degree of judgment required. The Policy does not provide an exhaustive list of all problematic situations. Every situation has particular circumstances that will influence its consideration.

The Superintendent and employees are also required to observe all specific conduct requirements contained in the *Office of the Superintendent of Financial Institutions Act*, financial institutions legislation and the relevant provisions of legislation of more general application, such as the *Criminal Code*, the *Federal Accountability Act*, the *Canadian Human Rights Act*, the *Privacy Act* and, in the case of the Superintendent, the *Conflict of Interest and Post-Employment Code for Public Office Holders*.

1.2 Application

This Policy applies to all employees at all levels, including individuals hired on a part-time or term basis. In certain circumstances, the Superintendent may exempt employees hired on a part-time or term basis from certain provisions of this Policy, either absolutely or subject to such conditions as the Superintendent considers appropriate. An employee who fails to comply with the provisions of this Policy is subject to such disciplinary measures as may be determined by the designated authority, including discharge or termination.

Note: Managers are reminded that individuals who provide services to OSFI pursuant to a consulting or similar contract arrangement are required to comply with the spirit of the policy while working with OSFI and to advise OSFI of any potential conflict of interest before and during the contract period. This is particularly important for consultants whose contract requires them to work in processes dealing with the supervision or regulation of financial institutions. In certain circumstances, the Superintendent may exempt such individuals from certain provisions of this Policy, either absolutely or subject to such conditions as the Superintendent considers appropriate.

1.3 Definitions

- (a) “Act” means the *Office of the Superintendent of Financial Institutions Act*;
- (b) “Commissioner” means the federal Conflict of Interest and Ethics Commissioner;
- (c) “conflict of interest” means any situation where the duties or position of an employee allow or might appear to allow personal benefit or benefit for friends or relatives of the employee, or businesses in which the employee may have an interest;
- (d) “Contracting Authority” means the officer who is designated to oversee all contracting activities at OSFI
- (e) “Controlled Asset” means an asset the value of which could be directly or indirectly affected by OSFI’s decisions or policies, and includes the assets described in Section 2.2.1;
- (f) “Departmental Representative” means the officer who is designated responsibility for managing a particular contract at OSFI
- (g) “employee” means any person on OSFI’s payroll;
- (h) “Exempt Asset” means an asset that is for the private use of employees and their families, that is not of a commercial character and the value of which is not significantly affected by OSFI’s decisions or policies. Exempt Assets include assets listed in Section 2.3.1;
- (i) “financial institution” means a bank or authorized foreign bank within the meaning of section 2 of the *Bank Act*, a company to which the *Trust and Loan Companies Act* applies, an association to which the *Cooperative Credit Associations Act* applies or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act, a company, society, foreign company or provincial company to which the *Insurance Companies Act* applies, and Green Shield Canada;
- (j) “immediate family member” includes a spouse, dependant children, parents and any other relative residing with the employee;
- (k) “Policy” means this Conflict of Interest Policy;
- (l) “sector head” means the Deputy and Assistant Superintendents;
- (m) “security” includes shares, options, warrants, subscriptions, units, commercial paper, notes, bonds, debentures, futures and any other evidence of investment in or of indebtedness of an entity, whether or not such

securities are publicly traded;

- (n) “Superintendent” means the Superintendent of Financial Institutions;
- (o) “Superintendent's designate” means a person appointed from time to time by the Superintendent to carry out specified functions under this Policy. In the absence of a designate, these functions are carried out by the Superintendent.

2 PART II – FINANCIAL ACTIVITIES

2.1 General Prohibition

Except as otherwise provided in this Part, it is strictly prohibited for employees to beneficially own, directly or indirectly, any Controlled Asset that is not an Exempt Asset. In addition, the Superintendent may require, with respect to assets that are not Controlled Assets, that particular arrangements be made to prevent any conflict of interest situation from arising.

Employees must not use confidential information acquired in the course of their employment at OSFI to further their own financial gain, or the financial gain of a friend or family member.

2.2 Controlled Assets

2.2.1 Controlled Assets include:

- (a) any securities of any financial institution or any other institution, however created, carrying on any business in Canada substantially similar to the business of a financial institution;
- (b) any securities of a corporation the value of which are materially dependant on investments in one or more financial institutions or related entity, or any other institution, however created, carrying on any business in Canada substantially similar to the business of a financial institution;
- (c) mutual funds, exchange-traded funds, pooled funds and any investment funds that have a stated policy of investing primarily in Canadian financial institutions;
- (d) any securities of a member institution of the Canada Deposit Insurance Corporation;
- (e) any securities of an institution under provincial jurisdiction for which OSFI acts as the agent of the relevant provincial authority;
- (f) any securities of a company owned by a financial institution that deals primarily in financial activities;

- (g) loans receivable from any entity described in paragraphs (a) to (f) above; and
- (h) for employees who participate in the awarding of government contracts, securities in a corporation, or loans receivable from a corporation, that contracts with OSFI.

2.3 Exempt Assets

2.3.1 Exempt Assets include:

- (a) Controlled Assets held in registered retirement savings plans and registered education savings plans that are not self-administered;
- (b) shares required to be purchased to become or remain a member of a credit union;
- (c) guaranteed investment certificates and similar financial instruments;
- (d) annuities and insurance policies (provided that the investment options of the policy do not contravene other sections of the Policy that are applicable to investments generally or are not Controlled Assets); and
- (e) money owed by a previous employer, client or partnership.

2.4 Confidential Report

2.4.1 Within 60 days after appointment and thereafter once a year on or before April 30, every employee shall make a Confidential Report to the Superintendent's designate of any assets or interests in any assets and any arrangements or relationships that may result in a real, perceived or potential conflict of interest. Employees should be guided by this Policy to determine whether a particular asset or relationship could give rise to a real or perceived conflict of interest. The Confidential Report should also include assets or interests that to the employee's knowledge or belief are owned, directly or indirectly, by immediate family members.

***Example:** A relationship that could give rise to a real or perceived conflict of interest and should be declared includes an employee's spouse holding a senior position in a financial institution.*

***Example:** In addition to their obligation to declare ownership of Controlled Assets, employees must also declare ownership of assets that are not Controlled Assets but either (1) in respect of which the employee has access to non-public information in the course of the employee's duties at OSFI or (2) the value of which could be affected by OSFI's decisions or policies. This includes an obligation on employees working in the pension plan division to disclose*

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ownership of securities of pension plan sponsors or employees in the credit risk division to disclose ownership of securities in an entity about which they have access to non-public information in the course of their duties at OSFI.

- 2.4.2 Employees are required to report within 30 days any significant change in their assets that could lead to a real or perceived conflict of interest.

2.5 Disposal of Controlled Assets

- 2.5.1 Within 120 days after appointment, employees shall arrange for their Controlled Assets to be disposed either through divestment in an arm's length transaction or placing them in a blind trust. Controlled Assets that have been pledged to a lending institution as collateral shall be arranged for disposal within 180 days after appointment.
- 2.5.2 If possible, employees should avoid being involved in any decisions relating to the timing of the disposition. They must also decline to be involved in any circumstances or decisions that may lead to a conflict of interest because of their ownership of the Controlled Assets until they have disposed of them.
- 2.5.3 Employees obtaining Controlled Assets because of situations beyond their control such as inheritances or gifts are required to report these assets and arrange for them to be disposed of either through divestment or placing them in a blind trust within 120 days.
- 2.5.4 The Superintendent's designate is responsible for determining that a trust meets the necessary requirements, including the requirements issued by the Commissioner. Before an arrangement is executed or when a change is contemplated, a determination that the arrangement meets the necessary requirements shall be obtained from the Superintendent's designate.
- 2.5.5 Confirmation of sale or a copy of any executed instrument shall be filed with the Superintendent's designate. With the exception of a statement that a sale has taken place or that a trust exists, OSFI will keep all information relating to the disposition confidential.
- 2.5.6 On the recommendation of the Superintendent's designate, the following reimbursements for costs to comply with this Policy may be permitted, subject to the reimbursement limits published by the Commissioner:

- (a) Divestment of Assets:
- (i) reasonable legal, accounting and transfer costs to establish and dismantle a trust determined to be necessary by the Superintendent;
 - (ii) annual, actual and reasonable costs to maintain and administer the trust;

- (iii) commissions for transferring, converting or selling assets where determined necessary by the Superintendent;
 - (iv) costs of other financial, legal or accounting services required because of the complexity of such assets.
- (b) Costs for removing an employee's name from federal or provincial registries of corporations.
- (c) Reimbursement is not permitted for:
 - (i) charges for day-to day operations of a business or commercial entity;
 - (ii) charges associated with winding down a business; or
 - (iii) costs for acquiring permitted assets using proceeds from required sale or other assets.
- (d) The employee is responsible for any income tax adjustment that may result from the reimbursement of trust cost and/or any gains or losses resulting from the divestment.

2.6 Use of Confidential Information

2.6.1 In accordance with the restrictions on disclosure of information contained in section 22 of the Act and the OSFI Information Sharing Policy, employees shall maintain the confidentiality of information relating to financial institutions or pension plans obtained in the course of their employment with OSFI and only discuss such matters with others in accordance with that policy.

2.6.2 Employees shall not knowingly take advantage of, or benefit from, or enable others to benefit from, information that is obtained in the course of their official duties and responsibilities and that is not generally available to the public. At all times, employees must comply with securities legislation relating to insider trading and tipping. This prohibition includes providing any form of advice that could affect the value or disposition of investments held by anyone, including friends or family members.

It is an offence under securities legislation to:

- (a) Purchase or sell securities of a reporting issuer with the knowledge of a material fact that has not been generally disclosed; or
- (b) Inform any other person, other than in the necessary course of business, of a material fact before the fact has been generally disclosed.

3 PART III - GIFTS, HOSPITALITY AND OTHER BENEFITS

3.1 Guiding Principle

Employees shall not solicit transfers of economic benefit and shall not accept unsolicited transfers other than as permitted by this Part. Gifts, hospitality or other benefits that could influence, or appear to influence, an employee's judgement or performance of official duties shall always be declined.

Employees must always use their judgment when deciding whether to accept gifts, hospitality or other benefits. Gifts, hospitality and other benefits provided by regulated entities, industry associations or entities that contract with OSFI (for example, suppliers) should always be treated with the highest degree of caution. Unsolicited gifts, hospitality or other benefits offered in connection with a widely attended event (i.e. not available just to OSFI employees) or that are unrelated to the employee's duties at OSFI (for example, gifts provided to all persons who raised money for a certain charity) may be acceptable. If in doubt, declining or offering to share costs is the safest course of action.

3.2 Gifts, Hospitality and Other Benefits from Regulated Entities and Other Entities Having a Business Relationship with OSFI

3.2.1 OSFI recognizes that working lunches and dinners may serve a legitimate business purpose and that widely-attended receptions may foster important relationships. Employees can accept such unsolicited hospitality if it is:

- (a) in the employee's judgment, within the bounds of propriety;
- (b) not frequent or lavish; and
- (c) offered in such circumstances that acceptance of the hospitality could not be construed by an objective observer to be unusual, could not risk creating a sense of obligation or bias to the host, or could not compromise or appear to compromise objectivity, impartiality or integrity.

***Example** A senior banker new to his position arrived in town the night before a conference and invited two OSFI employees for dinner to discuss working relations and expectations. The dinner was held in a modest restaurant and the banker insisted on paying. The approximate cost was \$50 per person. The hospitality was acceptable, as the dinner was held in a modest establishment, was a one-time occurrence and **was appropriate** for the business circumstance. In contrast, if the dinner occurred on a frequent basis or took place in an exclusive restaurant (in the absence of mitigating circumstances to justify the choice of venue), acceptance of hospitality may not have been appropriate.*

***Example** An association representing a group of regulated entities offers to sponsor a holiday wine and cheese party for all government representatives. Even though the value of the hospitality is modest, the hospitality **should be refused**. The event is exclusive and there is no legitimate business purpose for OSFI to participate. Accepting such hospitality could be perceived by outsiders as government regulators showing favour towards regulated entities represented by the association and as an attempt by the association to influence public officials in the exercise of their duties. Moreover, accepting*

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the hospitality could be perceived as creating an uneven regulatory field and pressure other entities to do the same to avoid being treated unequally.

- 3.2.2 Subject to the prohibitions described in this Part, and provided that it does not compromise or appear to compromise objectivity, impartiality or integrity, employees may accept occasional unsolicited token gifts or expressions of courtesy with a value of less than \$25 from regulated institutions or entities with which OSFI does business.

***Example** OSFI employees meet with management of a potential supplier. Each OSFI employee attending the meeting receives a bottle of wine from the company. The gift **should be refused** because there is a high risk that the gift will be perceived as an attempt to win favour with OSFI's employees and there is no other apparent reason for the company to provide any gift or benefit to OSFI. Even though the value of the gift may be less than approximately \$25 and the employees do not frequently receive gifts from that company, the circumstances surrounding the offer make accepting the gift clearly inappropriate.*

***Example** OSFI employees **may accept** token gifts of pens or calendars from regulated entities, as such items are likely frequently distributed to many people with whom the regulated entity has a business relationship, the value of the gift is very small and the total circumstances surrounding the offer of the gift would not be construed as an attempt to influence OSFI employees in the exercise of their public duty.*

- 3.2.3 Employees should “look through” to the ultimate client of persons or entities hired to represent the interests of regulated entities, groups of regulated entities, or entities having a business relationship with OSFI (for example lobbyists, lawyers or other spokespersons). In this respect, employees should treat gifts, hospitality and benefits offered by such representatives as gifts, hospitality or benefits offered directly by the representative's client. Employees approached by such representatives should familiarize themselves with the applicable provisions of the *Lobbyists' Registration Act* and the *Federal Accountability Act*, as communicated by OSFI.
- 3.2.4 All gifts received from regulated entities or entities in a business relationship with OSFI having a value of more than \$25, and all gifts, hospitality or other benefits with a cumulative value of over \$200 received from a single source during any twelve-month period, are to be declared within 30 days of receipt to the Superintendent's designate, who will determine their propriety.
- 3.2.5 The propriety of accepting an offer of a gift or hospitality should be interpreted having regard to all circumstances surrounding the offer. For example, during an overseas visit, local customs may require acceptance of unusual hospitality from the host or demand that employees receive and/or make gifts.

3.3 Gifts, Hospitality and Benefits from Other Regulators, Associations of Regulators or Other Governments, or Entities having no Business or Regulatory Relationships with OSFI

3.3.1 The potential for conflicts of interest, or appearance of conflicts of interest, is significantly reduced in OSFI's dealings with entities that have no business relationships or regulatory interests in OSFI's activities. Accordingly, employees may accept gifts or hospitality from non-industry associations, other regulators, other governments or other entities that have no commercial or business dealings with OSFI. However, employees should be alert to the possibility that seemingly disinterested parties may offer gifts, hospitality or benefits to further the interests of regulated entities, in which case, employees should decline the gift or invitation.

*Example At the completion of a long-term project, an international association of regulators of which OSFI is a member sends a box of chocolates to everyone who contributed to the project, including an OSFI employee. As the gift is of a modest value and is given as a token of appreciation following a lengthy collaborative working relationship between regulators, the acceptance of the gift would not cause a member of the public to question the employee's objectivity. The employee **may accept the gift.***

3.3.2 Employees may accept payment of expenses, such as airfare, hotel, hospitality and conference fees for participation at workshops organized by other regulators, associations of regulators or other governments.

3.3.3 All gifts, hospitality or other benefits from such entities having a cumulative value of over \$200 received from a single source during any twelve-month period are to be declared within 30 days of receipt to the Superintendent's designate.

3.4 Conferences

3.4.1 Speaking at Conferences

3.4.1.1 Employees may participate as guest speakers at conferences that relate to OSFI's activities.

3.4.1.2 Participants must ensure the information they provide is not of a confidential nature or such as to give an unfair advantage to the participants in their future dealings with the government.

3.4.1.3 Employees asked to speak at conferences **sponsored and, or organized by FRFI's, industry associations or related lobbyists** (e. g. CBA, CLHIA, IBC) can accept unsolicited reduced registration fees and hospitality if available to all speakers*, but must pay their own travel and accommodation expenses.

- 3.4.1.4 Employees asked to speak at conferences **sponsored and, or organized by non-industry related organizers, other regulators or professional associations** (e.g. Canadian Institute, Conference Board, Insight, Ontario Bar Association, International Actuarial Association) can accept unsolicited reduced registration fees, hospitality, travel and accommodation expenses if available to all speakers*.
- 3.4.1.5 At conferences where the host organization offers a cash honorarium to OSFI employees for speaking at the conference, they must inform the Superintendent's designate and, according to the circumstances, either refuse the honorarium or remit it to OSFI. If a conference host offers to make a donation on behalf of OSFI or the employee to a charity of the employee's choice, the employee should request that the donation be made to the Government of Canada Workplace Charitable Campaign. However, employees may accept unsolicited token souvenirs or expressions of gratitude for speaking or participating in the conference, for example pens, paperweights, golf shirts, flowers or bottles of wine.

3.4.2 Attending Conferences

- 3.4.2.1 Employees can accept, meals or token souvenirs provided in connection with a widely attended conference or gathering.

*Example An OSFI employee attends a two-day conference open to the general public about new technologies in the financial sector. All attendees of the conference are provided a lunch sponsored by a regulated financial institution. The employee **may attend** the lunch. As the conference is open to the public and lunch is offered to all conference participants, the extension of hospitality in this case would not be seen as an attempt to influence the employee in the exercise of the employee's duties.*

- 3.4.2.2 Employees may not accept payment of expenses, such as airfare and hotel or reduced registration fees for attending at a conference unless such benefits are available to all conference attendees*. Employees may, however, accept reasonable hospitality incidental to the attendance at the conference (such as a lunch offered to all participants).

3.5 Absolute Prohibitions

- 3.5.1 Gifts of cash, grants, gratuities (tips) or equivalent, in any amount, are not acceptable under any circumstances.
- 3.5.1 Tickets to entertainment venues (such as hockey, theatre or concert tickets) should not be accepted because of the perceived conflict created when such types of

* Reduced rates for government speakers or attendees only, is acceptable

hospitality that take place outside of the business environment are accepted.

4. PART IV - AVOIDANCE OF PREFERENTIAL TREATMENT

- 4.1. Employees shall not step out of their official role to assist private entities or persons in their dealings with the government where this would result in preferential treatment to any person

Example An employee's former work colleague asked the employee about OSFI's position on a particular subject matter. The employee may direct the former colleague to a recent communication publicly issued by OSFI on that topic, as the information sought would be provided to anyone who requested it. The employee may answer questions from the public about OSFI guidance and initiatives provided that the information is provided to anyone who asks and that in answering the query, the employee is not providing confidential information or preferential treatment to that person.

- 4.2. Employees shall not accord preferential treatment in relation to any official matter to family members or friends, or to organizations in which they, their family members or friends, have an interest.

Example An employee's friend is involved in a foreign financial institution seeking to establish an institution in Canada. The employee may not offer to help expedite or facilitate the approval process.

- 4.3. In the formulation of policy or the making of decisions, employees shall ensure that no persons or groups are given preferential treatment based on the individuals hired to represent them.
- 4.4. Employees shall not use their position as an OSFI employee to influence or attempt to influence the decision of another person so as to further the employee's private interests, or the private interests of friends or family members.

5. PART V - EXTERNAL EMPLOYMENT AND BUSINESS ACTIVITIES

5.1 Guiding Principle

- 5.1.1 Employees' primary professional responsibility is to OSFI. Any secondary employment that interferes or gives rise to a conflict of interest with an employee's duties at OSFI must be avoided. OSFI does not object to employees having a second source of income but does insist that such work be undertaken only if it does not interfere with their ability to fully perform their duties and responsibilities at OSFI.
- 5.1.2 Activities related to secondary employment or outside studies must not be carried on during OSFI core working hours unless pre-approved. Employees shall not directly or indirectly use, or allow the use of, non-public information gained

through work performed for OSFI for anything other than officially approved activities. Employees should minimize their personal use of government property, including property leased to the government, such as photocopiers, fax machines and the internet (Employees should be familiar with the provisions of the Policy on the Acceptable Use of OSFI Electronic Networks).

5.2 Directorships

- 5.2.1 Employees are prohibited from serving on the board of directors of financial institutions or financial institution's holding companies, or entities carrying on business that is substantially similar to any business carried on by any financial institution.
- 5.2.2 Employees may retain or accept directorships in organizations of a philanthropic, charitable or non-commercial character but must take great care to prevent conflicts of interests, real or perceived, from arising.
- 5.2.3 Employees may retain or accept directorships in organizations other than those covered in sections 5.2.1 and 5.2.2 above with the consent of the Superintendent's designate and provided that such directorship creates no conflicts of interests with the employee's duties at OSFI.

5.3 Secondments

Employees may, if they obtain all necessary consents, participate in secondments in other government departments or entities outside the government. Employees participating in secondments must comply with sections 6.1 and 6.2 of this Policy.

6. PART VI - POST-EMPLOYMENT

6.1 Compliance Measures Before Leaving Office

- 6.1.1 Employees must not allow themselves to be influenced in the pursuit of their official duties and responsibilities by plans for or offers of outside employment.

Example An OSFI employee contemplating employment with a regulated entity should not give favourable reviews to that entity to further his prospect of employment with that regulated entity.

- 6.1.2 A sector head shall disclose in writing to the Superintendent and an employee shall disclose in writing to the Superintendent's designate, as soon as possible, all firm offers of outside employment that could place the sector head or employee in a position of conflict of interest.
- 6.1.3 Immediate disclosure in writing shall be given by a sector head to the Superintendent, or by an employee to his or her superior and the Superintendent's

designate, of the acceptance of an offer of outside employment. In such an event, where it is determined that the employee is engaged in significant dealings with the future employer, the employee shall be assigned to other duties and responsibilities as soon as possible. The period of time spent in the position following such an assignment shall be counted towards the limitation period on employment imposed under section 6.3. Alternatively, an earlier departure date may be mutually agreed upon.

6.2 Compliance Measures After Leaving Office

6.2.1 Employees shall not, after they leave OSFI, act in such a manner as to take improper advantage of their previous position or employment. This includes not switching sides by acting for or on behalf of their new employer or client in connection with any specific ongoing proceeding, transaction, negotiation or case to which OSFI is a party and where the former employee acted for or advised OSFI. Observance of this Part will minimize the possibilities of:

- (a) prospects of outside employment creating a real, potential or apparent conflict of interest for employees while with OSFI;
- (b) obtaining preferential treatment or privileged access to government after leaving public service;
- (c) taking personal advantage of information obtained in the course of official duties and responsibilities before it has become generally available to the public, including advising a client or new employer using information that is not available to the public concerning financial institutions and pension plans, OSFI programs, policies and other information obtained from other departments or agencies; and
- (d) employees using their position or employment to gain an unfair advantage in obtaining opportunities for outside employment.

Example An ex-OSFI employee could advise a new employer on the implementation of a new international standard, as this is not a “specific proceeding, case, negotiation or transaction” and sharing information acquired by the employee about OSFI’s practices with the new employer would not prejudice OSFI. However, it would be improper for an ex-employee to advise a new employer in a litigation proceeding that opposes the new employer and OSFI.

6.3 Limitation Period

Former executive level (REX) employees shall not, within a period of one year after leaving office:

- (a) accept appointment to a Board of Directors of, or employment with, a regulated entity, the sponsor of a pension plan supervised by OSFI or an entity in a business

relationship with OSFI if, during the period of one year immediately prior to their departure from OSFI:

- i. the former employee had direct and significant official dealings with the proposed new employer; or
- ii. the former employee acquired a significant amount of confidential information about a direct competitor of the proposed new employer; or

(b) make representations for or on behalf of any other person or entity to OSFI.

6.4 Reduction of Limitation Period

6.4.1 On application from an employee, the Superintendent may reduce the limitation period on employment imposed under section 6.3.

6.4.2 In deciding whether to reduce the limitation period on employment imposed under section 6.3, the Superintendent will consider whether the public interest in granting the reduction outweighs the public interest in maintaining the prohibition. Factors to consider include:

- (a) the circumstances under which the termination of their service in OSFI occurred;
- (b) the general employment prospects of the employee making the application;
- (c) the significance to OSFI of information possessed by the employee by virtue of his or her position;
- (d) the desirability of a rapid transfer from OSFI to private or other governmental sectors of the employee's knowledge and skills;
- (e) the degree to which the new employer might gain unfair commercial advantage by hiring the employee;
- (f) the authority and influence possessed by the employee, while at OSFI; and
- (g) the disposition of other similar cases.

6.4.3 The Superintendent's decision is final and shall be communicated in writing.

PART VII - COMPLIANCE MEASURES

7.1 Certification

Before or on assuming their official duties and responsibilities, every employee shall sign a document certifying that, as a condition of their being appointed to their position, they will observe this Policy.

7.2 Criminal Offence

Every employee should be aware that pursuant to paragraph 121(1)(c) of the *Criminal Code* it is an offence to receive directly or indirectly a commission, reward, advantage or benefit from a person who has dealings with the government unless he or she has the consent in writing of the head of the division of government that employs him. Part III of this Policy constitutes written consent by the Superintendent to the acceptance of gifts, hospitality and benefits pursuant to that Part. Where there is any doubt about any gift, hospitality or benefit permitted under Part III, the employee should refer the matter to the Superintendent.

7.3 Procedures

An employee shall report any situation where a conflict of interest arises (or may arise) to the Superintendent's designate. In the event that the employee and the designate disagree on the appropriate arrangements necessary to comply with this Policy, the matter will be referred to the Superintendent for decision. Sector heads shall report any potential conflict of interest situations to the Superintendent.

7.4 Responsibilities

7.4.1 The Superintendent is responsible for:

- (i) as required, deciding on the increase or amendment, from time to time, of the measures in the Policy, taking into consideration the unique and special responsibilities of OSFI;
- (ii) deciding whether a term employee, part-time employee or consultant, should be exempt from one or more provisions of the Policy, either absolutely or conditionally;
- (iii) ruling on disputes concerning the application of this Policy to OSFI employees;
- (iv) receiving reports completed by sector heads, retaining the reports and, if applicable in the circumstances, informing sector heads of his findings;
- (v) deciding whether to extend the deadline for filing necessary reports; and
- (vi) deciding whether to shorten the post-employment limitation period.

7.4.2 The Superintendent's designate is responsible for:

- (i) receiving blind trust agreements and reports completed by employees, retaining the reports, making recommendations to the Superintendent and informing him of any potential conflict situations;

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- (ii) reminding employees to review their financial position annually in light of the Policy;
 - (iii) referring any disputes to the Superintendent;
 - (iv) answering any questions concerning the application of the Policy.
- 7.4.3 Sector heads and employees are responsible for:
- (i) familiarizing themselves and complying with the Policy, the Act and the applicable provisions of the Conflict of Interest and Post-Employment Code for Public Office Holders;
 - (ii) complying with the decision of the Superintendent on the divestiture of property, if applicable;
 - (iii) reviewing annually their obligations under the Policy and the Act;
 - (iv) applying the appropriate provisions of the Policy to every dealing with persons outside OSFI in the course of their employment, including all contracts for services or goods;
 - (v) recusing themselves from any discussion or decision on any matter in respect of which they would be in a conflict of interest (for example, because of the assets they own or their family's involvement in the issue);
 - (vi) informing the appropriate person of any firm offer of employment from outside the public service and of the acceptance of any offer; and
 - (vii) informing the appropriate person of any conflict situation arising after termination of employment.
- 7.4.4 Contract Authority and Departmental Representatives are responsible for ensuring that:
- (i) OSFI's expectations under Part II and Part V of this policy are outlined in the Request for Proposal (RFP) and standard contract and that any potential conflicts of interest are identified in the response to the RFP or prior to awarding of any contract.
 - (ii) Any potential conflicts identified are discussed with the appropriate Senior or Managing Director;
 - (iii) Any potential conflicts identified for credit consultants and external Audit Committee members are forwarded to the Superintendent for review prior to the awarding of the contract.

7.5 Questions and Additional Guidance

Additional examples and answers to frequently asked questions are provided in Appendix A to this Policy. Any request for further information regarding this Policy should be directed to the Superintendent's designate.

APPENDIX A

ADDITIONAL GUIDANCE AND FREQUENTLY ASKED QUESTIONS

Part I - Introduction and Application

1. What is a conflict of interest?

The term “conflict of interest” refers to situations in which financial or other personal considerations of an employee may affect, or have the appearance of affecting an employee’s professional judgment in exercising any OSFI duty or responsibility.

2. How are my family members affected by the Policy?

While OSFI cannot impose the Policy on persons who are not OSFI employees, such as spouses and family members, employees must be aware of the potential for real or perceived conflicts of interests that could arise with respect to an immediate family member’s dealings. Pursuant to section 2.4.1 of the Policy, employees must disclose the Controlled Assets held by immediate family members in their annual confidential report. Employees must act with a view of preventing real or perceived conflicts. Such could arise if, for example, a family member:

- Receives any gift that the employee is prohibited from accepting (for example, an expensive gift from a regulated entity);
- Uses confidential information provided by the employee (for example, to make or divest an investment); or
- Is perceived to be given preference in hiring or procurement decisions.

While the Policy does not prohibit employees’ family members from owning Controlled Assets, ownership of such assets could, in certain circumstances, give rise to a real or perceived conflict of interest that should be mitigated (for example, if a spouse owns a number of shares in a financial institution sufficient to give the spouse a controlling interest in the financial institution, the employee should recuse himself from decisions specifically relating to that financial institution).

3. How do I make a decision when I find myself in a potential conflict of interest situation for which no specific guidance is provided in the Policy?

Employees should always be guided by the principles of impartiality, integrity and objectivity. If in doubt, employees should consider the following:

- What values are reflected in the employee’s decision and are they values the employee and OSFI are proud to hold?

- Would a reasonable person in the community, having knowledge of all the facts, consider that the employee has acted fairly, objectively and honestly?
- If the action or decision became known to everyone, would it either bring credit or discredit to the employee or OSFI? Would the employee be embarrassed if he/she had to explain the situation to his/her superior?

4. *Do I need to disclose a potential or real conflict of interest? If so, to whom?*

Yes. Employees must report any situation where a conflict of interest arises (or may arise) to the Superintendent's designate.

5. *Who is the Superintendent's designate?*

The Senior Director, Human Resources & Administration.

Part II - Financial Activities

1. *Does "securities" also include bonds and units?*

Yes. Please see the broad definition of security in section 1.3 of the Policy. A security is any evidence of investment or indebtedness, whether publicly traded or not, but does not include deposits and similar instruments, such as GICs.

2. *Can I hold shares of provincially or United States regulated entities?*

Yes, provided that OSFI does not act as the agent for that provincial supervisory agency, that the entity is not a member of the Canada Deposit Insurance Corporation, the entity is not owned by an institution regulated by OSFI and if the entity owns a financial institution regulated by OSFI, the value of the entity is not materially dependent on its investment in the financial institution. Employees may own such securities because their value would not be significantly affected by OSFI's decisions.

3. *How do I know if my mutual fund is acceptable?*

Every mutual fund has an investment policy or investment objective, which is stated in the fund's prospectus. OSFI employees may not purchase or hold units of funds that specifically state that their investment policy is to invest primarily in Canadian financial institutions or in the Canadian financial services industry (or similar language). While many funds hold some investments in financial institutions, these are permissible because of the smaller probability that the value of the fund will be significantly affected by OSFI's decisions or policy.

4. *Is there a list of prohibited investments?*

No. That would be too onerous for OSFI to monitor and update. The onus is on the employee to do research before purchasing any investments to ensure that the investment complies with this Policy. Employees should communicate with the

Superintendent's designate if they have any doubt about whether a planned investment is acceptable.

5. *Can I have a bank account in an entity regulated by OSFI? What about the pension with my former employer that is a regulated entity? Are Canada Savings Bonds acceptable?*

Cash and deposits held in a financial institution, pension rights or Canada Savings Bonds or any investments in securities of fixed value issued or guaranteed by any level of government in Canada or agencies of those governments are not Controlled Assets. The value of those assets is not significantly affected by OSFI's decisions or policies.

6. *What characteristics make a blind trust acceptable?*

The Conflict of Interest and Ethics Commissioner issued guidelines on blind trusts (available online at http://www.parl.gc.ca/oec/en/public_office_holders/understanding_the_code/agreements.asp). Please note that blind management agreements are no longer an acceptable method of divesting Controlled Assets.

7. *How much can I get reimbursed for setting up and maintaining a blind trust?*

Employees can be reimbursed up to the maximum limits for reimbursement specified by the Office of the Ethics Commissioner, available online at http://www.parl.gc.ca/oec/en/public_office_holders/understanding_the_code/guidelines.asp.

8. *Who must file a confidential report referred to in section 2.4 of the Policy?*

All OSFI employees must file the report on a yearly basis. The information contained in the report will remain confidential.

Part III - Gifts, Hospitality and Other Benefits

1. *Who falls into the definition of "regulated entities" or entities having a "business relationship with OSFI"?*

Any entity that has an interest in OSFI's regulatory or supervisory activities should be considered a regulated entity. These include federally regulated entities such as banks, insurance companies, trust and loan companies and co-operative credit associations, industry associations of regulated entities (for example, the CBA, CLHIA, IBC), pension plan sponsors as well as applicants for registration as an FRE. The definition can also include individuals or firms hired to represent the interests of a regulated entity or association, such as lawyers, chief agents and lobbyists.

Entities that have a business relationship with OSFI include suppliers and service providers, and includes potential suppliers and service providers (such as persons that

seek a procurement contract or have responded to a request for proposal).

2. *Are gifts under \$25 always acceptable?*

No. A gift of a value of \$25 cannot be accepted if acceptance would create a perceived conflict of interest. Gifts and hospitality cannot be accepted if they are frequent or lavish (for example, an employee should not accept a \$50 lunch if the employee receives lunch from that entity on a monthly basis). Moreover, gifts and hospitality cannot be accepted if acceptance could be perceived as:

- being unusual; or
- risk creating a sense of obligation or bias to the host; or
- compromising objectivity, impartiality or integrity.

3. *What is considered lavish, frequent or improper hospitality?*

“Lavish, frequent and improper” depends on the circumstances of each case. To judge whether hospitality is lavish, employees can guide themselves by the Hospitality Guideline issued by the Treasury Board and on the amount of expenses that OSFI would have covered in similar circumstances. Aside from monetary value, the rarity value or exclusivity of an offer of hospitality will have a bearing on whether it is lavish or improper. Hospitality will be considered frequent if it is offered more often than is reasonably necessary to establish and maintain a relationship between a regulator and a regulated entity. An invitation from a regulated entity that is purely or mainly social during which business is not expected to be discussed may not be proper and should be reviewed very carefully.

4. *What should I do if I receive a gift that I was unable to refuse but that is unacceptable under the policy?*

Remit it to OSFI. OSFI will use it to raise money for the Government of Canada Workplace Charitable Campaign.

5. *When travelling on OSFI business, can I accumulate rewards and/or reward points on my personal loyalty cards (i.e. Air Miles, Aeroplan, Petro Points etc...?)*

Yes. OSFI’s Travel Directive allows employees travelling on government business to accumulate benefits on loyalty programs provided that there are no additional costs to the government and that the employee uses government approved services and products.

Additional Examples

1. *An industry association has offered to sponsor a cocktail reception at an international meeting of regulators organized by OSFI.*

The offer should be **refused**. The industry association represents the interests of regulated entities. OSFI's acceptance of the invitation may signal that OSFI will show favour to members of that particular industry association in exchange for the sponsorship and that other industry associations must do the same to avoid unequal treatment by OSFI.

2. *A regulated entity purchases a table for its employees for an industry dinner attended by many regulated entities and offers one of the seats to an OSFI employee.*

The employee **should refuse** the hospitality, even if the value of the hospitality was modest, as acceptance raises questions about the employee's partiality towards that particular regulated entity. The employee may attend the event and network with participants but the seat should be purchased by OSFI or the employee.

3. *An OSFI employee is a member of a professional association (for example, of lawyers, accountants or actuaries) and attends meetings or conferences organized by the association. Some other members of the association work for regulated entities or have clients that are regulated entities. Can the OSFI employee have dinner or drinks with fellow members of the association after a meeting or conference?*

Generally, this would be **permitted**. No situation presenting a conflict of interest arises with members whose work involves little or no contact with regulated entities (as these members would not fall into the definition of "regulated entity" or its representative). Moreover, the social occasion happens at a gathering involving large numbers of participants and is not organized for the purpose of influencing the employee in the exercise of his duties at OSFI. However, accepting hospitality may not be appropriate if it occurs outside the context of a widely held meeting or gathering, the other member is actively involved with a regulated entity and is in a position to attempt to influence the employee's judgment or decisions with respect to that entity.

4. *A regulated entity invites an OSFI employee to lunch twice a year, at a moderate restaurant, to discuss industry issues and developments.*

The employee **may accept** the invitation. The hospitality is not frequent or lavish, is proper in the circumstances and serves a legitimate business purpose.

5. *An OSFI employee wins a prize at a golf tournament hosted for OSFI employees by one of OSFI's suppliers.*

The event should not have occurred and OSFI should not have accepted the hospitality, as the sponsor is an entity that has a business relationship with OSFI and the event is not open to the public. There is a high risk that the situation could give

rise to a real or perceived conflict of interest and that an objective observer would construe the offer of sponsorship as an attempt to influence OSFI employees in the exercise of their public duties. **The prize should not be accepted.**

Part V - External Employment and Business Activities

- 1. Can I print my office telephone number or email on my business card for my home-based candle making business?***

No. Receiving calls or emails at the office that relate to an employee's secondary employment interferes with the employee's duties at OSFI. Moreover, employees should not use government property for personal financial gain.

- 2. On my spare time and without using OSFI resources, can I work as an advisor to companies that seek to contract with the government or advise companies on public policy?***

No. Such outside employment would be clearly inappropriate and cause a conflict of interest with the employee's official duties at OSFI. During their off-time, unless they received prior approval, employees may only engage in business activities that are not related to their work at OSFI. Employees must not derive economic benefit from information obtained in the course of their duties with OSFI that is not available to the public.

Part VI - Post-Employment Measures

- 1. I have accepted an offer of employment from a regulated entity with which I have frequent and significant dealings in the course of my employment at OSFI. What are my duties under the Policy?***

Employees must advise the Superintendent's designate of the acceptance of an offer of employment. For the employee's remaining time at OSFI, the employee should refuse to be involved in decisions that directly affect the regulated entity. After leaving OSFI, the employee should not switch sides by acting for their new employer against OSFI in connection with any specific proceeding, transaction, negotiation or case to which OSFI was a party. In addition, the employee should not use information obtained in the course of his employment with OSFI that has not been publicly disclosed (for example, information about OSFI's policies, legislative proposals or information about the new employer's competitors).

- 2. In section 6.2, what is meant by "an employee should not switch sides by acting for their new employer against OSFI in connection with any specific proceeding, transaction, negotiation or case to which OSFI was a party"? What types of situations are covered by this prohibition?***

The expression "specific proceeding, transaction, negotiation or case" is meant to be read narrowly (for example, general work on Basel II implementation would not be a

“specific case” but work on an application for an approval by an FRE would be). Moreover, the restriction applies primarily in cases where OSFI’s interests are opposed to that of the regulated entity (instead of being largely collaborative), in which case disclosure of information obtained at OSFI to the new employer would cause harm to OSFI. Generally, an employee will not be seen as “switching sides” if the employee’s future role would not be seen as negative for OSFI, would not impinge on OSFI’s reputation or ability to effectively pursue its mandate, or if the employee’s future role would benefit OSFI.