

OSFI EFFECTIVENESS SURVEY
Interview Study Topline Results
2000

This topline report presents the results from a survey commissioned by OSFI of key decision-makers in the Canadian financial community. The actual survey instrument was replicated from a similar survey conducted in 1998. Interviews of thirty minutes were conducted on a confidential basis between June 12th, 2000 and June 30th, 2000. A total of 65 interviews were completed representing an 81% response rate.

CONTEXT SETTING

1. What would you say are the most important issues facing Canada's regulation and supervision of the financial services sector these days? **(Accept two mentions)**

Total Mentions with 10% or more	N=65
Regulation general (too much/ too little/ not focused/ more focused) (net)	52%
-Balance Canadian regulation with foreign regulations	25%
-Not to over-regulate/ not to inhibit growth through over-regulation	11%
Consolidation/ mergers/ competition concerns (net)	52%
-Making Canada globally competitive/ internationally competitive	25%
-Maintain a fair/ competitive market place	14%
Keeping up with change (net)	20%
-Keeping up with the changes (internal & external to financial sector)	12%
Maintaining stability/ health/ confidence of financial sector/ industry (net)	25%
-Health of the industry/ safety of the sector/ soundness	11%
OSFI issues (structure, staff) (net)	23%

2. And, would you say that over the last two years that financial services regulation and supervision in Canada has improved or worsened? Is that a little or a lot?

	N=65
Improved a lot.....	12%
Improved a little	52%
Worsened a little	23%
Worsened a lot.....	3%
Don't know	9%

2B. And, why do you say that? **(Accept two mentions)**

Total Mentions with 10% or more – Improved	N=42
OSFI and/or its approach to regulation (net)	86%
-OSFI is looking at the 'bigger picture'	17%
-Quality of people has improved	14%
-They are trying to be more efficient/trying to improve	14%
-Ongoing consultation	14%
-They are taking a more risk analysis approach	12%
Environmental issues (net)	10%

Total Mentions with 10% or more – Worsened	N=17
OSFI and/or its approach to regulation (net)	53%
-Problem keeping up with changes	18%
-Competence of lower level staff	12%
-Turnover of staff/loss of knowledgeable staff	12%
Regulatory/policy changes (net)	29%
-Too many regulations/over-regulated	24%
Other (net)	24%
-Lack of resources	18%

3. And, what about the performance of Office of the Superintendent of Financial Institutions (OSFI) as Canada's regulator and supervisor of the financial services sector. Would you say that overall you are very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied with its performance?

N=65

Very satisfied	20%
Somewhat satisfied.....	63%
Somewhat dissatisfied	14%
Very dissatisfied.....	2%
Don't know	2%

3B. And, why do you say that? **(Accept two mentions)**

Total Mentions with 10% or more – Satisfied	N=54
OSFI people / staff (net)	44%
-Responsive to needs/ supportive	13%
-Get good support from them/smooth dealings	11%
-Good communications	11%
OSFI's focus / practices / procedures (net)	20%
Results oriented (outcomes) (net)	17%

4. And, overall, how would you say that OSFI performs in terms of contributing to Canadians' confidence in Canada's financial services industry? Do they do a very good job, a good job, a poor job or a very poor job?

	N=65
Very good job.....	22%
Good job	52%
Poor job	12%
Very poor job	0%
Neither good nor poor job [DO NOT READ]	11%
Don't know	3%

4B. And, why do you say that? (**Accept two mentions**)

Total Mentions with 10% or more – Very good/good job	N=48
Level of confidence (net)	35%
-Canadians have a high degree of confidence	19%
-Leadership of John Palmer	15%
Results / outcomes (net)	46%
-They have avoided difficulties/ dealt with all issues	21%
-There have been no real failures	10%
-Their performance has been fine	10%
Process / areas of improvement (net)	27%
-They have avoided difficulties/ dealt with all issues	21%
Environmental (net)	17%
-Good world-wide reputation	10%

5. Overall, have OSFI's regulatory and supervisory requirements become more or less burdensome over time, or have they remained about the same?

	N=65
More burdensome over time.....	75%
Less burdensome over time.....	2%
Remained about the same.....	20%
Don't know	3%

5B. And, why do you say that? **(Accept two mentions)**

Total Mentions with 10% or more – More burdensome	N=49
Existing / additional regulatory / policy requirements / guidelines (net)	71%
-There's been a large expansion in requirements CIDC audits, legal compliance	22%
-Number of regulations has increased	20%
-There is more reporting required now	16%
-More detail is required	10%
-Too much paperwork is required	10%

6. The OSFI Act was amended in 1996 to give OSFI an early intervention mandate. Since this amendment was made, do you believe that OSFI has become more decisive in its interventions?

	N=65
Yes	15%
No	22%
Don't know	63%

7. In 1999, OSFI introduced the first part of its new Supervisory Framework. Do you believe this new framework has improved the effectiveness of OSFI's monitoring and examination processes?

	N=65
Yes	60%
No	17%
Don't know	23%

8. As a prudential regulator OSFI is required to fulfil its regulatory mandate having due regard to the need to allow institutions to compete. Does OSFI strike an appropriate balance between being an effective prudential regulator, and not unduly interfering with competition and innovation?

	N=65
Yes	60%
No	34%
Don't know	6%

PRIORITIES

9. As you may know OSFI's mandate includes management of risk in the financial services sector. I'm now going to read you a list of priorities for OSFI in this area of risk management. For each one, I'd like you to tell me if you see this as a very important priority, a somewhat important priority, somewhat unimportant priority or not an important priority for OSFI to focus on?

Ordered by % Very Important (N=65)	Very Important Priority	Somewhat Important Priority	Somewhat Unimportant Priority	Not an Important Priority	Don't Know
Insufficient capital to match risk profile of institution	82%	14%	3%		2%
The use and potential abuse of sophisticated financial products and techniques. (e.g. derivatives, asset securitizations)	62%	29%	8%	2%	
Inadequate reserves and allowances (actuarial)	54%	37%	5%	2%	3%
Lack of understanding by management of the risks of entering new lines of business	49%	25%	20%	5%	2%
Adherence to proper corporate governance procedures by financial sector firms	43%	45%	12%		
Management of liquidity risk	42%	58%			
Management of market risk	40%	52%	8%		
Technological Risk	35%	38%	20%	3%	3%
Increased investments in foreign countries that are more vulnerable to wide swings in business conditions (Mexico; Thailand)	20%	48%	20%	6%	6%
Risks associated with real estate lending and investing	18%	60%	14%	6%	2%
Insufficient geographic and/or product diversification by financial firms	17%	43%	26%	9%	5%
Growth of investment banking, deal-oriented culture within financial firms	15%	45%	29%	3%	8%

9B. Now, is there anything that you feel we have missed as a priority for OSFI? **(One mention)**

No specific mentions with sufficient number of responses to report other than 'None'.

REGULATORY AND SUPERVISORY TOOLS

10. As you know, OSFI has a number of tools at its disposal for regulating and supervising the financial services sector. I'd like you to tell me if, in your view, whether each of the following is very effective, somewhat effective, not very effective, or not at all effective in safeguarding the stability and soundness of the Canadian financial system in terms of how it is used by OSFI?

Ordered by % Very Effective (N=65)	Very Effective	Somewhat Effective	Not Very Effective	Not at all Effective	Don't Know
The ability of OSFI to shut down a company	43%	29%	12%	2%	14%
Issuing Directions of Compliance (e.g. legally binding orders to increase capital or liquidity)	40%	48%	3%	2%	8%
Development of capital adequacy and other guidelines	37%	54%	8%	2%	
Ability to develop regulations and recommend legislation	32%	37%	19%	5%	8%
Regular, risk based examinations of companies' operations and controls	31%	65%	3%		2%
Ability to issue policies and interpretations	31%	49%	15%	3%	2%
Working with industry on best practices	23%	43%	29%	3%	2%
Moral suasion with company boards of directors and senior management	17%	49%	22%	3%	9%
Recommendations to the government re-entry of new financial institutions into Canada	12%	42%	23%	2%	22%
Oversight of financial institutions' entry into new business lines	5%	45%	32%	8%	11%

IMPLEMENTATION

11. Does OSFI act too hastily, just right, or too slowly in dealing with the following situations?

a) Identifying, and dealing with, problem areas and institutions;

N=65

Too hastily	5%
Just right	46%
Too slowly	28%
Don't know	22%

11ab. And, why do you say that? **(Accept one mention)**

Total Mentions with 10% or more – Just right	N=30
Just right (net)	57%
-OSFI has been effective in identifying risks	10%
-They know when to get involved and when not to	10%
-They are doing just fine	33%

Total Mentions with 10% or more – Too slowly	N=18
Too slowly (net)	78%
-OSFI often doesn't identify problems until they reach a crisis stage/until it's too late	22%
-Slow in dealing with problems	28%
-Lack of staff resources	11%

b) Granting approval(s) for new financial institutions or new lines of business, including acquisitions?

N=65

Too hastily	0%
Just right	34%
Too slowly	57%
Don't know	9%

11bb. And, why do you say that? **(Accept one mention)**

Total Mentions with 10% or more – Just right	N=22
Just right (net)	82%
-About right/no problems	41%
-They react in a reasonable amount of time	18%

Total Mentions with 10% or more – Too slowly	N=37
Too slowly (net)	70%
-Very long process/long delays	35%
-Difficulty in getting approvals	16%

12. In your view, before making decisions does OSFI consult with interested parties the right amount, too little, or too much?

N=65

Right amount	55%
Too little	26%
Too much.....	2%
Don't know	17%

13. Taking in to account the relevance of size and risk, does OSFI tend to subject each of the following sectors of the financial services industry to too much scrutiny, too little scrutiny, or the appropriate amount of scrutiny? **(Do not read – if asked, use definitions as provided by OSFI)**

N=65	Too Much Scrutiny	Too Little Scrutiny	Appropriate Scrutiny	Don't Know
Large firms	17%	12%	55%	15%
Small firms	15%	26%	32%	26%
Deposit-taking institutions	5%	8%	54%	34%
Life Insurance companies	5%	8%	45%	43%
Property and casualty insurance companies	5%	8%	25%	63%
Domestic institutions	5%	2%	63%	31%
Foreign-headquartered institutions operating in Canada	15%	12%	35%	37%

14. Going by what you know, or have heard, how would you characterize OSFI's treatment of companies experiencing financial difficulties? -- too severe, too complacent, or about right?

N=65

Too severe.....	5%
Too complacent	20%
About right	45%
Don't know	31%

14B. And, why do you say that? **(Accept one mention)**

Total Mentions with 10% or more – About right	N=29
General/Past experience (net)	79%
-About right/no problems	52%
-When they found a problem they acted about right	14%

15. I'm now going to read you some statements about OSFI. For each one, I'd like you to tell me if you strongly agree, somewhat agree, somewhat disagree, or strongly disagree.

Ordered by % Strongly Agree (N=65)	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Don't Know
I'm very aware of OSFI's policies and practices	40%	57%	2%	2%	
OSFI's activities have contributed to making Canada's financial institutions stronger than they were in the past	34%	57%	8%		2%
OSFI has a lot of discretion in terms of how it interprets the laws that govern its activities	25%	43%	17%	5%	11%
OSFI staff are knowledgeable about the areas for which they are responsible	8%	60%	32%		
OSFI has the requisite information-gathering systems in place to enable it to spot emerging trends in the financial services sector	6%	59%	23%		12%
The rationale for OSFI's decisions are clear and understandable	3%	65%	28%	5%	
OSFI usually finds the right balance between strict adherence to established rules and flexibility in the interpretation of public policy	3%	55%	37%	3%	2%
OSFI is well-equipped to deal with the financial services industry of the next century	3%	31%	46%	11%	9%
Regulated institutions get their monies worth from OSFI	2%	42%	42%	5%	11%
OSFI is a cost effective operation	2%	38%	23%	5%	32%
All regulated financial institutions pay what they should for OSFI	2%	29%	35%	9%	25%

VALUE-ADDED

16. How does OSFI compare with other financial regulatory agencies in Canada with whom you or your organization have dealt with or have heard of? Overall, is OSFI much better, somewhat better, somewhat worse, or much worse?

	N=65
Much better	20%
Somewhat better	51%
Somewhat worse	5%
Much worse	0%
Don't know	25%

17. How does OSFI compare with other financial regulatory agencies around the world with whom you or your organization have dealt with or have heard of? Overall, is OSFI much better, somewhat better, somewhat worse, or much worse?

	N=65
Much better	22%
Somewhat better	34%
Somewhat worse	18%
Much worse	3%
Don't know	23%

18. In your opinion, does OSFI have effective relations with other regulatory bodies within Canada?

	N=65
Effective	20%
Somewhat effective	37%
Not effective	20%
Don't know	23%

19. And, in your opinion, does OSFI have effective relations with other regulatory bodies outside Canada?

	N=65
Effective	20%
Somewhat effective	48%
Not effective	8%
Don't know	25%

20. Do you believe OSFI adequately represents the interests of the Canadian financial sector in international fora (eg., Basel Committee on Banking Supervision).

N=65

Yes 59%
 No 19%
 Don't know 23%

21. Do you believe OSFI acts to ensure that our financial institutions are not put at a disadvantage vis-à-vis their foreign competitors?

N=65

Yes 37%
 No 54%
 Don't know 9%

22. In your view, which of the following is most important in determining the success or failure of regulatory agency like OSFI?

N=65

Keeping the number of financial institution collapses as low as possible 6%
 Fewer financial institution failures than in provincial or foreign jurisdictions 0%
 The manner with which financial sector crises are handled 12%
 The ability to identify, and take the necessary steps (preventive medicine) to minimize, institutional and systemic risk 69%
 The extent to which it is an independent agency, free from bias and political interference 8%
 Don't know 5%

22B. And, why do you say that? (**Accept two mentions**)

Total Mentions with 10% or more – ability to identify, and take the necessary steps to minimize, institutional and systemic risk	N=45
Their role is to identify crises and heads it off	16%
It's the most effective way	13%
Their role is to minimize risk	11%
Preventative steps are the key part	11%

PUBLIC PROFILE

23. What do you think of the public profile of OSFI? (**Accept two mentions**)

Total Mentions with 10% or more	N=65
Good/Positive/Effective (net)	46%
-Fairly positive	25%
-High awareness among knowledgeable business people/financial industry	15%
General/Indifferent/Not heard of/Adequate/Not required (net)	58%
-Not very well known	31%
-They don't have a public profile	14%

24. Approximately two years ago, OSFI developed or amended policies and/or guidelines on various matters affecting your industry. For example, outsourcing, capital, and accounting issues. Were you aware of these policy/guideline changes?

	N=65
Yes	95%
No	5%
Don't know	0%

25. And, are these guidelines or policies reflected in your companies risk management policies today to the extent that they apply to your company?

	N=65
Yes	89%
No	11%
Don't know	0%

26. Finally, if you could offer one piece of advice to OSFI about improving its activities what would you tell them? (**Accept one mention**)

Mentions with more than 5%	N=65
OSFI staff/image/responsibilities (net)	43%
-Hire top quality staff in OSFI	29%
-Train staff to understand the business	9%
Procedures/Process/Focus (net)	37%
-Have more dialogue/interaction with partners	9%
-Re-do the way [OSFI] carries out revisions/evaluations	6%
-More communication	6%
-Improve consultation with regulated financial institutions	5%
Regulation general (net)	9%
-Keep focus on macro level/general governance	8%