



Unclassified

Our File: P2400-65

To: Banks
 Bank Holding Companies
 Federally Regulated Trust and Loan Companies
 Federally Regulated Life Insurance Companies
 Federally Regulated Property and Casualty Insurance Companies
 Federally Regulated Cooperative Credit Associations
 Fraternal Benefit Societies

Subject: Equity Investment Limit

The Office of the Superintendent of Financial Institutions (OSFI) is aware that the adoption of the new Canadian Financial Instruments accounting standards may have placed additional pressure on the ratios reported pursuant to the equity investment limits referred to in sections 477 and 939 of the *Bank Act*, section 465 of the *Trust and Loan Companies Act*, sections 507, 565, 619, and 982 of the *Insurance Companies Act*, and section 402 of the *Cooperative Credit Associations Act*.

OSFI has been reviewing these regulations and intends to advance recommendations for their amendment to address the unintended impact of the new Financial Instruments accounting standards and other known issues. The process for implementing these changes could take several months; in the interim, where a Federally Regulated Financial Institution (FRFI) or bank holding company inadvertently commits a violation that is subject to the *Administrative Monetary Penalties (OSFI) Regulations* by exceeding an equity investment limit, the Superintendent will not issue a notice of violation or impose a monetary penalty if the Superintendent is of the opinion that the violation can reasonably be attributed to the adoption of the new Financial Instruments accounting standards. FRFIs and bank holding companies are expected to maintain prudent investment policies and OSFI will continue to monitor each entity's investment practices as part of its supervisory process.

Questions concerning equity investment limits should be addressed to Darren Gault, Regulations Officer, Legislation and Policy Initiatives, at (613) 998-9868, by facsimile at (613) 998-6716, or by email at darren.gault@osfi-bsif.gc.ca.

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