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To: Federally Regulated Financial Institutions

**Subject: OSFI's Review of Reputation Risk Practices:
Principles, Observations and Next Steps**

As financial institutions face a more global and complex marketplace, the importance and priority given to reputation risk management continues to grow. Organizations are recognizing the benefits of having sound reputation risk management practices as well as the negative consequences that can result from insufficient or ineffective procedures.

Last year, OSFI reviewed the reputation risk management practices in certain product lines at selected financial institutions. While we have reviewed our specific findings with individual financial institutions, we believe it is important for all financial institutions to be aware of the overall results and the actions we are taking in this area. The results indicate that although financial institutions have taken significant steps to manage reputation risk, more could be done.

The attached document is not a guideline. However, it is intended to communicate basic principles associated with reputation risk management, highlight observations from our work in this area, and indicate issues OSFI may focus on during supervisory reviews.

Dealing with reputation risk is challenging, but it is an area OSFI considers vital to ensuring that Canadian financial institutions continue to be managed in a safe and sound fashion.

Questions regarding the document should be directed to Greg Cowper, Manager, Legislation and Approvals Division at (613) 993-5164 or by e-mail at greg.cowper@osfi-bsif.gc.ca.

Julie Dickson
Assistant Superintendent
Regulation Sector



OSFI
BSIF

255 Albert Street
Ottawa, Canada
K1A 0H2

www.osfi-bsif.gc.ca

Canada