



DRAFT - CONFIRMATION OF CAPITAL QUALITY – SHARES AND DEBT

Legislative Authorities¹

- N/A

Information Requirements

The applicant is expected to provide:

1. A description of the terms and conditions of the instrument, including all of the following items that are applicable to the particular instrument:
 - (a) term sheet;
 - (b) debt agreement;
 - (c) capital by-law;
 - (d) prospectus;
 - (e) base shelf prospectus;
 - (f) pricing supplement; and
 - (g) trust indenture.
2. A step-up calculation, if applicable, using the swap-spread methodology which shows the step-up is within the amount permitted by OSFI Guidance. (refer to [Innovative Instruments Included in Tier 1 Capital - Interim Appendix to Guideline A – CAR/MCCSR](#) for further detail.)
3. Calculations must be provided reflecting capital/solvency levels calculated prior to, and on a pro-forma basis as at the end of, the quarter in which the issuance of debt or shares is to take place. For a deposit-taking institution, this would include tier 1 and total risk-based capital ratios and the assets to capital multiple. For a property and casualty insurance company, this would include the Minimum Capital Test (MCT). For a life insurance company, this would include the Minimum Continuing Capital and Surplus Requirements calculation (MCCSR).
4. A calculation showing the applicant's compliance with OSFI's capital composition limits.
5. A list of the elements comprising Capital Available including the total amount of Deductions/Adjustments. (required for property and casualty insurance companies only)

¹ The following Guidelines and related Advisories are applicable: [Guideline A – Capital Adequacy Requirements – Bank and Trust and Loan Companies](#), [Minimum Continuing Capital and Surplus Requirements for Life Companies](#), [Minimum Capital Test](#), [Guideline A – Capital Adequacy Requirements – Co-ops](#) and [Capital Regime for Regulated Insurance Holding Companies and Non-Operating Life Companies](#). (OSFI Guidance)

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6. An outline of the precedent setting aspects of the structure and the capital instruments, if any.
 7. Confirmation from an Officer² that, to the best of his/her knowledge, the capital instrument is in compliance with OSFI Guidance.

Administrative Guidance

1. OSFI may require capital instruments reviewed post-issuance and that are found not to comply with OSFI Guidance to be eliminated from total capital or reclassified as a different tier of capital. Where the FRE has applied for and received a capital confirmation, OSFI will consider whether the material submitted with the application contained a material misstatement of the facts or omission of the facts in reaching its decision.
2. The terms and conditions of preferred shares and debt must meet all the requirements to qualify as capital pursuant to OSFI Guidance.
3. The MCT applicable to property and casualty insurance companies does not classify capital by tier. OSFI will assess whether the company's composition of capital is appropriate. If it is deemed to be inappropriate, a capital confirmation may not be granted.
4. A confirmation of capital quality is not a legislative requirement or OSFI Guideline requirement. A request to confirm capital quality is at the discretion of the FRE.
5. The issuance of limited life debt instruments by a life insurance, trust or loan company to its parent requires the approval of the Superintendent to qualify as tier 2B capital. Additional information requirements for this approval can be found in: [Guideline A – Capital Adequacy Requirements for banks and trust and loan companies](#) and [Minimum Continuing Capital and Surplus Requirements for Life Companies](#).
6. This confirmation is subject to a user pay fee as set out in the [Charges for Services Provided by the Office of the Superintendent of Financial Institutions Regulations 2002](#).

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

² Officer is defined in section 2 of the *Bank Act, Trust and Loan Companies Act, Cooperative Credit Associations Act and Insurance Companies Act*.