

Office of the Superintendent of Financial Institutions Canada

Report on Plans and Priorities

**For the years
2004-2005 to 2006-2007**

Minister of Finance

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. MESSAGE FROM THE SUPERINTENDENT	5
SECTION 2. MANAGEMENT REPRESENTATION STATEMENT	7
SECTION 3. RAISON D'ETRE	9
3.1 WHO WE ARE	9
3.2 WHO WE REGULATE	9
3.3 WHAT WE DO	10
3.4 BENEFITS FOR CANADIANS	11
SECTION 4. PLANNING OVERVIEW	13
4.1 OSFI'S PLANNING CONTEXT	13
4.2 OUR PARTNERS	15
SECTION 5. PLANS AND PRIORITIES BY STRATEGIC OUTCOME	17
5.1 OUR KEY BUSINESS	17
5.2 SUMMARY	18
5.3 MONITORING MECHANISMS – STRATEGIC OUTCOMES	20
5.4 DETAILS	21
SECTION 6. ORGANIZATION	29
6.1 OUR PEOPLE AND OUR WORKPLACE	29
ANNEX A – FINANCIAL AND OTHER TABLES	33
FINANCIAL TABLES	33
OTHER TABLES	36
ANNEX B – OTHER INFORMATION	40
ACTS, LEGISLATION AND REGULATIONS	40
REFERENCE	40

SECTION 1. MESSAGE FROM THE SUPERINTENDENT

I am pleased to present the Report on Plans and Priorities (RPP) for the Office of the Superintendent of Financial Institutions (OSFI) for the years 2004-2005 to 2006-2007.

Canada is fortunate to possess one of the strongest financial systems in the world, which contributes to the strength and innovation of Canada's economy, protects the savings of individual Canadians and helps to attract investment dollars.

The stability of Canada's financial system is due to a number of elements that include: effective mechanisms for evaluating risk, programs to promote sound business and financial practices, and the capacity to intervene to minimize loss to financial consumers, if necessary. These are activities in which OSFI exercises leadership in accordance with its mandate and are also among the long-term benefits we provide to Canadians.

The Office of the Superintendent of Financial Institutions is the primary regulator of all federally chartered financial institutions in Canada, as well as federally administered pension plans. As a separate unit, the Office of the Chief Actuary provides actuarial and other services to the federal government. Above all, and without restricting competitiveness, OSFI advances a modern regulatory framework that contributes to public confidence in Canada's financial system. Such a framework also benefits financial institutions in dealing with Canadians and with counter-parties in Canada and abroad.

The environment in which we fulfil this mandate is fluid. The challenges we face are constantly changing and evolving. It is inevitable that over the next three years, issues will arise that require priority attention in addition to the normal matters of business we deal with every day. For example, the need to develop regulations that ensure a level playing field for Canada's financial institutions vis-à-vis their global competitors is an ever-present challenge. In the next few years, we will also need to adjust our rule making to accommodate the implementation of the new Basel Capital Accord. In addition, challenges will no doubt arise in the assessment of institutional governance and accounting practices as Canada's requirements in these areas are enhanced.

The 2004 budget material indicates that the government wishes to explore ways of improving the regulatory framework. It is focussing on how best to address any overlap in prudential, administrative and corporate services functions that may exist between



Nick Le Pan, Superintendent, OSFI

"The Government of Canada's enduring priority is to improve the quality of life for all Canadians." – *Canada's Performance 2003* (http://www.tbs-sct.gc.ca/epport/govrev/03/ep-rc_e.asp)

CDIC and OSFI. Legislative changes may be required. OSFI, CDIC and the industry have been asked to provide input for consideration of the issue. OSFI believes that there is a significant opportunity to enhance efficiency and effectiveness of the delivery of federal financial services regulation. At this point, it is unclear what the outcome of this process will be and the direction the government wishes to take will only be decided at the end of 2004. Therefore, OSFI has not specifically changed its strategies or priorities as a result. OSFI will reflect decisions, once they are clearer in its plans and priorities.

Matters such as these and the priorities we intend to pursue over the next three years are highlighted in this report. In addition, this report provides Parliamentarians and the public a concise summary of our various operations and the challenges we expect to face. In so doing, we also provide an account of the resources utilized in support of our various business lines and strategic outcomes.

At the present time, OSFI is in the process of reviewing and making adjustments to its Results Chain in order to develop the new Program Activity Architecture (PAA). These changes will be addressed when OSFI prepares its Departmental Performance Report (DPR) later in 2004.

In reviewing the detail concerning our plans and priorities in the following pages, it is important to keep a larger picture in mind. OSFI's activities and initiatives form part of a modern infrastructure that supports Canada's financial system and economy. The vitality of both is essential to improving the quality of life for all Canadians, which is the Government of Canada's enduring priority.

SECTION 2. MANAGEMENT REPRESENTATION STATEMENT

I submit, for tabling in Parliament, the 2004-2005 Report on Plans and Priorities (RPP) for the Office of the Superintendent of Financial Institutions Canada.

This document has been prepared based on the reporting principles and disclosure requirements contained in the *Guide to the Preparation of the 2004-2005 Report on Plans and Priorities*:

- > It accurately portrays the organization's plans and priorities.
- > The planned spending information in this document is consistent with the directions provided in the Minister of Finance's Budget and by TBS.
- > Is comprehensive and accurate.
- > Is based on sound underlying departmental information and management systems.

The reporting structure on which this document is based has been approved by Treasury Board Ministers and is the basis for accountability for the results achieved with the resources and authorities provided.

Name: _____

Title : Superintendent, OSFI

Date: _____

SECTION 3. RAISON D'ETRE

3.1 Who We Are

The Office of the Superintendent of Financial Institutions (OSFI) is the primary regulator of financial institutions and private pension plans operating in Canada under federal jurisdiction. OSFI supervises and regulates all banks, federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations, fraternal benefit societies and private pension plans.

Mandate

OSFI's purpose, which is set out in legislation, is to regulate financial institutions and pension plans so as to contribute to public confidence in Canada's financial system.

OSFI develops and maintains rules to promote prudent practices, assesses risks in financial institutions and plans, and undertakes supervisory intervention in a timely manner in order to protect policyholders, depositors and creditors. In this, OSFI has regard for the need to allow financial institutions to compete effectively and take reasonable risks. This mandate recognizes that management, boards of directors and pension plan trustees are responsible for the operation of financial institutions and plans. It also recognizes that, while OSFI's actions reduce the risk of failure, problems leading to reductions in benefits of pension plans or failures of financial institutions cannot be prevented in all cases.

The Office of the Chief Actuary (OCA) was created within the organization as a separate unit to effectively provide actuarial and other services to the Government of Canada and provincial governments who are CPP stakeholders.

As at January 1, 2004, OSFI employed 460 people in offices located in Ottawa, Montreal, Toronto and Vancouver (see Section 6 below for more organizational detail).

3.2 Who We Regulate

The Office supervises and regulates all federally incorporated or registered deposit-taking institutions (e.g. banks), life insurance companies, property and casualty insurance companies, and federally regulated private pension plans. These 1,657 organizations managed a total of \$2,497 billion of assets (as at March 31, 2003).

Federally Regulated Financial Institutions and Private Pension Plans & Related Assets

	Deposit Taking Institutions	Life Insurance Companies	Property & Casualty Companies	Federal Private Pensions Plans	Total
Number of organizations	142	121	189	1,205	1,657
Assets \$B	1,977	360	69	91	2,497

OSFI also undertakes supervision of provincially incorporated financial institutions on a cost recovery basis under contract arrangements with some provinces.

Additional detail may be found at the following web site:

<http://www.osfi-bsif.gc.ca/eng/whoweregulate.asp>

3.3 What We Do

From its legislated mandate, OSFI's main strategic outcome is to regulate and supervise financial institutions so as to contribute to public confidence. For federally-regulated financial institutions and pension plans, OSFI does this by enhancing their safety and soundness; therefore, protecting policyholders, depositors, creditors, and pension plan members from undue loss. Various main OSFI activities contribute to this. One activity is the evaluation of system-wide risks and the promotion of sound business and financial practices by means of appropriate rules and guidance. Another activity is by operating a system for approvals of new institutions and other transactions under the legislation that balances prudence with the need to foster competition and competitiveness. A key element of our safeguarding against undue loss is OSFI's activities to identify institution-specific risks and trends, assess the adequacy of the control and governance systems of institutions and plans, and intervene in a timely manner to have material deficiencies rectified. This ultimately may require intervention to close institutions or terminate pension plans in order to prevent further erosion. As a result of these activities, the chance of failures is reduced and losses or reductions in benefits are minimised in those that do occur.

Also contributing to the confidence in Canada's retirement income system are the activities of the Chief Actuary to provide accurate, timely information on the state of various public pension plans and on the financial implications of options being considered by policy makers.

The full text of this legislation is available at the following web site:

<http://laws.justice.gc.ca/en/O-2.7/index.html>

3.4 Benefits for Canadians

“To promote a strong and vibrant economy, the federal government must work . . . to ensure that Canada is a magnet for investment, skilled knowledge workers, cutting-edge research, and science and innovation. Only a strong economy supported by a modern infrastructure can provide the jobs and incomes required to sustain families and their communities, while investments in key areas of social policy help ensure that the benefits of economic growth are available to all.” – *Canada’s Performance 2003*
(http://www.tbs-sct.gc.ca/report/govrev/03/cp-rc_e.asp)

Canadians benefit from a properly functioning financial system in which there is a high degree of public confidence. This supports Canada’s economy and the individual financial position of Canadians. OSFI’s programs and strategic outcomes benefit Canadians both directly and indirectly. The most obvious example of direct benefit occurs when OSFI protects the rights and interests of policyholders, depositors, creditors, and/or private pension plan members by intervening effectively in situations involving financial institutions or private pension plans encountering difficulty.

The Office of the Chief Actuary (OCA) provides transparency regarding the Canadian retirement income system through the production and subsequent tabling before Parliament of regular actuarial reports on the Canada Pension Plan (CPP), Old Age Security (OAS) program and public sector employee pension and insurance plans.

OSFI’s activities and programs to enhance the safety and soundness of financial institutions are key to a regulatory framework underpinning the financial system, which in turn is essential to a productive and competitive economy. This is one of the highest priorities of the federal government. In addition, an effective and efficient system of regulation provides benefits to regulated entities in their dealings with customers, and counter parties in Canada and abroad.

As a result, the achievements of OSFI’s strategic outcomes are aligned with the first theme (“Economic Opportunities and Innovation in Canada”) and are highlighted in the Government of Canada’s annual performance report, entitled *Canada’s Performance*. This government-wide report measures annual progress toward broad societal goals and highlights both Canada’s strengths and areas where improvements can be made. The following web site provides a full text of this report:

http://www.tbs-sct.gc.ca/report/govrev/03/cp-rc_e.asp

Another government initiative that utilizes OSFI’s internal expertise is the fight against terrorism financing and money laundering (AML/CTF). OSFI’s focus relates to guidance and supervision of the operation of financial institution programs to comply with AML/CTF requirements.

In addition, OSFI supports the government's priority to assist emerging markets to upgrade their regulatory and supervisory systems. It does this directly and with partners through focused assistance and capacity building.

SECTION 4. PLANNING OVERVIEW

4.1 OSFI's Planning Context

At present, there are four general areas influencing the context in which OSFI establishes its plans and priorities. Developments in each of these areas, the various risks they present, and the resulting priorities for OSFI are discussed below.

4.1.1 Economic Environment

Business and financial market conditions within Canada and internationally have a significant impact on the performance of financial institutions and private pension plans. Therefore, they form a significant context for OSFI's plans and priorities, and influence its decision-making.

While the Canadian economy was weaker than expected in 2003, conditions going forward look more promising. Consumer spending should remain solid given continued low interest rates and healthy income gains. Business investment is also picking up, as corporate balance sheets improve and inventory levels approach historic lows. Credit quality is also improving. In the short term, economic conditions in the United States - the driving force behind global economic recovery - are improving. However, in the globally interconnected world of financial services and institutions, uncertainties are ever present.

One of the greatest general risks facing OSFI is that economic slowdowns and financial market weakness and volatility can have a negative impact on the operations of federally regulated financial institutions and private pension plans. A stalled recovery in the U.S. or Canadian economy, jittery financial markets and geopolitical uncertainties all pose downside risks that OSFI must factor into its planning. Weak conditions in specific sectors, such as the property and casualty industry, can take time to resolve. Recent improvements in financial markets have helped enhance the assets of pension plans in deficit, but a good part of that has been offset by reduced interest rates that raise plan liabilities.

Historically, problems in financial institutions often lag behind economic recovery. Therefore a number of problem financial institutions remain on OSFI's watch list. At any time, there are several institutions with control deficiencies requiring remedial action and enhanced supervision by OSFI. This has required OSFI to focus on a number of deposit taking institutions and life insurance companies and to look at the wider sectoral issue in the property and casualty industry. There are also a number of private pension plans with material deficits and financial weakness in the sponsoring organizations that are going to continue to require considerable focus to resolve. A number of the entities involved have posed unique challenges in determining when and how to intervene effectively.

It will be a continuing priority for OSFI to effectively identify both current and future risks faced by the financial institutions and private pension plans that it regulates. In this

regard, limited and focused adjustments to the framework of guidance for financial institutions and the rules applying to private pension plans are being planned. Ongoing improvement at OSFI, in the face of continuing challenges created by increasingly complex institutional structures and transactions, is a key priority.

In addition, the Office of the Chief Actuary (OCA), which has a slightly different responsibility to Canadians, monitors and communicates future demographic and economic risks through the tabling of statutory actuarial reports, which contributes substantially to increase the knowledge of the decision making members of Parliament. Also, by providing sound actuarial advice, OCA participates in ensuring public confidence in the Canadian retirement income system.

4.1.2 International Considerations

The international scope of various developments affecting financial institutions has implications as well for OSFI's plans and priorities.

Today, major Canadian financial institutions increasingly operate in an international environment. Developments abroad also affect foreign institutions' operations in Canada, and these developments also have had a considerable affect on the scope of OSFI's operations and rules. The result has been continued and focused participation in international forums, efforts to ensure that our supervisory framework remains appropriate, and maintaining or enhancing relationships with other regulators as increased co-operation among global regulators becomes more important.

The impact of regulatory requirements on the international competitiveness of financial institutions has also increased in significance. The result has been the need for appropriate knowledge of foreign markets, the ability to determine the extent of reliance that can be placed on foreign supervisors, and the amount of direct supervisory work outside Canada that OSFI must perform itself.

In addition, antiterrorism and anti-money laundering (AML/CTF) activities have increased significantly in the past few years both in Canada and other nations. OSFI continues to play a role in this area working with other federal government agencies and departments. OSFI has made significant progress in addressing these risks and will continue to focus on the integrity of institution control systems pertaining to AML/CTF.

4.1.3 Policy Changes

Various domestic and international policy initiatives will also present challenges for OSFI during the planning period.

For example, OSFI must continue to develop or modify rules to keep them current and provide a level playing field for Canadian financial institutions vis-à-vis their global competitors. The most challenging area for OSFI in the next three years in this regard will be with various aspects of capital rules. Part of this will be a continued focus on the development and implementation of the new Basel Capital Accord for deposit taking institutions. OSFI will need to implement the new system in Canada and determine the

full implications of the Accord with respect to our supervisory methodology and our relations with other supervisors on a domestic and international level. Selective changes in capital rules for insurers are also likely, and OSFI will monitor the impact of the recently introduced new capital rules for the property and casualty industry. Changes in accounting rules may also necessitate alterations in OSFI's capital rules.

Strong pressure to enhance corporate governance practices has resulted in a number of changes in Canada, including the creation in 2002 of a Canadian Public Accountability Board. The Board will oversee the quality control of the audit of public companies in the country. The federal government may also consider changes to the corporate governance provisions of both federal financial institution statutes, as well as the Canada Business Corporations Act. Following publication of its own corporate governance guidelines, OSFI is enhancing its focus on governance at the institutions we regulate.

In addition, managing reputational risk is increasingly important for financial institutions; for example, in their involvement in complex structured transactions and compliance with market conduct regulation in various jurisdictions. OSFI is contemplating guidance in the area of reputational risk management.

4.1.4 Efficiency, Effectiveness and Accountability

In today's environment, there is a premium on organizations such as OSFI to continually refine business processes, technological capabilities, and the development of its human resources. OSFI's stakeholders are constantly relying on OSFI to perform its functions in the most efficient and cost effective manner possible. Through information technology investments and related improvements in business processes, OSFI's ongoing focus in this area will remain a priority. This will also permit rationalization and enhanced effectiveness in data collection, therefore, reducing compliance costs for regulated financial institutions.

It is essential for OSFI to continue to attract and retain the human resource skills it needs to fully meet its mandate. Failing to do so could leave gaps in OSFI's ability to supervise financial institutions and private pension plans effectively. However, the skills OSFI needs are highly marketable in today's environment. This means that OSFI must continue to remain competitive in the workplace and focus priorities on refining employee skills to strengthen its human resources.

OSFI has made strides in addressing its accountabilities. There are opportunities for improvement, and OSFI will continue to evolve its accountability framework.

4.2 Our Partners

There are other partnering agencies and departments that also work to promote confidence in Canada's financial system. Together, these organizations constitute

Canada's network of financial regulation and supervision and provide a system of deposit insurance.

On a federal level, partnering organizations include the Department of Finance (<http://www.fin.gc.ca>), the Bank of Canada (<http://www.bank-banque-canada.ca>), the Canada Deposit Insurance Corporation (<http://www.cdic.ca>), the Financial Consumer Agency of Canada (<http://www.fcac-acfc.gc.ca>), and the Financial Transactions and Reports Analysis Centre of Canada (<http://www.fintrac.gc.ca>), among others.

In addition, OSFI collaborates with provincial and territorial supervisory and regulatory agencies, private sector organizations and associations, various accounting and auditing standards setters. It also participates in a number of international organizations such as the Basel Committee on Banking Supervision (<http://www.osfi-bsif.gc.ca/eng/issues/basel>) and the International Association of Insurance Supervisors (<http://www.iaisweb.org>).

SECTION 5. PLANS AND PRIORITIES BY STRATEGIC OUTCOME

5.1 Our Key Business

OSFI seeks to achieve its mandate by means of two key ongoing business lines. They are as follows:

1. Regulation and Supervision of Financial Institutions and Private Pension Plans

This business line is central to our mandate to protect the rights and interests of depositors, creditors, policyholders and private pension plan members. Operations that make up this business line include:

- Rule setting, through which OSFI's expectations are communicated by means of a framework of rules and guidance that promote safe and sound practices throughout the industry, which includes contributions to rules and guidance issued by relevant international bodies.
- Supervision, by which OSFI assesses risk to financial institutions and private pension plans, leading to intervention in a timely manner, if necessary.
- Regulatory approvals for certain types of transactions undertaken by regulated financial institutions, which result from the Office's responsibility for the administration of various financial statutes.

In accordance with our mandate, OSFI recognizes the need for institutions to compete effectively. As a result, in planning strategies and outcomes, we seek an appropriate balance between the objectives of promoting prudence and the need for financial institutions to take reasonable risks to compete and prosper.

This part of OSFI's activities is funded by assessments charged to financial institutions and by a modified user-pay program for specific services.

A separate part of this business line is OSFI's support for initiatives of the Canadian government to assist emerging market economies to strengthen their regulatory and supervisory systems. This activity, which is largely funded by the government of Canada, rather than by regulated institutions, is carried on directly by OSFI and through its participation in the government sponsored Toronto International Leadership Centre for Financial Sector Supervision.

2. Actuarial Services to the Government of Canada

The Office of the Chief Actuary (OCA) provides actuarial advice to the Government of Canada, concerning a variety of programs.

For example, OCA estimates long-term expenditures, revenues and liabilities of the CPP and federal public sector pension and insurance plans. OCA has a statutory responsibility to prepare actuarial reports on the financial status of these plans for tabling in Parliament. It also undertakes the actuarial review of the Canada Student Loans Program by evaluating its portfolio of loans and the long-term costs of the program.

Whenever a bill is introduced before Parliament that has significant impact on the financial status of a public pension plan falling under the statutory responsibilities of the Chief Actuary, OCA must submit an actuarial report to the appropriate Minister.

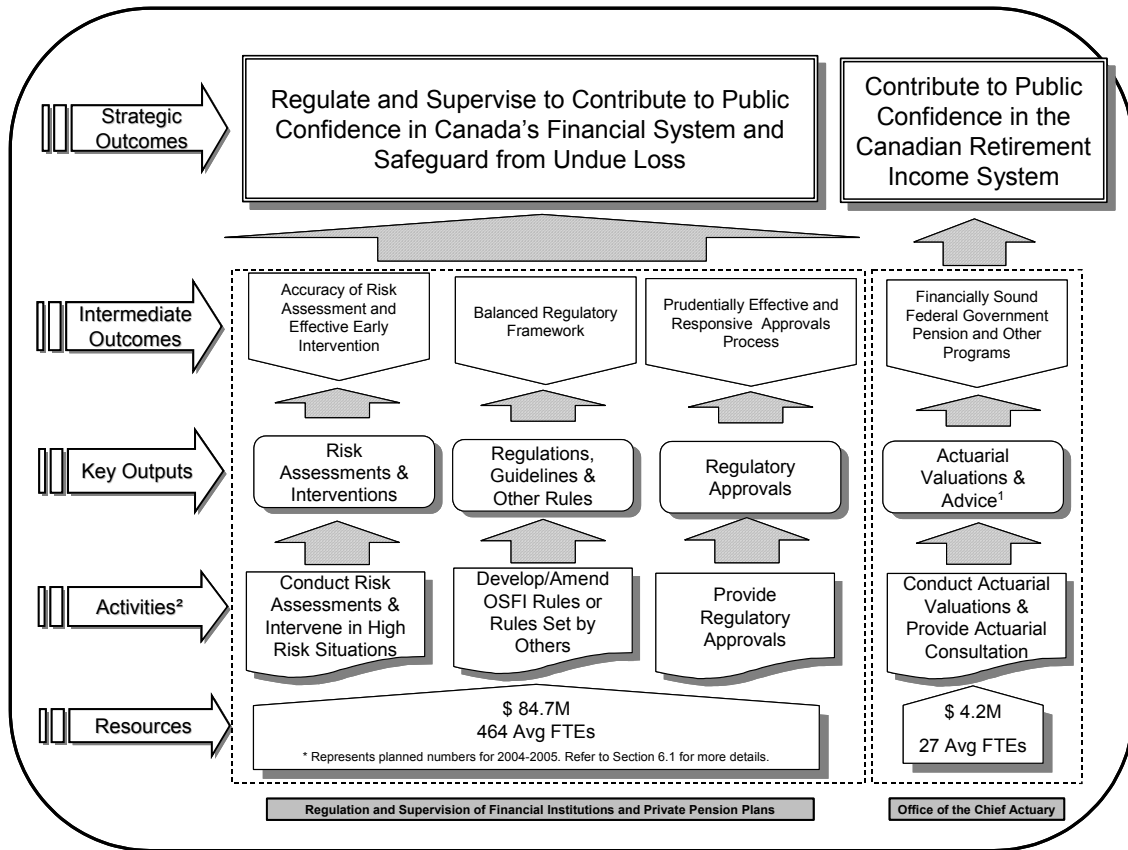
This part of OSFI's operations is funded in part by Parliamentary appropriations in relation to services provided by the Office of the Chief Actuary (OCA) to the Government of Canada.

5.2 Summary

As discussed in Section 3.3, primary to OSFI's mandate and central to its contribution to Canadians and Canada's financial system and retirement income systems, are our activities to contribute to public confidence in the safety and soundness of Canada's financial system. For financial institutions and private pension plans, we do this by regulating and supervising and as a result safeguarding Canadians from undue loss. This is done through such activities as evaluation of system-wide risks, promotion of sound business and financial practices through appropriate rules and guidance, identifying institution-specific risks and trends, and intervening in a timely manner to minimise losses to policyholders, depositors, creditors, and private pension plan members.

For public pension plans, the activities of the Office of the Chief Actuary within OSFI contribute to confidence in the retirement income system through accurate, timely information on the state of these arrangements and options being considered by policy makers.

The following diagram demonstrates how OSFI's resources are allocated to its primary activities, the outputs generated by each activity and their link to strategic outcomes.



1 Canada Pension Plan, Old Age Security Program, Canada Student Loan Program, and various public-sector pension and benefit plans.

2 These Activities are supported by Organization-Wide Activities.

In addition to the specific priorities highlighted in this document, OSFI contributes to its two strategic outcomes by means of its ongoing supervisory activities, regulatory approval and rule setting processes, and actuarial services provided to the Government of Canada. The following table identifies the additional major priorities that OSFI will pursue over the next three years in relation to these ongoing activities and its strategic outcomes.

SUMMARY			
Strategic Outcome	Priorities	Associated Resources (Sum of all years 2005-2007)	Type of Priority (Previous, On-going, or New)
Public Confidence in the Financial System and Safeguarding from Undue Loss	i) Continue to be effective at identifying risks and ensuring timely intervention in financial institutions and pension plans and continually identify and implement selected improvements in supervisory and regulatory processes, practices, and tools	\$110.4M	On-going
	ii) Adjust rules impacting federally regulated financial institutions (FRFIs) and pension plans in a focused manner to address changing risks and economic conditions and other key developments that trigger a need for enhanced regulation and guidelines	\$27.1M	On-going
	iii) Focus on enhancing business processes through the upgrade of enabling technologies, Information Management strategies and Information Technology infrastructure	\$24.2M	Previous
	iv) Continuously improve key elements of OSFI's human resource processes and capability	\$9.9M	On-going
Public Confidence in the Canadian Retirement Income System	i) Continuously improve the value of actuarial reports and linkages with key partners/stakeholders to enable the provision of expert and timely advice to the stewards of the Canada Pension Plan (CPP) and other government programs	\$12.8 M	On-going
	Ongoing Operations	\$74.0M	On-going

NOTE: OSFI's resource allocations have been updated since the submission of the 2004-2005 Main Estimates. The above resources are estimates based on the current planned focus of specific divisions and are subject to change.

5.3 Monitoring Mechanisms – Strategic Outcomes

To monitor and assess the impact of the above priorities on its strategic outcomes, OSFI uses a combination of performance measurement data and information. For each of the priorities listed above, the types of monitoring mechanisms to be used are noted in Section 5.4 below.

To monitor the status of the strategic outcomes themselves, OSFI uses various types of performance measures, including independent assessments (public surveys), peer reviews, actual experience preventing undue loss and others. Examples of specific performance measures are listed below:

- Level of confidence in funds placed with financial institutions;
- Overall soundness of banks;
- Number of involuntary closures of financial institutions initiated by OSFI and losses associated with these closures; and
- Number of involuntary terminations of private pension plans with loss of benefits.

These types of monitoring mechanisms are not linked to each specific priority detailed in Section 5.4 below since OSFI's ongoing operations and the specific priorities listed below should be taken in their totality when considering the impact on its strategic outcomes. It should also be recognised that OSFI's performance does not constitute the only influence on its strategic outcomes and the above performance measures. Indeed, there are many other factors and stakeholders whose actions or inactions have a large impact on the strategic outcomes and, as a result, these performance measures. However, OSFI continues to monitor this type of information to ensure it has a clear understanding of the status of its key strategic outcomes and to hopefully gain additional insights into the ways by which OSFI itself can continue to contribute to those outcomes.

5.4 Details

The following tables provide further details on each of OSFI's priorities for 2004-2005, as summarised in Section 5.2. The mechanisms cited below for monitoring performance are derived from various public and industry-related consultations conducted by OSFI, from internal information available on OSFI's operations, and from peer assessments and other sources. In some cases, it is not possible to obtain direct information on OSFI's contribution to a particular objective. In these areas, OSFI periodically monitors the outcome involved and uses several indirect approaches to assess its performance.

5.4.1 Strategic Outcome - Public Confidence in the Financial System and Safeguarding from Undue Loss

Priority #1		
Continue to be effective at identifying risks and ensuring timely intervention in financial institutions and pension plans and continually identify and implement selected improvements in supervisory and regulatory processes, practices, and tools		
Description		
This priority encompasses OSFI's on-going accountabilities with respect to supervisory processes and practices. OSFI must keep abreast of sectoral issues and tweak its processes and practices to deal with these unique challenges accordingly.		
Rationale		
Driven by an increase in the number of actual or potential problem institutions and pension plans, an increase in the complexity of the entities OSFI deals with, and the impacts of policy items such as the Basel Accord (implementation anticipated to be completed in 2006).		
Results to be Achieved		
Benefits to OSFI	Benefits to Canadians	
Benefits to OSFI include the following: i) more efficient and effective utilization of resources ii) increase co-operation with other international organizations iii) more effective monitoring processes and practices	Benefits to Canadians include the following: i) use of more effective tools and greater efficiencies will allow for additional effort on "value-added" activities, which in turn will lead to more effective intervention process and ultimately increased protection for policyholders, depositors and creditors	
Monitoring Mechanisms		
<ul style="list-style-type: none"> • Ongoing internal monitoring of results achieved in dealing with specific problem institutions and private pension plans. • Completion of "Post Mortem" exercises on crisis/problem situations that occur to assess OSFI's effectiveness in dealing with the issue(s) and identification of lessons learned and potential areas for improvement. • Periodic stakeholder feedback on and peer assessments of quality and effectiveness of OSFI's supervisory review process. 		
Allocation of Resources		
Planned Spending 2004-2005 \$37.6M	Planned Spending 2005-2006 \$36.4M	Planned Spending 2006-2007 \$36.4M
FTEs 2004-2005 245	FTEs 2005-2006 248	FTEs 2006-2007 248

Priority #2		
Adjust rules impacting federally regulated financial institutions (FRFIs) and pension plans in a focused manner to address changing risks and economic conditions and other key developments that trigger a need for enhanced regulation and guidelines		
Description		
This priority focuses on ensuring rule changes are implemented effectively and in a timely manner, recognizing the downsides of making adjustments quickly with inadequate assessment of the potential implications. Possible examples include Accounting rules, Capital rules (e.g. Basel Capital Accord), and Pension rules.		
Rationale		
There is continuing pressure to ensure Canadian rules are globally competitive and contribute to levelling the playing field vis-à-vis their global competitors. The finalization of the Basel Accord in 2004, Corporate Governance issues, and increased internationalization of financial institutions also contribute to the need for rule adjustments.		
Results to be Achieved		
Benefits to OSFI	Benefits to Canadians	
Benefits to OSFI include the following: i) OSFI's effectiveness will be improved ii) enhancements to rules will allow institutions a better understanding of and adherence to OSFI's expectations	Benefits to Canadians include the following: i) Improve the safety and soundness of the financial system ii) Promote a more level playing field for institutions	
Monitoring Mechanisms		
<ul style="list-style-type: none"> • Year-end assessment of the degree to which OSFI reviewed and adjusted rules as required • Selected post-implementation assessment of rules adjustments to establish whether intended impacts were achieved (e.g. prudence and permitting competitiveness are appropriately balanced) • Process for developing/adjusting rules is consistent, analytical, consultative • Periodic stakeholder feedback on and peer assessments of the degree to which OSFI reviewed financial sector developments, regulatory approaches in other jurisdictions, and stakeholder feedback to identify and evaluate potential adjustments to other rules 		
Allocation of Resources		
Planned Spending 2004-2005 \$9.2M	Planned Spending 2005-2006 \$9.0M	Planned Spending 2006-2007 \$9.0M
FTEs 2004-2005 53	FTEs 2005-2006 51	FTEs 2006-2007 51

Priority #3		
Focus on enhancing business processes through the upgrade of enabling technologies, Information Management strategies and Information Technology infrastructure		
Description		
This priority focuses on enhancing OSFI's ability to streamline processes in the area of supervision, data collection, records management, and external reporting leveraging information technology to improve efficiencies and effectiveness. This includes a joint initiative with CDIC to implement online information exchange with the financial institutions. These initiatives must always be cognisant of the need for security around much of the information that OSFI processes.		
Rationale		
In an age of "more, better, faster", OSFI needs to utilize technology to drive efficiencies in its processes and to ensure that it has access to the required data in order to better identify problem situations and other trends within the financial sector. This will also allow for adequate reporting to meet increasing scrutiny and governance expectations.		
Results to be Achieved		
Benefits to OSFI	Benefits to Canadians	
Benefits to OSFI include the following: i) Efficient data gathering and sharing ii) Streamlined processes iii) Reduction in data storage costs iv) Enhanced records management	Benefits to Canadians include the following: i) Enables OSFI's business areas/activities to effectively do their job, therefore, contributing to OSFI's key strategic outcomes: Public Confidence and Safeguarding from Undue Loss ii) Reduce compliance costs for institutions and private pension plans through standardization (e.g. data capture) iii) Improved access to OSFI via enhanced web site	
Monitoring Mechanisms		
<ul style="list-style-type: none"> • Year-end assessment of the degree to which OSFI's IM/IT Strategic Plan was achieved within specific timeframes and benefit expectations (i.e. were all aspects of the plan implemented as planned) • Periodic feedback from employee surveys on OSFI's effectiveness in this area (with a goal of continuously improving ratings) • Year-end assessment of the number of processes streamlined and anticipated impacts • Year-end assessment of the effectiveness of OSFI's Electronic Documents Management System (EDMS) implementation in terms of achieving the initiative's intended objectives • Year-end assessment of OSFI's implementation of Core Supervision Workflow System (CSWS) in terms of whether the initiatives objectives were achieved as planned • Selected, focussed, external feedback to assess level of success 		
Allocation of Resources		
Planned Spending 2004-2005 \$9.4M	Planned Spending 2005-2006 \$7.4M	Planned Spending 2006-2007 \$7.4M
FTEs 2004-2005 35	FTEs 2005-2006 28	FTEs 2006-2007 28

Priority #4		
Continuously improve key elements of OSFI's human resource processes and capability		
Description		
This priority focuses on improving business processes necessary to attract, develop and retain key skills required to fulfil OSFI's mandate and to ensure these skills are deployed effectively and rewarded appropriately.		
Rationale		
Ensuring OSFI employees have the opportunity to improve their skills and possess the necessary information and tools to be able to "do the job" is the best way to ensure that OSFI meets its mandate. Continuous improvements are required so OSFI can meet increasing demands without having to exceed its headcount targets.		
Results to be Achieved		
Benefits to OSFI	Benefits to Canadians	
Benefits to OSFI include the following: i) Improved productivity ii) Timely availability of necessary skills to address changing industry demands iii) Retention of key skills	Benefits to Canadians include the following: i) Supports the initiatives listed in OSFI's other business areas/activities, therefore, contributing to OSFI's key strategic outcomes: Public Confidence and Safeguarding from Undue Loss.	
Monitoring Mechanisms		
<ul style="list-style-type: none"> • Year-end assessment of degree to which OSFI has completed implementation and rollout of competency framework • Periodic assessment of degree to which OSFI has implemented enhancements to its Performance Management Program through 1) integration of competencies and 2) the degree to which individual goal commitments reflect OSFI strategies • Year-end assessment of degree to which OSFI has implemented a formal succession plan • Regular employee satisfaction survey • Annual reporting on staffing process and reasons for voluntary departures 		
Allocation of Resources		
Planned Spending 2004-2005 \$3.5M	Planned Spending 2005-2006 \$3.2M	Planned Spending 2006-2007 \$3.2M
FTEs 2004-2005 19	FTEs 2005-2006 19	FTEs 2006-2007 19

5.4.2 Strategic Outcome - Public Confidence in the Canadian Retirement Income System

Priority #1		
Continuously improve the value of actuarial reports and linkages with key partners/stakeholders to enable the provision of expert and timely advice to the stewards of the Canada Pension Plan (CPP) and other government programs		
Description		
This priority relates to the Chief Actuary's Office and its role in providing actuarial services for the CPP and other government programs. OCA will look for ways of improving how it delivers services to its clients by implementing recommendations from independent peer reviews, improving valuation techniques, organizing seminars to broaden sources of advice, and participating in various committees.		
Rationale		
Canadians expect that decision-makers are equipped with information that has a high standard of integrity and accuracy when making decisions related to their well being.		
Results to be Achieved		
Benefits to OSFI	Benefits to Canadians	
Benefits to OSFI include the following: i) acquisition of knowledge and techniques to improve valuation methodologies ii) access to additional information from sources of advice and committees iii) improvements to delivery of its services through better communication and the implementation of peer review recommendations	Benefits to Canadians include the following: i) Actuarial reports are generally an integral part of a larger decision-making process and timely submission of these reports ensure that decision-makers are adequately informed	
Monitoring Mechanisms		
<ul style="list-style-type: none"> • Reviews conducted by the CPP Actuarial Review Panel • Reviews conducted by the Auditor General on the Public Sector Pension Plans 		
Allocation of Resources		
Planned Spending 2004-2005 \$4.2M	Planned Spending 2005-2006 \$4.3M	Planned Spending 2006-2007 \$4.3M
FTEs 2004-2005 27	FTEs 2005-2006 27	FTEs 2006-2007 27

Changes from Previous RPP

OSFI continues to focus on internal governance, enterprise risk management and its performance measurement program, as it strives to become more effective. There have been many changes to this year's RPP to reflect OSFI's attempts to incorporate into it the results of these efforts and to better describe the organization's strategic outcomes and priorities to contribute to those outcomes. As OSFI continues to improve and evolve in

these areas, OSFI will endeavour to incorporate the results of these efforts into its annual RPPs.

Other Government Initiatives

Recent Government changes mean that Public Accountability and Expenditure Management will be put to the forefront of every organization's objectives. OSFI has focused on Expenditure Management over the last five years refining its financial management processes. It shares its budgets with the institutions it regulates and comes within 2% of its budget on an annual basis. Only once in the last five years did it exceed its budget.

As outlined in the 2004 Budget, OSFI will be participating in a process review, in conjunction with CDIC, to address any overlaps in prudential, administrative and corporate services functions, where potential efficiencies may be identified. OSFI continues to enhance and refine its processes to ensure that it meets its stakeholder expectations.

OSFI has made Public Accountability and improved internal governance one of its key priorities in the coming year. OSFI continues to follow Government of Canada initiatives. Many of the initiatives do not affect OSFI due to its size and the nature of its business. OSFI was not required to be involved in either the Horizontal or Vertical Expenditure and Management Reviews. In the coming year, OSFI will continue to work on the Modern Comptrollership and Government on Line initiatives.

Modern Comptrollership

During 2003-2004, OSFI completed the required capacity assessment and is currently developing an action plan to address the assessment's results. Once completed and approved, OSFI will communicate its action plan via its external web site. The plan will incorporate the many initiatives that OSFI already has that uphold the principles of Modern Comptrollership. OSFI has completed a high level Enterprise Risk Management (ERM) assessment and has used this as an input to its planning process. Over the planning period, OSFI will rollout more detailed ERM assessments throughout the organization, as well as enhance its Internal Audit function.

Government on Line

OSFI has an initiative underway to redesign its external web site. This will include the implementation of a content management system to bring some automation and other efficiencies to site maintenance. Government of Canada Common Look and Feel requirements will continue to be a focus. Project completion is slated for the last quarter of 2004.

SECTION 6. ORGANIZATION

6.1 Our People and Our Workplace

As at January 1, 2004, OSFI employed 460 people in offices located in Ottawa, Montreal, Toronto and Vancouver.

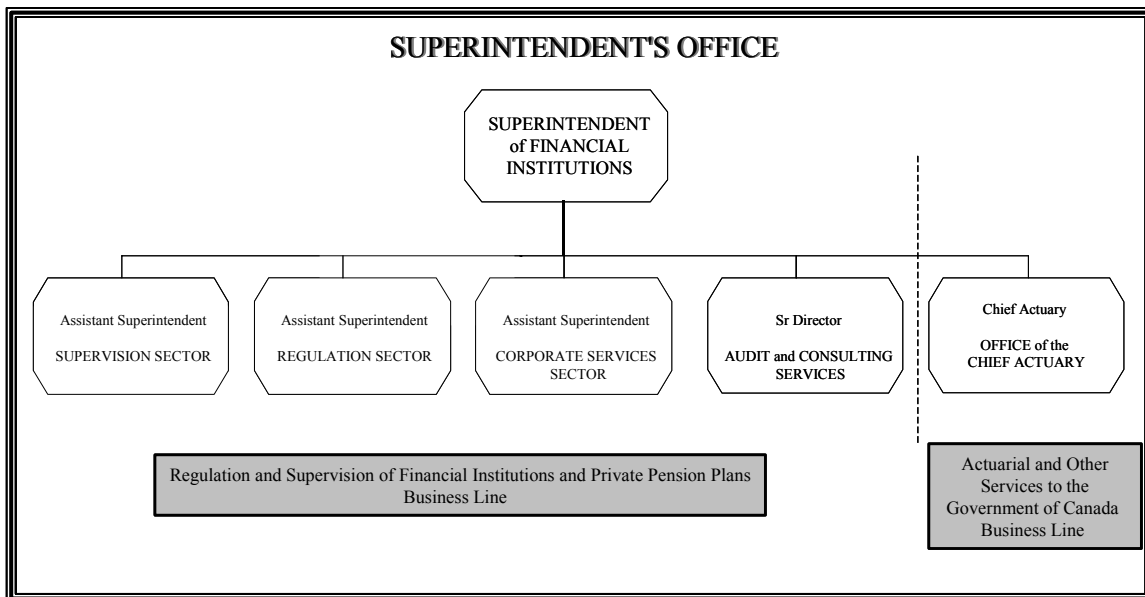
Our work requires the effort and attention of multidisciplinary teams engaged in research and analysis, legal activities and communications initiatives. It demands an equal combination of broad perspective and in-depth expertise. OSFI built excellence into its culture, encouraging continuous learning through teamwork, professional development and training opportunities, and the provision and support of advanced technologies.

While focused primarily on financial matters, OSFI's unique work environment benefits from a full spectrum of professional experience and expertise, drawing on the talents of recent graduates, as well as seasoned industry experts.

Our Organization Structure

As at January 1, 2004, OSFI's Regulation and Supervision business line was comprised of three sectors (see organization chart below), each headed by an Assistant Superintendent. The functions of each sector work interdependently to achieve OSFI's strategic outcomes.

OSFI Organization Chart, as at January 1, 2004



The following web site provides additional information:

<http://www.osfi-bsif.gc.ca/eng/about/organization/index.asp>

OSFI's total planned spending and full time equivalent (FTE) complement over the three-year planning period are displayed in the following tables.

Accountability (2004-2005 Main Estimates)

Business Lines	2004-2005 Planned Spending (\$ Thousands)	2004-2005 (FTE)
1. Regulation and Supervision of Financial Institutions and Private Pension Plans	79,122	464
2. Actuarial and Other Services to the Government of Canada	4,188	27

In parallel with the Government of Canada's expenditure management initiatives announced in December 2003, OSFI conducted a thorough review of its current strategic priorities and is undergoing business process reengineering with a view to becoming more effective and efficient. The expected result is that there will be two key differences between OSFI's resulting 2004-2005 budget and the corresponding Main Estimates submitted in December 2003. First, on-going expenditures will be lower. Although OSFI set a cap of 495 FTE in 2002, and in the Main Estimates expected to see its staffing complement move closer to this level, the expected result of the reengineering is that not all of the current vacancies will need to be filled. As well, spending for non-salary expenses are expected to hold to 2003-04 levels. Secondly, Capital Expenditures will be higher than shown in the tables below. This is in large part due to changes in timing assumptions of projects resulting in the deferral to 2004-2005 of the planned 2003-2004 capital expenditures. *See Annex A: Finance and Other Tables.* These expenditures are related to Information Technology investments highlighted in Priority 3 and required Accommodation investments.

Departmental Planned Spending (2004-2005 Main Estimates)

	Forecast Spending	Planned Spending	Planned Spending	Planned Spending
(\$ Thousands)	2003-2004	2004-2005	2005-2006	2006-2007
Regulation and Supervision of Financial Institutions and Private Pension Plans	65,496	79,122	79,722	79,722
Actuarial and Other Services to the Government of Canada	5,307	4,188	4,298	4,298
Budgetary Main Estimates (gross)	70,803	83,310	84,020	84,020
Non-Budgetary Main Estimates (gross)	0	0	0	0
Less: Respendable revenue	70,091	82,598	83,308	83,308
Total Main Estimates	712	712	712	712
<i>Adjustments</i>	0	0	0	0
Net Planned Spending	712	712	712	712
Less: Non-Respendable revenue	0	0	0	0
Plus: Cost of services received without charge	70	80	80	80
Net cost of Program	782	792	792	792
Full Time Equivalents	477	491	484	484

ANNEX A – FINANCIAL AND OTHER TABLES

Financial Tables

This section presents a number of financial tables that detail OSFI's planned Expenditures and Revenues for 2003-2004 and the subsequent three years. Tables 1-3 are provided in accordance with Treasury Board presentation requirements and are prepared on the cash basis of accounting. The remaining tables offer additional information on Regulatory Initiatives and External Charging.

The increase in Capital Spending in 2004-2005 and 2005-2006 is a result of two major initiatives: 1) Accommodation Optimization Projects in the Toronto and Ottawa offices and 2) Enabling Technology projects to improve efficiency and effectiveness, which is described in Priority 3 in Section 5.4.1. As previously mentioned, it is expected that the capital expenditure will be higher than shown based on revised project plans and timing differences.

Table 1: Summary of Capital Spending by Business Line (2004-2005 Main Estimates)

(\$ Thousands)	Forecast Spending 2003-2004	Planned Spending 2004-2005	Planned Spending 2005-2006	Planned Spending 2006-2007
Regulation and Supervision of Financial Institutions and Private Pension Plans	825	4,830	4,243	4,243
Actuarial and Other Services to the Government of Canada	0	30	21	21
Total	825	4,860	4,264	4,264

Table 2 below illustrates sources of spendable and non-spendable revenue presented on the cash basis. OSFI recovers its costs through assessments and user fees billed on the accrual basis of accounting¹. The expected assessment increase for 2004-2005 will be in the range of 6%. As mentioned in the previous section, this is attributed to lower on-going costs offset by increased capital expenditures.

¹ OSFI's financial statements are prepared using GAAP, are audited annually by the Office of the Auditor General and are published in OSFI's Annual Report. OSFI's annual reports can be accessed at <http://www.osfi-bsif.gc.ca/eng/about/reports/index.asp>

Table 2: Sources of Respendable and Non-Respendable Revenue (2004-2005 Main Estimates)

<i>Respendable Revenue</i>				
(\$ Thousands)	Forecast Revenue 2003-2004	Planned Revenue 2004-2005	Planned Revenue 2005-2006	Planned Revenue 2006-2007
Regulation and Supervision of Financial Institutions and Private Pension Plans				
Assessments and User Fees	65,496	79,122	79,722	79,722
Actuarial and Other Services to the Government of Canada				
Service Charges	4,595	3,476	3,586	3,586
Total Respendable Revenue	70,091	82,598	83,308	83,308
<i>Non-Respendable Revenue</i>				
(\$ Thousands)	Forecast Revenue 2003-2004	Planned Revenue 2004-2005	Planned Revenue 2005-2006	Planned Revenue 2006-2007
Regulation and Supervision of Financial Institutions and Private Pension Plans	0	0	0	0
Actuarial and Other Services to the Government of Canada	0	0	0	0
Total Non-Respendable Revenue	0	0	0	0
Total Respendable and Non-respendable Revenue	70,091	82,598	83,308	83,308

Table 3: Net Cost of Program(s) for the Estimates Year

(\$ Thousands)	2004-2005 Total
Net Planned Spending (Total Main Estimates plus Adjustments as per the Planned Spending table)	712
<i>Plus: Services Received without Charge</i>	
Financial Audit performed by the Office of the Auditor General (OAG)	80
<i>Less: Non-respendable Revenue</i>	0
2004-2005 Net Cost of Program	792

Other Tables

Major Regulatory Initiatives

The following table provides a summary of OSFI's planned Major Regulatory Initiatives for 2004-2007.

Regulations	Planned Results
<i>Administrative Monetary Penalties (OSFI) Regulations</i>	The administrative monetary penalties regime is designed to reinforce compliance with the governing statutes of federally regulated financial institutions (FRFIs). The regime will assist OSFI in pursuing its mandate of protecting the rights and interests of depositors, policyholders and creditors of FRFIs.
<i>Alternative Means of Publication Regulations</i>	These Regulations will allow OSFI to publish its annual list of 9-year dormant deposit accounts via the Internet instead of the Canada Gazette. This will ensure better access to the information and reduce OSFI's publishing costs by approximately \$100,000 per year. These savings will reduce in turn expenses assessed to industry.
<i>Assets (Foreign Companies) Regulations</i>	These Regulations will be revised to change the asset valuation basis for life insurance companies operating in Canada on a branch basis to book value, determined in accordance with accounting principles. This change will ensure a consistent approach to valuing insurance liabilities in Canada and the assets that support those liabilities, thereby, enhancing OSFI's ability to ensure foreign life companies operating in Canada maintain sufficient assets in Canada to protect Canadian policyholders from undue loss.
<i>Classes of Insurance – Schedule</i>	The number of insurance classes will be reduced from over 50 classes used by federal, provincial and territorial jurisdictions to 17 harmonized classes. Also, class definitions will be harmonized, thereby, reducing the administrative burden and cost to insurers.
<i>Exclusion from List of Subsidiaries Regulations</i>	These Regulations will permit FRFIs to omit certain subsidiaries from the list of subsidiaries required in their annual statements. The Regulations will allow FRFIs to prepare the list in a manner that is more consistent with requirements under provincial securities legislation, thereby, reducing regulatory burden.
<i>Holding Companies Assessment Regulations</i>	These Regulations will prescribe the extent and manner in which the Superintendent may assess bank holding companies and insurance holding companies. The assessments are intended to reflect the actual cost of supervising such entities and distribute those costs in an equitable manner.
<i>Investment Limits (Banks) Regulations</i>	These Regulations will exempt widely held banks with equity of less than \$5 billion, but more than \$1 billion from the limits on investing in equities and real property. This will result in consistent treatment of large and medium banks that are widely held, thereby, placing them on the same competitive footing.
<i>Pension Benefit Standards Regulations, 1985</i>	Amendments being considered would: 1) implement the "void amendments" provision of the Pension Benefits Standards Act (PBSA) in order to prevent plan improvements from being made in situations where plan funding is below the prescribed level unless offsetting payments are made; and 2) require plan sponsors to fully fund benefits on plan termination.
<i>Other regulatory initiatives</i>	Regulations may be adopted in the event that corporate governance proposals put forward by the Department of Finance will necessitate regulatory changes relating to financial statements, the role of auditors or other issues linked to OSFI's prudential mandate.

External Charging

OSFI recovers its costs from several revenue sources. Costs for risk assessment and intervention (supervision), approvals and rule making are charged to the financial institutions and private pension plans that OSFI regulates and supervises.

The allocation of costs to individual institutions for OSFI's main activities of supervision, approvals and rule making is determined in several ways. In general, the system is designed to allocate costs to institutions based on the approximate amount of time spent supervising and regulating the institutions. As a result, well-managed, lower-risk institutions and those with fewer approvals bear a smaller share of OSFI's costs.

Specific user fees cover costs for certain approvals. Service Charges for Approvals and Rulings are made pursuant to financial institutions legislation. The specific legislation governing these approvals or rulings is the *Bank Act*, *Insurance Companies Act*, *Trust and Loan Companies Act* and the *Cooperative Credit Associations Act*, along with relevant Regulations.

There are 52 types of activities that require Superintendent, Ministerial or other level of approval and also have a specific service charge. These activities/approval types have been grouped by level of approval into five categories in the tables below.

External Charging - 2004-2005 Revenues vs Cost

(\$ thousands)

Category	% of Total OSFI		% of Total OSFI		Net
	Revenue	Revenue	Cost	Costs	
USER FEE REVENUE					
Ministerial Approval	1,596	1.9%	1,596	1.9%	0
Superintendent Approval	345	0.4%	345	0.4%	0
Superintendent "Deemed" Approval	979	1.2%	979	1.2%	0
Ministerial/Superintendent Approval*	293	0.3%	293	0.3%	0
Other Approval	209	0.2%	209	0.2%	0
TOTAL	3,422	4.0%	3,422	4.0%	0

* dependant on the details of the transaction

NOTE: The above User Fee Revenue is included in the total planned Responsible Revenue for Regulation and Supervision of Financial Institutions and Private Pension Plan Assessments and User Fees (\$84,658 shown in Annex A, Table 2). Other types of revenue included in the amount are assessments to financial institutions, Pension Plan Fees, and revenue from Memoranda of Understanding with external parties.

Name of Fee Activity:	Description:	Fee Type and Fee Setting Authority:	Reason for Fee Amendment and effective date:
2004-2005 Revenue:			
Ministerial approval \$ 1,596K	There are 17 types of transactions under the legislation that require Ministerial approval. These include the issuance of letters patent of incorporation to a new financial institution, approval of the change of ownership of a financial institution, and transfers of business between institutions	Regulatory Service (R)	<p>All types of fees will increase by 23 per cent in August 2004. This increase was already approved by Governor-in-Council when it approved the Regulations Amending the Charges for Services Provided by the Office of the Superintendent of Financial Institutions Regulations 2002 in August 2003.</p> <p>The fees are to be increased to more accurately reflect the costs of providing the various approvals. Following a review of OSFI costs, it was determined that the hourly rate used as the basis for establishing the fees by approval type did not actually represent the average of the hourly rates of all the participants required to assist in providing the regulatory services.</p> <p>Effective Date: August 13, 2004</p>
Superintendent approval \$ 345K	There are 16 types of transactions under the legislation that require Superintendent approval. These include the issuance of and variations to orders to commence and carry on business and the recognition of provincial companies as approved reinsurers.	Office of the Superintendent of Financial Institutions Act – Subsection 23.1(2)	
Superintendent deemed approval \$ 979K	There are 14 types of transactions under the legislation falling within this category. The governing legislation provides that unless the transaction is approved by the Superintendent, denied or extended within 30 days, the approval is deemed to be given 30 days following receipt by OSFI of the complete application. The deemed approval types are considered the less complex of the numerous types of transactions that OSFI reviews.	Regulations Amending the Charges for Services Provided by the Office of the Superintendent of Financial Institutions Regulations 2002	
Approvals requiring either Ministerial or Superintendent depending on details of transaction \$ 293K	There is a type of transaction that requires either Ministerial or Superintendent approval, depending on the specific circumstances of the transaction. This transaction type permits a federal financial institution to make a substantial investment in another entity. The activities of the target entity determine whether Ministerial or Superintendent approval is required.		
Other types of approvals \$ 209K	There are four other services provided by OSFI that incur a service charge. These include written interpretations of the legislation and confirmations of capital quality.		
TOTAL Revenue \$ 3,422K			

Consultation and Analysis

As the service charges imposed by OSFI on certain approvals are included in Regulations, any amendment to these Regulations requires consultation before final approval is given by the Governor-in-Council. OSFI sent draft copies of the regulations, along with a supporting explanatory letter, to the various industry associations that represent the federal financial institutions. Following comments received from these associations, amendments were made to the proposed fees.

The amended Regulations were then published in the *Canada Gazette* to solicit further comments and also published in final form upon approval by the Governor-in-Council. The OSFI web site contains a link to the particular *Canada Gazette* edition that contains the final version of the Regulations.

At the time of implementation of the service charges and periodically since, OSFI reviewed the user fees charged by regulatory bodies in other countries for similar types of approvals, particularly the Office of the Comptroller of the Currency and the Federal Reserve Board in the United States and the Financial Services Authority in the United Kingdom, to ensure the fees charged in Canada are reasonable compared to other countries. In addition, OSFI has reviewed fees charged by other federal government departments such as Industry Canada, Canada Deposit Insurance Corporation and Canada Customs and Revenue Agency to ensure fees and/or rates are reasonable.

Dispute Resolution Mechanism

There is no formal dispute resolution mechanism in place related to OSFI's external charging. It is anticipated that such a process will be established during 2004 and it will be based on a process that OSFI has already established for late and erroneous filing penalties that it has authority to impose.

The process will permit institutions to appeal a charge within 30 days of its imposition by forwarding the appeal in writing to the attention of the Senior Director, Legislation and Approvals Division. The letter must state the reason why the specific charges should not be applicable and signed by an appropriate officer of the institution. The Legislation and Approvals Division will respond in writing within 30 days. If the decision is that the charge(s) should stand, the institution may request, within 30 days, that the Assistant Superintendent, Regulation Sector further review the decision. The decision of the Assistant Superintendent will be final.

Further information on External Charging can be found at the following web site:
<http://canadagazette.gc.ca/partII/2003/20030827/html/sor291-e.html>

ANNEX B – OTHER INFORMATION

Acts, Legislation and Regulations

Information on the Acts, Legislation and Regulations administered by or impacting OSFI can be found at the following web site.

<http://www.osfi-bsif.gc.ca/eng/how/regulations/index.asp>

Reference

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Publications available:

Please see OSFI Web Site www.osfi-bsif.gc.ca for details.