



July 20, 2007

To: Banks
Authorized Foreign Banks
Bank Holding Companies
Federally Regulated Trust and Loan Companies
Federally Regulated Life Insurance Companies/Fraternal benefit societies
Federally Regulated Property and Casualty Insurance Companies/Fraternal benefit societies
Insurance Holding Companies
Federally Regulated Cooperative Credit Associations

Subject: Location and processing of information or data

In the context of the Government of Canada's regular five-year review of the federal financial institutions legislation, various provisions of *An Act to amend the law governing financial institutions and to provide for related and consequential amendments*, S.C. 2007, c. 6 (formerly Bill C-37) were proclaimed in force on April 20, 2007.

In particular, the Act removed the need for a federally regulated entity to obtain the approval of the Superintendent (hereinafter referred to as "data processing order") to maintain and process outside Canada information or data relating to the preparation and maintenance of certain corporate, accounting and customer records¹. However, the Superintendent may direct the entity to not maintain or process information or data in another country, or to maintain or process information or data in Canada, if the Superintendent is of the opinion that the maintenance or processing of the information or data outside Canada is incompatible with the fulfilment of OSFI's responsibilities. For greater clarity, no changes have been made in respect of the legislative requirement that financial institutions must maintain in Canada certain corporate, accounting and customer records².

With respect to terms and conditions contained in data processing orders granted prior to April 20, 2007 and undertakings provided in consideration for the granting of such orders, OSFI is of the view that while the repeal of the approval requirements has released the federally regulated entities and their service providers from these terms, conditions and undertakings, OSFI expects that federally regulated entities will ensure that their material data processing outside Canada is in compliance with the risk management expectations contained in Guideline B-10 *Outsourcing of Business Activities, Functions and Processes*.

¹ Subsections 238 (1), 597 (1) and 815 of the *Bank Act*, section 243 of the *Trust and Loan Companies Act*, sections 261 and 869 of the *Insurance Companies Act*, and section 235 of the *Cooperative Credit Associations Act*.

² Sections 239, 597 (2) and section 816 of the *Bank Act*, section 244 of the *Trust and Loan Companies Act*, sections 262 and 870 of the *Insurance Companies Act*, and section 236 of the *Cooperative Credit Associations Act*.

In the coming months, Guideline B-10 will be reviewed and revised to reflect the removal of the restrictions on information and data processing outside Canada. In the interim, OSFI expects that federally regulated entities will continue to ensure that OSFI has access to data and information relating to the preparation and maintenance of certain corporate, accounting and customer records that are maintained or processed outside Canada. OSFI will consult with the industry if other significant changes are proposed as a result of this review.

If you have questions regarding the above or Guideline B-10 more generally, please contact Emiel van der Velden, Legislation and Approvals Division at (613) 998-7479 or at emiel.vandervelden@osfi-bsif.gc.ca.

Robert Hanna
Acting Assistant Superintendent
Regulation Sector