

OSFI PROVIDES ADDITIONAL DETAILS ABOUT ITS NEW SUPERVISORY FRAMEWORK EFFECTIVE APRIL 2024

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On October 4, 2023, the Office of the Superintendent of Financial Institutions (“**OSFI**”) announced a new supervisory framework to assist OSFI’s supervisors with the efficient management of federally regulated financial institutions (“**FRFIs**”) and pension plans.^[1] The new supervisory framework is noted as one of the six transformation initiatives in OSFI’s [Blueprint transformation program](#) and will replace the existing supervisory framework in April 2024.

Supervision of financial institutions and pension plans will remain judgement-based and forward-looking; however, the supervisory framework will provide a structure to OSFI’s risk assessment, guide oversight activities and help in the identification and management of risks. The new framework is also expected to respond more quickly to serious risks and provide greater transparency to financial institutions.

OSFI expects that the new framework will assist OSFI in taking early corrective action to risks that could jeopardize the public’s confidence in the soundness of the Canadian financial system by:

- i. better capturing the impact of macro-centric risks on the risk profile of FRFIs and pension plans;
- ii. creating flexibility to accommodate new business models and risks, including non-financial risks; and
- iii. leveraging data and advanced analytics to promote risk-based supervision.

To allow institutions to address risks and supervisory concerns, OSFI will communicate the following supervisory ratings to FRFIs, which will serve as an “anchor” to intervention activities:

- i. a new tier rating based on size, complexity, and potential for contagion;
- ii. a rating reflecting viability risk according to an expanded 8-point scale; and
- iii. for larger institutions, we will also include ratings of business risk, financial resilience, operational resilience, and risk governance.^[2]

Intervention stage ratings will continue using the current scale. However, intervention ratings will likely shift more often than previously.

OSFI is also developing a Supervision Institute to help OSFI’s supervisors enhance their skills with respect to

new or improved supervisory tools and practices, and new supervision technologies.

OSFI will not conduct a public consultation about the changes to the framework. Nevertheless, a post-implementation review of the new framework will be held. Holistic reviews will also be held every five years.

Further information regarding the new framework will be provided in early 2024. Webinars for FRFIs will be held on November 2 and November 9, 2023, while webinars for federally regulated pension plans will be held in spring 2024. Those interested can [register here](#).

[1] [OSFI's New Supervisory Framework](#)

[2] [OSFI's New Supervisory Framework - Disclosure to FRFIs](#)

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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