



OSFI
BSIF

JURISDICTION: CANADA

AUTHORITY: OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS (OSFI - BSIF)

Background

The *Office of the Superintendent of Financial Institutions* (OSFI) is an independent federal government agency that regulates and supervises more than 400 federally regulated financial institutions and 1,200 pension plans to determine whether they are in sound financial condition and meeting their requirements.

OSFI's mandate is:

- OSFI acts to protect the rights and interests of depositors, policyholders, financial institution creditors and pension plan beneficiaries while having due regard for the need to allow financial institutions to compete effectively and take reasonable risks.
- In fulfilling its mandate, OSFI supports the government's objective of contributing to public confidence in the Canadian financial system.

Sustainability objectives

The Office of the Superintendent of Financial Institutions (OSFI) is drafting a discussion paper on climate risk that is expected to be released in January 2021, and is leveraging work of the SIF such as the *SIF Question Bank* and the joint *SIF/IAIS Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures*. Supervisors have taken the Question Bank developed by the SIF and tailored questions relevant to Canadian financial institutions. These are used to encourage scenario and stress testing and into areas where the institution may be vulnerable to climate change. OSFI is also using the Question Bank in its training material for supervisors.

OSFI and the Bank of Canada have announced plans for a *pilot project* to use climate change scenarios to better understand the risks to the financial system related to a transition to a low-carbon economy. A small group of institutions from the banking and insurance sectors will participate voluntarily in the project.

Other notable updates in the sustainability sphere from the jurisdiction include:

- The Superintendent delivered opening remarks entitled *A prudential perspective on the risks of a changing climate*, at the 17th Annual Review of Insolvency Law (ARIL) Conference.
- Large Canadian companies have been designating *Chief Climate Change Officers* to focus specifically on those issues. Some have also developed board policies on green vs brown investment and identified triggers for emphasizing green investment.
- The Bank of Canada published a Staff Discussion Paper entitled *Scenario Analysis and the Economic and Financial Risks from Climate Change*. The paper adapts climate-economy models that have been applied in other contexts for use in climate-related scenario analysis.
- The Government of Canada continued its efforts to promote climate change disclosure. One of the relief measures *announced* by the government in response to the COVID-19 crisis is the Large Employer Emergency Financing Facility (LEEFF), which will provide bridge financing for large Canadian employers impacted by the COVID-19 pandemic. One of the



conditions of the financing will be that LEEFF recipient businesses will need to publish annual climate-related disclosure reports in line with the TCFD. A [news release](#) from the PM's Office outlined: "...recipient companies would be required to commit to publish annual climate-related disclosure reports consistent with the Financial Stability Board's Task Force on Climate-related Financial Disclosures, including how their future operations will support environmental sustainability and national climate goals."

Membership of any other initiatives/networks working on sustainability

- IAIS
- Financial Stability Board
- The Basel Committee on Banking Supervision

Recent engagement with SIF

The OSFI has contributed a case study to the [SIF/IAIS Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures](#), published in February 2020. In the same month, it also participated in SIF 8 in Basel, Switzerland. The OSFI has also actively participated in the development of SIF's future work programme 2021-2023, by sharing input and taking part in SIF's virtual meetings in May 2020. Moreover, OSFI's recent updates on its sustainability-related work have been featured in [SIF's half yearly report 2020](#). Currently, OSFI is part of the drafting team of the SIF/IAIS Application Paper on the Supervision of Climate-related Risks in the Insurance Sector.

