



Office of the Superintendent of
Financial Institutions Canada

Bureau du surintendant des
institutions financières Canada

OSFI Capital Markets

Mandate, Monitoring & Themes

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BSIF

Canada 

Office of the Superintendent of Financial Institutions

- **Canadian prudential regulator**
- **Supervision and regulation of:**
 - Deposit-Taking Institutions;
 - *Banks, Trust Companies, Credit Associations*
 - Insurance companies; and
 - Federally regulated pension plans.

Our mandate is focused on

- Protecting the rights and interests of depositors, policy holders, pension plan beneficiaries, and creditors of financial institutions; and
- Contributing to public confidence in a safe and sound financial system.

Our mandate does not include promotion of industries, or business conduct.



Capital Markets Risk Assessment Services (CMRAS)

CMRAS contributes to OSFI's mandate by:

- carrying out monitoring;
- on-site reviews; and
- early intervention activities at financial institutions.

With respect to market and liquidity risk and the associated capital requirements.



What do we do?

- **Identify and communicate emerging market and liquidity risks**
- **Identify acceptable practices for market and liquidity risk mitigation, and encourage their adoption by Financial Institutions**
- **Working with other regulators, share and harmonize supervisory and regulatory practices where appropriate**
- **Contribute to development of effective rules, guidelines and frameworks***

**OSFI Supervisory Framework available at www.osfi-bsif.gc.ca*



What does CMRAS monitor?

Trading Book

- Interest Rate
- Credit Spread
- Equity (Specific & General)
- Commodity

Non-Trading Book (Banking)

- Structural Interest Rate Risk
- Liquidity

Insurance

- Market Risk

VaR, Greeks, Volumes, P&L, Limits



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How do we do our work?

- **Significant activity reviews**
- **Ongoing monitoring of Canadian Financial Institutions**
- **Cross system benchmarking reviews**
- **Inter-agency work**
- **Third party reviews**
- **Emerging Risk Committee (ERC) meetings**
- **Follow up monitoring**
- **Remedial actions**



Increased Focus on Liquidity

- **Weekly call with each institution**
 - Recently completed funding
 - Expected short-term/long-term funding
 - Market Commentary
 - Cross-bank comparatives
- **NCCF (Net Cumulative Cash Flow)**
 - Contingency-based measure
 - Template submitted weekly
 - Assumptions applied
- **Follow up monitoring**



Planned Areas for Monitoring

- **Tactical risk reduction in trading businesses**
- **Liquidity benchmarking (NCCF)**
- **Challenges of low interest rate environment**
- **Algorithmic trading**
- **Counterparty credit exposure**
- **Eurozone challenges**
- **Swap Curve / OIS Discounting**
- **Insurance**



Highlights

- **CMRAS is main point of contact within OSFI for all market risk and liquidity**
- **Numerous monitoring methods are used to come up with a confident risk rating**
- **Increased focus from CMRAS on the inherent risk in the Insurance industry**



Questions?



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