



**Canadian
Institute
of Actuaries**

**Institut
canadien
des actuaires**

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Office of the Superintendent of Financial Institutions (OSFI)
culture@osfi-bsif.gc.ca

Subject: Culture and Behaviour Risk Guideline

The Canadian Institute of Actuaries (CIA) is pleased to provide comments on OSFI's draft Culture and Behaviour Risk Guideline. We have aligned our comments to specific sections of the guideline.

Section A1 – Definitions

We would like to suggest that the document make reference to John Kotter's model and research on corporate cultures.

Section 1.0 – Governance structures and oversight

With regards to Outcome 1, we believe that culture and culture and behaviour can be governed, but only *desired* culture and *expected* behaviours can be designed. We recommend that the wording of this Outcome should be reviewed to align with the wording of Principle 1.

Section 1.1 – Governance

We would suggest that, for multi-national companies, governance policies could vary by country. The guideline should be worded to reflect this.

Section 1.2 – Culture design and development

The wording of this section could be interpreted to mean that the implementation of the plan is a one-time occurrence, but it should be periodically reviewed. We suggest that the wording be adjusted accordingly.

Section 2.3.1 – Incentives and disincentives

The term "material risk takers" is not well defined.

Section 2.3.2 – Compensation and incentive practices and decisions

The meaning of the term "adjustment decisions" is not clear.

Section 3.2 – Assess for behaviour risks

Behavioural patterns, by definition, would be widespread, so this bullet point may be redundant. As well, the final sentence of paragraph 2 implies that any increases to financial and non-financial risks are problematic. Similarly, it gives the impression that behaviour risks which decrease financial and non-financial risks are not an issue. Instead, the guideline could use wording relating to a deviation from the FRFI's defined risk appetite. In other words, the


concern is behaviour risks that cause the FRFI's risk profile to deviate from its intended risk profile.

The CIA appreciates the opportunity to provide feedback on these issues, and we would welcome further discussion with you throughout this process.

If you have any questions, please contact Chris Fievoli, FCIA, Actuary, Communications and Public Affairs, at 613-236-8196 ext. 119 or chris.fievoli@cia-ica.ca.

Sincerely,

Hélène Pouliot, FCIA
President, Canadian Institute of Actuaries



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