OSFI signals shift toward more frequent use of administrative monetary penalties

September 18, 2025

On September 11, 2025, the Office of the Superintendent of Financial Institutions (OSFI) confirmed a significant shift in its enforcement strategy during Quarterly Release Day.

In a letter to federally regulated financial institutions (FRFIs) and foreign bank representative offices (Letter), OSFI outlined a revised approach to administrative monetary penalties (AMPs), confirming that it intends to issue AMPs more promptly and for infractions that might once have been considered minor.

As a consequence, FRFIs should be ready for this shift, as OSFI will have a lower tolerance for contraventions that may lead to AMPs, and will consider lower levels of negligence and harm when issuing AMPs. This will likely lead to OSFI resorting more frequently to AMPs as part of its enforcement activities.

According to OSFI, this change is consistent with its risk appetite for early intervention, as it aims to address risks that could potentially jeopardize the public's confidence in the soundness of the Canadian financial system.

AMP framework

The Superintendent of Financial Institutions (Superintendent) has the authority to impose AMPs when a FRFI, such as a bank, federally regulated credit union, insurer, trust and loan company, or certain individuals (such as a director or officer of a FRFI) violate specific provisions of legislation for which OSFI is the supervisory authority, listed in the *Administrative Monetary Penalties (OSFI) Regulations* (Regulations) under the *Office of the Superintendent of Financial Institutions Act* (Act).

Violations are classified by severity on a scale from *minor to very serious*. When determining the amount of a penalty to impose on a violation, the Superintendent must use the statutory penalty criteria set out in Section 26 of the Act, which include:

- The degree to which the violation was intentional or negligent;
- The harm done by the violation; and

- The history of the FRFI or other person who has committed the violation, including whether there have been previous violations or convictions under the legislation under the supervisory purview of OSFI within the preceding five years.

The maximum AMP for certain violations classified as minor may reach up to $10,000 for an individual and $25,000 for an FRFI. For a very serious violation, the maximum penalty is $100,000 for an individual and $500,000 for a FRFI.

All AMPs are remitted to the federal government's Consolidated Revenue Fund.

Key changes

While the statutory penalty criteria remain the same, OSFI is changing how it will assess those criteria.

The revised approach introduces the following elements:

- Adding new indicators for assessing the statutory penalty criteria;
- Lowering the tolerance for contraventions by imposing penalties for lower levels of negligence and harm; and
- Revising the scaling factor when calculating AMPs for small and mid-sized financial institutions.

Implications

This new approach has significant implications for FRFIs and individuals who may be subject to administrative monetary penalties. Going forward, FRFIs should expect OSFI to impose AMPs earlier than before, including in cases where harm is limited.

Interestingly, OSFI has indicated that these changes do not affect its Administrative Procedures for the Late and Erroneous Filing Penalty (LEFP) Framework, which specifically governs how OSFI handles AMPs for late or erroneous filings of information by FRFIs to the Superintendent. Such violations are all classified as *minor* violations under the Regulations.

It implies that, in practice, OSFI's new approach to the use of AMPs may result in a greater willingness to impose AMPs for *minor* violations that are outside of the LEFP Framework, and for violations classified as serious or very serious under the Regulations. For example, such violations may include failure to provide information required by OSFI in relation to an examination, failure to comply with board composition requirements, failure to comply with restrictions on partnerships, failure by a director or officer to disclose a conflict of interest, or failure to take precautions to protect certain records of the FRFI, and other contraventions listed in the Regulations.

Implementation

OSFI's revised approach to the use of AMPs applies to violations occurring after September 11, 2025.

However, it has indicated that contraventions that occurred on or before September 11, 2025, and that are identified on or before December 31, 2026, will still be assessed under the pre-September 11, 2025, approach.

Next steps

OSFI is urging that the Letter's updated guidance be shared with management of FRFIs, to ensure full awareness of its revised AMP approach and its implications.

Later in 2025, OSFI has indicated that it will also release additional guidance on the matter, including new details on its revised AMP assessment process and scaling factors for small and mid-sized FRFIs.

Key contacts

For further guidance on the Letter, its implications, or the AMP framework, we invite you to contact the authors or any of the key contacts listed below.

By

Guillaume Talbot-Lachance, Arpiné Danielyan, Abby Shine

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BLG Offices

Calgary
Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa
World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver
1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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