OSFI's Q3 Quarterly Release: A suite of regulatory updates to address emerging risks

September 22, 2025

On Sept. 11, 2025, the Office of the Superintendent of Financial Institutions (OSFI) published updates to several guidelines and initiatives as part of its Quarterly Release Day. These updates reinforced OSFI's commitment to risk-responsive regulation in a dynamic technological environment, economy and climate.

Quarterly Release Day

OSFI is Canada's prudential regulator and supervises federally regulated financial institutions (FRFIs). Since Aug. 22, 2024, OSFI has issued regulatory guidance as part of its quarterly announcements. Following the quarterly announcement, OSFI hosts a virtual Quarterly Release Industry Day to provide stakeholders with an opportunity to engage in meaningful discussion with OSFI. OSFI has followed this standardized approach to provide FRFIs with transparency, predictability and to streamline the publication of its guidance for FRFIs.

In this most recent quarterly announcement, OSFI made updates to the following guidelines and initiatives:

- Capital Adequacy Requirements Guideline (CAR Guideline)
- Guideline E-23: Model Risk Management (Guideline E-23)
- Guideline E-15: Appointed Actuary (Guideline E-15)
- Standardized Climate Scenario Exercise
- Administrative Monetary Penalties

These policy initiatives are previously addressed in OSFI's Annual Risk Outlook for 2025-2026. Below we provide an overview of the key changes made to these guidelines and initiatives as they relate to the banking industry.

CAR Guideline

OSFI's CAR Guideline sets out capital requirements and provides a framework that is aimed at supporting the financial resiliency and stability of Canada's deposit-taking institutions. The CAR Guideline ensures that FRFIs have sufficient capital to withstand

losses. OSFI will periodically revise the CAR Guideline to ensure that capital requirements appropriately address risk with market realities, and advancements in the financial services industry.

The publication of the CAR Guideline incorporates industry commentary that arose during the sixty-day public consultation launched by OSFI on Feb. 20, 2025, that invited stakeholders to provide feedback on its draft revisions. As of Sept. 11, 2025, the CAR Guideline finalizes and incorporates the following revisions:

- Confirmation that at the capital floor will be maintained at 67.5 per cent until further notice.
- Clarification that OSFI will maintain its existing criterion for income-producing real estate.
- Modifications made to the capital treatment of U.S. government sponsored entities in conservatorship or receivership such that it is consistent with the U.S. regulatory treatment.
- Implementation of an 18-month transition period to allow for operational updates to ensure that all products within a single Combined Loan Product facility must have the same probability of default and loss given default.
- Updates to market risk capital rules to allow for consistent application of sovereign risk treatment with the Basel framework.

The CAR Guideline revisions will take effect on Nov. 1, 2025, for FRFIs with a fiscal year end as of Oct. 31, and on Jan. 1, 2026, for FRFIs with a fiscal year ending December 31.

Furthermore, OSFI made corresponding revisions to the Small and Medium-Sized Deposit-Taking Institutions (SMSB) Capital and Liquidity Requirements Guideline.

Guideline E-23

OSFI published its much-anticipated update to Guideline E-23 to address emerging technology risks, specifically the increased use of artificial intelligence and machine learning models by FRFIs that informs their decision-making processes. Updates to Guideline E-23 come after a series of public consultations and discussions with key stakeholders, including the creation of the Financial Industry Forum on Artificial Intelligence, which is a collaborative effort between OSFI and thought leaders from the Global Risk Institute.

Prior to its update, Guideline E-23 only applied to deposit-taking institutions and addressed traditional models. OSFI has revised its model risk management guidance and now calls for all FRFIs to adopt effective risk management practices for a broader scope of models. Among other things, OSFI has expanded the definition of models to reflect current industry trends. This principles-based guideline will become effective on May 1, 2027.

Standardized Climate Scenario Exercise

As the climate continues to change with global warming and extreme weather events, financially related impacts and risks also evolve. The complexity and long-term impact

of these risks makes them difficult to measure. Accordingly, together with Québec's Autorité des marchés financiers (AMF), OSFI and AMF conducted the Standard Climate Scenario Exercise (SCSE) to understand and identify climate-related financial risks and exposures that may impact the Canadian financial industry. Various climate scenarios and their associated risks were identified, assessed and quantified. OSFI and AMF's joint study consisted of more than 250 federally and provincially regulated financial institutions.

OSFI and AMF have published the following findings from the SCSE:

- While climate-related financial risks are not an immediate threat to the Canadian financial system, more work needs to be done to understand and integrate climate risks into core decision-making processes of financial institutions.
- Overall, the use of standardized frameworks and methodologies in this foundational exercise improved the ability of financial institutions to identify, assess, and quantify climate-related risks.
- There is a crucial need for investment in climate-related data infrastructure.
- There are limitations to the use of standardized climate risk scenarios and therefore, financial institutions must strengthen their data and modeling capabilities to enable a more tailored analysis that accounts for portfolio-specific vulnerabilities.
- FRFIs need to improve the integration of climate risk considerations in underwriting practices, strategic planning, and enterprise risk management.

OSFI and AMF plan to incorporate these findings into their future supervisory and risk management guidance.

Administrative Monetary Penalties

OSFI made significant changes to its Administrative Monetary Penalty (AMP) framework. Notably, OSFI has revised its approach for determining AMPs to closely align with its risk appetite. The revisions reflect OSFI's high appetite for early intervention. It is noteworthy that the statutory penalty criteria that OSFI must consider when determining the amount of a penalty remains status quo. However, OSFI's approach to assessing these criteria has changed. For example, OSFI has added new indicators to consider in its review and a revised scaling factor for certain-sized FRFIs. The revised AMP methodology applies to violations occurring after Sept. 11, 2025.

Please see our article here for a detailed review of updates to OSFI's AMP framework.

Quarterly Release Industry Day

On Sept. 25, 2025, OSFI will hold a virtual Quarterly Release Industry Day. This event allows members of the industry to ask questions or share commentary with OSFI on its recent publications. Stakeholders are invited to register with OSFI for the virtual event.

Next Quarterly Release Day

OSFI's next Quarterly Release Day will be on Nov. 20, 2025, followed by its Quarterly Release Industry Day on Dec. 4, 2025.

Contact us

For more information on these updates to OSFI's regulatory guidance and initiatives, please reach out to the key contacts below or any lawyer from BLG's Banking & Financial Services Group.

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