

# A general guide to OSFI's intervention process

OSFI staff supervise approximately 140 banks, trust companies and loan companies, both those headquartered in Canada as well as foreign banks operating here. Collectively these are known as deposit-taking institutions, or DTIs. If concerns arise about the financial position or operations of a DTI, OSFI can [assign it a stage rating](#) on a scale from Stage 1 (Early Warning) to Stage 4 (Non-Viability/Insolvency Imminent).



**Stage 1**  
Early Warning



**Stage 2**  
Moderate Alert

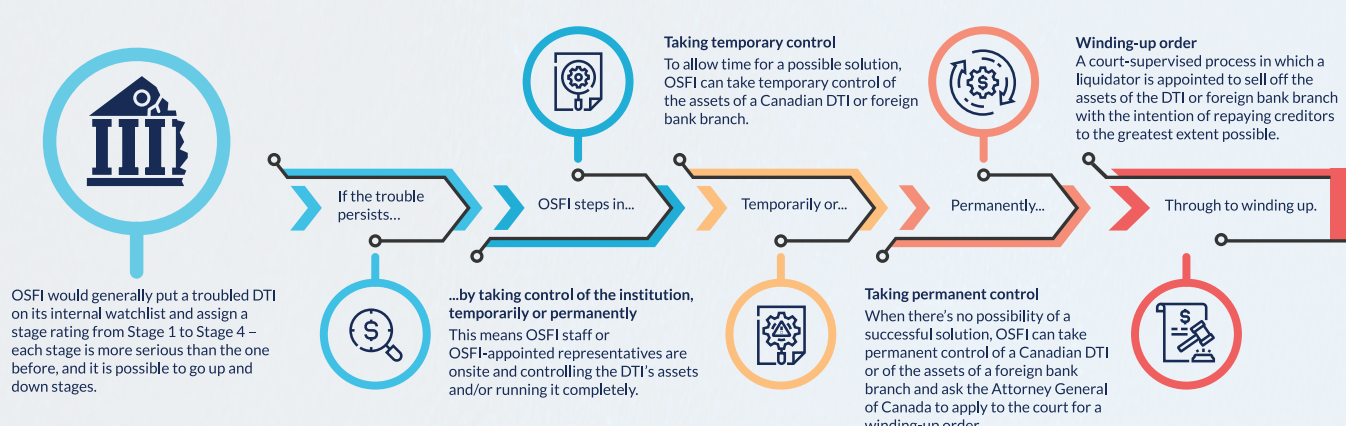


**Stage 3**  
High Alert



**Stage 4**  
Situation Critical

Depending on the circumstances, if after reaching Stage 4 a DTI's viability is still in serious doubt or its insolvency is imminent, OSFI may take control. This could mean either temporary control of just the assets, or permanent control of the entire Canadian DTI or of the Canadian assets of a foreign bank branch. Taking permanent control usually lasts only as long as it takes to put a lasting solution in place, such as a winding-up order.



**Note:** There are other actions that can be taken if a DTI is on the brink of non-viability. For example, if the DTI is one of Canada's six domestic systemically important banks or D-SIBs, the Canada Deposit Insurance Corporation can use its [bail-in power regime](#) to recapitalize the struggling institution.



## Taking Temporary Control

- OSFI can take temporary control of a DTI's assets.
- To take temporary control, OSFI sends a notice to the DTI that it is taking temporary control of its assets and, if necessary, a notice of intent to seek permanent control.
- If applicable, the notice outlines the grounds for taking temporary control as well as a date for the DTI to make representations as to why OSFI should not take permanent control of the entire institution.



## Taking Permanent Control

- If after reviewing the DTI's representations OSFI finds that there is no reason to relinquish control of the assets, temporary control usually turns into permanent control.
- OSFI typically only takes permanent control for a very short period of time, since this step is accompanied by an application for a winding-up order.
- To take permanent control, OSFI must give advance notice to the DTI and the Minister of Finance.
- The Minister may prevent OSFI from taking control if they deem it not to be in the public interest.
- When a decision to take control has been made, OSFI appoints an agent – usually a third party – to act on its behalf and preserve the value of the DTI's assets.
- The agent's role involves making decisions about and taking action regarding the ongoing operation of the DTI, including:
  - Taking possession of and exercising control over the DTI's assets;
  - Creating a full backup of the DTI's financial information and any other important information and safeguarding all important physical and electronic data, systems and records;
  - Determining which employees can have access to records and information, as well as which employees should be retained and allowed on the premises (which may involve changing the locks and issuing new keys or pass cards, if needed); and
  - Deciding which payments can be made.
- OSFI also notifies its partners on the [Financial Institutions Supervisory Committee](#) of their intention, as well as certain other parties with an interest in the DTI, such as provincial regulators and large creditors, as applicable.

Taking permanent control almost always ends with a winding up order, which starts a court-supervised liquidation – that is, selling assets to pay creditors – or restructuring of the DTI's business.



## Winding-Up Order

- A winding-up order is a court order authorizing the liquidation – or conversion to cash – of a Canadian-headquartered DTI's assets. At this point the DTI is no longer a going concern.
- OSFI must ask the Attorney General of Canada to go to the relevant court in the province or territory where the DTI is based and apply for a winding-up order.
- This request is usually submitted on the same day as the decision to take permanent control is made.
- When the court makes a winding-up order, it also appoints a liquidator to oversee the orderly liquidation of the DTI or its assets. At this point, OSFI no longer controls the DTI or its assets, its supervision of the DTI ends, and it takes steps to remove the DTI from its list of regulated entities.