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# Letter

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<b>Title</b>	Background Checks on Directors and Senior Management of FREs - Letter (2008)
<b>Category</b>	Sound Business and Financial Practices
<b>Date</b>	February 11, 2008
<b>Sector</b>	Banks Foreign Bank Branches Trust and Loan Companies Life Insurance and Fraternal Companies Property and Casualty Companies

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## **To:** Federally Regulated Entities

OSFI has released the final version of Guideline E-17 – *Background Checks on Directors and Senior Management of FREs*, which sets out principles to assist FREs in the establishment of policies and procedures to conduct assessments of the suitability and integrity of their directors and senior management. While FREs already have varying policies and procedures to assess the suitability and integrity of their Responsible Persons, this Guideline seeks to ensure that such practices are sufficiently robust across FREs.

The proposed framework will help ensure that OSFI guidance remains consistent with international developments. Several international organizations, including the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors and the Financial Action Task Force on Money Laundering, have issued core principles and recommendations that require directors and senior officers of financial institutions to be regularly evaluated with respect to suitability and integrity. These requirements represent an internationally accepted benchmark of minimum supervisory standards against which the quality of a country's prudential supervision system can be measured and assessed. Regulators in other comparable jurisdictions have either issued guidance on, or have procedures in place relating to, the assessment of the suitability and integrity of directors and senior officers of regulated entities.

This final Guideline includes the following changes from the draft version posted on May 30, 2007:



- Rather than requiring FREs to conduct searches of civil proceedings, attestation from a Responsible Person that the Responsible Person has not been held liable in any civil proceeding related to financial or business misconduct, fraud or mismanagement will be sufficient to meet the requirements of the Guideline; and
- In order to provide additional clarity, the title of the Guideline has been changed from *“Assessments of Responsible Persons by FREs”* to *“Background Checks on Directors and Senior Management of FREs”*.

There is a one year transition period for compliance with the final guideline. As such, all FREs are expected to be compliant by January 31, 2009.

Questions concerning the final guideline should be addressed to Laural Ross by telephone at (613) 990-6972, by email at [laural.ross@osfi-bsif.gc.ca](mailto:laural.ross@osfi-bsif.gc.ca), or by facsimile at (613) 998-6716.

This Guideline is available in English and French on OSFI's Web site under the Publications section. This Guideline may also be obtained by contacting Mr. Stéphane Dupel, General Services Division, by e-mail at [pub@osfi-bsif.gc.ca](mailto:pub@osfi-bsif.gc.ca) or by facsimile at (613) 954-4331.

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