Federal Financial Institutions Legislative and Regulatory Reporter - September 2016

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September 2016

Institution	Published	Title and Brief Summary	Status
OSFI [Applicable to banks and bank holding companies]	Issued September 29, 2016	Promotion of a "Comprehensive Credit Insurance" Policy by a Bank Comprehensive Credit Insurance (CCI) Policy provides insurance to a seller of goods or services against a loss incurred due to the non-payment for goods or services sold to a purchaser located in or outside Canada. OSFI concludes that CCI does not constitute "export credit insurance" and a bank may not, under the *Insurance Business (Banks and Bank Holding*	Effective

		Companies) Regulations, promote a CCI policy within its Canadian branches.	
BIS/Basel [Applicable to banks]	Published September 27, 2016	Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion The final Guidance reflects comments received on a consultative version published in December 2015. It identifies 19 of the total 29*Basel Core Principles for Effective Banking Supervision* where additional guidance is needed in the application of the Core Principles to the supervision of financial institutions engaged in serving the financially unserved and underserved. The Guidance also specifies the "Essential Criteria" and "Additional Criteria" associated with the Core Principles that have specific relevance to financial inclusion.	Effective
OSFI [Applicable to federally regulated mortgage insurers]	Issued September 23, 2016	OSFI issues for public consultation a draft advisory updating its capital requirements for residential mortgage insurance risk The planned changes to the regulatory capital framework for mortgage insurers will ensure that capital requirements keep pace with market	Comments were due on or before October 21, 2016

		conditions and more accurately reflect the underlying risks. The Advisory, along with Guideline A — Minimum Capital Test, will provide the framework within which the Superintendent will assess whether a mortgage insurer maintains adequate capital. The final advisory will be released in December 2016 and will replace the current Advisory: Interim Capital Requirements for Mortgage Insurance Companies.	Effective January 1, 2017
Finance	Published September 16, 2016	Department of Finance Canada Launches Deposit Insurance Review Consultations Three broad policy objectives guide the review: • Protect depositors— The deposit insurance framework should protect depositors by ensuring that it provides an adequate scope and level of coverage. • Support financial stability— The deposit insurance framework should contribute to the stability of the financial system in Canada and act as a disincentive for bank runs to	Written comments should be forwarded by November 30, 2016

		develop. • Promote efficient and competitive financial services— The deposit insurance framework should encourage market discipline and should not act as an impediment to competition.	
Financial Action Task Force (FATF)	Published September 15, 2016	Anti-money laundering and counter-terrorist financing measures: Mutual Evaluation Report his report provides a detailed assessment of the anti-money laundering and combating the financing of terrorism (AML/CFT) measures in place in Canada as at the date of the on-site visit (3-20 November 2015). It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Canada's AML/CFT system, and provides recommendations on how the system could be strengthened.	
BIS/Basel [Applicable to banks]	Published September 13, 2016	Basel III monitoring results The Basel Committee on Banking Supervision established a rigorous reporting process to regularly review the implications of the Basel III standards for banks and it has published the results of previous exercises since 2012.	

		Data have been provided for a total of 228 banks, comprising 100 large internationally active banks ("Group 1 banks", defined as internationally active banks that have Tier 1 capital of more than €3 billion) and 128 "Group 2 banks" (ie representative of all other banks). The monitoring reports also collect bank data on Basel III's liquidity requirements.	
OSFI [Applicable to federally regulated life insurance companies]	Issued September 12, 2016	Final version of the Life Insurance Capital Adequacy Test (LICAT) guideline Effective January 1, 2018, the LICAT guideline will replace *the Minimum Continuing Capital and Surplus Requirements*(MCCSR) guideline, in place since 1992. Under the LICAT, the amount of capital required to be held in the life industry, as a whole, is not expected to change significantly compared to that required under the MCCSR. However, the new framework may require individual institutions to evaluate their overall plans based on the business lines in which they are engaged, the risks they choose to take on and how these are managed.	Life insurers are required to apply this guideline for reporting periods ending on or after January 1, 2018.
OSFI [Applicable to Banks, Bank Holding Companies, Federally regulated Trust and Loan Companies and	Issued September 9, 2016	OSFI releases for public consultation revisions to its Capital Adequacy Requirements Guideline (CAR)	Comments were due October 18, 2016

Cooperative Retail Associations]		The revisions include clarifications on how the CAR Guideline will apply to federal credit unions, particularly with respect to qualifying capital instruments, deductions from capital and transitioning of non-qualifying instruments. The CAR Guideline also includes revisions to the treatment of insured residential mortgages. These revisions aim to emphasize that credit risk insurance is a risk mitigant (guarantee) that relies on the due diligence of a mortgage originator with respect to the requirements of a mortgage insurance contract. OSFI is also clarifying how we will exercise national discretion in the implementation of the countercyclical buffer, including the reciprocity of countercyclical buffers put in place in other jurisdictions. Finally, the revisions include OSFI's implementation of the equity investment in funds rules issued by the Basel Committee on Banking Supervision (BCBS). Revisions to the CAR Guideline are effective November 1, 2016 for institutions with an October 31st year end and January 1, 2017 for institutions with a	

		December 31st year end.	
Finance	Published (Gazette) – September 3, 2016	Proposed By-law Amending the Canadian Payments Association By-law No. 3 — Payment Items and Automated Clearing Settlement System he objective of the amendment is to address concerns raised by the Standing Joint Committee for the Scrutiny of Regulations. The amendment clarifies the meaning of “regulator” in section 59 by replacing the term with a more functional description.	Interested persons had until October 3, 2016 to make representations with respect to the proposed Regulations
Finance	Published (Gazette)— September 3, 2016	Proposed By-law — Canadian Payments Association By-law No. 2 — Finance The objectives behind the repeal and replacement of By-law No. 2 are mainly to advance the CPA's modernization initiatives and allocate costs equitably and consistently to those who benefit from the CPA's existing and new services. The new By-law No. 2 would enable the CPA to build and maintain operations in the usual course of business and supplement the funding of significant new initiatives in furtherance of the CPA's legislative mandate and a modernized Canadian payments system.	Interested persons had until October 3, 2016 to make representations with respect to the proposed Regulations

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By

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