Federal financial institutions legislative and regulatory reporter - July 2020

August 27, 2020

The Reporter provides a monthly summary of Canadian federal legislative and regulatory developments of relevance to federally regulated financial institutions. It does not address Canadian provincial financial services legislative and regulatory developments, although this information is tracked by BLG and can be provided on request. In addition, purely technical and administrative changes (such as changes to reporting forms) are not covered.

July 2020

Institution	Published	Title and Brief Summary	Status
FINTRAC	July 25, 2020	FINTRAC guidance related to the Ministerial Directive on Financial Transactions Associated with the Islamic Republic of Iran issued on July 25, 2020. The Financial Action Task Force (FATF) issued a statement in February 2020 expressing its concerns regarding Iran's failure to address strategic deficiencies in its anti-money laundering and combatting the financing of terrorism (AML/CFT) regime, and the threat this poses to the integrity of the international financial	Effective July 25, 2020

		system. The FATF called on its members to apply effective counter-measures to protect their financial sectors from such risks. As such, Canada's Finance Minister, under subsection 11.42(1) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) issued this ministerial directive to ensure the safety and integrity of Canada's financial system. Effective July 25, 2020, every reporting entity under the PCMLTFA is required to, among other obligations, treat every financial transaction originating from or bound for Iran, regardless of amount, as a high-risk transaction.	
FSB	July 24, 2020	Public responses to consultation on Addressing the regulatory, supervisory and oversight challenges raised by "global stablecoin" arrangements. On April 14, 2020, the Financial Stability Board (FSB) published a consultation document on *Addressing the regulatory, supervisory and oversight challenges raised by "global stablecoin" arrangements*. Interested parties could provide written comments by July 15, 2020. The public	

		responses to this consultation are available here.	
IAIS	July 24, 2020	Request for feedback on impact of Covid-19. Following up on the June 2020 Stakeholder Dialogue, the International Association of Insurance Supervisors (IAIS) is seeking feedback on the implications of COVID-19 on the insurance sector, supervisors and the future work of the IAIS by Sept. 4, 24:00 CET. To provide feedback, please use the Consultation Tool available on the consultation page of the IAIS website.	Responses by September 4, 2020
FCAC	July 23, 2020	COVID-19: FCAC tracking of bank relief measures During these unprecedented times, the Federal Consumer Agency of Canada (FCAC) has been monitoring and tracking the relief measures banks have been providing to consumers impacted by COVID-19. This has formed part of FCAC's commitment to work closely with federally regulated financial entities to protect the health and financial wellbeing of bank employees, consumers and communities. FCAC data shows that, while each regulated entity has its own qualifying criteria, consumer requests are generally approved in a	

		timely manner, provided the consumer's account is in good standing and they self-declare they have been negatively impacted by the pandemic. The cumulative number of deferrals approved (as of July 10, 2020) can be viewed here.	
FSB	July 22, 2020	FSB stocktake considers climate risks and financial stability This stocktake considers financial authorities' experience of including climate-related risks in financial stability monitoring. It draws on information provided by Financial Stability Board (FSB) members, international bodies and a workshop with the private sector. The FSB will, by October 2020, conduct further work to assess the channels through which physical and transition risks could impact the financial system and how they might interact. Particular focus will be on the potential amplification mechanisms and cross-border effects, and prioritizing channels that could materialize in the short-to-medium term. The FSB will also consider the scope for work to assess available data through which climate-related risks can be monitored, as well as any data gaps. This work	

		will build on, and be co-ordinated with, that taking place in other relevant international fora.	
Bank of Canada	July 21, 2020	Bank of Canada announces changes to the Provincial Money Market Purchase (PMMP) program. Bank of Canada's short-term liquidity programs announced since March to improve market functioning are having their intended effect. Conditions in short-term funding markets have improved. In particular, strains in the short-term provincial borrowing market have diminished significantly. With reduced strains in this market, and a decline in PMMP program usage from its peak, the Bank is making amendments to the program. Effective July 27, 2020, the Bank will purchase up to 20 per cent (previously up to 40 per cent) of each accepted offering of directly issued provincial money market securities with terms to maturity of 12 months or less. The 20 per cent limit may be adjusted if market conditions warrant.	Effective July 27, 2020
Bank of Canada	July 21, 2020	Bank of Canada announces changes to the amount of Government of Canada Treasury Bills acquired at auction.	Effective July 27, 2020

		The Bank's short-term liquidity programs announced since March to improve market functioning are having their intended effect. Conditions in short-term funding markets have improved. In particular, strains in the Government of Canada Treasury Bill market have diminished significantly. Given these improvements, the Bank is reducing its current pace of acquisition of these securities. Effective July 27, 2020, the Bank will reduce the amount it purchases at auction from 40 per cent to 20 per cent of tendered amounts, which is in line with average levels prior to the onset of the COVID-19 pandemic. The Bank may adjust its purchase percentage if market conditions warrant.	
Bank of Canada	July 20, 2020	Bank of Canada announces new securities repo operations. In line with its objectives to support core funding markets and to foster the well-functioning of the Government of Canada securities market, the Bank of Canada is announcing the introduction of securities repo operations (SROs). The SROs will provide a temporary source of Government of Canada nominal bonds and	Effective July 27, 2020

		treasury bills to primary dealers to support liquidity in the securities financing market. The Bank's SROs will make a portion of its holdings of these securities available on an overnight basis through repurchase operations. The Bank's SROs are consistent with best practices at other central banks and with recommendations from the Bank for International Settlements. The Bank launched the securities repo operations on July 27, 2020, at which point it will suspend the current Securities Lending Program. SRO terms and conditions provide operational details. The Bank, at its discretion, may adjust the size, pricing and other parameters of the program to achieve its objectives.	
FINTRAC	July 17, 2020	FINTRAC interpretation notices and policy interpretations. he Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) issues FINTRAC interpretation notices (FINs) and policy interpretations to provide technical interpretations and positions regarding certain provisions contained in the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and	

		associated Regulations. Recently published FINTRAC guidance include: • STR - Part D (conductor) information for a suspicious e-transfer • Third party obligations for real estate transactions • Ransomware • Pre-paid payment products • Accountants and the PCMLTFA • Obligations of an MSB dealing in virtual currency • Prepaid payment product – corporate reward program • Prepaid payment product – open loop gift cards	
FSB	July 15, 2020	COVID-19 pandemic: Financial stability implications and policy measures taken – Report to the G20 This report, delivered to G20 Finance Ministers and Central Bank Governors for their virtual meeting on July 18, assesses COVID-related financial stability developments, details policy measures taken and sets out work to assess their effectiveness.	

		The FSB continues to support international cooperation and coordination on the COVID-19 response underpinned by the FSB principles. The FSB is: • Assessing financial risks and vulnerabilities – to support assessments of the appropriateness of financial policy responses and potential adjustments. • Information sharing - regularly sharing information on policy responses and has begun supporting domestic assessments of the use of policy measures taken. • Co-ordinating policy responses – the FSB has been co-ordinating the response to policy issues, including measures that standard-setting bodies (SSBs) may take to provide, or give guidance on, flexibility available to authorities and firms within existing international	

		financial standards. The FSB and SSBs will also coordinate the future timely unwinding of the temporary measures taken as well as addressing any areas where existing policy frameworks have been found wanting. • Considering the longer-term implications of the market turmoil in March - this will include a holistic post-mortem of what happened, drawing also on work by the SSBs. The FSB will provide a further update on member authorities' and SSBs' COVID-19 responses, its financial stability risk assessment and its work on the effectiveness of policy responses by November 2020, ahead of the G20 Leaders' Summit.	
OFSI	July 15, 2020	OSFI issues a capital ruling on Limited Recourse Capital Notes (LRCNs) OSFI has published a letter and capital ruling that explains OSFI's considerations in determining that the LRCNs can qualify as	

		Additional Tier 1 regulatory capital by the requesting bank and other FRFIs, subject to certain limitations and disclosure requirements.	
FSB and BCBS	July 9, 2020	Supervisory issues associated with benchmark transition: Report to the G20 This report published by the Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS) concludes that the continued reliance of global financial markets on LIBOR poses clear risks to global financial stability. Transition away from LIBOR by the end of 2021 requires significant commitment and sustained effort from both financial and non-financial institutions across many jurisdictions. On July 1, the FSB reiterated its view that financial and non-financial sector firms across all jurisdictions should continue their efforts to make wider use of risk-free rates to reduce reliance on IBORs where appropriate and in particular to remove remaining dependencies on LIBOR by the end of 2021. LIBOR transition is a G20 priority and the report responds to the G20 request to identify remaining challenges to	

		benchmark transition and to explore ways to address them. The report was a deliverable for the G20 Finance Ministers and Central Bank Governors virtual meeting on July 18, 2020.	
IAIS	July 9, 2020	IAIS publishes supervisory recommendations to address remaining challenges of LIBOR transition in the insurance sector. The International Association of Insurance Supervisors (IAIS) published its report – Supervisory issues associated with benchmark transition from an insurance perspective – sharing findings and recommendations from a survey conducted amongst IAIS members. The report focuses primarily on LIBOR transition, given its predominant global role and the short remaining period for transition.	
BIS	July 8, 2020	Targeted revisions to the credit valuation adjustment risk framework The credit valuation adjustment (CVA) risk framework replaces an earlier version of the standard as published in December 2017. This final standard incorporates changes proposed in the November 2019 consultative document	Effective January 1, 2023

		and has been informed by a quantitative impact assessment based on data as of end-June 2019. Compared to the earlier standard, the revisions include recalibrated risk weights, a different treatment for certain client cleared derivatives, and an overall recalibration of the standardised approach CVA as well as the basic approach CVA. The revised standard comes into effect on Jan. 1, 2023.	
Bank of Canada	July 8, 2020	2020-21 Debt Management Strategy In September and October 2019, officials from the Department of Finance and the Bank of Canada consulted with government securities distributors, institutional investors and other interested parties on issues related to the design and operation of the Government of Canada's domestic debt program for 2020-21./p> Comments received during these consultations were taken into consideration in developing the *Debt Management Strategy for 2020-21* and can be found in the *2020-21 Debt Management Strategy Consultations and Government of Canada Real Return Bond Consultations Summaries*.	

FSB	July 7, 2020	12-month review – revised FATF standards on virtual assets and VASPs. The FATF has completed a review of the implementation of its revised standards on virtual assets and virtual asset service providers; 12 months after the FATF finalized these amendments. The June 2019 revisions to the FATF standards clearly placed anti-money laundering and counter-terrorism financing (AML/CTF) requirements on virtual assets and virtual asset service providers (VASPs). The FATF also agreed to undertake a 12-month review by June 2020 to measure how jurisdictions and the private sector have implemented the revised standards, as well as monitoring for any changes in the typologies, risks and the market structure of the virtual assets sector. This report sets out the findings of the review. See below for more on: • Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers • FATF Recommendations 2012 –	

		Amended June 2019	
BIS	July 6, 2020	Eighteenth progress report on adoption of the Basel regulatory framework This updated progress report provides a high-level view of Basel Committee members' progress in adopting the Basel III standards as of the end of May 2020. It focuses on the status of adoption of all the Basel III standards, including the finalised Basel III post-crisis reforms published in December 2017 and the finalised minimum capital requirements for market risk in January 2019, to ensure that they are transposed into national law or regulation according to the internationally agreed timeframes. The report is based on information provided by individual members as part of the Committee's Regulatory Consistency Assessment Programme (RCAP).	
BIS	July 2, 2020	Sound management of risks related to money laundering and financing of terrorism: Revisions to supervisory cooperation The Basel Committee on Banking Supervision has amended Sound management of risks related to money laundering and financing of terrorism, to introduce	

		guidelines on cooperation and information exchange among prudential and AML/CFT supervisors for banks. Consistent with the goals and objectives of the standards issued by the Financial Action Task Force (FATF) and principles and guidelines published by the Basel Committee, the revisions provide further detailed guidelines to strengthen the interaction and cooperation between prudential and AML/CFT supervisors. The revised guidelines include new paragraph 96 in Part IV (The role of supervisors) and Annex 5 (Interaction and cooperation between prudential and AML/CFT supervisors). Annex 5 sets out specific principles, recommendations and descriptive examples, to facilitate effective and efficient cooperation in relation to authorisation related procedures of a bank, ongoing supervision, and enforcement actions. It also describes possible methods of implementation including mechanisms to facilitate such cooperation at the jurisdictional and international level. The guidelines are not included in the Basel standards and are only	

		applicable for those jurisdictions that choose to implement them on a voluntarily basis.	
FSB	July 1, 2020	Conclusions from the FSB's too-big-to-fail evaluation Claudia M. Buch, Vice-President, Deutsche Bundesbank sets out the conclusions from the FSB's *Evaluation of the effects of too-big-to-fail reforms*. The report finds that too-big-to-fail reforms made banks more resilient and resolvable, but gaps need addressing. Responses to the public consultation report can be submitted until Sept. 30, 2020.	Responses due by September 30, 2020
FINTRAC	July 2020	Special bulletin on COVID-19: Trends in money laundering and fraud This special bulletin (Reference number: 20/21-SIRA-006) is based primarily on FINTRAC's analysis of COVID-19-related transaction reporting and the Canadian Anti-Fraud Centre's (CAFC) analysis of fraud reporting, and it highlights areas that may pose an increased money laundering risk associated with the exploitation of the pandemic situation.	

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