Federal financial institutions legislative and regulatory reporter - April 2022

May 31, 2022

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.

April 2022

Published	Title and Brief Summary	Status
Office of the Superintendent of Financial Institutions (OSFI)		
April 27, 2022	OSFI Consults on Third-Party Risk Management Expectations Through a Revised Guideline B-10 OSFI begins consultations on revised *Draft Guideline B-10 – Third-Party Risk Management*, which sets out enhanced third-party risk management expectations for federally regulated financial institutions (FRFIs). Submit comments to b10@osfi-bsif.gc.ca by July 27, 2022. OSFI expects to issue the final Guideline in Fall 2022.	**Comment by July 27, 2022**

April 21, 2022	OSFI Releases First Annual Risk Outlook OSFI released its first Annual Risk Outlook, providing details of the risks facing Canada's financial system and our plans to address them in the coming year. The *2022-2023 Annual Risk Outlook* describes risks to the financial system ranging from cyber attacks and digital innovation to housing-related considerations, climate change and more. Each risk is viewed through OSFI's prudential mandate and is accompanied by the supervisory and regulatory actions OSFI is taking. A table providing the timing and topics of consultations and guidance is additionally included.	
April 4, 2022	Completing OSFI Guideline Consequential Changes as a Result of IFRS 17 OSFI has finalized the outcomes of the consultation on consequential changes as a result of International Financial Reporting Standard 17 - *Insurance Contracts* (IFRS 17). OSFI has also set out plans for further work to refine any elements that remain: • OSFI's insurance capital related guidelines are continuing on a separate timeline. • Guideline E-16 *Participating Account Management and Disclosure to Participating Policyholders and Adjustable Policyholders* remains under review in	

	consultation with the industry to refine the expectations with an anticipated public release in Q1 2023. ANNEX 1 of this letter provides links to the affected guidelines as they currently exist, and to the revised versions that come into effect on Jan. 1, 2023. ANNEX 2 of this letter provides guidelines to be rescinded in December of 2023. Older versions and guidelines that are no longer in force will be removed from OSFI's website in December of 2023. For further questions related to this process or the guidelines referenced, please contact information@osif-bsif.gc.ca.	
Finance Canada		
April 29, 2022	Government of Canada Releases Draft Legislative Proposals to Address "Hybrid Mismatch Arrangement" Tax Avoidance Schemes The Department of Finance has released draft legislative proposals that would address "hybrid mismatch arrangements", or cross-border tax avoidance arrangements, which are primarily used by multinational enterprises to avoid paying their fair share of tax. These draft legislative proposals are intended to implement, and be generally consistent with, the	**Comment by June 30, 2022**

	recommendations in the Action 2 Report of the Organization for Economic Cooperation and Development (OECD)/G20 Base Erosion and Profit Shifting (BEPS) project, on "*Neutralizing the Effects of Hybrid Mismatch Arrangements*", with appropriate adaptations to the Canadian income tax context. Send feedback on these draft proposals to Consultation-Legislation@fin.gc.ca by June 30, 2022.	
Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)		
April 27, 2022	Crowdfunding Platforms and Certain Payment Service Providers Must Register with FINTRAC and the Definition of "EFT" Has Been Amended Amendments to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* (PCMLTFR) and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties (*PCMLTFAMP*) Regulations* were registered and are now in force. Further to these amendments, FINTRAC is retracting its positions with respect to merchant servicing and payment processing (Policy Interpretation-7670). In the Regulatory Impact Analysis Statement published by the Department of Finance accompanying the Amendments, the federal government affirmed that these immediate and permanent changes will extend anti-money laundering and anti-terrorist financing compliance obligations	**Effective as at April 5, 2022**

	to approximately 1,000 businesses in the crowdfunding and payment service provider sectors. For more, see section entitled "Legislation" below.	
Bank of International Settlements (BIS)		
April 28, 2022	Core Principles for Effective Deposit Insurance Systems – Executive Summary The International Association of Deposit Insurers (IADI) *Core Principles for Effective Deposit Insurance Systems* are intended for jurisdictional support of the implementation of global regulatory standards and sound supervisory practices through establishing or enhancing their deposit insurance systems. These newly revised core principles strengthen the deposit insurance standards in several areas including: reimbursement speed, coverage, funding and governance, and added guidance on the deposit insurer's role in crisis preparedness and management.	
April 14, 2022	Central Bank Digital Currencies in Emerging Market Economies (BIS Papers, No. 123) This volume of BIS research contains papers that were prepared for a meeting of Deputy Governors of central banks from emerging market economies (EMEs) which took place on February 9 and 10, 2022. Issues explored included: • the main objectives of introducing Central Bank Digital Currencies (CBDCs);	

	• the guiding principles of CBDC design and data governance; • challenges of CBDCs for monetary policy, financial intermediation and financial stability; • he implications of CBDCs on financial inclusion; and • the cross-border aspects of CBDCs. Discussions at the meeting also drew on insights from a survey on the roles of and considerations for CBDCs in EMEs.	
April 12, 2022	Central Bank Digital Currencies: a New Tool in the Financial Inclusion Toolkit? (FSI Insights, No. 41) Central banks are considering how retail CBDCs may help support financial inclusion. While they are not a magic bullet, central banks see CBDC as a further tool to promote financial inclusion if this goal features prominently in the design from the get-go. In particular, central banks are considering design options around promoting innovation in the two-tiered financial system (e.g., allowing for novel non-bank payment service providers), offering a robust and low-cost public sector technological basis (with novel interfaces and offline payments), facilitating enrolment and education (via simplified due diligence and electronic know your customer) and fostering interoperability (both domestically and across borders). Together, these features can address a range of existing barriers to financial	

	inclusion. This paper draws on interviews with nine central banks with advanced work on CBDCs and financial inclusion, as well as ongoing research and policy work at the BIS and World Bank. It gives concrete examples from the central banks' work and discusses challenges, risks and regulatory and legal implications. It aims to facilitate peer learning on a key set of issues around CBDCs and financial inclusion policy faced by societies around the world.	
April 7, 2022	Supervisory Practices for Assessing the Sustainability of Banks' Business Models (FSI Insights, No. 40) Abstract: Banks rarely become weak overnight, and flaws in business models and strategies are often the root causes of banks' vulnerabilities and failures. While sudden shocks may be the immediate cause of banks' demise, the root causes are generally structural. If not identified in time and allowed to fester, these vulnerabilities will make a bank's activities increasingly unsustainable, to the point where it becomes non-viable. Business model analysis (BMA) is a key component of supervisory frameworks that allows supervisors to identify banks' vulnerabilities at an early stage and helps to ensure their safety and soundness. Where the analysis identifies existing or potential vulnerabilities, the assessment may provide grounds for early supervisory interventions. Therefore, BMA	

	has the potential to enhance bank supervision and make it more effective, proactive and forward-looking. This paper presents a range of supervisory practices regarding BMAs. In particular, it aims to identify practices that might be relevant to authorities seeking to explicitly introduce BMA in their supervisory review process (SRP). In order to do so, the paper emphasizes practical aspects of BMA, including processes and procedures for developing and conducting a BMA as well as for integrating its outcomes into the overall SRP.	
April 6, 2022	Business Continuity Planning at Central Banks During and After the Pandemic (BIS Paper) In August 2021, the Consultative Group on Risk Management (CGRM) established a task force to examine how Business Continuity Planning (BCP) at BIS member central banks in the Americas has changed since the beginning of the COVID-19 pandemic. This report is the outcome of the work of that task force. Its findings might help central banks in the region and beyond to adjust their business continuity planning to the new risks and the new ways of working that emerged from the pandemic.	
Financial Stability Board (FSB)		
April 29, 2022	FSB Launches Consultation on Supervisory and Regulatory Approaches to Climate-Related Risks The Financial Stability Board (FSB) has published a report	

	that aims to assist supervisory and regulatory authorities in developing their approaches to monitor, manage and mitigate cross-sectoral and system-wide risks arising from climate change and to promote consistent approaches across sectors and jurisdictions. Its recommendations focus on three areas: • supervisory and regulatory reporting and collection of climate-related data from financial institutions; • system-wide supervisory and regulatory approaches to assessing climate-related risks; and • early consideration of other potential macro-prudential policies and tools to address systemic risks. The FSB is inviting comments on its recommendations and Public consultation concludes on Thursday June 30, 2022. Final recommendations will be published in Q4 2022.	
April 26, 2022	FSB Analyses External Vulnerabilities in Emerging Market Economies Associated with US Dollar Funding In collaboration with the International Monetary Fund (IMF), the FSB has published a report on the interaction between US dollar funding and external vulnerabilities in emerging market economies (EMEs) focusing on the shift towards non-bank financing, and examining how these developments contributed to both the build-up of	

	vulnerabilities in EMEs and to the March 2020 turmoil. The report also considers policy measures to enhance EME resilience.	
April 20, 2022	FSB Chair's Letter to G20 Outlines Financial Stability Issues Arising from Russia's Invasion Of Ukraine The FSB has published a letter from its Chair, Klaas Knot, to G20 Finance Ministers and Central Bank Governors presenting the current outlook for financial stability and setting out the FSB's plans to assess and address emerging vulnerabilities.	
Financial Action Task Force (FATF-GAFI)		
April 19, 2022	Report on the State of Effectiveness and Compliance with the FATF Standards This landmark report provides a comprehensive overview of the state of global efforts to tackle money laundering, terrorist and proliferation financing.	
Legislation		
April 28, 2022	Introduction: *Bill C-19, An Act to implement certain provisions of the budget tabled in Parliament on April 7, 2022 and other measures* Federal bill enacts multiple statutes, amends multiple statutes, repeals multiple statutes. Amending, among others, the: • *Insurance Companies Act S.C. 1991, c. 47*	

	• *Trust and Loan Companies Act S.C. 1991, c. 45*	
Canada Gazette Part II, Volume 156, No. 9, April 27, 2022	Registration: Registration: SOR/ 2022-0076, PC No. 2022-0338, April 5, 2022 Statutory Authority: *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* Regulations amending the: • *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*, (SOR/2002-184); and • *Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulations* (SOR/2007-292) In order to (1) subject crowdfunding platforms to the existing requirements under the Act for payment service providers; (2) extend Canada's anti-money laundering and anti-terrorist financing regime to a broader range of payment service providers; and (3) designate new provisions as violations subject to administrative monetary penalties.	

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By

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