Federal Financial Institutions Legislative and Regulatory Reporter — February 2019

March 28, 2019

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.

February

Institution	Published	Title and Brief Summary	Status
Bank of Canada	February 26, 2019	Consultation Paper — Enhancements to the Canadian Overnight Repo Rate Average (CORRA) The Bank of Canada, on behalf of the Canadian Alternative Reference Rate Working Group (CARR), published a consultation on proposed enhancements to the Canadian Overnight Repo Rate Average (CORRA) risk-free interest-rate benchmark. The consultation is being conducted in the context of ongoing global efforts to develop robust, risk-free or nearly risk-free reference rates.	Comments should be provided by April 30, 2019.

FATF (Financial Action Task Force)	February 25, 2019	Public Consultation on the Draft Risk-Based Approach Guidance for Legal Professionals, Accountants and Trust and Company Service Providers The FATF is currently developing guidance to assist countries, competent authorities and professionals in the legal, accountancy and trust and company service providers sectors in the application of a risk-based approach to Anti-Money Laundering/Combating the Financing of Terrorism. The guidance is intended to provide support both to the private sector and public authorities, by focusing on money laundering / terrorist financing risks and associated mitigation measures. The FATF is consulting private sector stakeholders before the guidance is finalized, and wishes to receive sector views on, and specific proposals to, the text of the three guidance documents: • FATF-RBA Guidance for Legal Professionals • FATF-RBA Guidance for Accountants • FATF-RBA Guidance for Trust and Company Service	Comments should be provided by April 8, 2019.

		Providers	
SWIFT (Society for Worldwide Interbank Financial Telecommunication)	February 15, 2019	SWIFT publishes cybersecurity counterparty risk guide This document provides general and non-binding guidance for SWIFT users on how to use and interpret cybersecurity data from counterparties within the financial services ecosystem. The guidance will assist customers in incorporating counterparties' cybersecurity attestations against SWIFT's Customer Security Control Framework (CSCF). The CSCF establishes a security baseline of mandatory and advisory controls for the entire user community, against which SWIFT users are required to self-attest their compliance on an annual basis. The controls are reviewed every twelve months, and customers had until December 31, 2018 to attest their compliance against the applicable controls — a deadline which 94 per cent of customers met.	Effective
OSFI [Domestic Systemically Important Banks (D-SIBs)]	February 11, 2019	Draft Guideline — Net Stable Funding Ratio Disclosure Requirements OSFI is issuing for comment a draft guideline on the Net Stable Funding Ratio (NSFR) disclosure	Comments were due by March 15, 2019.

		requirements. OSFI is proposing implementation of the NSFR public disclosure by Canadian Domestic Systemically Important Banks to commence with the quarterly reporting period ending January31, 2021.	
OSFI [Banks, Bank Holding Companies, Federally Regulated Trust and Loan Companies, Cooperative Retail Associations]	February 8, 2019	Proposed changes to the Liquidity Adequacy Requirements Guideline OSFI is issuing proposed revisions to the Liquidity Adequacy Requirements (LAR) Guideline. Since the financial crisis of 2008, liquidity risk management has continued to be a key area of focus for deposit-taking institutions (DTIs) and supervisors. Importantly, DTIs are expected to have a liquidity risk management framework that, amongst other things, ensures they maintain sufficient liquidity to withstand a stressed environment. The LAR Guideline defines and assigns run-off rates to various categories of funding, according to the degree to which those sources of funding would be at risk under stress conditions. Since the Liquidity Coverage Ratio and Net Cumulative Cash Flow were first issued in 2014, DTIs' funding models and deposits product offerings	Comments were due by March 15, 2019.

		have continued to evolve. Given these developments OSFI has reassessed the assumptions built into its regulatory liquidity metrics, particularly those relating to the stability of funding sources, to ensure that the metrics remain appropriate in maintaining a resilient banking sector. OSFI is targeting January 1, 2020 for implementation of the proposed revisions to the LAR.	
FINTRAC	February 8, 2019	Assessment Manual and Compliance Framework To support Canadian businesses in their compliance efforts, FINTRAC has published a Compliance Framework and Assessment Manual. They explain how FINTRAC ensures and assesses compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*(PCMLTFA).	Effective
FINTRAC	February 8, 2019	Administrative monetary penalties FINTRAC has posted its revised Administrative Monetary Penalties (AMPs) policy, which outlines the new method of calculating penalties for non-compliance with PCMLTFA and Regulations.	Effective

		FINTRAC undertook a comprehensive review of its AMPs program to address decisions of the federal courts in 2016. The Financial Transactions and Reports Analysis Centre of Canada made a number of revisions to its administrative monetary penalties program, including: • Ensuring that it considers the unique factors in each case to determine the penalty amount, based on the harm caused by the violations committed; • Ensuring that the factors that lead to the penalty calculation are clearly outlined; and • Publishing its enhanced administrative monetary penalties policy for greater transparency. By providing comprehensive information on the enhancements to its AMPs policy and penalty calculation methodology, FINTRAC wants to ensure that reporting entities will have a better understanding of its program and approach.	

Canada Deposit Insurance Corporation Act	February 20, 2019 (Gazette)	Canada Deposit Insurance Corporation Act: By-law Amending the Canada Deposit Insurance Corporation Differential Premiums By-law, SOR/2019-43 These amendments are the result of an annual review of the regulations to ensure they are up to date. The amendments primarily address two issues: • Incorporating changes made to the Office of the Superintendent of Financial Institutions (OSFI) forms that are referenced in the By-law; • Clarifying existing requirements and making changes to the enforcement mechanism in the Canada Deposit Insurance Corporation Data and System Requirements By-law. Existing requirements are clarified, and information added where required, to ensure the completeness of the By-law. Amendments are also made to the Canada Deposit Insurance Corporation Data and System	Effective February 8, 2019.

		Requirements By-law enforcement mechanism to clarify that a member institution will only be reclassified where that member is not in all material respects compliant with that By-law. Related amendments ensure any reclassification associated with non-compliance would only apply to the member institution that was determined to be non-compliant, and that its member subsidiaries would not obtain the classification of the parent member in such circumstance.	
Payments Canada	January 7, 2019	<u>Payments Canada: Changes to Our Rules and Standards</u> The following amendments were approved by the board and the Department of Finance: • Automated Clearing Settlement System (ACSS) Rule B1 -	Effective February 13, 2019.

		Intermember Exchange and Clearing at Regional Exchange Points: Amendments to accommodate the requirement for Direct Clearers to attest to the ACSS Service Level Description and to sections 4 and 6 of the CPA Services Network (CSN) Service Level Description. • ACSS Rule L3 — Collateral: Amendment to subsections 4(c) and 7(e) respectively, to reflect change in confidence level from 97 per cent to 99 per cent and in the business days for the calculation of the ACSS collateral pool from 255 business days to 510 business days. • Large Value Transfer System (LVTS) Rule 2 - General: Amendments to accommodate the changes in operations and functions within financial institutions, as well as to take into account	

		users with access to the LVTS Application outside of Canada. • LVTS Rule 3 — Access to LVTS: Amendments to include the requirement of internal audit sign off on the Management Attestation Statements, commencing in 2021 for the 2020 reporting year. • LVTS Rule 11 — Testing and Certification: Amendments to remove the Management Attestation Statement forms from the appendix of this rule. The forms instead will be distributed by the CPA to LVTS participants on an annual basis.	

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