Federal Financial Institutions Legislative and Regulatory Reporter - September 2025

December 14, 2025

The Federal Financial Institutions Legislative and Regulatory Reporter (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. In addition, purely technical and administrative changes (such as changes to reporting forms) are not covered.

September 2025

Published	Title and Brief Summary	Status (if applicable)
Office of the Superintendent of Financial Institutions (OSFI)		
September 11, 2025	Guideline E-23 – Model Risk Management (2027) Guideline E-23 sets out OSFI's expectations for effective enterprise-wide model risk management (MRM) using a risk-based approach. It is applicable to all federally regulated financial institutions (including foreign bank branches and foreign insurance company branches, insofar as this guideline is consistent with requirements and legal obligations related to their	**Effective May 1, 2027**

	business in Canada as set out in Guideline E-4 on Foreign Entities Operating in Canada on a Branch Basis). With the rise of digitalization and model applications (intensified by the rise of artificial intelligence and machine learning models), institutions are increasingly relying on such models to support or drive decision-making – including in business areas that traditionally did not rely on models. As these models begin to use more diverse data sources and more complex techniques, the risk that accompanies such models (model risk) is heightened as a result. The guideline states that institutions need to be aware of how using these models can impact their risk profile, and that effective risk management practices must be in place to mitigate the risks. The guideline sets out the following outcomes and expectations for model risk management: • Model risk is well understood and managed across the enterprise. • Model risk is managed using a risk-based approach. • Model governance covers the entire model lifecycle. See also Guideline E-23 – Model Risk Management (2027) – Letter.	

September 11, 2025	Capital Adequacy Requirements (CAR) – Guideline (2026) OSFI has published the Capital Adequacy Requirements (CAR) 2026 guideline, with corresponding revisions to the Small and Medium-Sized Deposit-Taking Institutions (SMSB) Capital and Liquidity Requirements Guideline. The revised guideline includes updates and clarifications related to the treatment of United States Government Sponsored Entities, the identification of residential real estate exposures as income producing, and implementation considerations related to the treatment of Combined Loan Products. Revisions also include updates to the market risk capital rules to improve alignment with the credit risk capital treatment of sovereign exposures. The revisions include: • How residential real estate exposures are identified as income-producing properties where repayment is materially dependent on cash flows generated by the property (for example, rental or leasing income, or from the sale of the property); • The treatment of certain U.S. government-sponsored entities (GSE) to better align	**Effective November 1, 2025 or January 1, 2026 for institutions with a fiscal year ending October 31 or December 31, respectively.**

	with their regulatory treatment in the U.S.; • Implementation considerations related to the treatment of Combined Loan Products (CLP) where multiple lending products are secured by the same property, and are providing banks with 18 months to implement any required changes into their internal models; • Market risk capital rules to improve alignment with the credit risk capital treatment of sovereign exposures. Sovereign exposures refer to a financial institution's exposure to a country's government or its central bank, for example through government bonds, treasury bills, or other loans made to a sovereign entity. The guideline also notes that increases to the Basel III standardized capital floor level for Canadian banks are deferred until further notice, as announced by the Superintendent in February 2025.	
September 11, 2025	Small and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements – Guideline (2026) OSFI has published this guideline to explain the criteria it uses to segment	**Effective November 1, 2025 or January 1, 2026, for institutions with a fiscal year ending October 31 or December 31, respectively.**

	small and medium-sized deposit-taking institutions (SMSBs) into three categories for the purposes of determining capital and liquidity requirements. Capital and liquidity requirements for SMSBs are detailed in the Capital Adequacy Requirements (CAR) Guideline, the Leverage Requirements (LR) Guideline and the Liquidity Adequacy Requirements (LAR) Guideline, which are referenced throughout. This guideline is a reference tool for SMSBs to clarify which parts of the CAR, LR and LAR are applicable to SMSBs in their category.	
September 11, 2025	Letter to Industry - Revision of OSFI's Approach Regarding Administrative Monetary Penalties This letter notifies Federally Regulated Financial Institutions and Foreign Bank Representative Offices of OSFI's revised approach for assessing Administrative Monetary Penalties to align with its risk appetite, which favours early intervention to address risks that could jeopardize the public's confidence in the soundness of the Canadian financial system. Section 26 of the *Office of the Superintendent of Financial Institutions Act* sets out the criteria that the Superintendent must consider in determining the amount of an administrative monetary penalty. OSFI is	**Revised approach effective for violations that occur after September 11, 2025, with exceptions:** **Contraventions occurring on or before September 11, 2025 but which are identified on or before December 31, 2026 will be captured by the pre-September 11, 2025 approach.**

	revising its approach to assessing these criteria to include: • Incorporating additional indicia for assessing the statutory penalty criteria; • A lower tolerance for contraventions such that penalties will be issued when we determine lower levels of negligence and harm; and • A revised scaling factor to determine appropriate AMP amounts for small and mid-sized financial institutions. A guide containing more information and instructions regarding the AMP assessment process will be published later in 2025.	
September 11, 2025	Backgrounder: Guideline E-15 - Appointed Actuary: Legal Requirements, Qualifications and Peer Review OSFI is making major changes to Guideline E-15 – *Appointed Actuary: Legal Requirements, Qualifications and Peer Review*. OSFI is: • Removing all content from Guideline E-15 that unnecessarily repeats requirements that already exist in the *Insurance Companies Act*; and • Eliminating the requirement for peer	**The elimination of peer review of an appointed actuary's work will take effect on January 1, 2027.**

	review of an appointed actuary's work.	
September 10, 2025	Internal Capital Adequacy Assessment Process Expectations and Related Internal Audit Requirements This communication from OSFI outlines its expectations with respect to: • The 2025 internal capital adequacy assessment process (ICAAP) submission; and • The internal audit review relating to ICAAP. It is aimed at all small and medium-sized banks (SMSBs) including Category III institutions that are using the simplified risk-based approach. OSFI will not be requesting that all SMSBs submit their 2025 ICAAP documents and internal audit of the ICAAP for the year 2025. Specific institutions, however, may be requested to submit their 2025 ICAAP and related internal audit as part of OSFI's ongoing supervisory process in 2026. OSFI stresses that the ICAAP is above all an important internal process; it should not be seen as a regulatory exercise. It expects that SMSBs' ICAAP should be updated as part of their annual planning process, and that all SMSBs	

	complete their ICAAP data return annually and file the return within 90 days of their fiscal year-end date through the Regulatory Reporting System. OSFI also commits to communicating to SMSBs, no later than September 30, 2025, specific risks and downturn severity for the prescribed single-factor stress tests that it expects institutions to undertake as part of the 2025 ICAAP and ICAAP data return.	
Bank of Canada		
September 8, 2025	Letter to Industry on Trust Tax Issue The Bank of Canada has reminded stakeholders that its mandate to supervise Payment Service Providers (PSPs) under the *Retail Payment Activities Act* (RPAA) is now in effect, (as of September 8, 2025), including regulatory obligations related to operational risk and end-user funds safeguarding. The Bank of Canada also notes that it and the Department of Finance are aware that PSPs seeking to comply with the safeguarding requirements of the RPAA using the "in trust in a trust account" method may have unintended tax consequences. These tax consequences, or unintended administrative burden, may arise for PSPs that retain interest income on	**Bank of Canada commenced its supervisory activities with respect to Payment Service Providers on September 8, 2025.**

	the end-user funds they hold in trust as required by the RPAA. The Bank of Canada will consider this matter when carrying out its supervisory activities. The Department of Finance and tax authorities are working with industry to try and resolve this issue.	
September 8, 2025	Payment Service Providers are now under Supervision – Registry to follow This news release informs the public and stakeholders that the Bank of Canada's mandate to supervise Payment Service Providers (PSPs) under the *Retail Payment Activities Act* (RPAA) is in place effective September 8, 2025. As such: • PSPs on the Applicant list are legally required to comply with RPAA obligations, including certain reporting requirements such as keeping information up to date on PSP Connect and replying to requests for information from the Bank. • The Bank of Canada can use enforcement tools to ensure these obligations are met by PSPs. The news release also notes that the Department of Finance continues to coordinate the screening of applicants for registration	**Bank of Canada commenced its supervisory activities with respect to Payment Service Providers on September 8, 2025.**

	under the Act, and that the Bank of Canada will begin publishing the Registry of PSPs and update it on a rolling basis.	
Finance Canada		
September 4, 2025	Deposit Insurance Review **Finance Canada, with the Canada Deposit Insurance Corporation, is undertaking a review of the federal deposit insurance framework. In general, it is seeking feedback about what changes to the** deposit insurance framework are needed, but it is interested specifically in hearing views on: • **Increasing the deposit insurance limit to $150,000 per deposit category;** • **Providing a deposit insurance limit of $500,000 per deposit category to non-retail depositors;** • **Extending coverage for temporary high balances for depositors experiencing significant life events, for an enumerated list of life events; for a period of six months; and with a deposit insurance limit of $1 million;** • **Streamlining the framework to four categories by**	**Deadline for comments or feedback was September 26, 2025**

	merging the registered and tax-free categories and making coverage for the merged category unlimited; and • **Enhancing depositor understanding through improved disclosure to require that a CDIC member institution provide its customers with tailored information explaining the amount of insured deposits that are held at that member institution for that customer.**	
Financial Consumer Agency of Canada (FCAC)		
Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)		
October 1, 2025	Reporting Listed Person or Entity Property to FINTRAC This updated guidance, which explains the requirement to report terrorist and sanctioned property to FINTRAC, has been updated to note that it replaces previous guidance, entitled Reporting terrorist property to FINTRAC. It has also been updated to remove information about the application of the guidance prior to October 1, 2025. It explains: • Who must comply;	**Updated October 1, 2025**

	• What is the Listed Person or Entity Property Report; • What is considered to be property; • What is a listed person or entity; • When to submit a Listed Person or Entity Property Report; • How a Listed Person or Entity Property Report differs from other reports submitted to FINTRAC; • How to submit a Listed Person or Entity Property Report to FINTRAC; • Other requirements associated with a Listed Person or Entity Property Report.	
September 9, 2025	FINTRAC's Requirements: Acquirer Services in Relation to Private Automated Banking Machines This guidance explains compliance requirements for entities engaged in the business of providing acquirer services in relation to a private automated banking machine under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and associated Regulations that apply to money services businesses and foreign money services businesses as applicable.	**Effective October 1, 2025**

	The guidance defines "acquirer" and "private automated banking machine", and explains the requirements for acquirer services, which include: • Register as a money services business; • Implement a compliance program; • Know your client; • Report transactions; • Keep records; • Apply ministerial directives. FINTRAC conducts compliance examinations to determine whether acquirer services are meeting their requirements under the law.	
September 9, 2025	FINTRAC's Requirements: Title Insurers This guidance explains compliance requirements for title insurers under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and associated Regulations. The guidance defines "title insurer" and "title insurance", and explains the requirements for title insurers, which include: • Implement a compliance program; • Know your client; • Report transactions; • Keep records; • Apply ministerial directives. FINTRAC conducts compliance examinations to	**Effective October 1, 2025**

	determine whether title insurers are meeting their requirements under the law.	
September 9, 2025	FINTRAC's Compliance Guidance: Record Keeping Requirements for Title Insurers This new guidance explains record keeping requirements for title insurers: it explains what records must be kept and what they must contain; title insurer responsibilities when maintaining records; exceptions to record keeping requirements.	**Added September 9, 2025**
September 9, 2025	FINTRAC's Compliance Guidance: When to Verify the Identity of Persons and Entities — Title Insurers FINTRAC has issued guidance that describes when title insurers must verify the identity of persons and entities as required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (the Act) and associated Regulations. The guidance identifies what persons or entities must be identified and specifies that steps to verify identify must be taken in the event of any suspicious transactions, and in the event of the provision of a title insurance policy.	**Added September 9, 2025**
September 9, 2025	FINTRAC's Compliance Guidance: Business Relationship Requirements FINTRAC has issued guidance that explains when	**Updated September 9, 2025**

	reporting entities enter into a business relationship with a client, and related obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and associated Regulations. It explains that it applies to all reporting entities, although some requirements and examples may only apply to certain reporting entities. "Business relationship" is defined in the guidance as "a relationship established between a reporting entity and a client to conduct financial transactions or provide services related to financial transactions". Further, it explains when, depending on the reporting entity sector, a business relationship has been entered into, and explains circumstances in which a business relationship has not been entered into. It specifies business relationship records that should be kept once the relationship has been entered into, and explains when a business relationship has ended.	
Payments Canada		
Bank for International Settlements (BIS)		
Financial Action Task Force (FATF)		

Financial Stability Board (FSB)		
International Association of Insurance Supervisors (IAIS)		
September 9, 2025	IAIS relaunches the ICP Self-Assessment Tool (SAT) IAIS has announced it has relaunched the ICP Self-Assessment Tool (SAT), which was previously hosted by the Access to Insurance Initiative (A2ii). The SAT is intended to allow insurance supervisors to assess compliance with Insurance Core Principles (ICPs), receive instant feedback, identify improvement areas and track progress towards meeting global standards. Using the SAT, self-assessments can be performed through structured questionnaires and scoring criteria, aligned with the methodology applied in the IAIS Peer Review Process (PRP).	**Launch announced September 9, 2025**
Legislation		
October 3, 2025	Bill C-8, *An Act respecting cyber security, amending the Telecommunications Act and making consequential amendments to other Acts* Bill C-8 received second reading in the House of Commons on October 3, 2025. It amends the *Office of the Superintendent of Financial Institutions Act* in connection with a new Act, the *Critical Cyber Systems*	**Act comes into force by proclamation.**

	Protection Act. The goal of the new Act is to provide a framework for the protection of the critical cyber systems of services and systems that are vital to national security or public safety and that are delivered or operated as part of a work, undertaking or business that is within the legislative authority of Parliament. This new Act would be administered by the OSFI.	
September 10, 2025	*Canada Deposit Insurance Corporation Differential Premiums By-law*, SOR/2025-165 The *Canada Deposit Insurance Corporation Differential Premiums By-law, SOR/2025-165* (the new By-law) repeals and replaces the current By-law, SOR/99-120. The new By-law: • Establishes a differential premiums system (DPS) that classifies member institutions into different categories; • Sets out the criteria, factors or procedures the Canada Deposit Insurance Corporation (CDIC) will consider or follow in determining the category in which a member institution is classified; and • Sets the amount of, or provides a manner of determining the amount of, the annual	**In force April 29, 2026, except section 14, which comes into force July 16, 2026**

	premium applicable to each category.	

Disclaimer

This Reporter is prepared as a service for our clients. It is not intended to be a complete statement of the law or an opinion on any subject. Although we endeavour to ensure its accuracy, no one should act upon it without a thorough examination of the law after the facts of a specific situation are considered.

To view the Reporter for previous months, please visit our Banking and Financial Services publications page.

By

Suhuyini Abudulai, Donna Spagnolo

Expertise

Banking & Financial Services, Financial Services

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 800 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary
Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa
World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver
1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal
1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2026 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.