

Federal Financial Institutions Legislative and Regulatory Reporter - April 2016

May 18, 2016

The Reporter provides a monthly summary of Canadian federal legislative and regulatory developments of relevance to federally regulated financial institutions.

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 2016

Institution	Published	Title and Brief Summary	Status
OSFI [Applicable to Banks, Bank Holding Companies, Federally Regulated Trust and Loan Companies, Cooperative Retail Associations]	Issued April 29, 2016	Updates to Chapter 6 of Guideline A — Capital Adequacy Requirements (CAR) The Office of the Superintendent of Financial Institutions Canada (OSFI) released for public consultation proposed updates to the regulatory capital requirements for loans secured by residential real estate. These updates will ensure that capital requirements remain prudent in periods where house prices are high relative to household	Comments should be provided no later than June 10, 2016

		<p>income and/or house prices are increasing rapidly in nominal terms. The proposed updates apply to those federally regulated deposit-taking institutions (DTIs) approved by OSFI to use the internal ratings-based (IRB) approach to credit risk.</p>	
<p>BIS/Basel [Applicable to banks]</p>	<p>Published April 21, 2016</p>	<p>Standards for interest rate risk in the banking book issued by the Basel Committee</p> <p>The standards revise the Committee's 2004 Principles for the management and supervision of interest rate risk, which set out supervisory expectations for banks' identification, measurement, monitoring and control of IRRBB as well as its supervision. The standards reflect changes in market and supervisory practices since the Principles were first published in 2004, which is particularly pertinent in light of the current exceptionally low interest rates in many jurisdictions.</p>	<p>Expected to be implemented by 2018</p>
<p>Finance</p>	<p>Introduced (H of C) April 20, 2016</p>	<p>Bill C-15 Budget Implementation Measures Act, 2016</p> <ul style="list-style-type: none"> • Division 3 of Part 4 amends the sunset provisions of certain Acts governing federal financial institutions to extend by two years, namely, 	<p>Second Reading May 10, 2016</p>

		<p>from March 29, 2017 to March 29, 2019, the period during which those institutions may carry on business.</p> <ul style="list-style-type: none"> • Division 4 of Part 4 amends the <i>Bank Act</i> to facilitate the continuance of local cooperative credit societies as federal credit unions by granting the Minister of Finance the authority to provide transitional procedural exemptions, as well as a loan guarantee. • Division 5 of Part 4 amends the <i>Canada Deposit Insurance Corporation Act</i> to, among other things, broaden the Corporation's powers to temporarily control or own a domestic systemically important bank and to convert certain shares and liabilities of such a bank into common shares. • It also amends the <i>Bank Act</i> to allow the designation of domestic 	
--	--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

		<p>systemically important banks by the Superintendent of Financial Institutions and to require such banks to maintain a minimum capacity to absorb losses.</p> <ul style="list-style-type: none"> • Lastly, it makes consequential amendments to the <i>Financial Administration Act</i>, the <i>Winding-up and Restructuring Act</i> and the <i>Payment Clearing and Settlement Act</i>. • Division 6 of Part 4 amends the <i>Office of the Superintendent of Financial Institutions Act</i> to change the membership of the committee established under that Act so that the Chairperson of the Canada Deposit Insurance Corporation is replaced by that Corporation's Chief Executive Officer. 	
<p>BIS/Basel [Applicable to banks]</p>	<p>Published April 14, 2016</p>	<p>Definitions and disclosure of non-performing exposures and forbearance proposed by the Basel Committee</p>	<p>Comments should be provided no later than July 15, 2016</p>

		<p>The definitions proposed by the Basel Committee aim to promote harmonisation in the measurement and application of two important measures of asset quality and thereby foster consistency in supervisory reporting and disclosures by banks.</p> <p>The proposed definitions complement the existing accounting and regulatory framework in relation to asset categorisation. They are intended to be used, for example, in the supervisory monitoring of a bank's asset quality as well as by banks in their credit risk management and as part of their internal credit categorisation systems.</p>	
<p>BIS/Basel</p> <p>[Applicable to banks]</p>	<p>Published April 6, 2016</p>	<p>Revisions to the Basel III leverage ratio framework</p> <p>The proposed revisions cover the following issues:</p> <ul style="list-style-type: none"> • measurement of derivative exposures; • treatment of regular-way purchases and sales of financial assets; • treatment of provisions; • credit conversion factors for off-balance sheet items; and • additional requirements for global systemically 	<p>Comments should be provided no later than July 6, 2016</p>

		<p>important banks.</p> <p>The final design and calibration of the proposals will be informed by a comprehensive quantitative impact study.</p>	
<p>BIS/Basel</p> <p>[Applicable to banks]</p>	<p>Published April 1, 2016</p>	<p>Regulatory consistency assessment programme (RCAP) — Analysis of risk-weighted assets for credit risk in the banking book</p> <p>This report is the second by the Basel Committee to analyse variation in risk-weighted assets (RWA) in banks using internal ratings-based models to calculate credit risk capital requirements. The study evaluates two types of risk estimates. First, it considers those risk estimates used for exposures to retail customers and small and medium-sized enterprises. Second, it explores the way banks evaluate the likely exposure at default across all asset classes.</p> <p>This report is part of the Committee's wider Regulatory Consistency Assessment Programme (RCAP), which is intended to ensure consistent implementation of the Basel III framework. Its analysis of regulatory outcomes complements other reports by the Committee on variation in RWA for market risk and counterparty credit risk, as well as an earlier</p>	

		report on RWA variation for credit risk published in July 2013.	
--	--	-----------------------------------------------------------------	--

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.

By

[Jeffrey S. Graham](#)

Expertise

[Banking & Financial Services](#), [Financial Services](#), [Energy - Oil & Gas Regulatory](#)

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.