# Federal financial institutions legislative and regulatory reporter – May 2021

**June 14, 2021**

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.

## May 2021

| Institution | Published | Title and Brief Summary | Status |
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| FSB | May 31, 2021 | FSB seeks feedback on its proposals for quantitative targets for enhancing cross-border payments<br><br>The Financial Stability Board (FSB) has published a public consultation on global targets for addressing the four challenges of cross-border payments. The quantitative targets proposed are a foundational step in the G20 roadmap for enhancing cross-border payments, which was endorsed by | Comments by July 16, 2021 |

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| | | G20 Leaders in November 2020.<br><br>The proposed targets have been developed so that they are directly related to the challenges, provide a clear indication of the extent of progress, are appropriately ambitious, can be readily communicated, and are meaningful to a wide range of stakeholders. They are designed to be a small number of high-level, simple targets focused on end-users. Targets are proposed across three market segments: wholesale payments; retail payments (involving non-financial corporates or public sector entities as payers or receivers and person-to-person (P2P) payments other than remittances); and remittances.<br><br>The FSB proposes end-2027 as a common target date for achieving the individual targets, with the exception of the remittance cost target, where a 2030 date has already been set within the United Nations Sustainable Development Group Goal (UN SDG) and endorsed by the G20. Progress towards meeting the targets will be monitored and | |

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| | | publicly reported over time.<br><br>The FSB is inviting comments on the proposed targets and the questions set out. By the time of the October final report setting the targets, the FSB will also develop an implementation approach for monitoring the targets that will set out:<br><br>i. how targets will be measured and data sources and data gaps to be filled;<br>ii. how progress towards meeting the targets will be monitored; and<br>iii. the frequency of data collection and publication.<br><br>The public consultation period closes on July 16, 2021. The final recommendations, taking on board feedback from the public consultation, will be delivered for endorsement at the G20 Summit in October 2021 and published. | |
| IAIS | May 25, 2021 | IAIS and SIF set out key recommendations for insurance supervisors to strengthen efforts to address climate-related | |

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| | | risks<br><br>The International Association of Insurance Supervisors (IAIS), in partnership with the United Nations-convened Sustainable Insurance Forum (SIF), published the application paper on the supervision of climate-related risks in the insurance sector. The paper provides insurance supervisors with concrete tools to further strengthen their efforts in assessing and addressing risks from climate change. It also sets out recommendations and examples of good practice consistent with the IAIS insurance core principles (ICPs).<br><br>Read the press release here.<br><br>Interested stakeholders were invited to a webinar providing more background on the paper and a question and answer session on June 9, from 13:00 – 14:00 CEST. More information and a registration link can be found here. | |
| Bank of Canada | May 20, 2021 | Release: Financial system review summary—2021<br><br>The Canadian financial system proved resilient during the COVID-19 pandemic—thanks to | |

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| | | strong risk management and unprecedented fiscal and monetary policy support.<br><br>In the Bank of Canada's 2021 financial system review, the bank:<br><br>• identifies the main forces that can affect financial stability in Canada; and<br>• explains how the bank and other policy-makers are helping to maintain financial system resilience as the economy continues to recover. | |
| FINTRAC | May 20, 2021 | FINTRAC signs a memorandum of understanding with the Society of Notaries Public of British Columbia<br><br>The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) announced that it has signed a memorandum of understanding (MOU) with the Society of Notaries Public of British Columbia (The Society) to allow for the sharing of compliance- | |

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| | | related information in order to help strengthen the compliance of the British Columbia notaries sector with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, and to reduce duplication of effort and compliance burden for notaries public in British Columbia.<br><br>Under this MOU, FINTRAC and The Society will share compliance-related information such as lists of person and entities subject to their respective acts and regulations as well as compliance examination plans resulting in more coordinated and risk-informed examinations.<br><br>The sharing of compliance-related information facilitated by this MOU will also help to enhance the knowledge and expertise of each organization regarding new and evolving risks and trends in the notaries sector in British Columbia and across Canada. | |
| OSFI | May 20, 2021 | Amendments to the minimum qualifying rate for uninsured mortgages<br><br>The Office of the Superintendent of | |

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| | | Financial Institutions (OSFI) announced that, effective June 1, the minimum qualifying rate for uninsured mortgages (*i.e.*, residential mortgages with a down payment of 20 per cent or more) will be the greater of the mortgage contract rate plus two per cent or 5.25 percent.<br><br>OSFI received over 170 submissions. It is clear that there are a wide range of issues facing homebuyers, including high indebtedness, rapidly rising home prices, housing supply, and competitive bidding. While some of the suggestions fall outside of OSFI's mandate, we have included a summary of the input received and our response for information.<br><br>With the finalization of this consultation, OSFI is also launching a new process to review and communicate the qualifying rate at a minimum annually, every December. This timing is set well in advance of the high-volume spring housing market.<br><br>• As of June 1, 2021, the revised calculation of the minimum | |

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| | | qualifying rate for uninsured mortgages will be:The greater of the contract rate plus 2 per cent or 5.25 per cent.<br>• OSFI will review and communicate the qualifying rate at a minimum annually, every December, well in advance of the high-volume housing spring season.<br><br>**Associated links**<br><br>• Consultation closing letter<br>• Consultation launch letter<br>• Revised consultation FAQ<br>• Revised Guideline B-20<br>• Guideline B-20 information sheet – February 2021 | |
| FINTRAC | May 18, 2021 | Notice on the Assessment of obligations coming into force on June 1, 2021<br><br>On June 1, 2021, amendments to certain regulations made under the *Proceeds of Crime (Money Laundering and Terrorist Financing Act* (PCMLTFA) (the amended regulations) | |

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| | | will come into force and create or change obligations for reporting entities (REs) that are subject to the PCMLTFA. The amendments were published in the Canada Gazette on July 10, 2019 and on June 10, 2020; they can be found here:<br><br>• Regulations amending certain regulations made under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, 2019 (SOR/2019-240)<br>• Regulations amending the regulations amending certain regulations made under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, 2019 (SOR/2020-112)<br><br>REs are required to comply with all the obligations under the PCMLTFA and associated regulations. FINTRAC understands that some REs may experience certain challenges in meeting | |

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| | | their obligations by June 1, 2021. Wherever possible, FINTRAC is committed to working constructively with REs. | |
| OSFI | May 17, 2021 | Consultation Response: OSFI's activities on anti-money laundering/anti-terrorist financing (AML/ATF) supervision<br><br>OSFI and FINTRAC continue to work together to eliminate duplication and redundancy in the application of AML/ATF regulatory requirements for federally regulated financial institutions (FRFIs).<br><br>On October 16, 2020, OSFI issued an industry letter seeking FRFI views on the ongoing relevance of OSFI's Guideline B-8 (Deterring & detecting money laundering and terrorist financing), given FINTRAC's role as the Canadian federal supervisor for AML/ATF. Specifically, the consultation, which closed on November 30, 2020, sought FRFI views on:<br><br>• whether Guideline B-8 should be rescinded in full, or if elements of | |

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| | | Guideline B-8 should be maintained and incorporated in a revised Guideline E-13 (Compliance Management); and<br>• whether further amendments to Guideline E-13 are needed in relation to AML/ATF supervision, or to clarify OSFI's expectations for compliance risk management more broadly.<br><br>In response to consultation feedback, ***OSFI will rescind Guideline B-8 on July 26, 2021.***<br><br>***No corresponding amendments will be made to Guideline E-13***; OSFI's expectations for compliance risk management enable appropriate oversight of the prudential implications of AML/ATF compliance. Further, other OSFI guidance will be amended, as required (*e.g.*, to remove references to Guideline B-8). OSFI expects to undertake a comprehensive review of Guideline E-13 in 2022, which will focus | |

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| | | on OSFI's compliance risk management approach more generally.<br><br>OSFI and FINTRAC are planning a joint information session for early fall 2021 to explain how OSFI and FINTRAC will work together, and to answer industry questions. | |
| IAIA | May 18, 2021 | Public consultation: Draft revised application paper on combating money laundering and terrorist financing<br><br>The IAIS published the application paper on combating money laundering and terrorist financing in October 2013 in order to provide additional guidance regarding money laundering and terrorist financing risks affecting the insurance industry. The paper was primarily based on the then-current version of ICP 22 and on the FATF recommendations, as revised in 2012.<br><br>Following various updates of the FATF recommendations in recent years and publication in 2018 of the revised FATF guidance for a risk-based approach in the life insurance sector, the IAIS revised ICP 22 | Comments by July 17, 2021 |

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| | | (which was adopted by the IAIS general meeting in Abu Dhabi on November 14, 2019).<br><br>In light of these developments, the IAIS has prepared a revision of the paper and is now seeking feedback on this revised paper through public consultation. Feedback is invited by July 17, 2021. Feedback received by this deadline will enable the IAIS to further develop the revised paper for finalization. After this deadline, the consultation tool will be closed and it will no longer be possible to submit any further comments.<br><br>A public background session will be held via webinar on June 2, 2021 to describe this public consultation, share its scope, objective and content as well as answer your questions.<br><br>Under IAIS procedures, an application paper can provide additional material related to ICPs or ComFrame that help with practical application, but does not establish new standards. Application aapers can provide examples of good | |

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| | | practices, as well as further advice and recommendations on how ICPs and/or ComFrame may be implemented. | |
| OSFI | May 10, 2021 | Results summary: Technology risk consultation<br><br>On September 15, 2020, OSFI released Developing financial sector resilience in a digital world (Discussion Paper). OSFI sought feedback on a range of technology-related risk areas, with a focus on cyber security, advanced analytics, and the technology third party ecosystem.<br><br>In response to the consultation, which closed on December 15, 2020, OSFI received over 50 submissions from a diverse group of respondents including FRFIs, industry associations, technology companies and consulting firms.<br><br>There was broad support for OSFI's emerging principles-based and technology-neutral perspectives on technology risk management, as presented in the Discussion Paper. Respondents indicated that OSFI should first leverage its existing | |

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| | | guidance, and align any additional guidance with existing international and IT standards. The attached annex provides a brief summary of responses to the consultation.<br><br>Respondents will have additional opportunities to provide feedback on specific OSFI proposals prior to the issuance of any final guidance. More information is available in OSFI's near-term plan of prudential policy. | |
| OSFI | May 6, 2021 | OSFI releases an updated forward policy planner<br><br>OSFI released its prudential policy priorities for the next year. This plan builds on lessons and work throughout the COVID-19 pandemic. It sets out clear priorities and timelines to develop policies and guidance that will support continued resilience of banks, insurers and federally regulated private pension plans.<br><br>While the updated plan contains a number of specific guidance initiatives, three main themes drive the focus over the next year. They are: | |

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| | | 1. Risk management guidance<br>2. Capital and accounting guidance<br>3. Federally regulated private pension plans<br><br>Through these efforts, and continued consultations, OSFI is working to improve the existing regulatory frameworks and thereby further enhance the safety and soundness of Canadian banks, insurers and federal private pension plans. | |
| OSFI | May 5, 2021 | Final instruction guide – Termination of a defined benefit pension plan<br><br>OSFI is issuing the final version of the Instruction Guide for the Termination of a Defined Benefit Pension Plan (the Instruction Guide). The Instruction Guide sets out the filing and reporting requirements for a defined benefit pension plan that has terminated, in whole or in part, under the *Pension Benefits Standards Act, 1985*. These requirements also apply to plans with both a defined benefit and a defined contribution | |

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| | | component.<br><br>The following changes were made to the Instruction Guide since the draft version was first issued:<br><br>• Section 5.3 – Member portability options<br>• Added wording regarding acceptable payment options when a member does not respond to options offered in their plan termination package.<br>• Section 6.2 – Content of the termination report<br>• An added paragraph to reflect the requirement from the 2020 agreement respecting multijurisdictional pension plans for an asset allocation between jurisdictions if a multi-jurisdictional pension plan terminates with insufficient assets to pay all benefits.<br>• Section 7 – Locating members, former | |

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| | | members or other persons<br>• Added wording regarding acceptable payment options when a member cannot be located.<br><br>Questions and comments concerning these changes or any of OSFI's other requirements or expectations set out in the Instruction Guide may be sent to pensions@osfi-bsif.gc.ca. | |
| OSFI | May 4, 2021 | Public consultation: 2023 Basel capital adequacy reporting (BCAR) and leverage requirements return (LRR)<br><br>On March 11, 2021, OSFI launched an industry consultation on proposed regulatory changes to introduce the latest and final round of Basel III reforms into its capital, leverage and liquidity requirements, and related disclosure guidelines for banks. OSFI stated it would undertake public consultations on corresponding changes to the related regulatory returns separately in 2021 and 2022. The proposed revisions to the BCAR and LRR reflect this, | Comments by July 9, 2021 |

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| | | and they include specific requirements applicable to small and medium-sized deposit-taking institutions (SMSBs).<br><br>In addition, the BCAR regulatory return will transition to XML filing format from the current '.dat' filing format effective for the Q1 2023 filing period and subsequent periods. The transition is driven by the upcoming changes to the BCAR regulatory return and to support system scalability and enhancements. OSFI will support this transition by providing clear specifications, guidance and tools (*e.g.*, XML/XSD files, technical specifications, instructions).<br><br>Questions and comments should be sent to OSFI by email at BCARconsultations@osfi-bsif.gc.ca no later than July 9, 2021. | |
| IAIS | May 4, 2021 | IAIS completes key milestone in aggregation method comparability assessment project<br><br>The IAIS has progressed its work on the comparability assessment project – an initiative that will ascertain whether the | |

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| | | aggregation method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). The definition of comparable outcomes and the high-level principles to inform the development of the comparability criteria have been finalized, following public consultation. The resolution of comments marks an important step in the comparability assessment project.<br><br>Read the press release here. | |
| FINTRAC | May 2021 | Frequently asked questions about domestic politically exposed persons and heads of international organizations (HIOs)<br><br>FINTRAC has provided a FAQ on domestic politically exposed persons (PEPs) and heads of international organizations (HIOs) and its associated requirements.<br><br>All businesses (commonly referred to as “reporting entities” in FINTRAC guidance) covered under the PCMLTFA and associated regulations, must have a process in place to determine if persons (that is, clients) are domestic PEPs, HIOs, or family | |

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| | | members or close associates of a domestic PEP or HIO. When these businesses determine that a person is a domestic PEP, HIO, or a family member or close associate of a domestic PEP or HIO, as applicable, they may need to take other steps or obtain more information about the person in order to meet their legal requirements. This means that if a person is a domestic PEP, HIO, or family member or close associate of a domestic PEP or HIO, these business requirements could impact them if they conduct transactions or carry out activities with a business covered under the PCMLTFA and associated regulations.<br><br>For information on foreign PEPs and associated requirements, see FINTRACs KYC guidance addressing PEP and HIO. | |
| FINTRAC | May 2021 | Updated guidance: Compliance program requirements<br><br>This updated guidance outlines the compliance program requirements under the PCMLTFA and associated regulations that apply | Effective June 1, 2021 |

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| | | to all REs as of June 1, 2021 | |
| FINTRAC | May 2021 | Updated Guidance: Methods to verify the identity of persons and entities<br><br>The requirement to verify the identity of a person or an entity under the PCMLTFA and associated regulations applies to all Res. This guidance explains the methods that can be used to verify the identity of a person or an entity. For specific information on when to verify the identity of a person or an entity (the timing requirement), see your RE sector's guidance on when to verify the identity of persons and entities. | Effective June 1, 2021 |
| FINTRAC | May 2021 | Updated guidance: Third party determination requirements<br><br>The Financial Action Task Force (FATF), the Egmont Group and other anti-money laundering and anti-terrorist financing authoritative bodies have observed that third parties have been used in several money laundering and terrorist financing cases. It is not uncommon for criminals to use third parties as a method to evade detection by distancing themselves | Effective June 1, 2021 |

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| | | from the proceeds of crime.<br><br>This guidance explains the third party determination requirements under the PCMLTFA and associated regulations. These requirements apply to all reporting entity (RE) sectors, but only to certain transactions and activities, as specified in this guidance. | |
| FINTRAC | May 2021 | Updated guidance: Reporting terrorist property to FINTRAC<br><br>Terrorist property reporting requirements under the PCMLTFA and associated regulations are applicable to all reporting entity (RE) sectors.<br><br>Specifically, while you have the obligation to submit a Terrorist Property Report (TPR) to FINTRAC under PCMLTFA and associated regulations, this obligation is triggered when you are required to make a disclosure under subsection 83.1 of the *Criminal Code* (Canada) or section 8 of the *Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism* (RIUNRST). It is therefore important | Effective June 1, 2021 |

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| | | for REs to familiarize themselves with their *Criminal Code* and RIUNRST obligations in order to be able to comply with applicable TPR obligations under the PCMLTFA. As required by the *Criminal Code* or the RIUNRST, you may also have additional activities associated to these obligations. Further, you may be subject to additional obligations regarding terrorist groups, listed persons and other sanctioned individuals and entities (known as "Designated Persons"). These obligations fall outside of the scope of the PCMLTFA and associated regulations and will **not** be addressed in this guidance. More information with respect to these obligations can be found under various Canadian statutes and regulations. | |
| FINTRAC | May 2021 | Updated guidance: Prepaid payment products and prepaid payment product accounts<br><br>The guidance explains the requirements under the PCMLTFA and associated regulations related to prepaid payment products (PPPs) and PPP accounts. | Effective June 1, 2021 |

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| FINTRAC | May 2021 | Updated guidance: Transaction reporting guidance: The 24-hour rule<br><br>This guidance describes when REs must consider multiple transactions within a 24-hour period as a “single transaction.” The 24-hour rule applies to all REs as required by the PCMLTFA and associated regulations.<br><br>From June 1, these obligations will apply only to the reporting of large virtual currency transactions. The obligations will apply to large cash transactions, electronic funds transfers, and casino disbursements when FINTRAC updates the report forms for those transactions. Until then, REs should continue to apply the 24-hour rule as outlined in FIN 4 (pre-June 1, 2021). Further details are found in the Notice on forthcoming regulatory amendments and flexibility and the message concerning FINTRAC's Implementation of regulatory amendments. | Effective June 1, 2021 |
| FINTRAC | May 2021 | Updated guidance: Travel rule for electronic funds and virtual currency | Effective June 1, 2021 |

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| | | transfers<br><br>This guidance is applicable to financial entities (FEs), money services businesses (MSBs), foreign money services businesses (FMSBs), and casinos. It explains requirement under the PCMLTFA and associated Regulations to include or obtain certain information in relation to an electronic funds transfer (EFT) or a virtual currency (VC) transfer (*i.e.*, the "travel rule"). | |

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By

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