Federal Financial Institutions Legislative and Regulatory Reporter — July 2018

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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.

July

Institution	Published	Title and Brief Summary	Status
IAIS [Applicable to insurance companies]	July 31, 2018	Public Consultation on Risk-based Global Insurance Capital Standard (ICS) and Draft Overall ComFrame The Risk-based Global Insurance Capital Standard consultation document solicits feedback from stakeholders on the Insurance Capital Standard (ICS) ahead of the completion of ICS Version 2.0, scheduled for late 2019, before the monitoring period begins on January, 1 2020. This consultation document covers both issues related to the ICS Version 2.0 monitoring period and the	Comments should be provided for both consultations by October 30, 2018.

		technical aspects of the design and calibration of ICS Version 2.0. The IAIS is also consulting on the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs) (ComFrame). While ICS is part of the ComFrame, it was agreed by the Executive Committee of the IAIS in June 2017 that ICS Version 2.0 would be adopted as a standalone document in 2019. As such, there are two separate consultation documents.	
OSFI [Banks, Bank Holding Companies, Federally Regulated Trust and Loan Companies, Cooperative Retail Associations]	July 16, 2018	OSFI seeks industry input on the domestic implementation of final Basel III reforms The final Basel III reforms include changes to the credit risk, operational risk, leverage ratio and credit valuation adjustment frameworks, as well as to the capital floor. The discussion paper provides stakeholders with OSFI's preliminary views on the scope and timing of the domestic implementation of the final Basel III reforms in Canada. It also includes a series of questions seeking feedback from stakeholders on specific issues, including where OSFI is proposing modifications to better fit	Comments should be provided by October 19, 2018

		the Canadian market. The proposals in the discussion paper apply to all deposit-taking institutions. However, OSFI will propose future changes to the domestic capital framework to ensure requirements are reflective of the risks faced by institutions that do not use internal models for regulatory capital purposes. Industry feedback on these changes will be sought through a separate consultation process.	
OSFI [Banks, Bank Holding Companies, Federally Regulated Trust and Loan Companies, Cooperative Retail Associations]	July 7, 2018	Changes to the Capital Adequacy Requirements (CAR) Guideline The main revisions to the CAR Guideline are related to the domestic implementation of the standardized approach to counterparty credit risk and the revisions to the capital requirements for bank exposures to central counterparties as well as revisions to the securitization framework. OSFI has also clarified the capital treatment for right-of-use assets resulting from the adoption of IFRS16 beginning in Q1 2019. This treatment will become effective for institutions upon their adoption of IFRS16. In addition to the above changes:	Comments should be provided by August 31, 2018.

		• OSFI is incorporating the changes to the capital floor and has also removed the Credit Valuation Adjustment phase-in and other transitional arrangements that conclude at the end of 2018. • OSFI is recognizing Kroll Bond Rating Agency Inc. as an eligible external credit assessment institution for capital purposes, effective immediately. • OSFI has also provided clarifications throughout the CAR Guideline in response to questions received from the industry as part of its regular annual updates.	
Financial Action Task Force (FATF)	July 6, 2018	Public Consultation on the Draft Risk-Based Approach Guidance for the Life Insurance Sector The Financial Action Task Force (FATF) is developing guidance to assist countries, competent authorities, insurers and insurance intermediaries in the application of a risk-based approach to Anti-Money	Comments period ended on August 17, 2018.

		Laundering/Countering the Financing of Terrorism. The guidance is intended to provide support both to the private sector and to supervisors by focusing on Money Laundering/Terrorist Financing (ML/TF) risks and associated mitigation measures. The FATF is consulting private-sector stakeholders before the guidance is finalised, and wishes to receive stakeholder views on, and specific proposals to the text of the *Draft RBA Guidance Life Insurance*. The draft guidance contains a section on guidance for the private sector. It also includes examples of risk factors relevant for the ML/TF risk assessments of insurance entities (Annex D).	
BIS/ Basel [Applicable to banks]	July 5, 2018	Global systemically important banks: revised assessment methodology and the higher loss absorbency requirement The Basel Committee on Banking Supervision (the Committee) has reconfirmed the fundamental structure of the global systemically important bank (G-SIB) framework. There is general recognition that the framework is meeting its primary objective of requiring G-SIBs to hold higher capital buffers and providing incentives for	The revised methodology is expected to be implemented in member jurisdictions by 2021

		such firms to reduce their systemic importance. The decision to maintain the core elements of the G-SIB framework will further contribute to the stability of the regulatory environment after the recent finalisation of the Basel IIII post-crisis reforms. The Committee agreed to the following enhancements to the G-SIB framework: • Amending the definition of cross-jurisdictional indicators consistent with the definition of BIS consolidated statistics; • Introducing a trading volume indicator and modifying the weights in the substitutability category; • Extending the scope of consolidation to insurance subsidiaries; • Revising the disclosure requirements; • Providing further guidance on bucket migration and associated higher loss absorbency surcharge when a G-SIB moves to a lower bucket;	

		and • Adopting a transitional schedule for the implementation of these enhancements to the G-SIB framework. The Committee reconfirmed the three-year cycle for reviewing the G-SIB framework established when it was first published. In particular, the Committee will pay attention to alternative methodologies for the substitutability category, so as to allow the cap to be removed at that time.	
Finance Canada	June 21, 2018	*Budget Implementation Act, 2018, No. 1*., S.C. 2018, c. 12 Division 4 of Part 6 amends the *Bank of Canada Act* to ensure that the Bank of Canada may continue to buy and sell securities issued or guaranteed by the government of the United Kingdom if that country ceases to be a member state of the European Union.	Not yet effective
		Division 6 of Part 6 amends the *Bank of Canada Act* to require the Bank of Canada to make adequate arrangements for the removal from circulation in Canada of its bank notes that are worn or mutilated or that are the subject of an order made under paragraph	Effective June 21, 2018

		9(1)(b) of the *Currency Act*.	
		Division 7 of Part 6 amends the *Payment Clearing and Settlement Act* in order to implement a framework for resolution of clearing and settlement systems and clearing houses, and to protect information related to oversight, by the Bank of Canada, of clearing and settlement systems.	Not yet effective
		Division 16 of Part 6 amends certain acts governing federal financial institutions and related acts to, among other things: • Extend the scope of activities related to financial services in which federal financial institutions may engage, including activities related to financial technology, as well as modernize certain provisions applicable to information processing and information technology activities (Subdivision A); • Permit life companies, fraternal benefit societies and insurance holding companies to make long-term investments in	Subdivision A not yet effective (except ss. 310(2), 316(2), 324(2), 329(2) and 340(1), in force on June 21, 2018 Subdivision B not yet effective (except s. 349, in force June 21, 2018 Subdivision D effective June 21, 2018 Subdivision D effective June 21, 2018

		permitted infrastructure entities to obtain predictable returns under the *Insurance Companies Act* (Subdivision B); • Provide prudentially regulated deposit-taking institutions, such as credit unions, with the ability to use generic bank terms under the *Bank Act*, subject to disclosure requirements, as well as provide the Superintendent of Financial Institutions with additional enforcement tools under the *Bank Act* and the *Office of the Superintendent of Financial Institutions Act*, and clarify existing provisions of the *Bank Act* (Subdivision C); and • Modify sunset provisions in certain acts governing federal financial institutions to extend by five years, after the day on which this act receives Royal Assent, the period during	

		which those institutions may carry on business (Subdivision D).	

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