Federal Financial Institutions Legislative and Regulatory Reporter

September 27, 2017

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.

August

Institution	Published	Title and Brief Summary	Status
OSFI [Banks, Bank Holding Companies, Federally Regulated Trust and Loan Companies, Cooperative Retail Associations]	Published August 21, 2017	Changes to Guideline A — Capital Adequacy Requirements (CAR) OSFI's revisions to the CAR clarify treatment of allowances in anticipation of the expected adoption of IFRS 9 by deposit-taking institutions in 2018 and clarify a number of items throughout the guideline in response to enquiries received from stakeholders. OSFI's intention is to implement these rules in Q1 of 2018.	Comments should be provided by September 29, 2017
OSFI [Non-bank financial service providers,	Published August 11, 2017	Advisory 2017-01 — Notice of suspension	Effective

including both federally regulated trust and loan companies, provincially regulated institutions and unregulated financial service providers]		On June 30, 2017, the Office of the Superintendent of Financial Institutions Canada ("OSFI") issued Advisory 2017-01, which sets out how OSFI interprets and administers the *Bank Act* restrictions on the use of the words "bank", "banker" and "banking". On August 11, 2017, the Department of Finance released the second consultation paper as part of its review of the federal financial sector framework. This paper seeks views on the *Bank Act* restrictions on the use of the words "bank", "banker" and "banking". As a result, OSFI is suspending the compliance expectations set out in its June 30 cover note to the Advisory.	
Finance	Published August 11, 2017	Potential Policy Measures to Support a Strong and Growing Economy: Positioning Canada's Financial Sector for the Future This paper launches the second stage of the renewal of Canada's federal financial institutions statutes. The Department of Finance Canada is consulting on potential policy measures that could lead to consideration of legislation in Parliament prior to the statutory sunset date of March 29,	Comments should be provided by September 29, 2017

		2019, or inform the Department's longer-term approaches to the financial sector.	
IAIS [Applicable to insurance companies]	Published August 1, 2017	Revision of ICP 24—Macroprudential Surveillance and Insurance Supervision As publicly announced in February 2017, as part of the next three-year cycle for reviewing its approach to systemic risk assessment scheduled to conclude in 2019, the IAIS is developing an activities-based approach to systemic risk assessment in the insurance sector and has adopted a systemic risk assessment and policy workplan to put this into effect. As this work will likely have implications for existing and recently consulted upon ICPs, the relevant ICPs will be reviewed once the work on activities-based approach is concluded and revisions made as appropriate.	Comments should be provided by October 1, 2017

July

Institution	Published	Title and Brief Summary	Status
Payment Canada	Published July, 28 2017	Payments Canada: AFT Enhancements Payments Canada is enhancing Automated Funds Transfer ("AFT") to enable new features like same-day payroll, expedited bill payments,	Effective September 17, 2018

		faster settlement of invoices, and to help move away from paper and cheques. These enhancements will be implemented using a phased approach with initial focus on Phase 1 which enables the 3rd daily exchange and faster funds availability. To accommodate the implementation of Phase 1, amendments to several ACSS Rules (F1, F4, F7, K8 and G12) have been proposed and approved by the Payments Canada Board of Directors .	
OSFI [Federally Regulated Life Insurance Companies (including Fraternal Benefit Societies) and Insurance Holding Companies]	Published July 21, 2017	Life Insurance Capital Adequacy Test (LICAT) Public Disclosures Requirements LICAT is a capital solvency framework that measures the overall quality of available capital, and aligns the measurement of risk with the economic realities of the life insurance business. This guideline clarifies OSFI's expectations regarding simple, useful and comparable public disclosures for federally regulated life insurance companies and insurance holding companies.	Comments should be provided by October 20, 2017
Finance	Published (Gazette) – July 15, 2017	Proposed By-law Amending the Canada Deposit Insurance Corporation Deposit Insurance Information By-	Comments should be provided by August 15, 2017

		law To enhance clear, simple and not misleading information to depositors, the amendments will: (1) require members to provide depositors, when opening an eligible deposit account, with a CDIC brochure containing information about deposit insurance (2) require increased disclosures by member institutions about trade names used in the course of a member institution's eligible deposit-taking business (3) remove the requirement for member institutions to negative stamp advertisements for money market mutual funds. To ensure that all depositors receive useful information on deposit insurance at the appropriate time, prominently displayed across all distribution channels, the amendment proposed to include updates to the terminology used in the By-law to capture various electronic business channels used for deposit-taking activities, expanded and enhanced in-branch display requirements for the CDIC membership sign, and expanded and enhanced electronic banking display requirements for the CDIC membership sign and the CDIC brochure.	

OSFI [Federally regulated insurers]	Published July 14, 2017	Own Risk and Solvency Assessment (ORSA)- Draft Guideline The ORSA should serve as a tool to enhance an insurer's understanding of the interrelationships between its risk profile and capital needs. The ORSA should consider all reasonably foreseeable and relevant material risks, be forward-looking and be congruent with an insurer's business and strategic planning.	Effective January 1, 2018
Finance	Published July 7, 2017	A New Retail Payments Oversight Framework The current oversight of retail payments in Canada is largely based on an institutional approach where rules target specific types of payment service providers such as banks and card network operators. However, other retail payment service providers ("PSPs") are not currently subject to a comprehensive oversight framework. The Task Force for the Payments System Review recommended an overhaul of Canada's payment system oversight that includes the adoption of a functional approach, so that risks associated with a particular payment function are treated similarly regardless of the type of organization providing the service. A functional approach is consistent with recent	Comments should be provided by October 6, 2017

		international trends in payments oversight.	
Financial Stability Board ("FSB")	Published July 6, 2017	Guiding Principles on the Internal Total Loss-Absorbing Capacity of G-SIBs ("Internal TLAC') In November 2015 the FSB released the Total Loss-Absorbing Capacity ("TLAC") standard to be applied to global systemically important banks ("G-SIBs"). The TLAC standard is designed so that if a G-SIB fails it has sufficient loss-absorbing and recapitalisation capacity available to implement an orderly resolution that minimises impacts on financial stability, ensures the continuity of critical functions and avoids exposing public funds to loss.	Effective
Financial Stability Board ("FSB")	Published July 6, 2017	Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution This report sets out guidance on how firms that have entered resolution should continue to have access to financial market infrastructures ("FMIs"). A key objective of effective resolution is to maintain the continuity of a firm's critical functions. This requires a firm in resolution to maintain the continued access to clearing, payment, settlement, custody and	Effective

		other services by FMIs. The guidance sets out arrangements and safeguards to facilitate continuity of access to FMIs for a firm in resolution that apply at the level of the providers of FMI services, at the level of FMI participants and at the level of the relevant resolution and FMI authorities.	
Bank for International Settlements	Published July 6, 2017	Capital treatment for simple, transparent and comparable short-term securitisations — consultative document The consultative document sets out additional guidance and requirements for the purpose of applying preferential regulatory capital treatment for banks acting as investors in or as sponsors of simple, transparent and comparable ("STC") short-term securitisations, typically in asset-backed commercial paper ("ABCP") structures.	Comments should be provided by October 5, 2017
Bank for International Settlements	Published July 6, 2017	Criteria for identifying simple, transparent and comparable short-term securitisations — consultative document The short-term STC criteria maintain and build on the principles in the *Criteria for identifying simple, transparent and comparable securitisations* issued by BCBS-IOSCO in July 2015. The criteria published today take	Comments should be provided by October 5, 2017.

		account of the characteristics of asset-backed commercial paper ("ABCP") conduits, such as (i) the short maturity of the commercial paper issued, (ii) the different forms of programme structures and (iii) the existence of multiple forms of liquidity and credit support facilities.	
OSFI [All Federally Regulated Financial Institutions]	Published July 6, 2017	Draft Guideline — Residential Mortgage Underwriting Practices and Procedures OSFI is releasing draft changes to Guideline B-20 for public consultation. The changes align language throughout the guideline with OSFI's July 2016 letter and clarify and strengthen expectations in a number of specific areas, including; • Requiring a qualifying stress test for all uninsured mortgages; • Requiring that Loan-to-Value (LTV) measurements remain dynamic and adjust for local market conditions where they are used as a risk control, such as for qualifying borrowers; • Expressly prohibiting co-lending arrangements	Comments should be provided by August 17, 2017

		that are designed, or appear to be designed to circumvent regulatory requirements.	
Financial Stability Board (FSB)	Published July 5, 2017	Guidance on Central Counterparty Resolution and Resolution Planning The guidance complements the FSB *Key Attributes of Effective Resolution Regimes* by providing guidance on implementing the *Key Attributes* in resolution arrangements for CCPs. The guidance sets out powers for resolution authorities to maintain the continuity of critical CCP functions; discusses the use of loss allocation tools; and describes steps authorities should take to establish crisis management groups for relevant CCPs and develop resolution plans.	Effective

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