Federal Financial Institutions Legislative and Regulatory Reporter - July and August 2019

September 11, 2019

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.

The July 2019 edition follows below.

August

Institution	Published	Title and Brief Summary	Status
OSFI (Federally Regulated Insurers (FRIs))	August 13, 2019	OSFI's Activities with respect to IFRS 17 On June 26, 2019, the International Accounting Standards Board (IASB) released an exposure draft proposing amendments to International Financial Reporting Standard 17 - Insurance Contracts (IFRS 17), one of which is a deferral of the effective date by one year to January 1, 2022. If the IASB approves the amendments to IFRS 17	Effective

		and the Canadian Accounting Standards Board incorporates them into the CPA Canada Handbook, OSFI will revise its publicly posted advisories and update the timeline for the key milestones communicated in its June 27, 2018 Capital letter accordingly. In the fall of 2019, OSFI will hold consultative discussions on IFRS 17 Accounting Policy choices with FRIs to understand positions taken and determine if there is consistency and /or comparability of IFRS 17 application across the Canadian industry. If the IASB approves the new IFRS 17 effective date, OSFI expects to add another directed consultation with regard to adapting the insurance capital guidance for IFRS 17 in June 2020. The directed consultation will cover near-final LICAT and MCT 2022 guidelines, forms, and QIS 2. OSFI intends to finalize the LICAT and MCT 2022 guidelines in 2021. In June 2019, the insurance industry was provided with draft regulatory returns updated for IFRS 17. OSFI's goal is to launch a public consultation on the draft regulatory returns in November 2019. OSFI intends to finalize the regulatory returns by June	

		2020. OSFI will continue to monitor IFRS 17 progress through semi-annual progress reports submitted by FRIs.	

July 2019

Comments should be submitted by September 27, 2019

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Bank for International Settlements	July 23, 2019	Margin requirements for non-centrally cleared derivatives The Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO) have revised the framework for margin requirements for non-centrally cleared derivatives. Relative to the 2015 framework, the revisions extend by one year the final implementation of the margin requirements. With this extension, the final implementation phase will take place on 1 September 2021. To facilitate this extension, the Basel Committee and IOSCO have also introduced an additional implementation phase that begins on 1 September 2020.	Effective September 1, 2020

Financial Stability Board	July 19, 2019	Regulatory framework for haircuts on non-centrally cleared securities financing transactions The Financial Stability Board has announced adjustments to the implementation timelines for its recommendations on securities financing transactions (SFTs), specifically the Regulatory framework for haircuts on non-centrally cleared securities financing transactions. The framework aims to address financial stability risks associated with SFTs, setting out numerical haircut floors to apply to non-bank-to-non-bank SFTs. The report was originally published on 12 November 2015; the timelines for recommendations 14 to 18 in Annex 1 have now been adjusted, and the Annex re-published.	Recommendation 14 effective January 2022 Recommendation 15 effective January 2024 Recommendation 16 effective January 2021 Recommendation 17 effective January 2023 Recommendation 18 effective January 2022
OSFI (Banks, Bank Holding Companies, Federally Regulated Trust and Loan Companies)	July 18, 2019	Use of the Advanced Measurement Approach for Operational Risk Capital OSFI is revising its capital requirements for operational risk applicable to deposit-taking institutions (DTIs) considering the final Basel III revisions published by the Basel Committee on Banking Supervision in December 2017. Institutions currently approved to use the Advanced Measurement	Effective

		Approach (AMA) will be required to use a revised Basel III Standardized Approach when the revised requirements are implemented in Canada in Q1 2021. Consistent with OSFI's Guideline E-21, *Operational Risk Management*, OSFI expects larger, more complex banks to continue using internal and external loss data and scenario analysis in their operational risk management frameworks. Banks currently using the AMA approach will no longer be required to use Business Environment and Internal Control Factors in their operational risk management frameworks after Q4 2019.	
OSFI (Banks, Bank Holding Companies, Federally Regulated Trust and Loan Companies)	July 18, 2019	Draft Guideline: Guideline B-6 – Liquidity Principles OSFI is issuing proposed revisions to its *Guideline B-6 – Liquidity principles* for consultation. Guideline B-6 sets out OSFI's expectations around the management of liquidity risk for banks, bank holding companies and federally regulated trust and loan companies. Together with the Liquidity Adequacy Requirements (LAR) Guideline, which outlines a set of quantitative liquidity standards and metrics, it forms the framework under which OSFI	Comments should be received by September 13, 2019

		assesses the liquidity adequacy of the institutions it supervises. The changes proposed aim to ensure that the guideline remains current and relevant as well as appropriate for the scale and complexity of institutions. In addition, the updated guidance clarifies OSFI's expectations regarding institutions' liquidity risk management practices. OSFI is targeting implementation of the proposed revisions to Guideline B-6 for January 1, 2020.	
OSFI	July 11, 2019	Advancing Proportionality: Tailoring Capital and Liquidity Requirements for Small and Medium-Sized Deposit-Taking Institutions The Office of the Superintendent of Financial Institutions (OSFI) has released a discussion paper titled *Advancing Proportionality: Tailoring Capital and Liquidity Requirements for Small and Medium-Sized Deposit-Taking Institutions.* The paper seeks input on possible changes to capital and liquidity requirements for small and medium-sized deposit-taking institutions, and outlines OSFI's initiative to develop more tailored requirements that take into account their	

		unique nature. As new capital and liquidity standards are developed internationally and implemented domestically, OSFI is focused on ensuring that its capital and liquidity regime remains appropriate for these smaller, less complex organizations. This paper focuses on the first phase of this initiative – the Pillar 1 minimum requirements. Subsequent phases will focus on the Pillar 2 (prudential and risk management expectations) and Pillar 3 (public disclosure) requirements.	
Finance Canada	Canada Gazette Part II, July 10, 2019	Regulations Amending Certain Regulations Made Under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, 2019, SOR/2019-240 The amendments to the regulations strengthen Canada's AML/ATF Regime by updating customer due diligence requirements; regulating businesses dealing in virtual currency; updating the schedules to the regulations; including foreign money service businesses (MSB) in Canada's AML/ATF Regime; updating beneficial ownership reporting requirements in suspicious transaction reports; clarifying a number of existing	Effective June 1, 2021, with the exception of s. 39 (effective June 25, 2019) and ss. 3, 6(1) to (3) 50 to 98, 100 to 105, 111 and 112 (effective June 1, 2020)

		requirements; and making minor technical amendments.	
Finance Canada	Canada Gazette Part II, July 10, 2019	Payment Clearing and Settlement Regulations, SOR/2019-257 The *Budget Implementation Act, 2018, No. 1* (The Act) amends the *Payment Clearing and Settlement Act* (PCSA) to implement a Financial Market Infrastructure (FMI) resolution framework so that the appropriate tool kit is in place to intervene in the unlikely event that a systemically important FMI fails. The Regulations provide further details of the FMI resolution regime implemented in the PCSA in the areas of limited clearing members, conflict of interest, resolution plans, cost recovery, compensation, and oversight information. The Regulations come into force concurrently with the proclamation in force of the amendments to the PCSA by the Act.	Effective June 23, 2019
Financial Action Task Force	July 5, 2019	Terrorist Financing Risk Assessment Guidance The FATF requires each country to identify, assess and understand the terrorist financing (TF) risks it faces, as an essential part of dismantling and disrupting terrorist networks. Countries often face particular challenges in assessing TF risks due to the low value of funds or	Effective

		other assets used in many instances, and the wide variety of sectors misused for the purpose of financing terrorism. This guidance aims to assist practitioners, and particularly those in lower capacity countries, in assessing terrorist financing risk at the jurisdiction level by providing good approaches, relevant information sources and practical examples based on country experience.	
Financial Stability Board	July 2, 2019	Review of the Technical Implementation of the Total Loss-Absorbing Capacity (TLAC) Standard The Total Loss-Absorbing Capacity (TLAC), published in 2015, was designed so that failing global systemically important banks (G-SIBs) will have sufficient loss-absorbing and recapitalisation capacity for authorities to implement an orderly resolution. Being able to implement orderly resolution minimises impacts on financial stability, maintains the continuity of critical functions, and avoids exposing public funds to loss. This technical review concludes that progress has been steady and significant in both the setting of external TLAC	Effective

		requirements by authorities and the issuance of external TLAC by G-SIBs. This has been instrumental in enhancing the resolvability of G-SIBs, strengthening cooperation between home and host authorities and boosting market confidence in authorities' capabilities to address too-big-to-fail risks.	

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