Federal Financial Institutions Legislative and Regulatory Reporter

July 29, 2016

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.

June 2016

Institution	Published	Title and Brief Summary	Status
OSFI [Applicable to Banks, Trust and Loans companies, Cooperative Credit and Retail Associations, Life Insurance Companies, Fraternal Benefit Societies and Property & Casualty Insurance Companies]	Issued June 29, 2016	Final Guideline on Operational Risk Management The final version of the Operational Risk Management Guideline (Guideline E-21) outlines and formalizes OSFI's expectations for the management of operational risk. The Guideline is principles-based, promotes industry best practices and reflects international standards in operational risk management. A *Guideline Impact Analysis Statement* has also been published which evaluates FRFIs' risk management frameworks.	Full implementation expected by June 2017

Finance	Published (Gazette) June 29, 2016	Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, 2016, SOR/2016-153 The Amending Regulations aim to update and strengthen the legislation to combat money laundering and terrorist financing activities, strengthen due diligence requirements regarding customers, close gaps in Canada's regime, improve compliance, monitoring and enforcement efforts, strengthen information sharing in the regime and address technical issues.	Various dates of coming into force (June 30, 2016 and June 17, 2017)
Finance	Royal Assent June 22nd, 2016	*Budget Implementation Act*, 2016, No. 1, S.C. 2016, c.7 • Division 3 of Part 4 amends the sunset provisions of certain Acts governing federal financial institutions to extend by two years, namely, from March 29, 2017 to March 29, 2019, the period during which those institutions may carry on business. • Division 4 of Part 4 amends the *Bank Act* to facilitate the continuance of local cooperative credit societies as federal credit unions by granting the Minister of Finance the	In force on June 22nd 2016, except for few sections

		authority to provide transitional procedural exemptions, as well as a loan guarantee. • Division 5 of Part 4 amends the *Canada Deposit Insurance Corporation Act* 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 *Bank Act* to allow the designation of domestic systemically important banks by the Superintendent of Financial Institutions and to require such banks to maintain a minimum capacity to absorb losses. • Division 6 of Part 4 amends the *Office of the Superintendent of Financial Institutions Act* 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.	
OSFI [Applicable to Banks, Bank holding companies, Federally Regulated Trust and Loan Companies, Cooperative Credit Associations, Insurance Companies]	Issued June 21, 2016	Final Guideline — IFRS 9 Financial Instruments and Disclosures The Guidelines provide guidance to federally regulated entities (FREs) on the application of IFRS 9, and in particular, the implementation of the expected loss framework under IFRS 9. The guideline also incorporates a number of OSFI's existing accounting and disclosure guidelines related to financial instruments.	Effective for annual periods beginning on or after January 1, 2018 (Domestic Systemically Important banks (D-SIBs) should adopt IFRS 9 for their annual period beginning November 1, 2017)
IAIS [Applicable to insurance companies]	Published June 20, 2016	Consultation on Application Paper on the Regulation and Supervision of Mutuals, Cooperatives and Community-Based Organisations in Increasing Access to Insurance Markets The Financial Inclusion Working Group (FIWG) has developed a draft Application Paper on Mutuals, Cooperatives and Community-based Organisations (MCCOs). This draft Paper aims to raise awareness regarding the role MCCOs can play in increasing access to insurance. It also aims to offer application guidance on the way the Insurance Core Principles (ICPs) could be applied in order to	Comments due by July 19, 2016

		remove unnecessary barriers.	
IAIS [Applicable to insurance companies]	Published June 16, 2016	Systemic Risk from Insurance Product Features (previously referred to as Non-traditional Noninsurance activities and products) This paper provides a framework that explains why certain product features and related activities may raise the potential for an insurer to pose systemic risk upon failure. It also describes the rationale for the IAIS' discontinuation of the Non-traditional, Non insurance (NTNI) product label and its replacement with a more granular and nuanced assessment of product features.	
IAIS [Applicable to insurance companies]	Published June 16, 2016	Updated G-SII Assessment Methodology The 2016 Methodology adopts a five-phase approach: • Phases I and II involve the quantitative components of the 2016 Methodology, including a data collection phase (Phase I) and determination of a quantitative threshold (Phase II). • Phase III complements the first two phases through the collection and analysis of	

		additional quantitative or qualitative information that is not captured in Phase II indicators. • Phase IV enables Prospective G-SIIs to receive information regarding that insurer's status through the first three Phases and present additional information relating to any aspect of the 2016 Methodology. • Phase V combines Phases I through IV to produce an overall assessment that concludes with the IAIS' recommendation to the Financial Stability Board.	
CPA	Issued June 7, 2016	Changes to rules and standards The CPA Board of Directors approved amendments to the Automated Clearing Settlement System (ACSS). The Rules section is updated on the day the amendments come into effect. • **Rule A4 — Returned and Redirected Items** Amendments to amend the definition of Duplicate Payment	Effective

		Item and corresponding consequential amendments. • **Rule H6 — Rules Pertaining to the Inter-financial Institution Exchange of Bill Payment Remittances for the Purpose of Clearing and Settlement** Amendments associated with the web enablement of the CCIN application. • **Standard 015 — Companion Document to the ANSI X9.100-187-2008, "Specifications for Electronic Exchange of Check and Image Data"** Amendments to provide additional information around the file reject reason 'invalid date'.	
Bank of Canada	Issued June 3, 2016	Policy Guidance on the Bank of Canada's Risk-Management Standards for Systemic Financial Market Infrastructures The Risk-Management Standards for Systemic FMIs fully incorporate the Principles and Key Considerations articulated in the *Principles for Financial Market Infrastructures* (PFMIs).	Effective (except standards 14, 19 and 24 which will be effective December 31, 2016)

		The supplementary guidance pertains to the following risk-management standards: • Standard 2: Governance • Standard 5: Collateral • Standard 7: Liquidity Risk • Standard 15: General Business Risk • Standard 23: Disclosure of Rules, Key Procedures and Market Data • Standard 24: Recovery Plans	

By

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