Federal Financial Institutions Legislative and Regulatory Reporter

August 09, 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.

June 2017

Institution	Published	Title and Brief Summary	Status
IAIS [Applicable to insurance companies]	Published June 30, 2017	Revision of Insurance Core Principles (ICPs)1,2,18 and19 This consultation follows the thematic approach adopted by the IAIS in September 2015, which is aimed at ensuring a more efficient process of developing supervisory materials, with the management and development of supervisory materials by theme across the three tiers of standard setting: ICPs, ComFrame, G-SII Policy Measures, each building on the previous one.	Comment should be provided by August 29, 2017.

		This public consultation covers the following: • *The Supervisor*: ICP 1 (Objectives, Powers and Responsibilities of the Supervisor) and ICP 2 (Supervisor). • *Conduct of Business*: ICP 18 (Intermediaries) and ICP 19 (Conduct of Business).	
OSFI [Non-bank financial service providers, including both federally regulated trust and loan companies, provincially regulated institutions and unregulated financial service providers]	Published June 30, 2017	Advisory 2017-01 — Restrictions on the use of the words "bank", "banker" and "banking" The Advisory 2017-01 sets out how OSFI interprets and administers (a) the *Bank Act* restrictions on the use of the words "bank", "banker" and "banking", and (b) the exception to these restrictions that applies where the use of the words is not in relation to a financial services business.	Effective
Financial Action Task Force (FATF-GAFI)	Published June 29, 2017	Public Consultation on the Draft Guidance for Private Sector Information Sharing The FATF is currently developing guidance to promote information sharing within financial institutions (part of the same financial group) as well as between financial institutions not belonging to the same financial	Comment should be provided by July 31, 2017.

		group. The guidance is also intended to provide country examples on how to promote information sharing, including through public-private partnerships. The final guidance will also cover information sharing between financial institutions which are not part of the same group. This could include explanation of information sharing in the context of wire transfers, correspondent relationships, and reliance situations; as well as on the use of legal gateways or public-private partnerships.	
Bank for International Settlements	Published June 29, 2017	Simplified alternative to the standardised approach to market risk capital requirements— consultative document The proposed reduced sensitivities-based method represents a simplified version of the sensitivities-based method (SbM), which is the primary component of the standardized approach. Significant simplifications relative to the SbM include: • removal of capital requirements for vega and curvature risks. • simplification of the basis risk calculation. • reduction in risk factor granularity	Comments should be provided by September 27, 2017.

		and the correlation scenarios to be applied in the associated calculations.	
Financial Stability Board (FSB)	Published June 29, 2017	Recommendations on climate-related financial disclosures This report by the Task Force on Climate-related Financial Disclosures (TCFD) provides final recommendations for consistent, comparable, reliable, clear and efficient climate-related financial disclosures by companies. • Governance:The organization's governance around climate-related risks and opportunities. • Strategy:The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. • Risk Management:The processes used by the organization to identify, assess and manage climate-related risks. • Metrics and Targets:The	Effective

		metrics and targets used to assess and manage relevant climate-related risks and opportunities.	
IAIS [Applicable to insurance companies]	Published June 28, 2017	Revised Insurance Core Principles (ICP) 13 Reinsurance and Other Forms of Risk Transfer This public consultation aims at ensuring a more efficient process of developing supervisory materials, with the management and development of supervisory materials by theme across the three tiers of standard setting: ICPs, ComFrame, G-SII Policy Measures, each building on the previous one	Comments should be provided by July 31, 2017
OSFI [Federally regulated life insurers]	Published June 23, 2017	2018 Life Insurance Capital Adequacy Test (LICAT) guideline for comment The LICAT provides a framework that improves the overall quality of available capital, provides greater risk sensitivity, better measurement of certain risks and closer alignment of risk measures with the economics of the life insurance business. It introduces material changes when compared to the MCCSR. As a result, the LICAT ratios will behave very differently than the MCCSR ratios and a	Comments should be provided by July 28, 2017

		simple comparison of the two sets of ratios would be difficult. Since the release of the LICAT guideline on September 12, 2016, significant work has been done by OSFI and the industry to prepare for the transition to the new capital adequacy test, effective January 1, 2018.	
Financial Stability Board (FSB)	Published June 20, 2017	Supplementary Guidance to the FSB Principles and Standards on Sound Compensation Practices This consultation sets out supplementary guidance to the FSB Principles and Standards on Sound Compensation Practices. It highlights eight considerations that are relevant for firms and supervisors in terms of governance of compensation and misconduct risk, effective alignment of compensation and misconduct risk and supervision of compensation and misconduct risk.	Comments should be provided by August 30, 2017.
Finance Canada	Published June 17, 2017	Government of Canada has published three Draft Regulations: • The Bank Recapitalization (Bail-in) Conversion Regulations set out requirements that domestic systemically important banks would have to	Representations can be made until July 17, 2017.

		follow when issuing bail-in eligible securities. • The Bank Recapitalization (Bail-in) Issuance Regulations: Issuance Regulations set out the scope of liabilities of domestic systemically important banks that would be eligible for a bail-in conversion and conversion terms if a bail-in were to be executed. • The Compensation Regulations set out an updated process for providing compensation to shareholders and creditors of CDIC federal member institutions if they are made worse off as a result of CDIC's actions to resolve the institution than they would have been if the institution were liquidated.	
OSFI [Canada's Domestic Systemically Important Banks]	Published June 16, 2017	Draft Guideline on Total Loss Absorbing Capacity for Canada's Domestic Systemically Important Banks The TLAC framework, which Canada is extending to its six largest	Effective in 2018

		banks, is designed to ensure that a systemically important bank has sufficient loss absorbing capacity to support its recapitalization in the unlikely event of its failure. The framework would facilitate an orderly resolution of a bank to allow it to remain open and operating without requiring public funds or threatening financial stability.	
OSFI [Banks, Bank Holding Companies, Federally Regulated Trust and Loan Companies, Cooperative Retail Associations]	Published June 16, 2017	Changes to Guideline A — Capital Adequacy Requirements (CAR, chapter 1, 2 and 9) The changes to the CAR guideline, which consist primarily of revisions to Chapter 2, implement the amendments to Basel III finalized by the Basel Committee on Banking Supervision (BCBS) in October 2016 in respect of holdings of Other TLAC (Total Loss Absorbing Capacity) instruments issued by global systemically important banks (G-SIBs) that qualify towards their TLAC requirements and instruments ranking *pari passu* with those instruments.	Effective for the 2018 fiscal year
OSFI [All Federally Regulated Property and Casualty Insurance Companies]	Published June 15, 2017	Draft Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies The revised guideline provides clarification in respect of inquiries received during the year.	Comments should be provided by August 4, 2017.

		Further, the accident and sickness insurance worksheet will be relocated from the guideline to the quarterly statutory return as a separate exhibit. The final version will be effective on January 1, 2018.	
Bank for International Settlements	Published June 7, 2017	Sound management of risks related to money laundering and financing of terrorism: revisions to correspondent banking annex — final document The text includes proposed revisions to annexes 2 (Correspondent banking) and 4 (General guide to account opening). The revisions guide the banks in the application of the risk-based approach for correspondent banking relationships, recognizing that not all correspondent banking relationships bear the same level of risk and including an updated list of risk indicators that correspondent banks should consider in their risk assessment.	Final version

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Expertise

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