

Federal financial institutions legislative and regulatory reporter – April 2021

May 26, 2021

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.

April 2021

Institution	Published	Title and Brief Summary	Status
Bank of Canada	April 30, 2021	<p><u>Bank of Canada announces changes to securities repo operations</u></p> <p>In line with its objectives to support core funding markets and to foster the well-functioning of the Government of Canada securities market, the Bank of Canada announced changes to securities repo operations (SROs).</p> <p>The maximum total bidding amount across all securities in the SRO will increase to \$4,000 million for each eligible participant effective</p>	Effective May 3, 2021

		<p>Monday, May 3, 2021.</p> <p>The maximum bid rate will remain at 15bps. The terms and conditions of the SRO provide operational details.</p>	
Government of Canada	April 30, 2021	<p>Retail Payments Activities Act (Canada) Published in Bill C-30</p> <p>In Budget 2021: A Recovery Plan for Jobs, Growth and Resilience, the federal government announced its commitment to work with the provinces to table draft legislation for the proposed retail payments oversight framework (RPOF).</p> <p>On April 30, the long-awaited draft <i>Retail Payments Activities Act (Canada)</i> (RPAA) was published by the Government of Canada in Bill C-30. The RPAA provides a broad view of what the RPOF will look like and what it will mean for payment service providers offering certain financial services to Canadians, once the legislation comes into force.</p>	
OSFI	April 30, 2021	<p>2023 IFRS 17 insurance returns</p> <p>In a letter to all federally regulated insurer (FRIs), the Office of the Superintendent of Financial Institutions (OSFI) issued the final IFRS 17 Regulatory Forms and Instructions (the Returns) for FRIs.</p>	

		<p>The final Returns represent a major deliverable under OSFI's IFRS 17 project.</p> <p>The changes made to the OSFI Returns will ensure FRIs will continue to report their financial statements in accordance with GAAP. GAAP for FRIs is effectively International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Annex provides a summary of the material comments received and OSFI's response.</p> <p>Please address any questions regarding this letter by email to David Correia, Director, Accounting Policy Division at david.correia@osfi-bsif.gc.ca and Carole Gagnon, Business Analyst, Risk & Data Analytics at carole.gagnon@osfi-bsif.gc.ca.</p>	
OSFI	April 24, 2021	<p>Instruction guide: pooled registered pension plan annual information return, auditor's report and the Pension Plan Annual Corporate Certification</p> <p>The purpose of this instruction guide (the Guide) is to assist administrators of pooled registered pension plans (PRPPs) subject to the Pooled Registered Pension Plans Act (PRPP Act) and the Income Tax Act (ITA) in completing</p>	

		<p>the:</p> <ul style="list-style-type: none"> • Pooled Registered Pension Plan Annual Information Return (PRPP AIR); • filing of the auditor's report; and the • Pension Plan Annual Corporate Certification (PPACC). <p>These returns are required to be filed with the OSFI.</p> <p>The guide does not supersede the requirements of the PRPP Act, the Pooled Registered Pension Plans Regulations (the PRPP Regulations), the Directives of the Superintendent Pursuant to the Pooled Registered Pension Plans Act (the Directives), or the ITA or the Income Tax Regulations.</p>	
Bank of Canada	April 21, 2021	<p>Bank of Canada release of the Monetary Policy Report</p> <p>As the economy recovers from the COVID-19 pandemic, the Bank of Canada is forecasting growth of around 6.5 per cent this year, slowing to about 3.75 per cent in 2022 and 3.25 per cent in 2023. See here for Monetary Policy Report, April 2021.</p>	

OSFI	April 13, 2021	<p>OSFI launches consultation on enhanced assurance expectations</p> <p>OSFI launched a 10-week consultation with the publication of a discussion paper, <i>Assurance on Capital, Leverage and Liquidity Returns</i> for FRIs and deposit-taking institutions (DTIs). The paper focuses on enhancing and aligning assurance expectations given the increasing complexity arising from the evolving regulatory reporting framework, particularly changes resulting from International Financial Reporting Standards, Insurance Contracts and the Basel III reforms.</p> <p>Through this consultation, OSFI is seeking to engage FRIs, DTIs, external auditors and other interested stakeholders in a dialogue to enhance existing assurance expectations. OSFI welcomes comments and submissions on the discussion paper to help guide the development of enhanced assurance expectations in a subsequent draft guideline. Submissions should be sent to Assurance@osfi-bsif.gc.ca by June 18, 2021.</p>	Comments by June 18, 2021
OSFI	April 12, 2021	ICAAP Expectations and BCAR Audit Requirements	Submissions by February 28, 2022

		<p>OSFI last wrote to all Standardized Deposit-Taking Institutions (DTIs) on October 23, 2018, communicating expectations for the 2019 ICAAP submission and internal audit of BCAR.</p> <p>The purpose of this communication was to confirm that:</p> <ul style="list-style-type: none"> • OSFI will not require a formal ICAAP submission in 2021; and • OSFI will require Standardized DTIs to file an internal audit of their BCAR return by February 28, 2022. <p>ICAAP Expectations</p> <p>While Standardized DTIs are not required to submit a formal ICAAP for 2021, OSFI expects that institutions will continue to practice prudent capital management. This includes the continued implementation of their ICAAP program to identify, quantify and substantiate to their boards the Pillar 2 risks that underpin their target capital levels.</p> <p>Standardized DTIs should treat the ICAAP as an important internal process rather than as a “regulatory” exercise. OSFI recognizes that increased risks have</p>	
--	--	---	--

		<p>emerged due to the pandemic and believes that a robust ICAAP enhances a Standardized DTI's ability to manage through the current environment and all stages of business cycles. Therefore, OSFI expects Standardized DTIs to update their ICAAP as part of their annual capital planning process. This should include reconfirmation of internal capital targets. Lead Supervisors may request ICAAP documentation as part of OSFI's ongoing supervisory review process.</p> <p>OSFI guidelines E-19 Internal Capital Adequacy Assessment Program and E-23 Enterprise-Wide Model Risk Management provide further detail on the requirement to institute an ICAAP process, including robust model governance for Pillar 2 risk quantification.</p> <p>Internal audit review of BCAR</p> <p>The next set of internal audits of the 2021 BCAR return must be submitted to OSFI by February 28, 2022.</p> <p>As with previous practice, OSFI expects each institution's Internal Audit function to provide their OSFI Lead Supervisor with the following audit:</p>	
--	--	---	--

		<p>A review of the completeness and accuracy of one BCAR submission during the year including, but not limited to, a review of the following:</p> <ul style="list-style-type: none"> • accurate categorization of Risk-Weighted Assets; • completeness of off-balance sheet amounts; and • accurate amounts for credit risk mitigation (CRM). 	
OSFI	<p>Canada Gazette, Part I, Volume 155, Number 15. April 10, 2021</p>	<p>Government Notice: Intact Insurance Company — Letters patent of amalgamation and order to commence and carry on business</p> <p>Notice is hereby given of the issuance,</p> <ul style="list-style-type: none"> • pursuant to subsection 251(1) of the <i>Insurance Companies Act</i>, of letters patent amalgamating and continuing Intact Insurance Company and The Guarantee Company of North America as one company under the name, in English, Intact Insurance Company and, in French, Intact Compagnie d'assurance, effective April 1, 2021; and 	

		<ul style="list-style-type: none"> • pursuant to subsection 52(4) of the <i>Insurance Companies Act</i>, of an order authorizing Intact Insurance Company to commence and carry on business, and to insure risks falling within the classes of accident and sickness insurance, aircraft insurance, automobile insurance, boiler and machinery insurance, credit insurance, credit protection insurance, fidelity insurance, hail insurance, legal expense insurance, liability insurance, marine insurance, property insurance, and surety insurance, effective April 1, 2021. 	
IAIS	April 9, 2021	<p>Redefining insurance supervision for the new normal – joint IAIS-FSI note published today</p> <p>The Covid-19 pandemic tested the operational resilience and adaptability of insurers and supervisory authorities worldwide. Many of the challenges faced and adjustments implemented are set to shape the future “new normal” of insurance</p>	

		<p>supervision beyond the current crisis.</p> <p>Together with the Financial Stability Institute (FSI), the IAIS engaged with several insurance supervisors to learn more about the measures they have taken to help cope with the pandemic. The note describes how insurance supervisors transitioned to remote working and how this transition affected their supervisory processes and activities. It also highlights vital human resource and team cohesion aspects that enabled supervisors to adjust more smoothly to these transitions. Using lessons learnt from the crisis, the note explores potential longer-term impacts of prolonged remote working and proposes some key considerations for insurance supervisors as they continue adjusting to the new normal of digitalization well into the post-Covid future.</p> <ul style="list-style-type: none"> • Note: Other Supervisory Papers and Reports • FSI brief: Redefining insurance supervision for the new normal 	
OSFI	April 8, 2021	OSFI proposes new minimum qualifying rate for uninsured mortgages	Comments by May 7, 2021.

		<p>OSFI restarted its consultation on the minimum qualifying rate for uninsured mortgages, and re-emphasized the importance of sound mortgage underwriting.</p> <p>The new proposal for the qualifying rate for uninsured mortgages is the higher of the mortgage contract rate plus 2 per cent or 5.25 per cent as a minimum floor. Additionally, OSFI announced a proposal to revisit the calibration of the qualifying rate at least once a year to ensure it remains appropriate for the risks in the environment.</p> <p>OSFI sought input from interested stakeholders on this proposed qualifying rate by email to B.20@osfi-bsif.gc.ca before May 7, 2021. OSFI will communicate final amendments to the qualifying rate for uninsured mortgages in Guideline B-20 by May 24, 2021, with a coming into force date of June 1, 2021.</p>	<p>Coming into Force June 1, 2021.</p>
<p>Bank of Canada</p>	<p>April 6, 2021</p>	<p>Bank of Canada to begin publishing CORRA Compounded Index</p> <p>As administrator of the Canadian Overnight Repo Rate Average (CORRA), the Bank of Canada (Bank) will begin publishing the CORRA Compounded Index effective April 6, 2021. It will also publish the first</p>	

		<p>quarterly summary of publication errors at the same time.</p> <p>The CORRA Compounded Index is a measure of the cumulative impact of CORRA daily compounding over time, starting from a base value of 100 on June 12, 2020. The index can be used to calculate CORRA compounded rate between any two dates. The calculation and publishing process for the CORRA Compounded Index has been added to the CORRA methodology. For illustrative examples of the compounding methodology and sample use of CORRA Compounded Index, see the consultation paper.</p> <p>By making this index publicly available, the bank makes it easier for market participants to calculate interest and coupon payments for securities that use daily compounded CORRA-in-arrears. The Canadian Alternative Reference Rate working group encourages the use of this compounding methodology for financial products. This methodology is also consistent with the approach taken by the Federal Reserve Bank of New York and the Bank of England for their respective reference rates.</p>	
--	--	---	--

		<p>To support the transparency of CORRA and its data quality, the bank will disclose on a quarterly basis the summary information on the calculation, publication and reporting of errors that are detected after publication. Despite verifications made by Investment Industry Regulatory Organization of Canada (IIROC) and the bank, data late submissions or revisions made by reporting entities after the submission deadline, or technical difficulties experienced by the bank or IIROC may, on occasion, affect data quality and ultimately CORRA.</p> <p>These details are provided for information purposes only. After the CORRA republication deadline has passed, no amendments will be made to the published CORRA rate under any circumstances.</p> <p>The bank publishes this important Canadian interest rate benchmark and its associated statistics at no cost and as a public good. The bank is committed to ensuring that CORRA is:</p> <ul style="list-style-type: none"> • a robust, reliable and representative measure of the secured overnight funding rate; • readily available for use globally 	
--	--	---	--

		<p>as a key Canadian interest rate benchmark; and</p> <ul style="list-style-type: none"> • consistent with the Principles for Financial Benchmarks set out by the International Organization of Securities Commissions. 	
OSFI	April 6, 2021	<p>OSFI unwinds temporary increase to covered bond limit</p> <p>OSFI announced the unwinding of the temporary increase to the covered bond limit, effective immediately.</p> <p>One year ago, OSFI introduced extraordinary regulatory adjustments to support the financial and operational resilience of federally regulated financial institutions (FRFIs) in response to the COVID-19 pandemic.</p> <p>These measures included a temporary increase to the covered bond limit to facilitate greater access to Bank of Canada facilities. Covered bonds are debt securities issued by a financial institution that are collateralized against a pool of assets designed to cover claims should an issuer fail. OSFI normally limits a bank's issuance of covered bonds to 5.5 per cent of the bank's total assets. The temporary increase in the limit</p>	

		<p>targeted covered bonds pledged directly to the Bank of Canada, with the limit relating to market instruments (covered bonds sold into the market) still set at 5.5 per cent. When OSFI announced the temporary increase to the covered bond limit on March 27, 2020, it was noted that the increase would be provided for at least one year, but could be extended beyond this if needed.</p> <p>Throughout the past year, OSFI has continued to monitor banks' liquidity and access to term funding, which have stabilized considerably since measures were initially put in place. Further, on October 15, 2020 the Bank of Canada removed own-name covered bonds from their list of eligible securities for regular term repo operations. As such, the temporary increase to the covered bond limit by OSFI is no longer necessary.</p> <p>For specific guidance, please see the letter issued to federally regulated deposit-taking institutions issuing covered bonds.</p>	
FSB	April 6, 2021	FSB seeks stakeholders' feedback on their experience with the common template for gathering information about continuity of access to financial market	Comment by May 3, 2021

		<p><u>infrastructures (FMIs) for firms in resolution</u></p> <p>The Financial Stability Board (FSB) is conducting a survey to gather stakeholders' feedback on its common template for collecting information on continuity of access to financial market infrastructures (FMIs) for firms in resolution. The common template for financial market infrastructures (FMIs), which takes the form of a questionnaire (the Questionnaire), was published in August 2020. The use of a common template should reduce the "many to one" nature of inquiries from FMI participants and authorities to FMIs for resolution planning and streamline the provision of this information by FMIs to firms and authorities.</p> <p>This survey is part of the FSB's outreach strategy with external stakeholders regarding the topic of continuity of access to FMIs for firms in resolution. Several bank resolution authorities are, concurrently, also working to provide FMIs with further insight into their bank resolution toolkits and the impact of these tools on a bank's ability to maintain continuity of access to FMI services in resolution.</p> <p>All FMIs (as providers of responses to the</p>	
--	--	--	--

		<p>Questionnaire) as well as firms subject to a resolution planning requirement and bank resolution authorities (as users of FMI's' responses to the Questionnaire) are encouraged to participate in this online survey. Stakeholders' input will support the efforts of FSB member authorities to ensure the Questionnaire template remains relevant and accessible, and help to reduce the burden of information gathering for firms on this topic.</p> <p>The survey closed on Monday, May 3.</p>	
Payments Canada	April 4, 2021	<p>Changes to Our Rules and Standards</p> <p>The following amendments were approved by the board and the Department of Finance and come into effect on May 10, 2021:</p> <ul style="list-style-type: none"> • ACSS Rule F7 - Amendments to accommodate changes related to cycle time reduction. 	Effective May 10, 2021
Canadian Payments Association	Canada Gazette, Part II, Volume 155, Number 7, March 15, 2021	<p>Canadian Payments Association By-law No. 1 — General — By-law Amending Canadian Payments Act, SOR/2021-37.</p> <p>The amendments to the By-law prescribe details of the SAC, including the number of members, composition, criteria,</p>	

		eligibility for remuneration, and term limits.	
Payments Canada	April 2021	<p><u>Changes to our rules and standards</u></p> <p>The following amendments were approved by the board and the Department of Finance and came into effect on April 26, 2021:</p> <ul style="list-style-type: none"> ACSS Rule E3 - Amendments to update the definitions of “Severity 1 Contingency Situations” (now “Direct Participant Incidents”), “Severity 2 Contingency Situations” (now “CSN Incident”) and notification requirements for those incidents to reflect operational practices. Approved by the board February 25, 2021, effective April 26, 2021. 	Effective April 26, 2021

Disclaimer

This Reporter is prepared as a service for our clients. It is not intended to be a complete statement of the law or an opinion on any subject. Although we endeavour to ensure its accuracy, no one should act upon it without a thorough examination of the law after the facts of a specific situation are considered.

By

[Cindy Y. Zhang](#), [Donna Spagnolo](#)

Expertise

[Banking & Financial Services](#), [Financial Services](#), [Banking](#), [Financial Services Regulatory](#), [Insurance](#)

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.