Federal Financial Institutions Legislative And Regulatory Reporter

January 26, 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.

December 2016

Institution	Published	Title and Brief Summary	Status
OSFI [Applicable to Banks, Bank Holding Companies, Foreign Bank Branches, Federally Regulated Trust and Loan Companies, Cooperative Retail Association]	Issued December 21, 2016	Draft guideline: Enterprise-Wide Model Risk Management for Deposit-Taking Institutions (No. E-23) This proposed guideline aims to establish a common baseline understanding of OSFI's expectations of federally regulated deposit-taking institutions around the use of models enterprise-wide. It outlines prudent practices for internal model development, review, approval, use and modification and is applicable to all models that have a material impact on the risk profile of an institution.	Comments should be provided by February 28, 2017.

		The draft guideline distinguishes between OSFI's expectations for those institutions that are approved to use internal models for regulatory capital purposes and those that are not. The guidance also considers specific challenges that the usage of models pose for small and medium sized institutions.	
FINTRAC	Published December 20, 2016	FINTRAC Guidelines Effective June 17, 2017, amendments to the*Proceeds of Crime (Money Laundering) and Terrorist Financing Act*(PCMLTFA) and associated Regulations will result in new obligations related to politically exposed persons (domestic and foreign) (PEPs) and heads of international organizations. FINTRAC has published guidance describing these obligations and has updated guidelines 3A, 3B, 5, 7A, 7B, 8A, 8B, 8C, 10A and 10B to indicate upcoming minor changes to suspicious transaction, large cash transaction, casino disbursement and terrorist property reporting forms, as well as a change to our reference to the Bank of Canada's exchange rate.	Effective
OSFI [Applicable to Federally Regulated Life Insurance Companies (including Fraternal Benefit Societies) and Insurance Holding	Issued December 19, 2016	Draft Advisory: Deferral of IFRS 9 Application for Federally Regulated Life Insurers The Advisory is in response to the September	Comments should be provided on or before January 31, 2017.

Companies]		2016 International Accounting Standards Board (IASB) approved amendment to the IFRS 4*InsuranceContracts*allowing companies whose activities are predominately connected with insurance to defer the application of IFRS 9*Financial Instruments*before January 1, 2021. Applying IFRS 9*Financial Instruments*with IFRS 4*Insurance Contracts*, OSFI has considered the costs and benefits and found a strong prudential need for additional accounting guidance for Life Insurers. OSFI believes the IASB amendment can lead to inconsistencies amongst Life Insurers. As such, this Advisory will provide for a level of consistency and comparability across the federally regulated life insurance industry.	
OSFI [Applicable to federally regulated mortgage insurers]	Issued December 15, 2016	Final advisory on Capital requirements for Federally Regulated Mortgage Insurers The Advisory incorporates revisions resulting from the public consultation process and will replace the Advisory "*Interim Capital Requirements for Mortgage Insurance Companies*". The Advisory defines a new approach for the regulatory capital requirements for mortgage insurance risk that is more	Effective January 1, 2017.

		risk sensitive and incorporates key characteristics such as borrower creditworthiness, outstanding loan balance, loan-to-value ratio, and remaining amortization. It also ensures a level of conservatism in the protection provided to policyholders and other creditors of the mortgage insurers, and is adaptable to future changes.	
OSFI [Applicable to banks, bank holding companies, federally regulated trust and loan companies, and cooperative retail associations]	Issued December 9, 2016	Capital Adequacy Requirements (CAR) 2017 The proposed revisions will: • Provide clarification on how the CAR Guideline will apply to federal credit unions. • Emphasize that credit risk insurance is a risk mitigant (guarantee) that relies on the due diligence of a mortgage originator with respect to the requirements of a mortgage insurance contract. • Introduce a downturn loss given default (DLGD) floor which applies to institutions using an internal rating based (IRB) approach for loans secured by residential real	The implementation date for these changes is set for November 1, 2016 for institutions with an October 31 year end, and January 1, 2017 for institutions with a December 31 year end.

		estate. • Provide clarification on how OSFI will exercise national discretion in the implementation • of the countercyclical buffer, including the reciprocity of countercyclical buffers put in place in other jurisdictions. • Require institutions to hold adequate capital against equity investments in funds.	

By

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