

# 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	Issued December 21, 2016	Draft guideline: Enterprise-	Comments should be
		Wide Model Risk	provided by February 28,
[Applicable to Banks, Bank		Management for Deposit-	2017.
Holding Companies,		Taking Institutions (No. E-	
Foreign Bank Branches,		23)	
Federally Regulated Trust			
and Loan Companies,		This proposed guideline	
Cooperative Retail		aims to establish a	
Association]		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.	



	I	T	
		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,	FINTRAC Guidelines	Effective
	2016		
	2010	Effective lune 17, 2017	
		Effective June 17, 2017,	
		amendments to	
		the <i>Proceeds of Crime</i>	
		(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.	
OSFI	Issued December 19, 2016	Draft Advisory: Deferral of	Comments should be
		IFRS 9 Application for	provided on or before
[Applicable to Federally		Federally Regulated Life	January 31, 2017.
Regulated Life Insurance		Insurers	
Companies (including			
Fraternal Benefit Societies)		The Advisory is in	
*		*	
and Insurance Holding		response to the September	



		004014 11 1	
Companies]		2016 International	
		Accounting Standards	
		Board (IASB) approved	
		amendment to the IFRS	
		4 <i>InsuranceContract</i> sallowi	
		ng companies whose	
		activities are predominately	
		connected with insurance	
		to defer the application of	
		IFRS 9 <i>Financial</i>	
		<i>Instruments</i> before January	
		1, 2021.	
		Applying IFRS 9 <i>Financial</i>	
		Instrumentswith IFRS	
		4Insurance 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	Issued December 15, 2016		Effective January 1, 2017.
		requirements for Federally	2.1001110 0a.10a.1y 1, 20111
[Applicable to federally		Regulated Mortgage	
regulated mortgage		Insurers	
insurers]		in our or o	
		The Advisory incorporates	
		revisions resulting from the	
		public consultation process	
		and will replace the	
		Advisory "Interim Capital	
		Requirements for Mortgage	
		Insurance Companies".	
		caranco companios .	
		The Advisory defines a	
		new approach for the	
		regulatory capital	
		requirements for mortgage	
		insurance risk that is more	



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



	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.

Ву

Jeffrey S. Graham

Expertise

Banking & Financial Services, Financial Services



## **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

#### Montréal

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

T 514.954.2555 F 514.879.9015

#### Ottawa

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

T 613.237.5160 F 613.230.8842

#### **Toronto**

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

T 416.367.6000 F 416.367.6749

#### Vancouver

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

T 604.687.5744 F 604.687.1415

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 <a href="mailto:unsubscribe@blg.com">unsubscribe@blg.com</a> or manage your subscription preferences at <a href="mailto:blg.com/MyPreferences">blg.com/MyPreferences</a>. If you feel you have received this message in error please contact <a href="mailto:communications@blg.com">communications@blg.com</a>. BLG's privacy policy for publications may be found at <a href="mailto:blg.com/en/privacy">blg.com/en/privacy</a>.

© 2025 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.