

# Federal financial institutions legislative and regulatory reporter - August 2020

**September 21, 2020** 

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.

# August 2020

Institution	Published	Title and Brief Summary	Status
Office of the Superintendent of Financial Institutions (OSFI)	August 31, 2020	OSFI Updates COVID-19 Measures  The Office of the Superintendent of Financial Institutions (OSFI) announced that it is unwinding some of the temporary measures put in place at the start of the global pandemic. Specifically, OSFI is lifting the temporary freeze on portability transfers for private pension plans and gradually phasing out the special capital treatment of loan and insurance premium payment deferrals that were provided to banks and insurers.	Effective August 31, 2020



OSFI will continue to monitor conditions closely and remains ready to take any further required action.

Key measures announced for private pension plans include:

- Lifting the temporary freeze on portability transfers and annuity purchases; and
- Providing clear conditions on how to protect the benefits of plan members and beneficiaries.

For more detail, see the letter issued to Federally Regulated Private Pension Plans. See also the updated FAQs providing further clarity.

Key measures announced for banks include:

- Loans granted payment deferrals before August 31, 2020 are still eligible for the current six-month special capital treatment;
- Loans granted payment deferrals after August 30, 2020 and on or before September 30, 2020 will be eligible for the special capital treatment outlined in March



- for up to three months; and
- Loans granted payment deferrals after September 30, 2020 will not be eligible for the special capital treatment.

For more detail, see the letter issued to Federally Regulated Deposit-Taking Institutions. See also the updated FAQs providing further clarity.

Key measures announced for insurers include:

- Loan and premium payment deferrals granted before August 31, 2020 are still eligible for the current six months special capital treatment;
- Loan and premium payment deferrals granted after August 30, 2020 and on or before September 30, 2020 will be eligible for the special capital treatment outlined in OSFI's March and April communications for up to three months; and
- Loan and premium payment



		deferrals granted after September 30, 2020 will not be eligible for the special capital treatment.  For more detail, see the letter issued to Federally Regulated Life and Property & Casualty Insurers. See also updated FAQs providing further clarity.	
Financial Stability Board (FSB)	August 25, 2020	Key Attributes Assessment Methodology for the Insurance Sector  This methodology sets out essential criteria to guide the assessment of the compliance of a jurisdiction's insurance resolution framework with the Financial Stability Board's (FSB) Key Attributes of Effective Resolution Regimes for Financial Institutions (Key Attributes). It was developed in collaboration with experts from FSB jurisdictions, relevant standard-setting bodies, the International Monetary Fund and the World Bank. It is designed to promote consistent assessments across jurisdictions and to provide guidance to jurisdictions when adopting or amending their resolution regimes to implement the Key Attributes.  The Key Attributes constitute an "umbrella" standard for resolution regimes for all types of	



financial institutions. Implementation of the Key Attributes allows authorities to resolve financial institutions in an orderly manner without taxpayer exposure to loss from solvency support, while maintaining continuity of their vital economic functions. However, not all attributes are equally relevant for all sectors. The Key Attributes Assessment Methodology provides an insurance sector-specific interpretation of individual Key Attributes. It stresses that a jurisdiction's insurance resolution regime should be proportionate to the size, structure and complexity of the jurisdiction's insurance system.

The FSB also issued a note explaining the application of the insurance KAAM and the Key Attributes during the period of suspension of the designation of Global Systemically Important Insurers (G-SIIs). It states that the Key Attributes continue to apply during the suspension period to any insurer that could be systemically significant or critical in failure. National authorities may apply the requirements specific to G-SIIs to certain insurers, which are the requirements for a crisis management group, institution-specific crossborder cooperation agreements and



		resolvability assessments. In the event of a 2022 decision to discontinue the G-SII list, the FSB will review the scope of application of G-SII specific requirements in consultation with the International Association of Insurance Supervisors.	
		Bank of Canada launches public consultation on inflation targeting	
		The Bank of Canada launched an online public consultation to gather Canadians' views on the Bank's approach to monetary policy. The "Let's Talk Inflation" campaign is part of an effort to reach out to all Canadians before the Bank renews its agreement with the federal government on the monetary policy framework in 2021.	
Bank of Canada	August 24, 2020	The survey seeks feedback on a range of topics, from their perceptions of inflation to their views on other approaches that central banks can use to support price stability and a strong economy. The survey takes approximately 10 minutes to complete and will run until October 1, 2020.	
		Civil society, labour and industry organizations are also invited to send in more detailed submissions for consideration by the	



		Bank's Governing Council. The Bank will publish a report summarizing what it has heard in the coming months.	
Financial Consumer Agency of Canada (FCAC)	August 20, 2020	FCAC Commissioner publishes decisions on financial institutions not meeting disclosure requirements on credit products  The Financial Consumer Agency of Canada (FCAC) published three decisions relating to compliance failures with the cost of borrowing disclosure requirements. Federally regulated financial institutions must provide consumers with a clear and consistent standard of disclosure on the charges and fees for credit products. Accurate information is important to enable consumers to make informed financial decisions.  The Decisions and their publications address past failures and promote future compliance. All federally regulated financial institutions are expected to review the findings of the Decisions and apply them to their own practices, as appropriate, in an effort to achieve the highest levels of compliance with protections for financial consumers. The Decisions follow:  • Decision 135	



		<ul><li>Decision 136</li><li>Decision 137</li></ul>	
Payments Canada	August 20, 2020	Changes to Our Rules and Standards  The following amendments to certain Payments Canada rules were approved by its Board and the Department of Finance and came into effect on August 17, 2020:  ACSS Rule L1 - Amendments to clarify the requirements of CPA members and the treatment of payment items. ACSS Rule L3 - Amendments to accommodate changes to the Interim Credit Risk Model. Standard 15 - Amendments to provide clarification on the ECE institution.	Effective August 17, 2020
Financial Stability Board (FSB)	August 10, 2020	Public responses to consultation on Guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution  On May 4, 2020, the FSB published a consultation document on Guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution. Interested parties were	



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		invited to provide written comments by July 31, 2020. The public comments received are available here. The FSB expects to publish the final guidance by the end of 2020.	
		Bank of Canada designates Interac e-Transfer as a prominent payment system  Bank of Canada Governor Tiff Macklem has designated Interac e-Transfer ® as a prominent payment system under the Payment Clearing and Settlement Act, effective August 10, 2020. This brings Bank oversight to this payment system and ensures it remains a safe, viable and effective	
Bank of Canada	August 10, 2020	method of payment for Canadians.  The Bank regularly monitors the evolution of new and existing payment systems to determine whether they warrant oversight because of their potential to cause systemic or payment system risk. Designating Interac e-Transfer as a prominent payment system means it must adhere to the Bank's risk management standards, including having risk controls in place to ensure continued resilience.	Effective August 10, 2020
		Interac e-Transfer has become central to the Canadian payments	



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		system. In the 2019 fiscal	
		year, the Interac system	
		facilitated over 486 million	
		transactions, totalling	
		\$169 billion. A disruption	
		or failure of the Interac	
		e-Transfer system could	
		cause a significant	
		adverse effect on	
		economic activity in	
		Canada, potentially	
		leading to a general loss	
		of confidence in the	
		overall Canadian	
		payments system.	
		Interac Corp operates the	
		Interac e-Transfer system.	
		Launched in 2003, Interac	
		e-Transfer enables	
		individuals and	
		businesses with a	
		Canadian bank account at	
		participating financial	
		institutions to	
		electronically send or	
		receive payments within	
		Canada, 24 hours a day,	
		seven days a week.	
		Changes to the Bank of	
		Canada's Standing	
		Liquidity Facility Policy	
		Regarding the use of	
		Non-Mortgage Loan	
		Portfolio as Collateral	
		Given the continued	
		improvement in short-term	
		funding conditions, the	
Bank of Canada	August 10, 2020	Bank of Canada (Bank) is	
		announcing that their	
		temporary measure of	
		allowing Large Value	
		Transfer System (LVTS)	
		participants to pledge 100	
		per cent of their total	
		collateral using their non-	
		mortgage loan portfolio	
		(NMLP) for the LVTS and	
		Standing Liquidity Facility	
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(SLF) will be gradually reduced back to the regular level of 20 per cent of each participant's total pledged collateral. As a result, a new limit of 80 per cent of total collateral pledged came into effect August 24, 2020. It was then reduced to 50 per cent as of September 7, 2020, and to 20 per cent as of September 21, 2020.

Concurrently, for LVTS participants who do not use their NMLP, as of September 7, 2020 these participants are able to hold up to 70 per cent of their total pledged collateral in securities that are subject to concentration limits. This will be reduced to 40 per cent (limit pre-temporary measures) as of September 21, 2020.

Previously, in response to deteriorating market conditions, the Bank announced on March 18, 2020 that it increased the limits for the NMLP and for securities subject to concentration limits to 100 per cent, as part of the Bank's measures to provide liquidity and support for the financial system.

The current <u>list of</u>
securities eligible as
collateral under the Bank
of Canada's Standing
Liquidity Facility can be
found on the Bank's



		website.	
		The Bank will continue to monitor short-term funding conditions as well as global market developments, and, will revise these concentration limits if necessary.	
		Update on OSFI's Activities with respect to IFRS 17 - Insurance Contracts	
Office of the Superintendent of Financial Institutions (OSFI)	August 7, 2020	The move to International Financial Reporting Standard 17 - Insurance Contracts (IFRS 17) continues to be a significant undertaking for the industry and the Office of the Superintendent of Financial Institutions (OSFI). This letter provides an update on OSFI's milestones and activities reflecting both the impact of COVID-19 on the IFRS 17 Project and the International Accounting Standards Board's (IASB) deferral of the IFRS 17 effective date to January 1, 2023.	
Bank for International Settlements (BIS)	August 7, 2020	Revisions to the principles for the sound management of operational risk  The Basel Committee on Banking Supervision (BCBS) introduced its Principles for the sound management of operational risk in 2003, and subsequently revised them in 2011 to incorporate the lessons from the financial crisis. In 2014, the Committee	Comments should be provided by November 6, 2020



		conducted a review of the implementation of the principles, which indicated that several principles had not been adequately implemented and that the principles did not sufficiently capture certain important sources of operational risk. The Committee is proposing a limited number of updates to:	
		<ul> <li>Align the principles with the recently finalised Basel III operational risk framework;</li> <li>Update the guidance where needed in the areas of change management and information and communication technologies; and</li> <li>Enhance the overall clarity of the principles.</li> </ul>	
		Comments on any element of the paper should be submitted here by November 6, 2020. All comments may be published on the Bank for International Settlements (BIS) website unless a respondent specifically requests confidential treatment.	
Bank for International Settlements (BIS)	August 6, 2020	Principles for operational resilience  Through the publication of this consultative document, the Basel Committee on Banking	Comments should be provided by November 6, 2020



		Supervision seeks to	
		promote a principles-	
		based approach to	
		improving operational	
		resilience. The principles	
		aim to strengthen the	
		ability of banks to	
		-	
		withstand operational risk-	
		related events, which	
		could cause significant	
		operational failures or	
		wide-scale disruptions in	
		financial markets, such as	
		pandemics, cyber	
		incidents, technology	
		failures or natural	
		disasters. The approach	
		builds on updates to the	
		Committee's Principles for	
		the sound management of	
		operational risk, and	
		draws from previously	
		issued principles on	
		corporate governance for	
		banks, as well as	
		outsourcing, business	
		continuity and relevant	
		risk management-related	
		guidance.	
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		Comments on any	
		element of the paper	
		should be submitted here	
		by November 6, 2020. All	
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		International Settlements	
		(BIS) website unless a	
		respondent specifically	
		requests confidential	
		treatment.	
		Changes to Our Rules	
		and Standards	
		The following	
Payments Canada		amendments were	
		approved by the Board of	
		Payments Canada and	
		the Department of	
		Finance and came into	
		i mance and came into	



• ACSS Rule D1 -     Amendments to sections 4, 5 and Appendices I and II to remove the 0.5 per cent volume requirement and to include a restriction on participation of affiliates; and  • Amendments to section 7 to outline the procedures applicable in the event that a Direct Clearer or
section 7 to outline the procedures applicable in the event that a

## Disclaimer

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Ву

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