

# Federal financial institutions legislative and regulatory reporter - March 2023

May 05, 2023

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.

## March 2023

| Published  | Title and Brief Summary  | Status |
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| <b>Office of the Superintendent of Financial Institutions (OSFI)</b> |  |        |
| March 20, 2023   | <p><a href="#"><u>OSFI reinforces guidance on Additional Tier 1 and Tier 2 Capital Instruments</u></a></p> <p>OSFI has issued a statement to reinforce guidance around the design of the regulatory treatment of Additional Tier 1 and Tier 2 capital instruments:</p> <p>Canada's capital regime preserves creditor hierarchy which helps to maintain financial stability.</p> <p>If a deposit-taking bank reaches the point of non-viability, OSFI's capital guidelines require Additional Tier 1 and Tier</p> |        |

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|               | <p>2 capital instruments to be converted into common shares in a manner that respects the hierarchy of claims in liquidation. This results in significant dilution to existing common shareholders.</p> <p>Such a conversion ensures that Additional Tier 1 and Tier 2 holders are entitled to a more favorable economic outcome than existing common shareholders who would be the first to suffer losses. These capital requirements are administered by OSFI as well as the conversion of the Additional Tier 1 and Tier 2 capital instruments.</p> <p>Additional Tier 1 and Tier 2 instruments are and will remain an important component of the capital structure of Canadian deposit-taking banks.</p> <p>Canadians can be confident that we have a sound and effective regulatory and supervisory foundation that works to protect depositors and creditors.</p> |  |
| March 7, 2023 | <p><u><a href="#">Guideline B-15: Climate Risk Management</a></u></p> <p>OSFI has issued <u><a href="#">Guideline B-15: Climate Risk Management</a></u>, under the category of Sound business practices and prudential limits. It establishes OSFI's expectations related to the federally regulated financial institutions (FRFIs) and their management of climate-related</p>   |  |

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|  | <p>risks. It aims to support FRFIs in developing greater resilience to, and management of, these risks. OSFI categorizes these risks broadly as follows:</p> <ul style="list-style-type: none"><li>• <b>Physical risks</b> refer to the financial risks from the increasing severity and frequency of climate-related extremes and events (i.e., acute physical risks); longer-term gradual shifts of the climate (i.e., chronic physical risks); and indirect effects of climate change such as public health implications (e.g., morbidity and mortality impacts).</li><li>• <b>Transition risks</b> refer to the financial risks related to the process of adjustment towards a low-greenhouse gas (GHG) economy. These risks can emerge from current or future government policies, legislation, and regulation to limit GHG emissions, as well as technological advancements, and changes in market and customer sentiment towards a low-GHG economy.</li></ul> <p>OSFI notes that there is no one-size-fits-all approach for managing climate-related risks given the unique risks and vulnerabilities that will vary with a FRFI's size, nature, scope and complexity of its operations and risk profile. It states that the Guideline should therefore be read and implemented from a risk-based perspective that</p> |  |
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|              | allows the FRFI to compete effectively while managing its climate-related risks prudently.   |                                  |
| Feb.28, 2023 | <p><u><a href="#">OSFI releases draft guideline, launches consultation on culture and behaviour risks</a></u></p> <p>OSFI has released a Draft <u><a href="#">Culture and Behaviour Risk Guideline</a></u> (Draft Guideline) for consultation. OSFI had previously issued a <u><a href="#">Culture Risk Management Letter</a></u>, in March 2022, and has created this Draft Guideline based on feedback received with respect to that letter.</p> <p>OSFI recognizes that culture can impact decision-making, risk-taking and risk management, either materially supporting or weakening the resilience of Federally Regulated Financial Institutions (FRFIs). The Draft Guideline sets expectations for FRFIs to oversee their culture and assess the impact of behavioural patterns to effectively manage associated risks. Key among these expectations are that FRFIs:</p> <ul style="list-style-type: none"> <li>• Define a desired culture and continuously develop and improve the culture to support their purpose, strategy, effective management of risks, and resilience; and</li> <li>• Continuously evaluate and respond to behaviour risks that can affect the FRFI's overall safety and soundness.</li> </ul> <p>For more information, please <u><a href="#">see BLG's article</a></u> on the topic.</p> | <b>Comments due May 31, 2023</b> |

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| Jan. 18, 2023 | <p><u><a href="#">Guideline E-16, Participating Account Management and Disclosure to Participating Policyholders and Adjustable Policyholders</a></u></p> <p>OSFI has published final Guideline E-16, which sets out OSFI's expectations for how requirements in the Insurance Companies Act (the Act) and the Policyholders Disclosure Regulations (the Regulations) should be applied to participating and adjustable policies.</p> <p>The changes to the Guideline are aimed at providing:</p> <ul style="list-style-type: none"> <li>• Additional clarification of OSFI's expectations, to aid companies in their interpretation of the Insurance Company Act (ICA) and the Policyholders Disclosure Regulations (Regulations), and to facilitate greater consistency of practices by companies in satisfying the requirements of the ICA and the Regulations; and</li> <li>• Additional guidance on the disclosure requirements of the Regulations, to promote greater transparency and consistency of policyholder disclosures.</li> </ul> | <p><b>Effective Jan. 18, 2023</b></p> |
| Jan. 16, 2023 | <p><u><a href="#">2023 Life Insurance Capital Adequacy Test – Adjustments and Clarifications</a></u></p> <p>OSFI has set out adjustments and clarifications to the <u><a href="#">Life Insurance Capital Adequacy</a></u></p>  |                                       |

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|               | <p><u>Test</u> (LICAT) 2023 guideline and associated instructions and forms since their publication in July 2022. These adjustments and clarifications are made to:</p> <ul style="list-style-type: none"> <li>• Volatility adjustment (LICAT section 2.1.1) (Clarification as to when and how insurers should communicate their election decision to OSFI);</li> <li>• Owner-occupied property (LICAT sections 2.1.1 and 5.3.1) (Clarification as to capital treatment of these owner-occupied properties measured at fair value in accordance with IAS 40.);</li> <li>• Cryptoassets (Page 20.300 of the LCQ) (Clarification as to where the Group 2 cryptoasset exposures are to be reported on the LCA/LCQ returns);</li> <li>• Capital composition and limitations (LICAT section 2.3) (Adjustment of the first capital composition limit listed in s. 2.3 – which requires that the aggregate of the items specified should equal or exceed 75% of Net Tier 1 capital – to include a new item added to Gross Tier 1 with respect to unregistered reinsurance in LICAT 2023).</li> </ul> |  |
| Jan. 13, 2023 | <u>Guidance – Maximum Going Concern Discount Rate for Plans Using an Overlay Strategy</u>   |  |

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|               | <p>In May 2022, OSFI issued <a href="#"><u>InfoPensions 26</u></a>, which dealt in part with adjustment of OSFI's maximum going concern discount rate. Following this, OSFI received feedback regarding the maximum going concern discount rate adjustment for plans using an overlay strategy.</p> <p>Understanding that an overlay strategy can be used to manage the interest rate risk (i.e., manage duration exposure) without making changes to investment holdings, OSFI, after additional analysis, will allow that pension plans may first use the target asset mix of the plan fund without regard to the overlay strategy for the purpose of determining the maximum going concern discount rate, if appropriate. An additional adjustment to the maximum going concern discount rate may also be made if the overlay strategy is expected to impact the long-term expected return. However, the actuarial report must include all relevant justifications regarding how the maximum discount rate is determined and adjusted.</p> |  |
| Jan. 12, 2023 | <p><a href="#"><u>Public Consultation on Guideline B-20: Residential Mortgage Underwriting Practices and Procedure</u></a></p> <p>OSFI has launched a public consultation of Guideline B-20 on <a href="#"><u>Residential Mortgage Underwriting Practices and Procedures</u></a>. Conditions in the Canadian mortgage residential mortgage market have evolved considerably since the Guideline was first issued in 2012; since the pandemic, mortgage lending</p>  | <p><b>Comments were due April 14, 2023</b></p> |

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|               | <p>risks, especially with respect to debt serviceability, have increased considerably.</p> <p>The public consultation will gather stakeholder feedback on a set of proposed complementary debt serviceability measures designed to better control prudential risks arising from high consumer indebtedness, including:</p> <ul style="list-style-type: none"> <li>• Loan-to-income (LTI) and debt-to-income (DTI) restrictions.</li> <li>• Debt service coverage restrictions.</li> <li>• Interest rate affordability stress tests.</li> </ul>  |   |
| Dec. 21, 2022 | <p><u><a href="#">OSFI Temporarily Adjusts Regulatory Prudential Limits Related to Investments, Commercial Lending and Borrowing for Certain Insurance Companies</a></u></p> <p>OSFI is temporarily adjusting regulatory prudential limits related to investments, commercial lending and borrowing for Property and Casualty (P&amp;C) Federally Regulated Insurers (FRI). This adjustment is made in advance of the transition to International Financial Reporting Standard (IFRS) 17 Insurance Contracts from IFRS 4 Insurance Contracts, on Jan. 1, 2023. The Superintendent considers that certain amounts under regulations made under the Act are not appropriate given relevant prudential considerations.</p> | <p><b>Adjustment in effect Jan.1, 2023.</b></p> |

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|               | <p>Therefore, from Jan. 1, 2023, to Dec. 31, 2024, statutory investment, lending and borrowing limits will increase by 25 per cent for Canadian P&amp;C FRIs. This two-year period will give the companies time to transition and comply with these prudential limits under IFRS 17.</p> <p>The notification appears in the <a href="#">Jan. 7, 2023 issue</a> of the <i>Canada Gazette</i>, Part I.</p>   |  |
| Dec. 15, 2022 | <p><a href="#">OSFI Confirms Minimum Qualifying Rate for Uninsured Mortgages</a></p> <p>OSFI has announced that the minimum qualifying rate (MQR) for uninsured mortgages will remain the greater of the mortgage contract rate plus 2 per cent or 5.25 per cent.</p> <p>In January 2023, OSFI has launched a review of <a href="#">Guideline B-20</a>. This review will include the MQR, which forms part of B-20, but will also progressively include other mortgage underwriting standards. OSFI expects to leave the MQR at its current rate pending the outcome of the review, although the economic environment could result in a change sooner.</p> |  |
| Dec. 14, 2022 | <p><a href="#">Revised OSFI Capital Ruling for Limited Recourse Capital Notes</a></p> <p>OSFI has published an update to its <a href="#">July 18, 2020, capital ruling</a> on the Limited Recourse Capital Notes (LRCNs). The revised ruling clarifies LRCN issuance limitations for property &amp; casualty (P&amp;C) insurers and mortgage insurers; it continues to conclude that federally regulated financial institutions</p>  |  |

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|              | <p>may recognize the LRCNs as regulatory capital subject to the capital treatment, conditions and limitations set out in the revised ruling.</p>  |   |
| Dec. 8, 2022 | <p><a href="#"><u>OSFI Sets Domestic Stability Buffer at 3% and Adjusts Range</u></a></p> <p>OSFI has announced that the DSB level will be set at 3 per cent as of Feb. 1, 2023. In addition, OSFI has increased the DSB's range from 0 to 4 per cent, instead of the previous 0 to 2.5 per cent.</p> <p>This change stems from OSFI's <a href="#"><u>Domestic Stability Buffer Review</u></a> carried out in the Fall of 2022. OSFI conducted the review to ensure that DSB continues to work as intended and remains an effective tool to promote systemic stability. The change also reflects OSFI's assessment that systemic vulnerabilities remain elevated – with some, namely Canadian household indebtedness and asset imbalances, edging upwards – as well as the results of recent stress tests. OSFI also points to global factors such as persistent inflation, rising interest rates and geopolitical tensions, which have exacerbated vulnerabilities and led to increased economic uncertainty.</p> <p>The Domestic Stability Buffer Review also determined that the design of the DSB remains appropriate and that it has proven its effectiveness as a flexible supervisory tool used to respond to changes in the risk environment.</p> | <p><b>Adjusted DSB in effect Feb. 1, 2023</b></p> |

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| Dec. 6, 2022 | <p><u><a href="#">Operational Resilience Key Definitions</a></u></p> <p>OSFI is moving toward revising Guideline E-21: Operational Risk Management to shift its focus toward operational resilience while reinforcing the expectations of the Guideline with respect to operational risk management. In an <u><a href="#">Industry Letter</a></u>, OSFI considers achieving operational resilience to involve:</p> <ul style="list-style-type: none"> <li>• Identifying a Federally Regulated Financial Institution's (FRFI's) critical operations and mapping the internal and external dependencies (people, systems, processes, third parties, facilities, etc.) required to support critical operations;</li> <li>• Establishing tolerances for disruption in respect of each of the FRFI's critical operations;</li> <li>• Conducting scenario testing to gauge the ability of the FRFI to operate within its limits or tolerances for disruption in a range of severe but plausible scenarios; and</li> <li>• Identifying and addressing any risks to the FRFI's ability to operate within its limits or tolerances for disruption as part of both mapping and scenario testing.</li> </ul> |  |
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#### Financial Consumer Agency of Canada (FCAC)

March 21, 2023

[Consultation on a Proposed Guideline on Existing Consumer](#)

**Comments due May 5, 2023**

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|  | <p><u><a href="#">Mortgage Loans in Exceptional Circumstances</a></u></p> <p>FCAC has embarked on a consultation on a <u><a href="#">Proposed Guideline on Existing Consumer Mortgage Loans in Exceptional Circumstances</a></u> (Guideline). The Guideline is intended to clarify FCAC's expectations and standardize a common approach across FRFIs. It includes the expectation that FRFIs establish effective policies and procedures for providing support to consumers by:</p> <ul style="list-style-type: none"> <li>• Proactively monitoring for and identifying early signs that consumers may be experiencing mortgage hardship.</li> <li>• Establishing criteria for offering relief measures.</li> <li>• Ensuring relief measures are available when appropriate.</li> </ul> <p>This Guideline follows <u><a href="#">FCAC's communication to industry published on Oct. 11, 2022, regarding variable rate mortgage holders.</a></u></p> |  |
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#### International Association of Insurance Supervisors (IAIS)

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| March 16, 2023 | <p><u><a href="#">Public Consultation on Climate Risk Supervisory Guidance – Part One</a></u></p> <p>IAIS has published a <u><a href="#">consultation on climate risk</a></u>, first of a package of three consultations, aimed at promoting a globally consistent supervisory approach to address climate-related risks in the insurance sector.</p> | <p><b>Comments due May 16, 2023</b></p> |
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|               | <p>This first consultation outlines proposed changes to the Insurance Core Principles (ICP) Introduction, which positions climate risk within the global framework for insurance supervision. Additionally, the IAIS discusses whether it is necessary to make changes to the existing supporting material related to governance, risk management and internal controls (ICP 7 and 8). The consultation includes questions seeking stakeholder feedback on the overall climate-related work as it relates to supervisory guidance.</p>   |  |
| March 9, 2023 | <p><a href="#"><u>IAIS Finalizes Criteria That Will be Used to Assess Whether the Aggregation Method Provides Comparable Outcomes to the Insurance Capital Standard</u></a></p> <p>IAIS has agreed on the <a href="#"><u>final criteria</u></a> that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS), following a public consultation. This marks the finalization of an important step for the comparability assessment project and equips the IAIS to begin the comparability assessment in Q3 2023.</p> |  |
| Feb. 13, 2023 | <p><a href="#"><u>Public Consultation on Issues Paper on roles and functioning of Policyholder Protection Schemes (PPSs)</u></a></p> <p>The IAIS' Resolution Working Group (ReWG) has published for consultation its <a href="#"><u>Issues Paper on roles and functioning of Policyholder Protection Schemes (PPSs)</u></a>. It provides an</p>  | <p><b>Comments were due April 14, 2023</b></p> |

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|               | <p>updated overview of global practices regarding PPSs and their roles in insurance resolution and a variety of related activities; and describes current practices for PPSs. It is intended to serve as a guide for jurisdictions considering establishing a PPS or modifying an existing PPS.</p> <p>ReWG is soliciting comments from interested parties, and has issued a set of <a href="#">questions for the consultation</a>.</p>  |  |
| Jan. 11, 2023 | <p><a href="#">IAIS 2023-2024 Roadmap</a><br/> <a href="#">Outlines Two-Year Workplan</a><br/> <a href="#">Addressing Key Risks and Trends in the Insurance Sector</a></p> <p>IAIS has published its <a href="#">2023-2024 Roadmap</a>. Guided by its <a href="#">2020-2024 Strategic Plan</a>, the Roadmap outlines the IAIS' work programme for the next two years. Its areas of focus include:</p> <ul style="list-style-type: none"> <li>• Finalizing the development of global standards, including the Insurance Capital Standard (ICS) for Internationally Active Insurance Groups (IAIGs).</li> <li>• Assessing trends and risks in the global insurance sector through the Global Monitoring Exercise (GME).</li> <li>• Promoting effective supervisory practices, particularly in responding to accelerating trends in the global insurance sector.</li> <li>• Supporting and assessing the implementation of agreed global standards</li> </ul> |  |

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|  | <p>and assessing their comprehensive and consistent implementation.</p> <p>In addition, the IAIS will:</p> <ul style="list-style-type: none"><li>• Issue a public consultation on the ICS as a prescribed capital requirement (PCR).</li><li>• Undertake an ICS economic impact assessment and commence an evaluation of whether the Aggregation Method provides comparable outcomes to the ICS, and hence will be considered an outcome-equivalent approach for implementation of the ICS as a PCR.</li><li>• Consult on revisions to key capital and solvency-related standards that form the foundation of ICS (draft revised ICP 14 (Valuation) and ICP 17 (Capital Adequacy)).</li><li>• Continue to monitor the possible build-up of systemic risk through the GME and assess the implementation of Holistic Framework for the assessment and mitigation of systemic risk supervisory measures.</li><li>• Based on the first years of implementation of the Holistic Framework, begin a review of certain standards, for instance, to enhance clarity of interpretation.</li></ul> |  |
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| Dec. 9, 2022 | <p><u><a href="#">FSB Endorses the IAIS Holistic Framework and Discontinues Identification of Global Systemically Important Insurers (G-SIIs)</a></u></p> <p>The FSB decided, at its December plenary meeting, to discontinue the annual identification of Global Systemically Important Insurers (G-SIIs) in favour of using the IAIS Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector (Holistic Framework) to inform its consideration of systemic risk in insurance. This decision followed a review after three years of implementation.</p> <p>The Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector recognises that systemic risk may arise, not only from the distress or disorderly failure of an individual insurer, but also from the collective exposures and activities of insurers at a sector-wide level. Details of the Framework are available on the <u><a href="#">IAIS web site</a></u>.</p> <p>IAIS adopted the Holistic Framework in November 2019 as part of a comprehensive set of reforms contributing to the maintenance of global financial stability. The FSB decided to suspend the identification of G-SIIs for three years, recognising that the Holistic Framework, appropriately implemented, would provide an enhanced basis for assessing and mitigating systemic risk in the insurance sector. The IAIS will continue to report on the outcomes of its Global Monitoring Exercise (GME) and</p> | <p><b>Public Consultation</b><br/><b>Comments were due Feb. 6, 2023</b></p> |
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|              | <p>its assessment of the implementation of the Holistic Framework supervisory measures to the FSB, which retains an active role relating to the insurance sector, in particular monitoring the application of the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions.</p> <p>The IAIS, in order to refine further its risk assessment, has launched a <a href="#">public consultation</a> seeking input on the GME individual insurer monitoring assessment methodology.</p>                  |  |
| Dec. 6, 2022 | <p><a href="#">IAIS Reports on Diversity, Equity and Inclusion in the Insurance Sector and Planned Future Work</a></p> <p>IAIS has <a href="#">issued a report</a> that provides insight into actions being taken by IAIS member supervisors, other related international organizations and the insurance industry are taking with respect to advancing diversity, equity and inclusion (DEI) in the sector. The report also describes two new projects being undertaken in 2023 by IAIS to maintain its focus on DEI.</p> |  |

#### Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)

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| Feb. 22, 2022 | <p><a href="#">Methods to verify the identity of persons and entities: Update</a></p> <p>This guidance has been updated through the addition of a new section 6, entitled "How to verify the identity of a person who does not have any identity verification documentation or information for a retail deposit account". The new section lays</p> |  |
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|               | <p>out steps to be taken by a bank in the event a person does not have the proper identification documentation or information, recognizing that, for reasons beyond a person's control, they may face barriers in meeting requirements where they must provide proper identification documentation or information. This may be the case for vulnerable populations with barriers to obtaining proper identification such as survivors of human trafficking or victims of domestic abuse.</p>   |               |
| Feb. 18, 2022 | <p>See below for a summary of <a href="#"><u>Proposed Regulations</u></a>, <a href="#"><u>Amending Certain Regulations</u></a>, <a href="#"><u>Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act</u></a>, and related regulatory developments, under <a href="#"><u>“Legislation”</u></a></p>  | Feb. 18, 2022 |
| Dec. 16, 2022 | <p><a href="#"><u>Resource Documents to Help Reporting Entities Prepare for Changes to the Suspicious Transaction Report (STR) Form</u></a></p> <p>FINTRAC is expecting to implement important changes to the Suspicious Transaction Report (STR) form in 2023; it will reflect the legislative amendments that came into force on June 1, 2021, and which include added functionality when reporting suspicious transactions to FINTRAC. It has therefore published documents to the <a href="#"><u>Draft Documents</u></a> page of the FINTRAC web site to help reporting entities prepare for the new form:</p> <ul style="list-style-type: none"> <li>• STR mock form</li> </ul> |               |

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|  | <ul style="list-style-type: none"> <li>• Reporting suspicious transactions to FINTRAC guidance</li> <li>• STR JSON schemas (reports and transactions)</li> </ul> <p>These documents are still in draft form and may be subject to minor changes; FINTRAC expects to publish additional and updated draft documents in early 2023.</p> |  |
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#### Bank for International Settlements (BIS)

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| March 30, 2023 | <p><a href="#"><u>Basel Committee on Banking Supervision: Various Technical Amendments and FAQs</u></a></p> <p>The Basel Committee on Banking Supervision has published <a href="#"><u>proposals for technical amendments and answers to frequently asked questions</u></a>. They relate to:</p> <ul style="list-style-type: none"> <li>• The standardized approach to operational risk.</li> <li>• The disclosure standards for credit valuation adjustment (CVA) risk.</li> <li>• The description of the calculation of indicator scores for global systemically important banks (G-SIBs).</li> <li>• Terminology used in the countercyclical capital buffer.</li> <li>• The application of the liquidity standards to certain products.</li> </ul> | Comments due May 15, 2023 |
| Feb. 28, 2023  | <p><a href="#"><u>Basel III Monitoring Report</u></a></p> <p>Basel Committee on Banking Supervision has released its</p>  |                           |

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|               | <p>monitoring report based on data from June 30, 2022. It sets out the impact of the Basel III framework, including the December 2017 finalization of the Basel III reforms and the January 2019 finalization of the market risk framework.</p> <p>Highlights include:</p> <ul style="list-style-type: none"> <li>• After their record high end-2021, initial Basel III capital ratios decrease to pre-pandemic levels.</li> <li>• Liquidity ratios decline but remain above pre-pandemic levels.</li> </ul>   |  |
| Feb. 17, 2023 | <p><a href="#"><u>Operational and technical considerations for extending and aligning payment system operating hours for cross-border payments: An analytical framework</u></a></p> <p>This <a href="#"><u>technical report</u></a> presents a systematic three-step approach building on the Committee on Payments and Market Infrastructures report "<a href="#"><u>Extending and aligning payment system operating hours for cross-border payments</u></a>". It proposes an analytical framework for central banks and real-time gross settlement system operators to help determine the most appropriate approach to extending operating hours, evaluating related technical and operational issues, and designing an implementation plan. It focuses on approaches to increasing operating hours on current operating days as the most achievable option in the short term, while considering the other end states as part of a medium to long-term strategy.</p> |  |

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| Jan. 18, 2023 | <p><u><a href="#">Exploring Multilateral Platforms for Cross-Border Payments</a></u></p> <p>This <a href="#">joint report</a> by the BIS Committee on Payments and Market Infrastructures (CPMI), the BIS Innovation Hub, the International Monetary Fund (IMF) and the World Bank identifies challenges to address and approaches to establishing multilateral platforms – cross-border payment systems that are multi-jurisdictional by design. The report analyzes the potential costs and benefits of multilateral platforms and how they might alleviate cross-border payments frictions and explores two paths for establishing multilateral platforms:</p> <ul style="list-style-type: none"> <li>• A growth approach, which involves expanding existing multilateral platforms to additional jurisdictions, currencies, and participants.</li> <li>• A greenfield approach, which involves building a new, potentially global, infrastructure for cross-border payments.</li> </ul> <p>The report points out that, as policymakers analyze the potential development and implementation of multilateral platforms, any evaluation should carefully consider the trade-offs of multilateral platforms and account for the evolving nature of the cross-border payments market.</p> |  |
| Jan. 1, 2023  | <p><u><a href="#">Basel Framework – Updates</a></u></p> <p><u><a href="#">Changes to the Basel Framework</a></u> published by the Basel Committee on Banking</p>  | <p><b>Updates effective Jan. 1, 2023</b></p> |

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|               | Supervision are effective Jan. 1, 2023.   |  |
| Dec.16, 2022  | <p><u><a href="#">Prudential Treatment of Cryptoasset Exposures</a></u></p> <p>This publication provides the Basel Committee on Banking Supervision's final prudential standard on the prudential treatment of banks' exposures to cryptoassets, following its second consultation on the issue issued in June 2022. The publication summarizes the structure of the finalized standard, describes changes made to key elements relative to the proposal in the second consultation, and provides the text of the standard itself. The text of the standard will be incorporated as a chapter of the consolidated Basel Framework (SC060: Cryptoasset exposures), which the Committee has agreed to implement by January 1, 2025.</p> | <p><b>Standard to be implemented by Jan. 1, 2025</b></p> |
| Dec. 14, 2022 | <p><u><a href="#">Evaluation of the Impact and Efficacy of the Basel III Reforms</a></u></p> <p>The Basel Committee on Banking Supervision has published its <u><a href="#">third evaluation report</a></u>, and <u><a href="#">a technical Annex</a></u>, providing its first holistic evaluation of the impact and efficacy of the implemented Basel III reforms. It has previously published evaluative reports on <u><a href="#">Early lessons from the Covid-19 pandemic on the Basel reforms</a></u> (July 2021), and <u><a href="#">Buffer usability and cyclical in the Basel framework</a></u> (October 2022).</p> <p>This third report's analysis provide empirical evidence on:</p>  |  |

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|  | <ul style="list-style-type: none"> <li>• The impact of the capital and liquidity reforms on bank resilience and systemic risk.</li> <li>• Potential side effects on banks' lending and capital costs.</li> <li>• Interactions among elements of the reforms and the regulatory complexity within the Basel Framework.</li> </ul> |  |
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### Financial Stability Board (FSB)

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| Feb. 23, 2023 | <p><a href="#"><u>FSB details actions for the next phase of the G20 Roadmap for Enhancing Cross-border Payments</u></a></p> <p>The FSB has <a href="#"><u>published a report</u></a> that sets out priority actions for achieving the G20 targets for enhancing cross-border payments. It provides as a focus for the next phase of work three priority themes:</p> <ul style="list-style-type: none"> <li>• Payment system interoperability and extension.</li> <li>• Legal, regulatory, and supervisory finalizing frameworks.</li> <li>• Cross-border data exchange and message standards.</li> </ul> <p>The FSB will be convening two industry taskforces to help enable the wider collaboration that implementing these changes will require.</p> |  |
| Feb. 16, 2023 | <p><a href="#"><u>FSB assesses financial stability risks of decentralized finance</u></a></p> <p>The FSB has <a href="#"><u>issued a report</u></a> that provides an overview of the features and vulnerabilities of</p>   |  |

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|               | <p>Decentralized Finance (DeFi); it assesses potential financial stability risks and draws policy implications. DeFi is commonly used to describe services in crypto-asset markets that aim to replicate some functions of the traditional financial system in a supposedly decentralized manner – though the actual level of decentralization varies widely. The report concludes that while the processes to provide services are in many cases novel, DeFi does not differ substantially from traditional finance in the functions it performs or the vulnerabilities to which it is exposed. DeFi's specific features may result in some of these vulnerabilities – such as operational fragilities, liquidity and maturity mismatches, leverage and interconnectedness – playing out at times differently than in traditional finance. The fact that cryptoassets underpinning much of DeFi lack inherent value and are highly volatile magnifies the impact of these vulnerabilities when they materialize.</p> |  |
| Jan. 18, 2023 | <p><u><a href="#">Implementation of G20 Non-Bank Financial Intermediation Reforms: Progress report</a></u></p> <p>In 2013, the FSB, working with standard-setting bodies, developed a framework and policy toolkit – endorsed by the G20 – for strengthening the oversight and regulation of non-bank entities. The policy framework and accompanying policies aimed to mitigate the potential systemic risks associated with non-bank financial intermediation (NBFI).</p>   |  |

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|  | <p>This <a href="#">Progress Report</a> describes progress in implementing reforms in the above areas. It finds that:</p> <ul style="list-style-type: none"><li>• Jurisdictions have made progress in implementing Basel III reforms to mitigate spillovers between banks and non-bank financial entities, but implementation is not yet complete.</li><li>• Adoption of the 2012 International Organization of Securities Commissions (IOSCO) recommendations to reduce the run risk of money market funds (MMFs) is most advanced in the largest MMF markets.</li><li>• Adoption of the IOSCO recommendations on incentive alignment approaches for securitization and of the Basel Committee on Banking Supervision standard on the revised securitization framework is ongoing.</li><li>• Implementation of FSB recommendations for dampening procyclicality and other financial stability risks associated with SFTs is incomplete and continues to face significant delays in most jurisdictions.</li><li>• Implementation of most FSB recommendations to assess and mitigate systemic risks posed by other non-bank financial entities and activities is</li></ul> |  |
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|                        | <p>ongoing.</p> <p>Progress in the implementation of new agreed NBFI policies will be reported in future versions of this report.</p>   |                                 |
| <b>Payments Canada</b> |   |                                 |
| March 21, 2023         | <p><a href="#"><u>Payments Canada introduces data-rich messages to high-value payments in Canada with Lynx Release Two</u></a></p> <p>Payments Canada has announced the launch of the second release of Lynx, Canada's high-value payment system. This new release introduces the ISO 20022 financial messaging standard which allows richer data to travel with each payment. This should enable Lynx participants to leverage richer payments data to offer new products and services to their customers.</p> |                                 |
| Dec. 15, 2022          | <p><a href="#"><u>Guideline: Deduction of Charges for the Receipt of Lynx Payments</u></a></p> <p>This Payments Canada Guideline provides guidance with respect to treatment of the deduction of charges for the receipt of Lynx payments. The Association encourages adoption of this guidance on a voluntary basis; it does not intend to create legal rights or obligations for the Association or its member financial institutions beyond what is included in the CPA Rules.</p>                           | <b>Implemented Dec.15, 2022</b> |
| Dec.15, 2022           | <p><a href="#"><u>Guideline: Misdirected Lynx Payments</u></a></p> <p>Payments Canada has implemented this guideline to</p>   | <b>Implemented Dec.15, 2022</b> |

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|  | <p>assist parties when a Lynx payment has been misdirected. It is based on the commitment of the receiving participant and the sending participant to work together, with the overall goal being the resolution of the issue quickly and fairly. The rights and responsibilities of Lynx participants and their customers in respect of misdirected payments are for the most part covered by the contractual agreements in place between the participant and its customer.</p> |  |
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**Financial Action Task Force (FATF)**

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|                | <p><u><a href="#">FATF Recommendations</a></u></p> <p>The FATF Recommendations (Recommendations), as amended to February 2023, have been posted. The Recommendations set out a comprehensive and consistent framework of measures which countries should implement to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction.</p> <p>Countries have diverse legal, administrative and operational frameworks and different financial systems, and so cannot all take identical measures to counter these threats. The FATF Recommendations, therefore, set an international standard, which countries should implement through measures adapted to their circumstances. The FATF Standards comprise the Recommendations themselves and their Interpretive Notes, together with the applicable definitions in the glossary.</p> |  |
| March 10, 2023 |   |  |

| Canada Deposit Insurance Corporation (CDIC) |  |   |
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| Feb. 10, 2023                               | <p><a href="#"><u>Notice of upcoming change to the Canada Deposit Insurance Framework</u></a></p> <p>This notice describes coming changes as a result of legislation that was passed recently, and which further expands the deposit insurance framework. Effective April 1, 2023, eligible deposits held in the First Home Savings Account (FHSA) will be separately protected for up to \$100,000, bringing to nine the total number of CDIC deposit insurance categories at each member institution. These changes are being implemented through <a href="#"><u>Fall Economic Statement Implementation Act, 2022, SC 2022, c. 19 (Bill C-32)</u></a>, which is described below under the Legislation heading.</p> | <b>Changes effective April 1, 2023</b>  |
| Legislation                                 |  |   |
| March 22, 2023                              | <p><a href="#"><u>Bill C-42, Act to amend the Canada Business Corporations Act and to make consequential and related amendments to other Acts</u></a></p> <p>Bill C-42, <i>Bill C-42, Act to amend the Canada Business Corporations Act and to make consequential and related amendments to other Acts</i>, received first reading on March 22, 2023. It amends section 73 of the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i>, which specifies the regulations that the Governor in Council may make to carry out the purposes and provisions of the Act. The provision allowing for regulations respecting the verification of the identity of persons and entities</p>                 | <b>Provisions would come into force on a day or days to be fixed by proclamation.</b> |

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|                | <p>referred to in section 6.1 of the Act by persons and entities listed in section 5 is amended so that such regulations could require the reporting to government institutions or agencies of any discrepancies in information on the beneficial ownership or control of an entity arising out of that verification.</p>  |  |
| March 15, 2023 | <p><u><a href="#">By-law Amending the Canada Deposit Insurance Corporation Prescribed Practices Premium Surcharge By-law, SOR/2023-37</a></u></p> <p>This amendment to the By-law adds non-compliance with any of the provisions of the <i>Canada Deposit Insurance Corporation Eligible Financial Contracts By-law</i> as a practice that warrants a premium surcharge.</p>   | <p><b>Amendment in force March 3, 2023</b></p>   |
| March 29, 2023 | <p><u><a href="#">By-law Amending the Canada Deposit Insurance Corporation Co-owned and Trust Deposit Disclosure By-law, SOR/2023-38</a></u></p> <p>This amendment adds the Tax-Free First Home Savings Account to the defined term “special income arrangement” in subsection 1(1) of the By-law. The amendment is required for the By-law to align with the Schedule to the <i>Canada Deposit Insurance Corporation Act</i>.</p> | <p><b>Amendment in force April 1, 2023</b></p>   |
| Feb. 18, 2023  | <p><u><a href="#">Proposed Regulations Amending Certain Regulations Made Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act</a></u></p> <p><u><a href="#">Proposed Financial Transactions and Reports Analysis Centre of Canada Assessment of Expenses</a></u></p>   | <p><b>Obligations for the armoured car sector and mortgage lending entities would come into force six months and eight months, respectively, after the publication of the final regulations.</b></p> |

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|  | <p><u>Regulations</u></p> <p><u>Proposed Regulations</u></p> <p><u>Amending the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations and the Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulations</u></p> <p>These proposed amendments to the regulations, published in the <i>Canada Gazette</i>, Part I, on February 18, would:</p> <ul style="list-style-type: none"><li>• Prescribe a formula for FINTRAC to assess the expenses it incurs in the administration of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act against reporting entities.</li><li>• Impose anti-Money laundering and anti-terrorist financing obligations on mortgage lending entities and the armoured car sector.</li><li>• Improve due diligence regarding correspondent banking relationships.</li><li>• Increase cross-border currency reporting penalties.</li><li>• Streamline requirements for sending administrative monetary penalties documents to reporting entities.</li><li>• Enhance the money services businesses registration framework.</li><li>• Make minor technical amendments.</li></ul> |  |
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| Feb. 11, 2023 | <p><u><a href="#">Proposed Regulations for Permitted Infrastructure Investments</a></u></p> <p><u><a href="#">Budget Implementation Act, 2018, No. 1</a></u>, SC 2018, c. 12, amended the <i>Insurance Companies Act</i> (the Act) to create a new permission for federally regulated life insurance companies, fraternal benefit societies, and insurance holding companies (life and health insurance entities) to make equity investments in a “permitted infrastructure entity” (PIE). The proposed regulations under the <i>Insurance Companies Act</i> establish the rules applicable to such investments, including to define requirements for an entity to qualify as a PIE (e.g. the nature of its business activities, the type of public infrastructure assets that are the subject of its activities), general conditions on the structure of investments (e.g. a requirement for the participation of a public body), and a limit on the aggregate exposure to PIEs that each life and health insurance entity is allowed to have.</p> | <p><b>Final regulations would take effect on the day on which section 343 of the <i>Budget Implementation Act, 2018, No. 1</i> comes into force (but if the regulations are registered after that day, they will come into force on their date of registration)</b></p> |
| Feb. 11, 2023 | <p><u><a href="#">Proposed Retail Payment Activities Regulations</a></u></p> <p>Together with the <i>Retail Payment Activities Act</i> (the Act), assented to on June 29, 2021, these proposed regulations would implement a retail payment supervisory regime for payment service providers’ (PSPs’) retail payment activities.</p> <p>The proposed regulations include, for PSPs:</p>   | <p><b>Final regulations would take effect in tandem with the coming into force of specific sections of the Act</b></p>  |

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|              | <ul style="list-style-type: none"> <li>• Standards for operational risk management.</li> <li>• Requirements to safeguard end-user (payor or payee) funds.</li> <li>• Requirements regarding PSPs' registration with the Bank of Canada; reporting requirements.</li> <li>• Penalties for violating requirements.</li> </ul> <p>In addition, the proposed regulations provide timelines and information requirements in support of national security review process as part of the Minister of Finance's national security authorities under the Act.</p> <p>The proposed regulations are discussed in detail in <a href="#">our previous BLG article</a>.</p>                |                                      |
| Dec.15, 2022 | <p><u><a href="#">Regulations Amending Certain Regulations made under the Insurance Companies Act, SOR/2022-276</a></u></p> <p>The regulations make amendments to the following regulations, with the objective of expanding the range of corporate structures available to demutualized property and casualty (P&amp;C) insurance companies after demutualization, and to promote competition within the P&amp;C industry:</p> <ul style="list-style-type: none"> <li>• <i>Mutual Property and Casualty Insurance Company Having Only Mutual Policyholders Conversion Regulations</i></li> <li>• <i>Mutual Property and Casualty Insurance Company with Non-</i></li> </ul> | <p><b>In force Dec. 15, 2022</b></p> |

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|               | <p><i>mutual Policyholders<br/>Conversion Regulations</i></p> <p>The amendments create a new requirement that applies to an <i>Insurance Companies Act</i> (ICA) holding company (holdco) that is making an application to the Minister of Finance for discontinuance from the ICA and towards continuance under the <i>Canada Business Corporations Act</i> (CBCA). Such an ICA holdco will be required to include in its incorporating instrument, once continued under the CBCA and for the duration of the protection period, a provision that restricts the issue, transfer or ownership of its shares (the share restrictions) to prevent it from having a major shareholder (which would cause it to no longer be widely held). This would ensure that the holdco would remain widely held for the duration of the takeover protection period even after being continued under the CBCA. In addition, the protection period is increased from two to four years.</p> <p>Under the amendments an ICA holdco would be allowed to amend its incorporating instrument to remove the share restrictions but only in cases where the Minister of Finance is of the opinion that the converted company is, or is about to be, in financial difficulty and that a proposed acquisition would facilitate an improvement in its financial condition.</p> |   |
| Dec. 15, 2022 | <p><i>Fall Economic Statement<br/>Implementation Act, 2022, SC<br/>2022, c. 19 (Bill C-32)</i></p>  | <p><b>Section 59 of Bill C-32 is in force April 1, 2023</b></p> |

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|  | <p>Bill C-32 received Royal Assent on Dec. 15, 2022. It introduces a Tax-Free First Home Savings Account (FHSA), which will allow prospective first-time homebuyers to save up to \$40,000 tax-free toward their first home. Section 59 of Bill C-32 adds a new subsection 5(3.1) to the schedule to the <i>Canada Deposit Insurance Corporation Act</i> with respect to this account.</p> |  |
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By

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