

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 | <u>OSFI Updates COVID-19 Measures</u> 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 |

| | | | |
|--|--|---|--|
| | | <p>OSFI will continue to monitor conditions closely and remains ready to take any further required action.</p> <p>Key measures announced for private pension plans include:</p> <ul style="list-style-type: none"> • 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. <p>For more detail, see the letter issued to Federally Regulated Private Pension Plans. See also the updated FAQs providing further clarity.</p> <p>Key measures announced for banks include:</p> <ul style="list-style-type: none"> • 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 | |
|--|--|---|--|

| | | | |
|--|--|--|--|
| | | <p>for up to three months; and</p> <ul style="list-style-type: none"> Loans granted payment deferrals after September 30, 2020 will not be eligible for the special capital treatment. <p>For more detail, see the letter issued to Federally Regulated Deposit-Taking Institutions. See also the updated FAQs providing further clarity.</p> <p>Key measures announced for insurers include:</p> <ul style="list-style-type: none"> 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 | |
|--|--|--|--|

| | | | |
|--|------------------------|---|--|
| | | <p>deferrals granted after September 30, 2020 will not be eligible for the special capital treatment.</p> <p>For more detail, see the letter issued to Federally Regulated Life and Property & Casualty Insurers. See also updated FAQs providing further clarity.</p> | |
| <p>Financial Stability Board (FSB)</p> | <p>August 25, 2020</p> | <p>Key Attributes Assessment Methodology for the Insurance Sector</p> <p>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.</p> <p>The Key Attributes constitute an “umbrella” standard for resolution regimes for all types of</p> | |

| | | |
|--|--|--|
| | <p>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.</p> <p>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 cross-border cooperation agreements and</p> | |
|--|--|--|

| | | | |
|----------------|-----------------|---|--|
| | | <p>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.</p> | |
| Bank of Canada | August 24, 2020 | <p>Bank of Canada launches public consultation on inflation targeting</p> <p>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.</p> <p>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.</p> <p>Civil society, labour and industry organizations are also invited to send in more detailed submissions for consideration by the</p> | |

| | | | |
|---|------------------------|---|--|
| | | <p>Bank's Governing Council. The Bank will publish a report summarizing what it has heard in the coming months.</p> | |
| <p>Financial Consumer Agency of Canada (FCAC)</p> | <p>August 20, 2020</p> | <p>FCAC Commissioner publishes decisions on financial institutions not meeting disclosure requirements on credit products</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • Decision 135 | |

| | | | |
|---------------------------------|-----------------|--|---------------------------|
| | | <ul style="list-style-type: none"> • Decision 136 • Decision 137 | |
| Payments Canada | August 20, 2020 | <p>Changes to Our Rules and Standards</p> <p>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:</p> <ul style="list-style-type: none"> • 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 | <p>Public responses to consultation on Guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution</p> <p>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</p> | |

| | | | |
|----------------|-----------------|--|---------------------------|
| | | <p>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.</p> | |
| Bank of Canada | August 10, 2020 | <p>Bank of Canada designates Interac e-Transfer as a prominent payment system</p> <p>Bank of Canada Governor Tiff Macklem has designated <i>Interac e-Transfer</i>® as a prominent payment system under the <i>Payment Clearing and Settlement Act</i>, effective August 10, 2020. This brings Bank oversight to this payment system and ensures it remains a safe, viable and effective method of payment for Canadians.</p> <p>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 <i>Interac e-Transfer</i> 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.</p> <p><i>Interac e-Transfer</i> has become central to the Canadian payments</p> | Effective August 10, 2020 |

| | | | |
|----------------|-----------------|--|--|
| | | <p>system. In the 2019 fiscal year, the Interac system facilitated over 486 million transactions, totalling \$169 billion. A disruption or failure of the <i>Interac</i> 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.</p> <p><u>Interac Corp operates the Interac e-Transfer system.</u> Launched in 2003, <i>Interac</i> 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.</p> | |
| Bank of Canada | August 10, 2020 | <p><u>Changes to the Bank of Canada's Standing Liquidity Facility Policy Regarding the use of Non-Mortgage Loan Portfolio as Collateral</u></p> <p>Given the continued improvement in <u>short-term funding conditions</u>, the 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</p> | |

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

| | | | |
|---|----------------|--|---|
| | | <p>website.</p> <p>The Bank will continue to monitor short-term funding conditions as well as global market developments, and, will revise these concentration limits if necessary.</p> | |
| Office of the Superintendent of Financial Institutions (OSFI) | August 7, 2020 | <p>Update on OSFI's Activities with respect to IFRS 17 - Insurance Contracts</p> <p>The move to International Financial Reporting Standard 17 - <i>Insurance Contracts</i> (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.</p> | |
| Bank for International Settlements (BIS) | August 7, 2020 | <p>Revisions to the principles for the sound management of operational risk</p> <p>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</p> | Comments should be provided by November 6, 2020 |

| | | | |
|---|-----------------------|---|--|
| | | <p>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:</p> <ul style="list-style-type: none"> • Align the principles with the recently finalised Basel III operational risk framework; • Update the guidance where needed in the areas of change management and information and communication technologies; and • Enhance the overall clarity of the principles. <p>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.</p> | |
| <p>Bank for International Settlements (BIS)</p> | <p>August 6, 2020</p> | <p>Principles for operational resilience</p> <p>Through the publication of this consultative document, the Basel Committee on Banking</p> | <p>Comments should be provided by November 6, 2020</p> |

| | | | |
|------------------------|-----------------------|--|--|
| | | <p>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.</p> <p>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.</p> | |
| <p>Payments Canada</p> | <p>August 5, 2020</p> | <p>Changes to Our Rules and Standards</p> <p>The following amendments were approved by the Board of Payments Canada and the Department of Finance and came into</p> | |

| | | | |
|--|--|---|--|
| | | <p>effect on August 5, 2020:</p> <ul style="list-style-type: none"> • 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 a Group Clearer becomes affiliated with one or more other Direct Clearers. | |
|--|--|---|--|

Disclaimer

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

To view the Reporter for previous months, please visit our [Banking and Financial Services publications page](#)

By

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

Expertise

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

BLG | Canada's Law Firm

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

blg.com

BLG Offices

Calgary

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

T 403.232.9500
F 403.266.1395

Ottawa

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

T 613.237.5160
F 613.230.8842

Vancouver

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

T 604.687.5744
F 604.687.1415

Montréal

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

T 514.954.2555
F 514.879.9015

Toronto

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

T 416.367.6000
F 416.367.6749

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

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