

Federal financial institutions legislative and regulatory reporter – November 2020

December 18, 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.

November 2020

Institution	Published	Title and Brief Summary	Status
Bank of Canada	November 30, 2020	Summary of comments – Fall 2020 debt management strategy consultations The Fall 2020 debt management strategy consultations summary was published in conjunction with the release of the Government of Canada's Fall Economic Statement 2020.	

Office of the Superintendent of Financial Institutions (OSFI)	November 27, 2020	<u>Instruction guide for the preparation of actuarial reports for defined benefit pension plans</u> The Office of the Superintendent of Financial Institutions (OSFI) is issuing the final version of the <u>Instruction guide for the preparation of actuarial reports for defined benefit pension plans</u>(The Guide). The purpose of the Guide is to set out the reporting requirements of actuarial reports filed with OSFI. The Guide is a comprehensive document with the intent of facilitating the work of the actuary and the review of actuarial reports by OSFI by including legislative, regulatory and actuarial requirements and expectations in one document.	
Office of the Superintendent of Financial Institutions (OSFI)	November 27, 2020	<u>Life Insurance Capital Adequacy Test (LICAT) Advisory</u> In April 2020, OSFI released a formal <u>advisory</u> to the LICAT guideline to include a smoothing technique in the framework for determining interest rate risk (IRR) requirements for participating business. Also included in the advisory is a clarification to OSFI's expectations related to negative Dividend Stabilization Reserves (DSRs) or other similar	Effective January 1, 2021

		experience leveling mechanisms. The advisory has an effective date of January 1, 2021.	
Office of the Superintendent of Financial Institutions (OSFI)	November 26, 2020	New approach for determining regulatory capital requirements for segregated fund guarantee (SFG) risk OSFI is developing a new approach to determine capital requirements for SFG risk, which will reflect the International Financial Reporting Standard 17 – <i>Insurance Contracts</i> (IFRS 17) that will become effective on January 1, 2023. The purpose of this letter is to provide additional details on the development of the approach.	Effective January 1, 2023
Office of the Superintendent of Financial Institutions (OSFI)	November 26, 2020	Draft guideline: Property and casualty large insurance exposures and investment concentration This applies to all federally regulated property and casualty insurers (P&C FRIs). It applies to insurance companies on an individual and consolidated basis and to individual foreign branches. The guideline sets out OSFI's expectations related to large insurance exposures; that is, losses a P&C FRI could suffer from a single large insurance exposure and the	

		sudden failure of an individual unregistered insurance counterparty. It also sets out OSFI's expectations related to investment concentration. This guideline complements OSFI's supervisory framework and assessment criteria.	
Bank of Canada	November 24, 2020	Canadian Alternative Reference Rate Working Group Launches Consultation The Canadian Alternative Reference Rate working group (CARR) published a consultation paper on a proposed methodology for calculating CORRA-in-arrears as well as draft fallback language for floating rate notes (FRNs) that reference CDOR. CARR is seeking responses from a broad array of stakeholders that currently have financial instruments referencing CORRA or CDOR, including FRN issuers and investors. Responses to the consultation are requested by December 22, 2020 in the consultation response template, to be submitted by email to: CARR-TARCOM-Consultation@bank-banque-canada.ca.	Responses by December 22, 2020.

Financial Stability Board (FSB)	November 23, 2020	The implications of climate change for financial stability Building on the FSB stocktake of financial authorities' experience in including physical and transition climate risks as part of their financial stability monitoring, this report assesses the channels through which physical and transition risks could impact the financial system and how they might interact. Particular focus is on the potential amplification mechanisms and cross-border effects, and on the channels that could materialise in the short-to-medium term.	
Financial Stability Board (FSB)	November 20, 2020	FSB sets out progress on interest rate benchmark reform The FSB published a progress report on implementation of reforms to major interest rate benchmarks. The roadmap sets out a timetable of actions for financial and non-financial sector firms to take in order to ensure a smooth London Interbank Offered Rate (LIBOR) transition by the end of 2021. With only one year left, all market participants – both financial and non-financial firms across the globe – must now ensure	

		they follow the necessary steps to avoid disruption to the performance of their contracts. For transition to occur on time, market participants will need to cease use of LIBOR as a benchmark in all new activity across global markets as soon as possible and this needs to be a key priority for the months ahead.	
Financial Stability Board (FSB)	November 18, 2020	<u>FSB highlights need for resolution preparedness</u> The FSB has published its <u>2020 Resolution Report</u>. The report updates on progress in implementing policy measures to enhance the resolvability of important financial institutions and highlights the need for resolution preparedness. It also discusses lessons learnt from the COVID-19 pandemic, which confirmed the importance of ongoing work on resolvability, including for central counterparties (CCPs). The FSB provides sector specific and market updates for global systematically important banks, CPPs, and key attributes for the insurance sector.	
Financial Stability Board (FSB)	November 17, 2020	<u>COVID-19 pandemic: Financial stability impact and policy responses</u>	

		This report, delivered to G20 Leaders ahead of the November Summit, considers the financial stability impact and policy responses to the COVID-19 global pandemic.	
Financial Stability Board (FSB)	November 16, 2020	Guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution This report sets out guidance to support authorities in their assessment of the adequacy of financial resources for central counterparty (CCP) resolution and of the treatment of CCP equity in the context of resolution. Resolution authorities should conduct such assessment in cooperation with the CCP's oversight and/or supervisory authorities. For CCPs that are systemically important in more than one jurisdiction, such assessment should be reviewed and updated on an annual basis and the results of such review/update be discussed within the firms' crisis management groups. Part I of the guidance proposes five steps to guide the authorities in assessing the adequacy of a CCP's financial resources and the	

		potential financial stability implications of their use. Part II of the guidance addresses the treatment of CCP equity in resolution. It provides a framework for resolution authorities to evaluate the exposure of CCP equity to losses in recovery, liquidation and resolution and how (where it is possible) the treatment of CCP equity in resolution could be adjusted.	
Bank of Canada	November 16, 2020	<u>Bank of Canada and OSFI launch pilot project on climate risk scenarios</u> The Bank of Canada (the Bank) and the Office of the Superintendent of Financial Institutions (OSFI) announced plans for a pilot project to use climate-change scenarios to better understand the risks to the financial system related to a transition to a low-carbon economy. A small group of institutions from the banking and insurance sectors will participate voluntarily in the project. <u>Building on previous work</u> on climate-change scenarios for the global economy, the Bank and OSFI will first develop a set of climate-change scenarios that are relevant for Canada. Using these scenarios, participants will explore	

		the potential risk exposures of their balance sheets. The Bank and OSFI will publish a report, planned for the end of 2021, sharing details on the specific scenarios, methodology, assumptions and key sensitivities.	
Financial Stability Board (FSB)	November 13, 2020	<i>Implementation and effects of the G20 financial regulatory reforms: 2020 annual report</i> The FSB released the 2020 annual report to the G20 on the implementation and effects of the financial regulatory reforms.	
Financial Stability Board (FSB)	November 11, 2020	FSB publishes 2020 G-SIB list The Financial Stability Board (FSB) published the 2020 list of global systemically important banks (G-SIBs) using end-2019 data and an assessment methodology designed by the Basel Committee on Banking Supervision (BCBS). The 30 banks on the list remain the same as the 2019 list. The BCBS published updated denominators used to calculate banks' scores and the values of the underlying twelve indicators for each bank in the assessment	

		sample. The BCBS also published the cut-off score used to allocate the G-SIBs to buckets, as well as updated links to public disclosures of all banks in the sample. A new list of G-SIBs will be published in November 2021.	
Bank of Canada	November 9, 2020	Bank of Canada announces amendments to targeted facilities and programs that support liquidity and short-term funding markets Reflecting the continued improvement in the functioning of short-term funding markets and financial markets more generally, the Bank of Canada (the Bank) announced amendments to the Provincial Money Market Purchase (PMMP) program and to the amount of Government of Canada treasury bills acquired at auction. The Bank is also announced amendments to the Standing Term Liquidity Facility (STLF). Effective November 16, 2020, the Bank has discontinued the PMMP program, with the last operation taking place on November 13, 2020. In addition, effective November 24, 2020, the size of the Bank's purchases at Government of Canada treasury bill auctions ranged from 0 percent to	

		10 percent, revised from a constant 10 percent. While the intent is to minimize the Bank's participation over time, purchase amounts will vary depending on different factors, including prevailing market conditions and balance sheet requirements. Furthermore, the terms and conditions for the STLF have been revised to include terms of up to 30 days from the current term of up to 90 days. Renewal and early repayment are at the Bank of Canada's discretion. Under the STLF, the Bank can provide loans to eligible financial institutions in need of temporary liquidity support and where the Bank has no concerns about their financial soundness. The Bank will continue to monitor market conditions and remains committed to providing liquidity as required to support the functioning of the Canadian financial system. Any discontinued facilities can restart if necessary.	
Bank of Canada	November 9, 2020	Return to the Government of Canada Treasury Bill standard terms for auctions The Bank of Canada announced a return to normal standard terms	Effective November 24, 2020

		for auctions of Government of Canada Treasury Bills. This return replaces the temporary measures announced on April 9, 2020 as follows: Bidding limits: Primary Dealers (PDs) competitive bidding limit returns to 25 per cent (from 40 per cent). The aggregate bidding limit, which includes bids submitted on behalf of customers, returns to 40 per cent (from 50 per cent). Bidding ranges: The maximum price range within which PDs must meet their minimum level of bidding obligations returns to 10 basis point (from 20 basis points) compared to the highest yield accepted. The return to standard terms for auction reflects the normalization of the Treasury Bill market. The temporary measures for Treasury Bond auctions remain in effect until further notice. Changes effective: November 24, 2020	
International Association of Insurance Supervisors (IAIS)	November 9, 2020	IAIS releases three public consultations related to comparable outcomes, liquidity metrics and resolution During its virtual meetings on November 4 and 5, 2020, the IAIS	Responses to public consultations to be submitted by, as relevant, January 22, 2021, February 7, 2021 and February 5, 2021.

		Executive Committee approved the release of three documents for public consultation: • <u>Draft definition of comparable outcomes and high-level principles to inform the criteria that will be used to assess whether the AM provides comparable outcomes to the ICS</u> Comments due by January 22, 2021 • <u>Development of Liquidity Metrics: Phase I – Exposure Approach</u> Comments due by February 7, 2021 • <u>Application Paper on Resolution Powers and Planning</u> Comments due by February 5, 2021 The documents, as well as the link to the consultation tool for submitting feedback, are found on the respective consultation pages.	
Financial Stability Board (FSB)	November 9, 2020	<u>FSB consults on regulatory and supervisory issues relating to outsourcing and third-party relationships</u>	Responses by January 8, 2021

		The Financial Stability Board (FSB) published a discussion paper for public consultation entitled “Regulatory and supervisory issues relating to outsourcing and third-party relationships”. The discussion paper draws on findings from a survey conducted among the FSB members. The FSB welcomes comments and responses to the questions set out in the discussion paper by January 8, 2021. Consultation responses will help facilitate a discussion on current regulatory and supervisory approaches to the management of outsourcing and third-party risks. Consultation responses will be published on the FSB’s website unless respondents expressly request otherwise.	
Department of Finance	November 6, 2020	Government launches consultations on strengthening federally regulated pension plans The Department of Finance Canada released a consultation paper on potential solvency funding relief options for 2021 and measures to strengthen the framework for federally regulated pension plans, as committed to in the 2019 budget. The release of	Submissions by January 14, 2021

		the paper and the launch of public consultations mark the next step in the government's ongoing work to enhance Canadians' retirement security. Through this consultation, the government seeks to learn more about Canadians' and stakeholders' views on the following subjects: • Potential options for temporary broad-based solvency funding relief in 2021; • Measures to strengthen pension plan governance and administration; • Solvency reserve accounts; • Variable payment life annuities; and • Ministerial guidelines on special funding relief. Individuals or organizations interested in submitting their views are invited to review the consultation document at the link below. Submissions are requested on or before January 14, 2021, via email to FIN.Pensions-Pensions.FIN@canada.ca.	
--	--	--	--

Office of the Superintendent of Financial Institutions (OSFI)	November 5, 2020	OSFI extends certain exclusions from the leverage ratio exposure measure for DTIs Further to the actions communicated in its April 9, 2020 letter, OSFI announced an eight-month extension for deposit-taking institutions (DTIs) to continue to exclude central bank reserves and sovereign-issued securities from their leverage ratio exposure measures. Accordingly, these exposures will exempt the leverage ratio until December 31, 2021. OSFI views this action as necessary given the level of uncertainty that remains in the outlook for economic and financial conditions. In addition, this action will support DTIs' ability to continue to supply credit to the economy, something that remains as relevant today as when the leverage ratio exclusions were originally announced in April. OSFI continues to closely monitor the outlook for economic and financial conditions, and will continue to apply its four criteria—credible, consistent, necessary, and fit-for-purpose—when evaluating regulatory and supervisory	
--	-------------------------	--	--

		measures taken to support the resilience of DTIs during this extraordinary period, including those measures announced today. As part of this extension, OSFI made updates to its published FAQs related to: • Federally regulated deposit-taking institutions	
Bank of Canada	November 3, 2020	Changes to the frequency of government of Canada Treasury Bills auctions The Bank of Canada (the Bank), acting as fiscal agent of the Government of Canada, and the Department of Finance announced changes to the frequency of Treasury Bill auctions to help manage the Government of Canada's current large cash holdings. As the size of the Treasury Bill program decreased (as of November 24, 2020) the Bank reverted to its normal practice of issuing Government of Canada Treasury Bills on a bi-weekly basis. This adjustment provides larger auction sizes to support the well-functioning of the Treasury Bills' market.	Effective November 24, 2020

		There were no Treasury Bills auctioned on November 17 to accommodate the transition back to a bi-weekly basis. Also, on November 10, a preliminary Call for Tender was published on the Bank website announcing the details of the November 24 auction.	
Office of the Superintendent of Financial Institutions (OSFI)	November 2, 2020	Proposed changes to instruction guide: Termination of a defined benefit pension plan On January 20, 2020, OSFI posted a draft revised instruction guide for the termination of a defined benefit pension plan (the Guide) along with this accompanying memo for consultation that was scheduled to end on March 31, 2020. Because of the COVID-19 crisis, on March 13, 2020, OSFI suspended a number of consultation initiatives and policy development work related to new or revised guidance, including consultation on the Guide. As indicated in the latest issue of the Pillar, OSFI has gradually restarted policy development work. The consultation period for the Guide has now resumed. Please note that a change to footnote	Comments by November 30, 2020

		43 of the Guide was needed to reflect the fact that the federal government signed the <i>2020 Agreement Respecting Multi-Jurisdictional Pension Plans</i> in June 2020. As a result, a multi-jurisdictional plan with members under Québec's jurisdiction will no longer need to file a separate termination report covering these members with the provincial regulator. Send any questions concerning the Guide to Sylvia Bartlett, Manager of the Policy Team in the Private Pension Plans Division, by email at sylvia.bartlett@osfi-bsif.gc.ca.	
FINTRAC	November 2020	FINTRAC assessment manual: The approach and methods used during examinations The FINTRAC Assessment manual has been updated.	

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

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.

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.