

Federal financial institutions legislative and regulatory reporter – September 2021

October 18, 2021

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.

September 2021

Institution	Published	Title and Brief Summary	Status
IAIS			
	September 30, 2021	<u>IAIS Global Insurance Market Report Provides First Quantitative Study on the Impact of Climate Change on Insurers' Investments</u> The International Association of Insurance Supervisors (IAIS) has published the 2021 Global Insurance Market Report (GIMAR) special topic edition on the impact of climate change on the financial stability of the insurance sector	

		addressing specifically how insurance sector investments are exposed to climate change. Drawing on unique quantitative and qualitative data gathered from the wide IAIS membership, analysis was carried out to better understand insurers' asset-side exposures to, as well as supervisors' views on, climate-related risks. In addition, scenarios were developed to assess climate change impact on a forward-looking basis. Read the press release here or click here to access the report directly.	
Payments Canada			
	September 23, 2021	Upcoming Changes to Rules, Procedures & Standards The following amendments are currently under review by the Minister of Finance and are projected to come into effect on November 22, 2021: Rule A10: Amendments to update the Incident management provisions for cheque images. Rule G3 and G8: Amendments related to	Effective November 22, 2021

		the review of government warrants. Target rule effective date: Rule B2 and B9: Amendments to add a new identifier for Regional and National SETs Collection.	
	September 1, 2021	Payments Canada Launches Lynx, Canada's New High-Value Payment System Payments Canada announces the launch of the first release of Lynx, Canada's new high-value payment system. Lynx is replacing the Large Value Transfer System (LVTs), which has served as Canada's high-value payment system for over 20 years. Designated by the Bank of Canada as a systemically important payment system under the Payment Clearing and Settlement Act, Lynx will process large value, time-critical payments (<i>i.e.</i>, wire payments) with real-time settlement finality and will provide enhanced cyber security and resiliency capabilities. Lynx will be owned and operated by Payments Canada, and overseen by the Bank of Canada. Lynx has been designed with	

		flexibility to support future technologies, including interfaces and APIs. A second release, planned for late 2022, will introduce the ISO 20022 message standard. ISO 20022 allows for data-rich payments, which will support the introduction of new products and services, and the digitization of manual and paper-based processes related to invoicing and payment reconciliation. The introduction of the ISO 20022 message standard will assist Canadian financial institutions in meeting SWIFT's ISO 20022 global requirements.	
BIS			
	September 20, 2021	Basel III Monitoring Results Based on End-December 2020 Data The Basel Committee published the results of its latest Basel III monitoring exercise, based on 31 December 2020 data. The report 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. It includes a special feature on exemptions	

		from the leverage ratio exposure measure due to Covid-19, and covers both Group 1 and 2 banks (see note to editors for definitions). The <i>final</i> Basel III minimum requirements will be implemented by January 1, 2023 and fully phased in by January 1, 2028. The average impact of the fully phased-in final Basel III framework on the Tier 1 minimum required capital (MRC) of Group 1 banks is +2.9%, compared to a 1.8% increase at end-December 2019. This higher impact for Group 1 banks and G-SIBs may be partially driven by the different treatment of some outlier banks. Furthermore, measures taken by some jurisdictions during the Covid-19 pandemic that reduce current capital requirements but leave capital requirements under the fully phased-in final Basel III standard unaffected could explain parts of the observed increase of the impact. The capital shortfalls at the end-December 2020 reporting date are €6.1 billion for Group 1 banks at the target level, in comparison with €10.7 billion at	
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		end-December 2019. The report is accompanied by interactive Tableau dashboards that allow users to explore the results with greater ease and flexibility. In addition to the liquidity dashboards, an additional dashboard now covers the credit risk section of the report. Similar dashboards related to other sections of the report may be added at a later stage.	
	September 2, 2021	BIS Innovation Hub and Central Banks of Australia, Malaysia, Singapore and South Africa Will Test CBDCs for International Settlements The Bank for International Settlements (BIS) Innovation Hub, the Reserve Bank of Australia, Bank Negara Malaysia, Monetary Authority of Singapore, and South African Reserve Bank will join forces to test the use of central bank digital currencies (CBDCs) for international settlements. Led by the Innovation Hub's Singapore Centre, Project Dunbar aims to develop prototype shared platforms for cross-border transactions	

		using multiple CBDCs. These multi-CBDC platforms will allow financial institutions to transact directly with each other in the digital currencies issued by participating central banks, eliminating the need for intermediaries and cutting the time and cost of transactions. The project will work with multiple partners to develop technical prototypes on different distributed ledger technology platforms. It will also explore different governance and operating designs that would enable central banks to share CBDC infrastructures, benefitting from the collaboration between public and private sector experts in different jurisdictions and areas of operation. Project Dunbar's work will explore the international dimension of CBDC design and support the efforts of the G20 roadmap for enhancing cross-border payments. Its results, expected to be published in early 2022, will inform the development of future platforms for global and regional settlements. Technical prototypes of the shared platforms,	
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		developed in collaboration with different technology partners, will be demonstrated at the Singapore FinTech Festival in November 2021.	
FSB			
	September 30, 2021	<u>FSB Financial Stability Surveillance Framework</u> The Financial Stability Board (FSB) published its new <u>Financial Stability Surveillance Framework</u>. The framework supports the comprehensive, methodical and disciplined review of vulnerabilities by the FSB, and thereby helps to identify and address new and emerging risks to financial stability. The framework embodies four key principles: • focus on vulnerabilities that may have implications for global financial stability; • scan vulnerabilities systematically and with a forward-looking perspective, while preserving flexibility; • recognise differences	

		among countries; and • leverage the comparative advantages of the FSB while avoiding duplication of work. Once identified, material global vulnerabilities will be subject to more intensive monitoring and analysis, and, as appropriate, policy dialogue among FSB committees. In addition, the FSB will communicate its view on vulnerabilities through its Annual Reports and other formats.	
	September 1, 2021	<u>Global Systemically Important Financial Institutions (G-SIFIs)</u> The FSB, in consultation with the Basel Committee on Banking Supervision (BCBS) and national authorities, has identified global systemically important banks (G-SIBs) since 2011. The list of G-SIBs is divided into 'buckets' corresponding to required level of additional loss absorbency. BCBS publishes the <u>methodology for assessing and</u>	

		identifying G-SIBs. The FSB, in consultation with the IAIS and national authorities, began identifying global systemically important insurers (G-SIIs) in 2013. In November 2019 in light of the finalized holistic framework, the FSB, in consultation with the IAIS and national authorities, suspended G-SII identification as from the beginning of 2020. In November 2022, the FSB will, based on the initial years of implementation of the holistic framework, review the need to either discontinue or re-establish an annual identification of G-SIIs by the FSB in consultation with the IAIS and national authorities.	
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