Federal financial institutions legislative and regulatory reporter – November 2021

December 16, 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.

November 2021

Published	Title and Brief Summary	Status
Office of the Superintendent of Financial Institutions (OSFI)		
November 30, 2021	OSFI Becomes a Member of the International Network For Greening The Financial System OSFI's continued acceleration of actions to address climate-related risks now includes its new membership to The Network of Central Banks and Supervisors for Greening the Financial System (NGFS).	
November 29, 2021	Update on Basel III Implementation Ahead of Final Rules Release in January 2022 OSFI announced a deferral in the timing for the domestic implementation of the final Basel III reforms by one quarter from Q1 2023 to Q2 2023. Consistent	Effective April 1, 2023

	with this change, OSFI is also delaying the timing for the implementation of the Small and Medium-Sized Deposit-Taking Institutions (SMSB) Capital and Liquidity framework and changes to the Pillar 3 Disclosure Requirements Guidelines for all institutions to Q2 2023. Revisions to the Liquidity Adequacy Requirements (LAR) Guideline will be implemented as of April 1, 2023 for all institutions. Recognizing the importance of lead times in supporting timely implementation, OSFI is also announcing details of its final policy positions on a series of key topics associated with the following guidelines that were the subject of extensive consultations in the spring of 2021: • Capital Adequacy Requirements (CAR) Guideline; • Leverage Requirements (LR) Guideline; • Liquidity Adequacy Requirements (LAR) Guideline; • SMSB Capital and Liquidity Requirements Guideline; and • Pillar 3 Disclosure Requirements Guidelines. OSFI will complement the information contained in the annexes to this letter with specific revisions to the guidelines noted above (to be released in January 2022).	

November 17, 2021	Consultation Outcomes: OSFI Guideline Consequential Changes as a Result of IFRS 17 OSFI sought comments over the summer on consequential changes to existing guidelines to reflect the adoption of International Financial Reporting Standard 17 - Insurance Contracts (IFRS 17). Consultation asked for input on potential risks with proposed deletions, the appropriateness of the changes proposed and sought other suggestions to refine guidelines to reflect IFRS 17. The first annex to this letter outlines proposals, summaries of comments received and next steps.	
November 9, 2021	OSFI Launches Consultation on Draft Guideline B 13 OSFI launched a three-month public consultation on Draft Guideline B 13: *Technology and Cyber Risk Management.* The proposed guideline sets out OSFI's expectations for sound technology and cyber risk management across five domains. Each domain is guided by a desired outcome and related technology-neutral principles that collectively contribute to operational resilience. The proposed guideline responds to feedback received as a result of OSFI's fall 2020 discussion paper on technology and related risks. An information session for financial institutions is planned within the next few weeks to provide an overview of OSFI's Draft Guideline B 13 and an opportunity to raise questions.	Comments by February 9, 2021

	Submit comments to Tech.Cyber@osfi-bsif.gc.ca by February 9, 2022.	
November 6, 2021	New Approach for Determining Regulatory Capital Requirements for Segregated Fund Guarantee (SFG) Risk OSFI is developing a new approach to determine capital requirements for Segregated Fund Guarantee (SFG) risk, which will reflect the International Financial Reporting Standard 17 – Insurance Contracts (IFRS 17) that will become effective on January 1, 2023. This letter lays out the timelines and consultations to develop a new approach to ensure that our guidance will continue to remain effective.	Effective January 1, 2025
International Association of Insurance Supervisors (IAIS)		
November 30, 2021	IAIS Publishes 2021 Global Insurance Market Report (GIMAR) The IAIS has published its 2021 Global Market Insurance Report (GIMAR). The report covers the latest findings from the IAIS' targeted assessment of the impact of Covid-19 on the global insurance sector, the outcome of the first full Global Monitoring Exercise (GME) of potential systemic risks and key highlights of the global reinsurance market analysis.	
November 18, 2021	Public Consultation on the Development of Liquidity Metrics: Phase 2 In November 2020, the IAIS launched an interim public	Comments by January 23, 2022

	consultation on the *"Development of Liquidity Metrics: Phase 1 – Exposure Approach."* The purpose was to consult specifically on the Insurance Liquidity Ratio (ILR) using the exposure approach (EA), which the IAIS has developed as an ancillary indicator for the monitoring of liquidity risk. The 2021 public consultation builds on the Phase 1 outcomes and comments received in the interim public consultation and consults on two approaches that the IAIS has developed to monitor liquidity risk: • Company projection approach • Exposure approach including the ILR In addition to those two approaches, the IAIS consults on aspects of insurers' own liquidity metrics that are also a part of Phase 2. The IAIS plans to progress work further on the liquidity metrics project during 2022 through consideration of feedback collected in this public consultation, to finalize the metrics that will be used as an ancillary indicator for liquidity risk monitoring as part of the GME. Comment is requested by January 23, 2022.	
November 11, 2021	IAIS Supporting Material Adopted Following public consultation that ended earlier this year, the following papers were adopted by the IAIS Executive Committee: • Issues Paper on Insurer Culture	

	- Revised Application Paper on Supervisory Colleges - Revised Application Paper on Combating Money Laundering and Terrorist Financing The outcome of the public consultations can be accessed on the on the Closed Consultations page. Interested stakeholders were invited to join a public webinar on December 6, to hear more about these papers and ask questions. For more information, please see the Stakeholder Events page.	
	Bank of Canada	
November 23, 2021	CARR Publishes CORRA-related Recommendations and Key Findings in its Review of CDOR The Canadian Alternative Reference Rate working group (CARR) published a set of recommendations aimed at facilitating the widespread use of the Canadian Overnight Repo Rate Average (CORRA) in the Canadian financial system inclusive of : - Conventions for floating rate notes (FRNs) that reference CORRA (such as day count conventions and calculation methodology). - Conventions for loans that reference CORRA (also: a worked Excel example of these conventions and a comparison to	Effective April 1, 2023

	conventions in other jurisdictions). • Legal fallback language for FRNs that reference CORRA. Similar to the previously-published CDOR FRN fallback language, this legal language mirrors that developed by ISDA for the swaps market in order to facilitate hedging. • Conventions for inter-bank interest rate swaps that involve either CORRA or CDOR and the US Secured Overnight Financing Rate (SOFR). An active and deep inter-bank swap market referencing CORRA across all tenors will facilitate increased use of CORRA across the Canadian financial system. The use of these recommended conventions is voluntary, however they reflect broad input from across the Canadian financial system and have been endorsed by CARR members. CARR members expect that they will be broadly used, as recommended, in new contracts referencing CORRA. The published CORRA FRN conventions also align with the recently announced CORRA conventions for CMHC's Canada Mortgage Bond Program. CMHC, Canada's largest FRN issuer, recently announced that starting in 2022 the Canada Mortgage Bonds Program will include CORRA as the reference rate for new floating rate CMB offerings of	

	Canada Housing Trust. Together with the enhanced methodology for calculating CORRA, the CORRA Compounded Index, and Montreal Exchange's CORRA Futures product, the recommendations published will help provide the basis for a robust CORRA-based financial ecosystem. CARR also published a presentation by CARR's co-chairs to the Canadian Fixed Income Forum, CARR's sponsoring committee, detailing its key findings in its stock take of CDOR. CARR intends to publish a white paper detailing these findings, including forward-looking recommendations for CDOR, by the end of the year. For an overview of Canadian benchmark reform, please see this two-page explainer.	
November 3, 2021	Bank of Canada Announces Climate Change Commitments for COP26 Addressing climate change is a global challenge. While the Government of Canada has the primary responsibility for climate change policy, the Bank of Canada recognizes the importance of including climate change considerations in its work to promote the economic and financial welfare of Canadians. Against this backdrop, the Bank of Canada commits to taking the following concrete steps: 1. Assess the effects of climate change on the	

	macro-economy and price stability 2. Evaluate the Canadian financial system's exposures to climate-related risks and improve associated risk management capacities 3. Measure, mitigate and report on the bank's operational risks related to climate change 4. Engage and collaborate with Canadian and international partners For further information see the NGFS Glasgow Declaration – Committed to Action	
Payments Canada		
November 22, 2021	Changes To Our Rules And Standards The following three rules have been recently published: • Rule A10, Amendments to update the Incident management provisions for cheque images • Rule B2 and B9, Amendments to add a new identifier for Regional and National SETs Collection • Rule G3 and G8 Amendments related to the review of government warrants	
November 17, 2021	Payments Canada Seeks Feedback On Proposed Changes To Pre-Authorized Debit (PAD) Framework Payments Canada has published a Pre-Authorized Debit (PAD) consultation	Comments by January 14, 2022

	paper to gather feedback on proposed amendments to Rule H1 and the PAD framework. Rule H1 outlines the procedures for the Exchange for the purpose of Clearing and Settlement of PADs that are supported by an ongoing agreement between a Payor and/or a Payee. Since the last review of Rule H1, new services, users, and technology processes have arisen, prompting a review to ensure it remains relevant and meets the evolving needs of payees and payors. A working group, including representatives from Payments Canada's members and its Stakeholder Advisory Council, was established in November 2020 to review identified issues within the PAD framework and conduct a thorough analysis of the various options for consideration to address these issues. We invite all interested parties to contribute to the consultation process by providing feedback and comments by January 14, 2022 to consultation@payments.ca.	
Bank for International Settlements (BIS)		
November 3, 2021	Basel Committee Supports the Establishment of the International Sustainability Standards Board The Basel Committee on Banking Supervision welcomes the announcement by the International Financial Reporting Standards (IFRS) Foundation that it is establishing the	

	International Sustainability Standards Board (ISSB) to develop global standards to improve the consistency, comparability and reliability of sustainability reporting. Disclosure requirements are a fundamental component of a sound banking system, as providing market participants with meaningful information about common key risk metrics reduces information asymmetry and helps promote comparability of banks' risk profiles. To identify and manage climate-related financial risks, banks require accurate information from their customers and counterparties. Consistency and comparability in sustainability reporting across sectors and over time are essential to promote transparency and market discipline, and the Basel Committee looks forward to continued collaboration with the IFRS Foundation as future disclosure standards for climate-related financial risks are developed. The committee supports the IFRS Foundation's proposed approach to developing globally consistent disclosures by working with relevant standard setters and building on existing initiatives and frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD). In parallel with the ISSB's work, the committee will explore using Pillar 3 of the Basel Framework to promote a common disclosure baseline for climate-related financial risks across internationally active banks. This	

	work will consider the availability and reliability of sufficiently granular data for banks and their counterparties, and of defined risk metrics. The Pillar 3 work is part of the committee's holistic approach to addressing the range of climate-related financial risks to the banking system, spanning regulatory, supervisory and disclosure-related elements. The committee will continue to coordinate with the IFRS Foundation and leverage the work of other international forums, including the Financial Stability Board (FSB) and the Network for Greening the Financial System (NGFS), to ensure the prerequisites for a high-quality and globally consistent disclosure framework for climate-related financial risks are in place.	
	Financial Stability Board (FSB)	
November 30, 2021	FSB Publishes Report on Good Practices for Crisis Management Groups This report sets out good practices that have helped Crisis Management Groups (CMGs) to enhance their preparedness for the management and resolution of a cross-border financial crisis affecting a Global Systemically Important Bank (G-SIB) as per the FSB Key Attributes. It draws on a stock-take carried out by the FSB in 2020 and CMG members' experience during the COVID-19 pandemic. The focus is on CMG activities that seek to enhance crisis preparedness rather than on	

	cooperation during a crisis itself. The good practices identified in this report are organized along 16 desired outcomes that CMGs seek to achieve and relate to: 1. the structure and operation of CMGs; 2. resolution policy, strategy and resolvability assessments; 3. coordination on enhancing firm's resolvability; and 4. enhancing home-host coordination arrangements for crisis preparedness. A shared understanding of these practices can help lean against fragmented approaches and help to enhance the effectiveness of CMGs. While many of these practices have been well established, others are emerging or developing. As CMGs continue to evolve, the FSB will continue to monitor the development of their practices and consider any future work to promote consistency and effective operation of CMGs.	
November 23, 2021	[2021 List of Global Systemically Important Banks (G-SIBs)]() The 2021 list of globally systemic banks (G-SIBs) is based on end-2020 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 2020 list. Within the list, three banks have moved	

	to a higher bucket: JP Morgan Chase has moved from bucket 3 to bucket 4, BNP Paribas has moved from bucket 2 to bucket 3 and Goldman Sachs has moved from bucket 1 to bucket 2. The assignment of G-SIBs to the buckets in this publication determines the higher capital buffer requirements that will apply to each G-SIB from 1 January 2023. In the near term, the BCBS will review the implications of developments related to the European Banking Union for the G-SIB methodology. In particular, this will include a targeted review of the treatment of cross-border exposures within the Banking Union on the G-SIB methodology.	
November 22, 2021	FSB Statement to Support Preparations for LIBOR Cessation Most LIBOR panels will cease at the end of this year, with certain key USD settings continuing until end-June 2023 to support the rundown of legacy contracts, executed before January 1 2022, only. Continued reliance of global financial markets on LIBOR poses risks to global financial stability. With only a few weeks remaining to the end of 2021, it is now critical that market participants act urgently to complete any remaining steps set out in the FSB's Global Transition Roadmap, with global and national financial regulators closely monitoring progress. The FSB emphasizes that the continuation of some key USD	

	LIBOR tenors through to June 30, 2023 is intended only to allow legacy contracts to mature, as opposed to supporting new USD LIBOR activity. The key points covered in the statement are as follows: • Significant progress has been made in transitioning to Risk-Free Rates (RFRs), but market participants still need to finalise preparations to cease new use of LIBOR by end-2021. • Transition should be primarily to overnight RFRs, the most robust benchmarks available, to avoid reintroducing the weaknesses of LIBOR. • Active transition of legacy contracts remains the best way for market participants to have control and certainty over their existing arrangements. The report notes that the FSB will continue to monitor the final steps in completing LIBOR transition over the coming months. Post end-2021, the FSB will monitor the effort to continue reducing the stock of legacy contracts which are using synthetic LIBOR rates, any continuing new issuance of USD LIBOR contracts post end-2021, and the size and resolution of legacy contracts referencing USD LIBOR that are due to mature after end-June 2023. The FSB will review these issues in mid-2022 and assess the implications for any further	

	supervisory and regulatory cooperation that may be required.	
Financial Consumer Agency of Canada (FCAC)		
November 22, 2022	Consultation on a proposed Guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks The FCAC invites comments on a proposed guideline on Appropriate Products and Services for Banks and Authorized Foreign Banks (Guideline) in support of the implementation of the new Financial Consumer Protection Framework (FCPF) in the *Bank Act.* The FCPF introduces new or enhanced consumer protection measures that will further empower and protect consumers in their dealings with banks and authorized foreign banks (Banks). The guideline sets out clear principles and expectations that banks should use when establishing and implementing their policies and procedures to ensure they offer or sell products and services that are appropriate for their consumers, having regard to their circumstances, including their financial needs. The consultation will give all interested parties an opportunity to express their views and enable FCAC to benefit from a wide range of perspectives. This is the second in a series of consultations on guidelines that FCAC has developed to help banks comply with their obligations in the *Bank Act* and the new *Financial Consumer*	Comments by January 6, 2022

	Protection Framework Regulations, which will come into force on June 30, 2022. A consultation on a proposed Guideline on Complaint Handling Procedures is in progress until December 11, 2021. Another consultation on the obligations of Banks to implement a whistleblowing program for their employees is being planned.	

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.

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