Federal financial institutions legislative and regulatory reporter – October 2021

November 24, 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.

October 2021

Published	Title and Brief Summary	Status
Financial Transactions Reports Analysis Centre of Canada (FINTRAC)		
October 1, 2021	Update to the FINTRAC Web Reporting System – Large Virtual Currency Transaction Reporting As of June 1, 2021, reporting entities have the obligation to submit Large Virtual Currency Transaction Reports (LVCTR) to FINTRAC when they receive virtual currency in an amount equivalent to $10,000 or more in a single transaction (the 24-hour rule may apply). Reports can be submitted via the FINTRAC Upload, and starting on September 25, 2021 reports may be submitted via the FINTRAC web reporting (FWR -	Reporting by December 1, 2021

	formerly F2R). As per the Notice on the assessment of obligations coming into force on June 1, 2021, FINTRAC has provided reporting entities with the flexibility to complete the implementation of their large virtual currency transaction reporting system as soon as possible and **no later than December 1, 2021**. Reporting entities that intend to report large virtual currency transactions via FWR are expected to start submitting all large virtual currency transactions, including those unreported transaction for the period starting June 1, 2021. For further details and timelines, consult the Notice on the assessment of obligations coming into force on June 1, 2021. To submit an LVCTR using FWR, reporting entities must login or enroll their organization with FWR.	
Bank for International Settlements (BIS)		
October 26, 2021	Call for Comments on Margining Practices During the March 2020 Market Turmoil The Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) (the standard setters) invited comments on their joint consultative report Review of margining practices. The report looks at margin calls in March and April 2020, margin practice transparency,	Comments by January 12, 2022

	predictability and volatility across various jurisdictions and markets, as well as market participants' liquidity management preparedness finding that: • Variation margin calls in both centrally and non-centrally cleared markets in March were large, and significantly higher than in February 2020. The peak CCP variation margin call was \$140 billion on 9 March 2020. • Initial margin requirements for centrally cleared markets increased by roughly \$300 billion over March 2020, and varied substantially across, and within asset classes. • Initial margin requirements on non-centrally cleared derivatives remained relatively stable during the stress period. The standard setters invite feedback on this consultative report by **January 12, 2022**. Send responses via email to the BCBS Secretariat, the CPMI Secretariat and the IOSCO Secretariat. Responses will be published on the respective websites of the BCBS, CPMI and IOSCO unless respondents expressly request otherwise. Commercial or other sensitive information should not be included in the submissions, or may be included, with redactions for publication clearly noted.	

	The standard setters will hold outreach events to discuss the findings of the report and potential areas of further work with industry. A final report will be published following the consultation period.	
October 14, 2021	Basel Committee Reports on Basel III Implementation Progress The Basel Committee on Banking Supervision has issued its Progress report on the adoption of the Basel regulatory framework. The report sets out the jurisdictional adoption status of the Basel III standards as of end-September 2021. It covers the Basel III post-crisis reforms published by the committee in December 2017 and the finalized minimum capital requirements for market risk of January 2019. These reforms are due to take effect from January 1, 2023, as announced by the governors and heads of supervision in March 2020. The report is complemented by a newly developed dashboard to reflect the full history of Basel III implementation and provides an overview of the progress to date. The dashboard will be updated regularly and will replace the existing series of report publications.	Effective January 1, 2023
October 6, 2021	CPMI and IOSCO Publish Guidance, Call For Comments on Stablecoin Arrangements In 2019, the Group of Seven and the Financial Stability Board (FSB) conducted work on the impact of global stablecoin	Comments by December 1, 2021

	arrangements and made recommendations for their regulation, supervision and oversight. Preliminary analysis conducted by CPMI-IOSCO as part of an October 2020 FSB report found that "*the PFMI apply to stablecoin arrangements that perform systemically important payment system functions or other financial market infrastructure (FMI) functions*". The consultation paper – *Application of the Principles for Financial Market Infrastructures to stablecoin arrangements* – upholds and confirms that determination. Given the novelty and complexity of stablecoin arrangements, it provides clarification and interpretation through the provision of guidance on applying existing standards to SAs, including to some of the novel features of SAs, which distinguish them from other payment systems. Responses should be sent via email to both the CPMI Secretariat and the IOSCO Secretariat by December 1, 2021.	
Financial Stability Board (FSB)		
October 11, 2021	Policy Proposals to Enhance Money Market Fund Resilience: Final Report This report sets out policy proposals to enhance money market fund (MMF) resilience, including with respect to the appropriate structure of the sector and of underlying short-term funding markets. It reflects public feedback received on a	

	consultative version of the report, which the FSB published in June 2021. The policy proposals form part of the FSB's work programme on non-bank financial intermediation and are intended to inform jurisdiction-specific reforms and any necessary adjustments to the policy recommendations for MMFs issued by IOSCO. Enhancing MMF resilience will help address systemic risks and minimise the need for future extraordinary central bank interventions to support the sector.	
October 8, 2021	G20 Data Gaps Initiative (DGI-2): The Sixth Progress Report—Countdown to December 2021 The FSB and International Monetary Fund (IMF) published the Sixth Progress Report - Countdown to December 2021 on the implementation of the Second Phase of the G20 Data Gaps Initiative (DGI-2). 2021 marks the final year of the second phase of the Data Gaps Initiative (DGI-2), and the twelfth year since the G20 Finance Ministers and Central Bank Governors endorsed the 20 recommendations made by IMF staff and the FSB Secretariat to address the data gaps identified during the Global Financial Crisis of 2007-08. See here for the full DGI-2 Progress Report.	
October 7, 2021	Regulation, Supervision and Oversight of "Global Stablecoin" Arrangements: Progress Report on the Implementation of the FSB High-Level	

	Recommendations The FSB has published a report on the progress made on the implementation of its high-level recommendations for *Regulation, Supervision and Oversight of "Global Stablecoin" Arrangements*. The report incorporates the results of a comprehensive stocktake of the implementation of the FSB's high-level recommendations in 48 jurisdictions in the FSB and its Regional Consultative Groups, covering 21 advanced economies and 27 emerging market and developing economies. The report notes that the market capitalization of existing so-called "stablecoins" has continued to grow over the course of 2020/21. Overall, however, the implementation of the FSB high-level recommendations across jurisdictions is still at an early stage. Jurisdictions have taken, or are considering, different approaches towards implementing the recommendations. To address the risk of regulatory arbitrage and harmful market fragmentation and the greater financial stability risks that could arise were stablecoins to enter the mainstream of the financial system, effective international regulatory cooperation and coordination are critical. The report also notes that standard-setting bodies (SSBs), including BCBS, CPMI and IOSCO, are assessing whether and how existing international	

	standards and principles may apply to stablecoin arrangements and, where appropriate, adjusting them in light of the FSB high-level recommendations. The report stresses that a number of issues may not be fully covered by ongoing work and that any gaps in existing standards and principles should be addressed in a holistic manner that is coordinated across sectors. Authorities have identified several issues relating to the implementation of the recommendations that may warrant further consideration and where further work at an international level could be useful. These include: conditions for qualifying a stablecoin as a “global stablecoin” (GSC); prudential, investor protection and other requirements for issuers, custodians and providers of other GSC functions (*e.g.* wallet providers); redemption rights; cross-border and cross-sectoral cooperation and coordination; and mutual recognition and deference. The work on fostering the soundness of GSCs is an important part of the FSB’s Roadmap for enhancing cross-border payments endorsed by the G20 in October 2020. The FSB will undertake a review of its recommendations, in consultation with other relevant SSBs and international organizations. The review, which will be completed in July 2023, will identify how any gaps could be addressed by existing frameworks and will lead to the update of the FSB’s recommendations if needed.	

Financial Action Task Force (FATF-GAFI)		
October 28, 2021	Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers In October 2021, the FATF updated its 2019 Guidance for a Risk-Based Approach for Virtual Assets and Virtual Asset Service Providers (VASPs). This updated guidance forms part of the FATF's ongoing monitoring of the virtual assets and VASP sector. The 2021 guidance includes updates focusing on the following six key areas: 1. clarification of the definitions of virtual assets and VASPs; 2. guidance on how the FATF Standards apply to stablecoins; 3. additional guidance on the risks and the tools available to countries to address the money laundering and terrorist financing risks for peer-to-peer transactions; 4. updated guidance on the licensing and registration of VASPs; 5. additional guidance for the public and private sectors on the implementation of the "travel rule"; and 6. principles of information-sharing and co-operation amongst VASP Supervisors. This guidance further addresses the areas identified in the FATF's 12-Month Review of the Revised FATF Standards on	

	virtual assets and VASPs requiring further clarification and also reflects input from a public consultation in March –April 2021.- The document 'In Brief ' provides a summary of the sections of the guidance and the key changes made in the 2021 update.	
October 27, 2021	Mitigating the Unintended Consequences of the FATF Standards In February 2021, FATF launched a new project to study and mitigate the unintended consequences resulting from the incorrect implementation of the FATF Standards. The project focuses on four main areas: de-risking; financial exclusion; undue targeting of NPOs; and curtailment of human rights (with a focus on due process and procedural rights). The first phase of this work was a stock-take, to consolidate previous analysis of these phenomena by FATF and other stakeholders, including expert bodies, in order to identify and understand to what extent, and in what manner, these unintended consequences are occurring. During the next phase of this project, the FATF will identify and consider potential options to mitigate these unintended consequences. The results of the first phase of this project will also inform the FATF's work on the strategic review, which aims to make the FATF more timely, targeted and effective at holding countries to account.	

	At its October 2021 meeting, the Financial Action Task Force (FATF) Plenary agreed to publish a High Level Synopsis of this Stocktake to facilitate further discussion with stakeholders during the second phase of the project. The high-level synopsis summarizes a longer stock take report, which itself brings together existing knowledge from various sources as a basis for policy decisions. As such, it is focused on a small number of topics of greatest concern, and is not an exhaustive academic analysis of these phenomena. Nor does not set out a formal FATF position and conclusion on any of them. The FATF appreciates the significant input already received to inform this project. Contributions are welcome for the duration of the project, including on suggested mitigation options. Send information to pscf@fatf-gafi.org.	
October 27, 2021	Digital Transformation of AML/CFT for Operational Agencies In October 2021, the FATF and the Egmont Group of Financial Intelligence Units completed a project to explore how financial intelligence units can leverage technology to strengthen their operations. The report focuses on how to find the right tools and when to use them, how to optimize these tools for AML/CFT purposes, and how to overcome practical and operational challenges. The FATF is continuing its work on digital transformation, focusing on how the use of	

	technology and advanced analytics could support ML/TF investigation and information exchange. The findings of this project will be finalized in June 2022.	
October 22, 2021	Revisions to Recommendation 24 and its Interpretive Note - Public Consultation The FATF is considering proposals for amendments to Recommendation 24 and its Interpretive Note on the transparency and beneficial ownership of legal persons. Following a White Paper consultation in June-August 2021 on a number of key policy areas, the FATF has analyzed the views received from various stakeholders in considering the potential amendments. These amendments seek to reinforce the Recommendation to ensure greater transparency about the beneficial ownership of legal persons, and take action to mitigate the risks. The draft text of proposals for amendments is available here. Proposed amendments are in redline. The FATF is consulting all affected stakeholders before finalizing these amendments. We primarily seek views from companies and other legal persons, financial institutions, designated non-financial businesses and professions (DNFBPs), and non-profit organizations, but also welcome contributions from other interested stakeholders. They would welcome views on specific proposals of the amendments to the text, as well as on the broader themes that	Comments by December 3, 2021

	they address. Send responses to FATF.Publicconsultation@fatf-gafi.org with the subject-line "Comments of [author] on the draft Amendments to Recommendation 24", by December 3, 2021.	
October 1, 2021	Canada's Progress In Strengthening Measures To Tackle Money Laundering And Terrorist Financing Since the 2016 assessment of Canada's measures to tackle money laundering and terrorist financing, the country has taken a number of actions to strengthen its framework. Canada has been in an enhanced follow-up process following the adoption of its mutual evaluation in 2016. In line with the FATF Procedures for mutual evaluations, the country has reported back to the FATF on the action it has taken since its mutual evaluation. Consequently, to reflect Canada's progress, the FATF has now re-rated the country on the following Recommendations: 12 – Politically exposed persons (PEPS), from non-compliant to largely compliant. 16 – Wire transfers, from partially compliant to largely compliant. 17 – Reliance on third parties, from non-compliant to compliant. 20 – Reporting of suspicious transactions, from partially compliant to largely complian.t 22 – Designated non-financial businesses and professions (DNFPBs): customer due diligence, from non-compliant to	

	partially compliant. 23 – DNFPBs: Other Measures, from non-compliant to largely compliant. The report also looks at whether Canada's measures meet the requirements of FATF Recommendations 2, 5, 7, 8, 15, 18 and 21, which changed since their 2016 mutual evaluation. The FATF agreed to downgrade Canada on rating 8 (Non-profit organizations) from compliant to partially compliant, and upgrade the rating for Recommendation 15 (New technologies) from non-compliant to largely compliant. Canada is compliant on 11 of the 40 Recommendations and largely compliant on 23 of them. It remains partially compliant on 5 Recommendations and non-compliant on one. The FATF has agreed to move Canada from enhanced follow-up to regular follow-up. Canada will continue to report back to FATF on its progress.	
Financial Consumer Agency of Canada (FCAC)		
October 27, 2021	Consultation on FCAC's Proposed Guideline on Complaint-Handling Procedures for Banks and Authorized Foreign Banks The Financial Consumer Agency of Canada (FCAC) invites comments on a proposed Guideline on Complaint-Handling Procedures 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	Responses by December 11, 2021

	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 developing their policies and procedures to ensure they deal with consumer complaints promptly, consistently, and in a manner that is easy for consumers to navigate and understand. 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 first 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 Protection Framework Regulations (SOR/2021-181)*, which will come into force on June 30, 2022. Consultations on proposed guidelines on whistleblowing and appropriate products and services are also 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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