

Federal Financial Institutions Legislative and Regulatory Reporter - September and October 2019

November 29, 2019

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.

The September 2019 edition follows below.

October

Institution	Published	Title and Brief Summary	Status
Financial Action Task Force	October 31, 2019	Public consultation on FATF draft guidance on digital identity The Financial Action Task Force (FATF) is developing guidance to clarify how digital identity (digital ID) systems can be used for customer due diligence (CDD). The draft guidance intends to help governments, financial institutions and other relevant entities apply a risk-based approach to the use of digital ID for CDD.	Responses due by November 29, 2019.

		The FATF is consulting private sector stakeholders before finalising the guidance. It is primarily seeking views from banks, virtual asset service providers and other regulated entities, but also welcomes views from authorities.	
Financial Action Task Force	October 24, 2019	Best Practices on Beneficial Ownership for Legal Persons In 2003, the FATF set global standards on beneficial ownership, requiring countries to ensure that their authorities could obtain up-to-date and accurate information about the person(s) behind companies and foundations and other legal persons. These requirements were amended in 2012. Assessments since then have shown that many countries still find it challenging to ensure transparency of ownership of legal persons. This best practices document aims to help countries meet these requirements. It emphasizes that jurisdictions using a multi-pronged approach with several sources of information are often more effective in preventing the misuse of legal persons for criminal purposes.	
Financial Stability Board	October 18, 2019	Regulatory issues of stablecoins	Final report in July 2020.

		This note sets out regulatory issues of stablecoins. The launch of stablecoin-type arrangements for domestic and cross-border retail payments with the potential to reach global scale could alter the current assessment that crypto-assets do not pose a material risk to financial stability. At the same time, the emergence of global stablecoins that could be used for cross-border payments and remittances by a large number of users in different countries could provide benefits to the financial system and the broader economy. Harnessing those potential benefits, while containing associated risks for the financial system, requires adequate and comprehensive regulatory and oversight arrangements. An effective regulatory and supervisory approach needs to be able to identify, monitor and address potential risks in a reasonable range of scenarios and use cases. The FSB will submit a consultative report to G20 Finance Ministers and Central Bank Governors in April 2020, and a final report in July 2020	
Financial Stability Board	October 15, 2019	OTC Derivatives Market Reforms: 2019 Progress Report on Implementation	

		This annual progress report on the implementation of the agreed G20 reforms to over-the-counter (OTC) derivatives markets concludes that overall there has been limited additional implementation of the reforms. Progress is reported in trade reporting, central clearing, margin requirements, platform trading, cross-border coordination and issues, and higher capital requirements for non-centrally cleared derivatives.	
Financial Stability Board	October 16, 2019	Implementation and Effects of the G20 Financial Regulatory Reforms: Fifth Annual Report This is the fifth annual report on the implementation and effects of the G20 financial regulatory reforms. It reports that implementation of the reforms called for by the G20 after the global financial crisis is progressing, contributing to an open and resilient financial system that supports the efficient provision of financing to the real economy. Nonetheless, the report stresses the importance of maintaining momentum and avoiding complacency in order to fully achieve the goal of greater resilience as vulnerabilities are evolving. Rapid structural	

		and technological change require continued vigilance to maintain a sound and efficient financial system.	
Bank for International Settlements	October 16, 2019	Seventeenth progress report on adoption of the Basel regulatory framework This updated progress report provides a high-level view of Basel Committee members' progress in adopting Basel III standards as of the end of September 2019. It focuses on the status of adoption of all the Basel III standards, including the finalised Basel III post-crisis reforms published in December 2017, to ensure that they are transformed into national law or regulation according to the internationally agreed time frames. The report is based on information provided by individual members as part of the Committee's Regulatory Consistency Assessment Programme. The report includes the status of adoption of the Basel III risk-based capital standards, the leverage ratio, the standards for global and domestic systemically important banks and interest rate risk in the banking book, the Net Stable Funding Ratio, the large exposures framework and the disclosure requirements.	

Payments Canada	October 9, 2019	Policy proposals for Canada's new high-value payments system Payments Canada is requesting feedback on policy proposals that will inform the drafting of the by-law for Canada's new high-value payments system, Lynx. A key objective of Payments Canada's Modernization program is to enhance the framework of rules and by-laws to ensure they remain relevant, reflect current market practices, achieve an appropriate balance between flexibility and compliance, and facilitate innovation. Payments Canada seeks to support broad financial institution member eligibility to participate directly in Lynx, without compromising the safety and soundness of the payments system; and to address stakeholder's needs, such as finality of payments to payee and the deduction of service charges from the original amount of a Lynx payment.	The deadline for consultation was November 15, 2019.
Bank for International Settlements	October 2, 2019	Basel III Monitoring Report This report presents the results of the Basel Committee's latest Basel III monitoring exercise, based on data as of December 31, 2018. The Committee regularly	

		reviews the implications of the Basel III standards for banks, and the report sets out the impact of the Basel III framework that was initially agreed in 2010 as well as the effects of the Committee's December 2017 finalisation of the Basel III reforms. For the first time, it also reflects the finalisation of the market risk framework published in January 2019. Data are provided for a total of 181 banks, including 105 large internationally active banks.	
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OSFI	September 27, 2019	"2019 Annual update" to the Manual of Reporting Forms and Instructions for Deposit-Taking Institutions Changes have been made to the Financial Information Committee (FIC) regulatory forms and instructions; they can be viewed on the OSFI website under Regulatory Data and Returns > Filing Financial Returns. Changes were made to the following regulatory reporting forms and instructions effective for 2020 filing:	Effective for 2020 filing.

		• Mortgage Loans Report (E2) (delayed to Q1 2021) • Deposit Liabilities (K4) • Supplementary Return for Foreign Bank Branches (K3) • Liquidity Coverage Ratio Return (LA) • BCAR (BA) • NCCF (OSFI600) • Large Exposure Return "unstructured - OSFI930" - New • Net Stable Funding Ratio "unstructured – OSFI921" / "structured – DT1" – For D-SIBs only (Q3 2020) – New • Interbank and Major Exposures Return Appendices (2A/2L) – New (2A effective December 2019 / 2L test data effective June 2020, formal reporting effective September 2020) • Joint Balance Sheet (Z4) – New • GIC Offer Sheet Return (GA-GB) – New • Insured Residential Mortgages (RM) – Trust and Loan Companies Only - New	
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OSFI (Federally Regulated Mortgage Insurers)	September 3, 2019	MICAT Total Requirements for First-Time Home Buyer Incentive Insured Mortgages This advisory defines the total requirements for First-Time Home Buyer Incentive insured mortgages (FTHBI mortgages) and complements OSFI's Mortgage Insurer Capital Adequacy Test (MICAT) Guideline.	Effective November 1, 2019.
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By

[Robert Dawkins](#), [Donna Spagnolo](#)

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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

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