FSB- G20 - MONITORING PROGRESS – Canada September 2011

# *# in brackets are # from the 2010 template*		**G20/FSB RECOMMENDATIONS**		**DEADLINE**	**PROGRESS TO DATE** *Explanatory notes:* *In addition to information on progress to date, specifying steps taken, please address the following questions:* *1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?* *2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?* *Also, please provide links to the relevant documents that are published.*	**PLANNED NEXT STEPS** *Explanatory notes:* *Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)* *Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?* *What are the key challenges that your jurisdiction faces in implementing the recommendations?*
I. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	Basel II framework in place in Canada since 1 January 2008. Basel II implementation was reviewed by the IMF in the fall of 2008 and noted that the Office of the Superintendent of Financial Institutions (OSFI) had achieved “a robust implementation” of Basel II. Measures achieved intended results as evidenced by performance of Canadian banks during the financial crisis. As observed by the IMF in its review of Basel II implementation: “Canadian regulators, supervisors and industry representatives alike have seen important benefits from Basel II in terms of enhanced risk awareness and risk management in financial institutions.”	COMPLETE Working to implement Basel III agreement.
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks’ trading books will be implemented, with average capital requirements for the largest banks’ trading books at least doubling by end-2010. We welcomed the BCBS agreement on	By end-2011	No material differences envisaged from international principles, guidelines or recommendations. Draft guidance out for comment, with target for finalization in Fall 2011.	A process has been designed for institutions to seek model approvals relevant to changes proposed through the BCBS Revisions to the Basel II framework and the Guidelines for computing capital for incremental risk in the trading book. Decisions on model applications received April 2010 have been extended until the end of 2011 (in line with revised and agreed BCBS timelines) and institutions have been instructed to develop contingency plans to manage non-approval.

			a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.			
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.	January 1, 2013 and fully phased in by January 1, 2019.	Canadian banks were well capitalized pre-crisis and during the crisis, and capital was built to continue to ensure the ability to lend. In anticipation of continued adverse economic and market conditions, the Canadian banking industry retained additional capital. OSFI has complied with G-20 commitment and announced to Canadian industry on 14-09-2010 that the GHOS statement provided sufficient clarity on future changes to international capital standards for banks to manage capital without a complete prohibition of actions that would reduce the build-up of capital. Canada has had a formal leverage limit since the early 1980s. This limit was revised in the early 1990s. OSFI participated in the design of Basel III, including the leverage ratio. The Bank of Canada published a comprehensive assessment of the potential impact on the Canadian economy of new global capital and liquidity standards (http://www.bankofcanada.ca/en/publication/strengthening.html).	OSFI will continue to participate in the Basel Committee on Banking Supervision (BCBS) process and has issued guidance to federally regulated financial institutions concerning the implementation of Basel III. Canada will implement new leverage ratio according to Basel III timelines. OSFI will continue to employ its assets-to-capital multiple regime until the Basel III leverage ratio is fully implemented and may, if appropriate, incorporate elements of the internationally agreed leverage ratio in the ACM calculation. OSFI is revising its own domestic liquidity monitoring metric (NCCF) and will release the revisions for domestic consultation. With respect to the international minimum standards (Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)), OSFI intends to implement the standards along the internationally agreed timelines (2015 and 2018, respectively). The Bank of Canada is participating in a CGFS study group investigating the system-wide effects of liquidity regulation. The Bank of Canada is participating on the BCBS/CPSS Working Group

						on Intraday liquidity to develop intraday liquidity monitoring metrics for banking supervisors. The Bank is also participating in a BCBS working group on liquidity. Canadian authorities are actively engaging with the banks as they contribute to the international policy development process.
4 (4, 7, 9, 48)	(WAP) (FSF 2009) (FSF 2008)	Strengthening supervision and guidelines on banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. 1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement. II.10 National supervisors should	Ongoing	OSFI already has a quantitative liquidity metric (NCCF) it uses to monitor liquidity risk at FIs. OSFI is revising its own liquidity risk management guidance (B-6). Domestic directed consultation occurred in September 2011, while public consultation and finalisation of the guideline are expected by end-2011. The Financial Consumer Agency of Canada's (FCAC) approach to market conduct regulation and supervisory approach places high value in encouraging federally regulated financial institutions (FRFIs) to revisit their process for managing their market conduct risk. The results of FCAC's compliance actions often lead to FRFIs' re-examining their internal controls (i.e. policies and procedures) to strengthen their interactions with consumers.	Ongoing monitoring and follow up review of FIs liquidity risk frameworks following the implementation of the updated B-6 guidance once it is issued. OSFI released final guideline on Stress testing for banks and insurance companies in December 2009.

			closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices.			
II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	Canada actively participates on IMF, BCBS and FSB work programs related to SIFIs. In Canada, 75 – 80 percent of the banking assets are managed by the largest six banks. These banks are subject to risk-based supervision on a consolidated basis. The FCAC has incorporated high-level financial stability risk as a risk component to its market conduct risk assessment model. IOSCO charged a special working group co-chaired by the Autorité des marchés financiers (AMF) and the Ontario Securities Commission (OSC) to prepare a discussion paper on the role of securities regulators with respect with systemic risk. This discussion paper was tabled and approved by the Technical committee of IOSCO last January. At the same time, IOSCO created a new Standing Committee on Risk and Research with the mandate to further develop and coordinate the work on systemic risk. Both AMF and OSC are members of that new committee. The IOSCO Implementation Task Force, including participation of the CSA, has recently reviewed and updated the IOSCO Principles and Objectives of Securities Regulation.	Canadian authorities will continue to develop criteria for identifying N-SIFIs. The Canadian Securities Administrators (CSA) created a Systemic Risk Committee responsible for developing a process to be used by each Commission to identify and analyze systemic risks in the Canadian capital markets. The Committee will take into consideration the new principle on systemic risk being adopted by IOSCO and further developed by the Implementation Task Force.

					Canada is represented on the FSB Resolution Steering Committee by Finance Canada. The Cross-Border Crisis Management Working Group of the FSB, on which both OSFI and Canada Deposit Insurance Corporation (CDIC) sit, is focusing on the resolution of large cross-border entities. CDIC is a representative of the International Association of Deposit Insurers (IADI) on the FSB Resolution Steering Group.	
6 (43, 44)	(Pitts) (Seoul)	Mandatory international recovery and resolution planning for G-SIFIs	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress. We agreed that G-SIFIs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFIs through international supervisory colleges and negotiate institution-specific crisis cooperation	End-2010 (for setting up crisis management groups) Ongoing	CDIC and OSFI are members of the FSB on Cross-Border Crisis Management Working Group, where many of these issues are being addressed. Draft recovery plans have been developed for the largest banks and are expected to be finalized in 2012. Resolution plans for the largest banks are in the early stages of development and are expected to be finalized by end-2012. The CSA created a Systemic Risk Committee responsible for developing a process to be used by each Commission to identify and analyze systemic risks in the Canadian capital markets. The Committee takes into consideration the new Principles on systemic risk adopted by IOSCO and the work of the Implementation Task Force. The AMF and the OSC are participating in the IOSCO Standing Committee on Risk and Research (SCRR) created after the global financial crisis and which will play an important role within the IOSCO structure to monitor and assess proposals in identifying and mitigating system risk, which include work on systemic risk indicators, shadow banking and SIFIs.	The CSA Systemic Risk committee is continuing its work in the area of systemic risk taking into account the IOSCO initiatives, the implementation of Principles 6 and 7 and SCRR work.

	(Lon)		agreements within crisis management groups. To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.			
7 (45)	(Seoul) (Tor)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010.	Ongoing	See commitment 6 Canadian authorities continue to jointly review their resolution tools, in coordination with the development of international guidance on cross border resolution.	

	(WAP) (FSF 2008)		National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.			
8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges …	June 2009 (for establishing supervisory colleges) Ongoing	Canada runs Supervisory Colleges for all of its major banks.	COMPLETE
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common	Ongoing	OSFI maintains relationships with the major regulators of our FIs formally through memoranda of understanding, which sets out documentation sharing rules, and informally through quarterly monitoring discussions with OSFI's supervisory examiners.	

			effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.			
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.	Ongoing	OSFI's mandate is defined in its governing statute. The *OSFI Act*, along with the legislation governing federally regulated financial institutions provide OSFI with significant levels of independence to act, as well as a full range of tools and powers to conduct early intervention as needed.	
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	To support greater transparency with consumers and to promote financial literacy, FCAC released industry guidance on the uses of plain language in disclosure documentation for consumers that is consistent with international principles for clear language. In May 2010, the IOSCO Supervisory Cooperation Task Force, in which the CSA participated, published its Final Report entitled "Principles Regarding Cross-Border Supervisory Cooperation." See commitment 23	The Government has established a Transition Office with willing provinces to lead and manage the potential transition to a Canadian securities regulator. The Transition Office will be involved in ongoing discussions with the Government and other partners concerning the implementation of the G-20 recommendations on strengthening the financial system. The Bank of Canada and Finance Canada are participating on the FSB

						Shadow Banking Task Force and Experts Group and support work to understand the risks and benefits of the shadow banking sector before imposing regulations that may have unintended consequences.
12 (30)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	In addition to mechanisms such as the Financial Institutions Supervisory Committee (FISC), which is chaired by the Superintendent of Financial Institutions and is the primary federal inter-agency group that discusses all matters relating directly to the supervision of financial institutions. Interaction at the working level between OSFI and Bank of Canada staff has expanded substantially in recent years, facilitating the exchange of information. The Bank of Canada monitors international and domestic trends in financial innovation, in collaboration with OSFI, and consults with the sector on a regular basis. Canadian authorities discuss risks and potential responses through the Senior Advisory Committee. FCAC has been working to develop a modernized approach to its market conduct supervision of significant federal institutions. The CSA created a Systemic Risk Committee responsible for developing a process to be used by each Commission to identify and analyze systemic risks in the Canadian capital markets. The Committee takes into consideration the new principle on systemic risk adopted by IOSCO and the work of the Implementation Task Force. The AMF and the OSC are participating in the IOSCO Standing Committee on Risk and Research created after the global financial crisis and which will play an important role within the IOSCO structure to monitor and assess proposals in identifying and mitigating system risk. IOSCO charged a special working group co-chaired by the AMF and the OSC to prepare a discussion paper on the role of securities regulators with respect with systemic risk. This discussion paper was tabled and approved by the Technical committee of IOSCO last January. At the same time, IOSCO created a new Standing Committee on Risk and Research with the mandate to further develop and coordinate the work on systemic risk, Both AMF and OSC are members of that new committee.	The CSA Systemic Risk committee is continuing its work in the area of systemic risk taking into account the IOSCO initiatives, the implementation of Principles 6 and 7 and SCRR work.

Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, … Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.	End-2009	In Canada, hedge fund managers are required to be registered under securities laws under the new regulation 31-103, which came into force on September 28, 2009.	COMPLETE
14 (34)	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order	End-2009	Canadian securities regulators share information amongst themselves under existing mechanisms on a regular basis, as well as with other financial regulatory authorities within Canada and internationally. The AMF and the OSC are members of IOSCO's Supervisory Cooperation Task Force, which published a report in May 2010	COMPLETE

			to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.		entitled "Principles Regarding Cross-Border Supervisory Cooperation" which sets forth mechanisms to improve cross-border supervisory cooperation among securities regulators.	
15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	OSFI obtains information on bank's exposures to hedge funds (credit risk and market risk) on a quarterly basis. OSFI's rules require banks to manage large exposures.	
16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	OSFI issued an Advisory on securitization in October 2008, which requires enhanced consideration of risk exposures (including leveraged exposures). OSFI is participating in the BCBS Risk Management and Modelling Group.	Enhanced risk management guidance, including that found in the BCBS Enhancements document released in July 2009, will be included in revisions to OSFI's capital guidance to be issued in advance of the effective date of the BCBS Enhancements document.
Securitisation						
17 (51)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • implement the measures decided by the Basel Committee to	During 2010	The Bank of Canada published in the June 2010 Financial System Review, an article on "Securitized Products, Disclosure, and the Reduction of Systemic Risk", as part of ongoing effort to reform securitization markets. OSFI consulted with industry associations on the BCBS Enhancements guidance in 2009 and has established internal timelines for its incorporation in Canadian guidance.	OSFI will incorporate the Basel II enhancements, as well as any expected practices from its 2008 Advisory not otherwise addressed by the enhancements, in the domestic capital adequacy requirements (CAR) guideline in advance of the effective date of fiscal year-ends on

			strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.		In April 2011, members of the CSA published a draft framework for the regulation of securitized products in Canada that would improve investor protection through enhanced transparency and disclosure requirements for securitized products and modify the current exemptions investors use to access these products in the exempt market. The framework follows work completed by the CSA subsequent to the publication of its consultation paper on ABCP in October 2008, and states that the CSA's focus "has broadened to encompass all securitized products". The consultation period ended August 31, 2011. One of the issues that the CSA is seeking comment on is whether there should be requirements that securitizations be structured in a particular manner, such as requiring that sponsors or other transaction parties retain a minimum tranche or tranches of the securitization (a "skin-in-the-game requirement". The CSA are also considering international regulatory developments in developing their proposals, including recent IOSCO and SEC reports and recommendations.	or after December 31, 2010. Certain elements of the recommendations contained in the report of the IOSCO Task Force on Unregulated Markets and Products are being considered by the CSA ABCP Working Group. In respect of ABCP, members of the CSA are proposing to introduce a prescribed disclosure form that is intended to provide sufficient information about the securitized product and securitized product transaction to enable a prospective purchaser to make an informed investment decision. Additionally, members of the CSA are proposing to introduce a monthly reporting requirement for issuers and a requirement to make a timely report of events that affects the payment distributions or the performance of the pool.
18 (52, 53)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus	By 2010	OSFI issued an Advisory in October 2008 that strengthened the risk management expectations with respect to securitizations, including management of reputational and concentration risks. OSFI participates in the Basel BCBS/PDG group working on external ratings and securitization. In September 2009, the IOSCO Task Force on Unregulated Markets and Products released a report setting out high-level recommendations with respect to securitization. The Task Force will be monitoring the implementation of the recommendations by member jurisdictions on an ongoing basis. Members of the CSA participate on the Task Force. In April 2011, members of the CSA published a draft framework for the regulation of securitized products in Canada that would improve investor protection through enhanced transparency and disclosure requirements for securitized products and modify the current exemptions investors use to access these products in the exempt market. The framework follows work completed by	The BCBS issued Enhancements to the Basel II Framework in July 2009, which expand on OSFI's 2008 Advisory on securitization expected practices. See commitment 17 Certain elements of the recommendations contained in the report of the IOSCO Task Force on Unregulated Markets and Products are being considered by the CSA ABCP Working Group. In respect of ABCP, members of the CSA are proposing to introduce a prescribed disclosure form that is intended to provide sufficient

			encouraging them to act prudently.		the CSA subsequent to the publication of its consultation paper on ABCP in October 2008, and states that the CSA's focus "has broadened to encompass all securitized products". The consultation period ended August 31, 2011. One of the issues that the CSA is seeking comment on is whether there should be requirements that securitizations be structured in a particular manner, such as requiring that sponsors or other transaction parties retain a minimum tranche or tranches of the securitization (a “skin-in-the-game requirement”. The CSA are also considering international regulatory developments in developing their proposals, including recent IOSCO and SEC reports and recommendations.	information about the securitized product and securitized product transaction to enable a prospective purchaser to make an informed investment decision. Additionally, members of the CSA are proposing to introduce a monthly reporting requirement for issuers and a requirement to make a timely report of events that affects the payment distributions or the performance of the pool.
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	No monoline insurers (in relation to structured credit) operate in Canada currently. There are no domestic changes required.	
20 (55)	(FSF 2008)	Strengthening of supervisory requirements or best practices fir investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms’ processes for investment in structured products.	Ongoing	See commitment 18	
21 (14)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	The Canadian Accounting Standards Board (AcSB) has adopted the new International Financial Reporting Standards on consolidated financial statements and disclosure of interests in other entities (IFRS 10 and IFRS 12). The CSA is contributing to improvements in these areas by participating on IOSCO Standing Committee 1 (Multinational Disclosure and Accounting). SC1 has been submitting comments to the Financial Crisis Advisory Group and the Standards Advisory Council of the IASB. CSA also participates on the IOSCO Task Force on Unregulated Markets and Products. In July 2009, the BCBS published the *Enhancements to the Basel II Framework* which strengthened disclosure requirements	The CSA Derivatives Committee will be considering recommendations of the IOSCO Task Force on Unregulated Markets. Certain elements of the recommendations contained in the report of the IOSCO Task Force on Unregulated Markets and Products are being considered by the CSA ABCP Working Group. In respect of ABCP, members of the CSA are proposing to introduce a prescribed disclosure form that is

					for securitization exposures in the trading book; sponsorship of off-balance sheet vehicles; resecuritization exposures; and pipeline and warehousing risk with regard to securitisation exposures.	intended to provide sufficient information about the securitized product and securitized product transaction to enable a prospective purchaser to make an informed investment decision. Additionally, members of the CSA are proposing to introduce a monthly reporting requirement for issuers and a requirement to make a timely report of events that affects the payment distributions or the performance of the pool. The CSA Exempt Market Study is also reviewing the recommendations as they relate to exempt products and the exempt market generally.
IV. Improving OTC derivatives markets						
2 (17, 18)	(Seoul) (Pitts)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field. All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by	By end-2012 at the latest	Canada has established an inter-agency OTC Derivatives Working Group (OTCD WG), chaired by the Bank of Canada with participation by the Office of the Superintendent of Financial Institutions, the Department of Finance, the Alberta Securities Commission, the British Columbia Securities Commission, the Ontario Securities Commission and the Autorité des marchés financiers, to provide advice and coordinate efforts to meet Canada's G20 commitments related to OTC derivatives in a manner consistent with the continuing stability and vibrancy of the Canadian financial system. The OTCD WG published a report in October 2010 (*Reform of Over-the-Counter Derivatives Markets in Canada: Discussion Paper from the Canadian OTC Derivatives Working Group*) to address key reform aspects, including capital incentives and standards, standardization, central clearing and risk management, trade repositories and regulatory transparency and trading venues and public transparency. Canadian regulators are working with international groups including IOSCO, Committee on Payments and Settlement Systems (CPSS), Committee on the Global Financial System (CGFS), Markets committee, BCBS and ODRF to promote international cooperation on meeting the G20 commitments.	The OTCD WG report makes preliminary recommendations for the way forward to meet the G20 commitment on OTC derivatives and is consistent with work that is being done internationally. In follow-up to the October 2010 report, the OTCD WG has been working with the industry to determine the best way for Canada to meet the G20 commitments on central clearing and trade reporting. The option of creating new domestic infrastructure is being examined along with the option of using existing and future global infrastructure. A particular concern has been identified around access to global CCPs and oversight of global infrastructure. Canada has been working at the international level to

	(Lon)		end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.		The Bank of Canada co-chaired an international forum on CCP access in January 2011 and is chairing a study group of the CGFS examining access and links for OTC derivatives CCPs. The CSA Derivatives Committee published a consultation document setting out proposed regulatory reforms to meet G20 commitments in November, 2010. The Committee is publishing a series of 8 papers this summer and autumn describing in more detail the regulatory response for oversight of trade repositories, mandatory clearing, trading of OTC derivatives on an exchange or electronic platform, exemptions, surveillance and enforcement, capital and collateral, segregation of customer funds, and registration. AcSB has submitted comments to the International Accounting Standards Board on its proposed amendments to the International Financial Reporting Standard (IFRS) on offsetting of financial assets and liabilities.	improve access and oversight arrangements. The CSA Derivatives Committee is analysing the details of proposed US and European legislation to ensure that we are able to propose harmonizing legislative changes in Canada's derivatives laws. The CSA is preparing a series of discussion papers on implementation of derivative market reforms. The AcSB expects to adopt the final IFRS on offsetting when issued (late 2011/early 2012). The CSA Derivatives Committee will jointly develop rule outlines to ensure harmonization. Legislative and regulatory proposals will be developed in each jurisdiction to implement the proposed regulation.
V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	Canada has a framework that allows for coordinated sharing of information and discussions related to oversight of regulated financial institutions and assessment and mitigation of systemic risks. The Bank of Canada is expanding the resources devoted to assessing risks and vulnerabilities in the financial system. This will include enhanced model development to better understand the channels through which adverse shocks can be propagated in the financial system (including funding markets). The Bank participates on the FSB's Standing Committee for the Assessment of Vulnerabilities (and its analytic sub-group) and interacts with the IMF regularly as part of its macroprudential surveillance procedures.	The government is moving forward with willing provinces and territories in establishing a Canadian securities regulator. The CSA Systemic Risk committee is continuing its work in the area of systemic risk taking into account the IOSCO initiatives, the implementation of Principles 6 and 7 and SCRR work

					Members of the CSA actively participate on IOSCO Task Forces. The Minister of Finance is responsible for setting the minimum standards regarding government-backed insured mortgages. The CSA created a Systemic Risk Committee responsible for developing a process to be used by each Commission to identify and analyze systemic risks in the Canadian capital markets. The Committee takes into consideration the new Principles on systemic risk adopted by IOSCO and the work of the Implementation Task Force. The AMF and the OSC are participating in the IOSCO Standing Committee on Risk and Research created after the global financial crisis and which will play an important role within the IOSCO structure to monitor and assess proposals in identifying and mitigating system risk.	
24 (26)	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	See commitment 23. The CSA created a Systemic Risk Committee responsible for developing a process to be used by each Commission to identify and analyze systemic risks in the Canadian capital markets. The CSA is also currently assessing whether hedge funds or their managers are subject to an appropriate level of oversight in Canada. The CSA Derivatives Committee has published Report 91-402 on Trade Repositories setting out the obligation to report all derivatives transactions to a recognized or designated trade repository. This information will be used by regulators to gain a detailed view of the derivatives markets, concentrations of positions and systemic importance.	Canadian law provides the relevant authorities with significant scope to obtain detailed information from financial institutions. However, Federal authorities are assessing whether there are any legal impediments to obtaining the necessary information outside of the federally-regulated financial sector. The CSA Systemic Risk committee is continuing its work in the area of systemic risk taking into account the IOSCO initiatives, the implementation of Principles 6 and 7 and SCRR work.
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on	End-2009 and ongoing	See commitment 3. The Governor of the Bank of Canada is Chair of the CGFS where many of these issues are being studied.	The Bank of Canada has indicated its intention to participate in the BIS Qualitative Survey on Credit Conditions in Secured Lending and OTC Derivatives Markets in 2011.

			leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level… Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.		The Bank is expanding its range of available indicators and information for financial system analysis, which could be used if required in the application of potential risk and vulnerability tools.	
26 (29)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	The Bank of Canada has always monitored and reported on changes in asset prices. There are clear channels for reporting on asset price movements and their implications for both monetary policy and financial stability to senior Bank officials. Increased effort is being directed towards the analysis of equilibrium levels of asset prices to better understand the significance of price movements.	
27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	The monitoring of risks across the system is the shared responsibility of the Department of Finance and all of the federal financial regulatory authorities (OSFI, the Bank, CDIC and the FCAC). Risks are discussed regularly at an inter-agency meeting that advises the Minister of Finance. The Minister of Finance is ultimately responsible for financial sector policy and the overall stewardship of the financial system. The multi-agency Financial Institutions Supervisory Committee (FISC) meets at least quarterly to discuss all matters relating directly to the supervision of financial institutions. The FISC is established in legislation which includes information-sharing requirements and confidentiality provisions to ensure that information flows quickly between the organizations.	

					FCAC has been working to develop a modernized approach to its market conduct supervision of significant federal institutions. The Heads of Agencies (HoA) committee is chaired by the Governor of the Bank of Canada and includes the Department of Finance, OSFI, and four provincial Securities Regulators (Ontario Securities Commission, Autorité des marchés financiers, Alberta Securities Commission, and British Columbia Securities Commission). This forum allows federal authorities and provincial securities market regulators to exchange information and views and to coordinate actions on issues of mutual concern that are affecting the Canadian financial sector such as hedge funds and OTC derivatives.	
VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	All Canadian publicly accountable enterprises adopted IFRS 2011. This includes all Federally Regulated Financial Institutions (FRFIs). The large Canadian banks will adopt IFRS on November 1, 2011. OSFI is closely monitoring large banks' adoption of IFRS through the semi-annual IFRS adoption progress reports. International Standards on Auditing were adopted as Canadian generally accepted auditing standards (GAAS) for years ending on and after December 2010. Members of the CSA participate on IOSCO Standing Committee 1 (Multinational Disclosure and Accounting). SC1 has been submitting comments to the Financial Crisis Advisory Group and the Standards Advisory Council of the IASB. The AcSB is in frequent communication with regulators and supervisors. The CSA has finished amending numerous instruments to accommodate the transition to IFRS.	In Canada, the AcSB has set January 1, 2011, as the date that IFRS will replace Canadian GAAP for publicly accountable enterprises, which include federally-regulated financial institutions. (In 2010, the AcSB agreed to a one-year deferral in the IFRS changeover for entities with rate-regulated activities and a two-year deferral for investment companies, due to delays in completion of IASB projects.) The CSA has amended numerous instruments to accommodate the transition to IFRS for reporting issuers. Work is still underway to amend the separate set of instruments pertaining to investment companies.
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global	End-2011	The IASB and FASB completed the Consolidation and Fair Value Measurement standards in May 2011. The IASB issued an exposure draft on Consolidation –Investment entities in August 2011 which was largely based on US GAAP however differences still exist. The two Boards continue to work on the standard on financial instruments (replacement of IAS 39),	The IASB plans to issue re-exposure drafts to impairment and hedging late 2011. They will also expose FASB's final financial instruments standard when that is available. The new financial instruments standard will

			accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.		specifically impairment, and the IASB continues to deliberate on hedge accounting. The two Boards were unable to reach a converged solution to asset and liability offsetting and will reconcile their differences using disclosures in the financial statements. The AcSB has participated in the projects through comments on exposure drafts and outreach to Canadian stakeholders.	not be completed by 2011. The AcSB expects to adopt the new IFRS when issued.
30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	The IASB and FASB issued a converged Fair Value Measurement standard in May 2011 with an effective date of January 1, 2013. The AcSB adopted the new IFRS on fair value measurement in July 2011.	The AcSB has adopted the current IASB standards on Financial Instruments into Canadian GAAP and anticipates adopting new standards on that topic as they are issued by the IASB. OSFI expects FRFIs to adopt the new Fair Value Measurement standard at the mandatory effective date.
31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial	End-2009	The IASB and the FASB are currently working on new standards for financial instruments, with the objective of improving transparency in capital markets and thereby reducing information asymmetry. In 2011, the IASB and the FASB have issued, and the AcSB has adopted, identical standards for determining fair value for accounting measurement purposes AcSB and OSFI actively engage on accounting matters and revisions with international standard setters.	The AcSB has adopted the sections of IFRS 9 dealing with the classification and measurement basis of financial assets and liabilities. The IASB is currently proposing to defer the mandatory effective date of those requirements from 2013 to 2015. The AcSB expects to adopt a revised standard on offsetting and further sections of IFRS 9 dealing with financial asset impairment and hedging, all still under development and expected to be issued by the IASB in 2012 (likely with mandatory effect in 2015). OSFI will continue to closely monitor the IASB's discussions on hedging and convergence efforts between

			instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.			IASB and FASB through its memberships on the BCBS' Accounting Task Force (ATF) and the IAIS. There is an IASB proposal to defer the mandatory effective date for adopting IFRS 9 to January 1, 2015. Canadian entities will adopt this standard at that time.
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon) (WAP)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports. All G20 members commit to undertake a Financial Sector Assessment	Ongoing	Through prudent regulation and a commitment to meet or exceed international regulatory standards, Canada has demonstrated its commitment to the pursuit of financial stability, openness and transparency of the financial sector. In addition, the Senior Deputy Governor of the Bank of Canada chairs the FSB Standing Committee on Standards Implementation (SCSI). Relating to Prudential Standards: Canada underwent an IMF FSAP assessment in 1999 and an update in 2008. The reports are available on the IMF website. Canada was found to be largely compliant with standards of IOSCO, the BCBS and the IAIS. Canada actively participates on the FSB Expert Group, to promote the implementation of international cooperation and information exchange standards. Relating to Taxation: Canada announced, in its 2007 Budget, a formal policy which requires that all new tax treaties, and revisions to existing tax treaties, include the OECD standard. Furthermore, that policy contained an incentive for jurisdictions which are not candidates for a tax treaty to enter into tax information exchange agreements (TIEAs) with Canada and a countermeasure to apply against non-cooperative jurisdictions. In Budget 2010 the Canadian Government implemented measuring making tax evasion a predicate offence for money laundering.	The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and OSFI issue advisories on an ongoing basis when the FATF issues public statements about jurisdictions that are making insufficient progress in improving their AML/CFT regimes. New legislative powers under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* will enable the Minister of Finance to issue directives and regulations applicable to the federally regulated financial institution sector with respect to jurisdictions and foreign entities that lack sufficient or effective measures to combat money laundering and terrorist financing. OSFI cooperates with Public Safety Canada and the Department of Foreign Affairs & International Trade by bringing information about Canadian and UN sanctions applicable to the financial sector to the attention of FRFIs promptly when the Government makes material changes to FRFIs' obligations. Canada is currently undergoing a

			Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.		Relating to AML/CFT: Canada underwent a FATF mutual evaluation in 2007. In addition, in 2008 Canada implemented major changes to the AML/CFT regime by amending the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its regulations. Further proposed changes are expected to be disclosed by the Department of Finance in Fall 2011. Legislation extending customer due diligence, recording keeping and transaction reporting measures to the credit union centrals came into effect in 2010. In its 2009 Budget, the Government of Canada proposed new measures to enhance Canada's compliance with FATF Recommendation 21 (countermeasures against countries which do not or insufficiently apply the FATF Recommendations). The measures were submitted to Parliament in 2010 and received royal assent. New regulations will be brought forward in 2011 to implement these new legislative powers. OSFI assesses deposit-taking institutions' and life insurance companies AML/ATF programs as part of its ongoing examination methodology. In 2010, OSFI added an examination component to ascertain compliance with "fit & proper" ongoing requirements, which are set out in OSFI Guideline E-17.	voluntary FSB country peer review, as well as a FSB thematic peer review of its deposit insurance system.
Reforming compensation practices to support financial stability						
33 (15)	(Pitts)	Implementation of FSB/FSF compensation principles	We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and	End-2010	Supervisory review conducted. The scope included a review of self assessment, compensation programs and discussions with senior executives. OSFI has sufficient authority to require financial institutions to implement changes where compensation practices are deemed to be prudentially unsound, e.g. may encourage excessive risk taking. The FSB Standing Committee on Standards Implementation (SCSI), which is chaired by the Senior Deputy Governor of the Bank of Canada, undertook a review of compensation practices in both 2010 and 2011. OSFI actively participated in both reviews.	OSFI has adopted a supervisory approach to implementing the FSB principles and standards and has integrated them into its regular supervisory work on significant activities, controls and oversight functions.

			systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately.			
	(Tor)		We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.			
	(Seoul)		We reaffirmed the			

			importance of fully implementing the FSB's standards for sound compensation.			
34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	OSFI has necessary authority to require financial institutions to amend capital levels, or to take other steps to address deficiencies in compensation practices if they are considered prudentially unsound.	OSFI has continued to review and monitor Conglomerate institution's compensation practices. Selected work has been done on non-conglomerate institutions as per our risk-based methodology.
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes	End-2009	Based on comments received pursuant to a published report on ABCP, on July 16, 2010 a working group of the CSA published a rule for comment that proposes a regulatory oversight framework for CRAs which will include reliance on the IOSCO Code of Conduct and rules to be applied in other international jurisdictions.	COMPLETE

			registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.			
36 (38)	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	See commitment 35	COMPLETE

37 (39)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	Members of the CSA participate on IOSCO's CRA Standing Committee (SC6), with a view to continuing to cooperate and share information with other regulators.	
38 (40)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	See commitment 37 The Bank of Canada participated on the FSB High-Level Working Group on Reducing Reliance on Credit Rating Agencies, which published "Principles for Reducing Reliance on CRA Ratings" (October 2010).	See commitment 35

Risk management						
39 (49)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	See commitment 4.	COMPLETE
40 (50)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	OSFI, via the Basel Committee, continues to closely monitor the IASB project on impairment of financial instruments.	OSFI, via the BCBS ATF, continue to closely monitor the IASB-FASB discussions on the expected loss model to ensure more robust provisioning and earlier recognition of losses is achieved in the new standard.
41 (54)	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	OSFI issued a letter in July 2009 to all FRFIs directing immediate adoption of fair valuation practices and disclosure issued by BCBS. Template self assessment of compliance to be submitted to OSFI no less than 45 days after each of year end 2009 and year end 2010. OSFI issued an Advisory in November 2007 with respect to Basel II Pillar 3 Disclosure Requirements. OSFI has completed a review of Canada's five largest banks' Pillar 3 disclosures. OSFI actively participated in FSB peer review on risk.	In July 2009, the BCBS published the *Enhancements to the Basel II Framework* which strengthened disclosure requirements for securitization exposures in the trading book; sponsorship of off-balance sheet vehicles; resecuritization exposures; and pipeline and warehousing risk with regard to securitisation exposures and *Revisions to the Basel II Market Risk Framework* in February 2011. In July 2011 OSFI issued guidance requiring deposit taking institutions to adopt the additional disclosure requirements in the first quarter of fiscal 2012. OSFI will be monitoring future releases of disclosure requirements associated with relevant accounting standards issued by the IASB and Pillar 3 disclosures issued by the BCBS.
Others						
42 (47)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international	Ongoing	CDIC is almost fully compliant with the BCBS/International Association of Deposit Insurers (IADI) Core Principles. CDIC is representing Canada on the FSB Peer Review of Deposit Insurance Systems Working Group.	

			principles, and authorities should strengthen arrangements where needed.			
43 (55)	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	All exceptional liquidity facilities have been wound down, with the exception of the USD swap agreement which was extended to January 2011. The June 2010 Financial System Review included a report on the Bank of Canada's extraordinary liquidity facilities which discusses how the principles that the Bank of Canada established early in the crisis to guide interventions can be used to lessen moral hazard.	

<u>Origin of recommendations</u>:

Seoul: The Seoul Summit Document (11-12 November 2010)
Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)