

March 31, 2020

OSFI's Regulatory Adjustments in Response to COVID-19 Impacts

On March 27, 2020, the Office of the Superintendent of Financial Institutions (OSFI) announced a number of sector-specific measures to support federally regulated banks, insurers and private pension plans. The regulatory adjustments include changes to regulatory capital, liquidity and reporting requirements. OSFI introduced these measures in three targeted industry letters to provide sectors the flexibility to address evolving economic conditions.

Key Measures for Federally Regulated Deposit Taking Institutions (DTIs)

- Loans (mortgage, small business, retail, mid-market capital) subject to payment deferrals are not considered past due or delinquent and are afforded the same capital treatment as performing loans. The temporary capital treatment will remain for the duration of the payment deferral, up to a maximum of 6 months.
- DTIs can temporarily exceed the 5.5% covered bond limit.
- Introducing transitional arrangements for the capital treatment of expected loss provisions available under the Basel Framework.
- Adjusting OSFI's liquidity requirements to provide flexibility within the Net Stable Funding Ratio treatment for assets.

- Delaying the implementation of the Basel III reforms and OSFI's Proportionality Initiative for small and medium sized banks until 2023.
- OSFI's specific guidance on applying IFRS 9.

For more details, see [OSFI's Letter to DTIs](#).

Key Measures for Federally Regulated Life and Property & Casualty Insurers

- Mortgage insurers should not consider a mortgage loan to be delinquent or in arrears if a DTI approved the payment deferral.
- Suspending the IFRS 17 semi-annual progress report filing, and all consultation and policy development on guidance until further notice.

For more details, see [OSFI's Letter to Insurers](#).

Key Measures for Federally Regulated Private Pension Plans

- Temporarily freezing portability transfers and annuity purchases. Pension payments to retirees and other beneficiaries are not affected.
- Deadline extensions for certain actions and annual filing requirements under the *Pension Benefits Standards Act, 1985* and the *Pooled Registered Pension Plans Act*.

For more details, see [OSFI's Letter to Private Pension Plans](#).

OSFI will continue to engage sectors in further developments and address implementation and disclosure issues. OSFI officials will be responding to technical questions from analysts about these measures by teleconference on Wednesday, April 1. Please see [OSFI's News Release](#) for further updates.

by Darcy Ammerman, Carol Lyons and
Kathleen Wang (Articling Student)

For more information on this topic, please contact:

Ottawa	Darcy Ammerman	613.691.6131	darcy.ammerman@mcmillan.ca
Toronto	Carol Lyons	416.307.4106	carol.lyons@mcmillan.ca

[a cautionary note](#)

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

© McMillan LLP 2020