

## CPPO GOVERNMENT RELATIONS UPDATE — MAY 2023

The CPPO is making significant progress with government officials through consistent and sustained engagement. To support our Government Relations objectives, CPPO is continuing to advance work on the following key priorities:

### Anti-Money Laundering Review:

- CPPO met with Finance Canada on the 2023 Budget's commitment to review Canada's AML legislation. The meeting indicated that the government is not expected to capture prepaid products specifically with this round of legislative changes. A discussion paper outlining the scope of the legislative review is expected to be released by the end of May— CPPO plans to prepare a response and will engage in the legislative process to ensure that prepaid products continue to be regulated in an appropriate manner.
- CPPO is meeting with FINTRAC in June, seeking formal publication of the March 2023 policy interpretation that exempts individual accounts under prepaid corporate reward programs from KYC requirements.

### Open Loop Regulatory Harmonization:

- **Saskatchewan:**
  - The CPPO is continuing to push for action by the Government following a constructive meeting in February with representatives of the Financial Consumer Affairs Authority (FCAA), including the Chair and CEO and the Executive Director of Consumer protection, alongside the Chief of Staff to the Minister of Justice and Attorney General.
- **Ontario:**
  - The CPPO developed a written submission to the Ministry of Public and Business Service Delivery's [consultation on modernizing the province's Consumer Protection Act](#) focused on harmonizing Ontario's prepaid product regulations with the federal regime. CPPO will be scheduling a meeting with officials at the Ministry and with the Ministry of Finance to provide a briefing on our recommendations during June.

### Payments Modernization:

- CPPO made a written submission to the consultation on [the Retail Payments Activities Act \(RPAA\) draft regulations](#) focused on the role of program managers and other third party service providers to federally regulated financial institutions.

The CPPO will be meeting with Finance Canada over the next month Canada to articulate CPPO's concerns with the proposed regulations.

### **Prepaid disbursements:**

- The CPPO remains engaged with Public Services and Procurement Canada to provide data and demonstrate the value of prepaid products as a disbursement tool.
- The CPPO will be engaging the province of British Columbia on its plans to initiate a procurement process for prepaid payment products.

### **OTHER ITEMS:**

#### **OSFI launches framework to help the financial sector deal with cyber-attacks**

On April 21, the Office of the Superintendent of Financial Institutions (OSFI) released the [Intelligence Led Cyber Resilience Testing \(I-CRT\) framework](#) to help identify areas where the financial sector could be vulnerable to sophisticated cyber-attack. The I-CRT framework is intended to serve as an implementation guide for federally regulated financial institutions. It outlines the roles and responsibilities of stakeholders, key phases, activities as well as interactions associated with an I-CRT assessment – which leverages targeted threat intelligence and simulates the advanced tactics, techniques, and procedures used by a sophisticated threat actor in a controlled setting. OSFI recommends that these institutions conduct an I-CRT assessment at least once during each three-year supervisory cycle, beginning in 2023.

#### **OSFI finalizes Third-Party Risk Management Guideline (B-10)**

On April 24, the Office of the Superintendent of Financial Institutions (OSFI) published its [Third-Party Risk Management Guideline](#) which sets out risk management expectations for federally regulated financial institutions (FFRI). B-10 is final and should be read in conjunction with applicable legislation and relevant OSFI guidance, including but not limited to, Guideline E-21 on Operational Risk Management, Guideline B-13 on Technology and Cyber Risk Management, and the Corporate Governance Guideline.

#### **OSFI releases Annual Risk Outlook Report for 2023-24**

On April 18, the Office of the Superintendent of Financial Institutions (OSFI) released its [Annual Risk Outlook Report](#) for 2023-24. The report outlines these key risks as ones to look out for: housing market downturn; liquidity and funding; commercial real estate; transmission risk from the non-bank intermediaries (NBFIs) sector; corporate and

commercial credit risk; digital innovation risk; climate risk; cyber risk and third-party risk. Of relevance, OSFI is focused on monitoring vulnerabilities associated with digital innovations including blockchain applications (e.g., cryptoassets, stablecoins, digital currencies, CeFi/DeFi), AI/ML, open finance, quantum computing, and other technologies, and the regulator has highlighted its desire to continue its engagement with stakeholders. The increased dependency on third-party service providers was also highlighted with the finalization of Guideline B-10: Third-party Risk Management referenced as an example of their work on enhancing the resiliency of the financial services industry.

### **Bank of Canada releases Annual Report for 2022**

Released on April 24, 2023, the Bank of Canada's [Annual Report](#) provides an overview of the Bank's work in key areas of responsibility over the course of 2022. With respect to payments, the report highlights the Bank's work with the Department of Finance Canada on various initiatives, such as laying the regulatory framework for when the *Retail Payment Activities Act* (RPAA) comes into force. Some of these initiatives are the publication of the Bank's supervisory framework which sets out their role and responsibilities in relation to payment service providers; creating regulatory expectations for payment service providers; and frequent engagement with stakeholders. In 2023, the Bank will continue to update the supervisory framework for retail payments, including publishing additional guidance on key components of the framework, make preparations for when the RPAA comes into force and continue to raise awareness of the RPAA and the Bank's supervisory role.

### **Bank of Canada opens public consultations on a digital dollar**

On May 8, 2023, the Bank of Canada launched an [online public consultation](#) on the kind of features Canadians want to see in a digital Canadian dollar. The consultation runs until June 19. A report summarizing this consultation will be published later this year.

### **FCAC launches call for applications for Canada's single banking external complaints body**

To fulfill the federal government's commitment in Budget 2023 to achieve a fairer external complaints handling system for consumers when it comes to financial services, the Financial Consumer Agency of Canada (FCAC) has launched a [call for applications](#) which will close on June 26, 2023. The proposed body is intended to be a not-for-profit corporate and will be responsible for providing a fair and impartial external process for consumption.