

Government Relations Update – March 2023

The CPPO is making significant progress with government officials through consistent and sustained engagement. To support our Government Relations objectives, CPPO is continuing this engagement effort:

Anti-Money Laundering Regulations:

- In direct response to the CPPO's detailed document outlining problematic use cases captured by the current regulatory framework, FINTRAC provided a written response interpreting that individual card recipients of the following corporate loaded prepaid products are not considered authorized users and that the authorized user provisions do not apply. Consequently, an individual's user identity does not have to be verified. This policy interpretation applies to corporate rewards programs, employee reimbursement programs, retail incentive programs, and class action settlement programs. This is a significant and positive development for the CPPO and its member companies.

Federal disbursements campaign:

- The CPPO is working to re-engage with Public Services and Procurement Canada to schedule a follow-up discussion on disbursements.

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 Ministry of Public and Business Service Deliver launched [new consultations on modernizing the province's Consumer Protection Act](#) in early February. The CPPO provided a written submission as part of the consultation.

Payments Modernization:

- On March 6, the CPPO held a webinar with members on [the Retail Payments Activities Act \(RPAA\) draft regulations](#). The CPPO will be participating in the associated consultation by submitting a written response. Stakeholder comments on the draft regulations are due March 28, 2023.

OTHER ITEMS

Proposed amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)

On February 18, proposed updates to the PCMLTFA were [published](#) in Canada Gazette Part I. These changes rest on four key pillars: 1) Implement a long-term funding solution for the Financial Transactions and Reports Analysis Centre of Canada by allowing it to recover the costs of its compliance program and related activities from the entities it supervises, 2) Elevate Canadian standards on AML/ATF in the areas of armoured car companies, mortgage lending entities, correspondent banking relationships to meet those set by the Financial Action Task Force, 3) Increase penalties to deter the illicit movement of cash between jurisdiction and by updating the service of administrative monetary penalties documents to reporting entities, and 4) Impose additional reporting requirements ranging from ownership and branch details for money services businesses (MSBs). Stakeholders have until March 20, 2023, to provide feedback on the draft regulations. The coming into force the proposed regulatory amendments varies by amendment, with the earliest commencing immediately upon registration and the latest being April 1, 2024.

Justice Paul Rouleau: Final Report from the Public Order Emergency Commission

On February 17, Justice Paul Rouleau released the [Final Report](#) from the Public Order Emergency Commission. The report found that the Government was justified in using the extraordinary powers under the Emergencies Act in relation to the Freedom Convoy protests in Ottawa last year. However, it was also found that steps could have been taken to avoid the use of the Emergencies Act, and reforms are necessary for the legislation in future.

The Bank of Canada Staff Analytical Note – A central bank digital currency for offline payments

On February 24, the Bank of Canada released a Staff Analytical Note '[A central bank digital currency \(CBDC\) for offline payments](#)'. This note addresses the gap in the payments space where bank notes remain the only commonly used payment method that does not require an internet connection. The note argues that an offline CBDC could be the solution, serving as a digital complement to bank notes. It is envisioned that an offline CBDC will help bring digital payments to users who lack a reliable, consistent internet connection, especially during severe weather conditions. The introduction of an offline CBDC can also reduce barriers to financial inclusion and reduce frictions between payment methods, as current digital payment methods such as cards and e-wallets is predicated on the user's access to financial services. Other points of consideration raised by the note also include the design of secure hardware and striking a balance between compliance, security requirements and user needs.

The Bank of Canada Staff Discussion Paper – Central Bank Digital Currencies and Banking: Literature Review and New Questions

On February 10, the Bank of Canada released a Staff Discussion Paper '[Central Bank Digital Currencies \(CBDC\) and Banking: Literature Review and New Questions](#)', offering an analysis the impact of CBDCs on banks. The paper indicates that the development of a new retail CBDC would have a significant impact on a country's banking system as it would be a new form of outside money (i.e. an asset that is not a liability of a private actor). Given the complex structure of the financial sector, the paper proposes that future research be directed to studies on how CBDCs affect the payments ecosystem and existing payments platforms; implications for a bank's business model and advancing a CBDC business model where all participants derive enough value for such a proposition to be sustainable. Additionally, the paper also calls for work to be done on how would CBDCs interact with stablecoins and decentralized finance, as they had the potential to promote or restrain the growth of these areas.