The COVID-19 pandemic has created unprecedented challenges for compliance professionals in Canada. The following is a selection of federal and provincial legislative and regulatory actions as well as news and analysis articles compiled by the Thomson Reuters Regulatory Intelligence editorial staff. The selection includes Regulatory Intelligence and Reuters news coverage. More COVID-19 news and information can be found via the TRRI platform's search facility.

Additional COVID-19 resources are also available on the Thomson Reuters COVID-19 Resource Center. For a regularly updated list of U.S. federal regulations related to the COVID-19/novel coronavirus update, please visit the Skopos Labs Coronavirus Policy Tracker.

You can create your own custom My Updates through the Create a Custom My Updates link on the Regulatory Intelligence homepage. Select your geography and/or content types you would like resources from and include the following keyword search: covid! or coronavirus.

As countries, markets and individuals recover from the last year of a global pandemic, regulatory responses are tapering off. As a result, our Regulatory Intelligence COVID-19 Report for Canada will transition as well. Going forward, the Canada COVID-19 report will be published on a bi-weekly basis.

IN THIS OVERVIEW

FEDERAL AND PROVINCIAL REGULATORS - COVID-19 UPDATES

Federal Regulators
➢ Bank of Canada

Provincial Regulators
➢ Ministry of Finance (British Columbia)
➢ Financial Services Regulatory Authority of Ontario (FSRA)

SROS, EXCHANGES AND SECURITIES REGULATORS
➢ TMX Group

¹ This COVID-19 Coverage was compiled by Thomson Reuters Regulatory Intelligence editorial staff and other contributors.
OTHER NEWS AND SUMMARIES
➢ IMPACT ANALYSIS: Canadian regulators implement reforms on mutual fund fees, warn on pandemic uncertainty
➢ Most Canadians Approve of a Vaccine Passport - At Least for Travel
➢ Canada Retail Sales Seen Plunging in April as Restrictions Tightened
➢ Bank of Montreal Earnings Beat Estimates, Adds Mortgage Safeguards
➢ Bank of Canada Seen Cutting Bond Purchases Further as Lockdowns Ease

COVID-19 COVERAGE – CANADA

FEDERAL AND PROVINCIAL REGULATORS – COVID-19 UPDATES

Federal Regulators

Bank of Canada

Read the CBA’s remarks to the Senate Banking Committee on the Budget Implementation Act (May 27, 2021)

Darren Hannah, Vice President of Finance, Risk and Prudential Policy at the Canadian Bankers Association (CBA), delivered remarks to the Senate Banking Committee on the Budget Implementation Act. He set out the CBA's views on Divisions 1, 3 and 4 of Part 4 of the Budget Implementation Act amending the Canada Deposit Insurance Corporation Act, the Payment Clearing and Settlement Act and the Bank Act.

Bill C-30 proposes to extend the regular review of the statutory framework for federally regulated financial institutions, which includes the Bank Act, the Insurance Companies Act, and the Trust and Loan Companies Act, from 2023 to 2025. The purpose of this extension is to permit time to consider the impacts of the COVID-19 pandemic on the financial sector as part of the next legislative review. For more information see the link here.

Provincial Regulators

Ministry of Finance (British Columbia)

Virtual meetings now a permanent option for B.C. corporations (May 17, 2021)

The British Columbia Ministry of Finance has announced that legislative amendments will make permanent the ability for B.C. corporations to hold virtual meetings. The amendments to the Business Corporations Act, Cooperative Association Act, Credit Union Incorporation Act, Financial Institutions Act and Societies Act will permanently remove legislative barriers and allow companies, societies, credit unions and co-operative associations the permanent ability to host fully or partially electronic meetings. For more information see the link here.
Financial Services Regulatory Authority of Ontario (FSRA)

Annual Business Plan 2021–2024 (May 21, 2021)

The FSRA has published its FY2021-2024 Annual Business Plan, which outlines FSRA’s priorities, strategic direction, financial overview and supporting activities. In its business plan, the FSRA looks at the impact of the COVID-19 pandemic on global recovery, potential technological advancements, and the ongoing imperative to drive down costs to the sectors, while freeing regulated sector participants from burdensome and often unnecessary regulatory activities.

This document is dated February 26, 2021 but was published on the FSRA website on May 21, 2021. For the full text of the Plan see the link here.

SROs, Exchanges and Securities Regulators

TMX Group

CDS Window Closure (May 20, 2021)

The TMX Group have announced that due to the effects of the COVID-19 pandemic, the CDS Window service where envelopes are delivered by brokers/custodians to CDS and subsequently forwarded by CDS to Transfer Agents, will remain closed. For more information see the link here.

Other News and Summaries

IMPACT ANALYSIS: Canadian regulators implement reforms on mutual fund fees, warn on pandemic uncertainty

(Regulatory Intelligence) - Reforms aimed at aligning incentives with the best interests of investors, coupled with pandemic-related economic uncertainty, are driving increased regulatory scrutiny of fees and sales practices in the mutual fund industry in Canada.2

The Ontario Securities Commission (OSC) has announced that it will join other members of the Canadian Securities Administrators (CSA) in banning deferred sales charges on mutual funds. The announcement effectively harmonizes policies on deferred sales charges across Canada, and will be implemented at the same time as the ban on trailing commissions that is set to come into effect on June 1, 2022.

Recent developments

Deferred sales charges, or DSCs, are paid by investors when they withdraw money from mutual funds before a fixed term, typically in lieu of an initial sales charge. Investor protection advocates have long been critical of the deferred charges due to concerns that they could encourage mutual fund dealers to promote funds with such charges for their own benefit.

2 Helen Chan, IMPACT ANALYSIS: Canadian regulators implement reforms on mutual fund fees, warn on pandemic uncertainty, Regulatory Intelligence (May 24, 2021) at http://go-ri.tr.com/iKHdLF.
CSA research has also shown that fee structures at funds with deferred sales charges can be confusing for investors, who often don’t understand that they will be charged with early redemption fees. Investors who hold such funds could also feel restricted from making changes to their investment portfolios or withdrawing funds, limiting their options.

Investor-protection advocates have expressed support for the decision. The Portfolio Management Association of Canada has praised the decision as increasing transparency into fees and commissions. The Canadian Foundation for Advancement of Investor Rights said that the decision is well-timed as investors could be looking to re-adjust their portfolios to respond to financial challenges brought about by the pandemic.

The OSC has gone back and forth on its policy stance toward deferred sales charges. In 2018, CSA members, including the OSC had announced that they would adopt a ban on the charges. However, the provincial government of Ontario subsequently diverged from the CSA’s policy stance and, in 2019, the OSC said that it would not ban deferred sales charges in Ontario. Instead, it would consider implementing an Ontario-specific approach to restrict the use of the commissions in Ontario, but not ban the practice outright. The proposed two-tier system was put forward to public consultation and was widely criticized as impractical for market implementation. Stakeholders said that the fragmented approach would be confusing for both investors and market participants.

**Reforms on commissions and fees ongoing**

The deferred sales charge ban is one of several reforms to align incentives with the best interests of investors. Last September, the CSA finalized amendments to rules on mutual fund sales practices to ban the payment of trailing commissions by distributors of mutual funds to order-execution-only dealers. Solicitation of trailing commissions by order-execution-only dealers will also be banned when the rules take effect on June 1, 2022.

In the interim, the CSA warned that regulators, including the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealer’s Association of Canada (MFDA) would be “highly attuned” to improper sales of deferred-sales-charge products. The CSA also reminded dealers of their regulatory obligation to treat investors fairly amid pandemic-related economic uncertainty. Regulators stressed that investors could have heightened needs for liquidity and could need flexibility around redemptions and changes to their investment portfolios.

Further scrutiny over fees in the mutual fund industry is likely to materialize. According to a report released by Morningstar in 2019, mutual fund fees in Canada are among the highest in the world. This is partially due to the inclusion of the cost of investment advice as a part of the expense ratio in determining fees, along with trailing commissions. In addition to implementing bans on trailing commissions and deferred sales charges, regulators could take a closer look at the provision and quality of investment advice being given to Canadian investors.

**Compliance considerations**

Most firms will likely have had ample time to prepare for the bans on deferred sales charges and trailing commissions, which have been in discussion for several years. However, recent warnings from the CSA on sales practices and pandemic-related economic uncertainty intensify a focus on conduct risk and fees.
As advised by the CSA, firms should closely monitor sales of DSC products with an eye for potential sales misconduct or excessive fees. Moreover, firms should review and update internal policies and client disclosures on fees ahead of the implementation of the ban.

**Most Canadians Approve of a Vaccine Passport - At Least for Travel**
(Reuters) - A majority of Canadians say they are willing to embrace a vaccine passport to enable a return to travel but are less open to using them for things like restaurant reservations, according to polls.³

Canadian Prime Minister Justin Trudeau has said a vaccine certification aligned with other countries makes sense, and two government officials said talks with international partners about standards are ongoing, particularly among G7 countries.

The European Union is working on a certificate with a digital Quick Response (QR) code and has agreed to welcome fully vaccinated tourists, while Britain plans to use a phone app and other countries may rely on a paper document.

In Canada, the mainly French-speaking province of Quebec is sending a QR code to those who get vaccinated, though so far it has not been activated to reveal anyone's vaccination status when scanned.

About three-quarters of Canadians are in favor of some sort of proof of vaccination when it comes to travel, according to an EKOS poll conducted between April and May, but only about 40% supported being screened to get a table for indoor dining.

"The vast majority of the public believe that this is a good idea for accelerating the path to safety and for keeping everybody safe who wants to go on a plane or wants to go to a ball game," said Frank Graves, president of polling company EKOS Research and a member of the federal vaccine confidence task force.

More than 46% of almost 38 million Canadians have been administered a first shot, but less than 4% are fully vaccinated, as Canada has extended the gap between shots to give more people a first jab. More than 85% of Canadians are willing to get vaccinated, according to the EKOS poll.

Canada is receiving some 4.5 million doses of vaccine this week, and expects 9 million Pfizer/BioNTech doses in July, Trudeau said on Tuesday. He has said Canada will have enough doses to fully inoculate all who want a shot by September.

The possible day-to-day uses of a vaccine passport remain unclear because of privacy and ethical concerns.

"We do protect the health information of Canadian citizens, so this step to make that publicly available is not one that we should take lightly," said Patrick Saunders-Hastings, an epidemiologist who teaches global health governance at Ottawa's Carleton University.

Canada's privacy commissioners weighed in on Wednesday, outlining strict guidelines for the introduction of passports because they would be "an encroachment on civil liberties that should be taken only after careful consideration."

The government has not mandated vaccination.

**Canada Retail Sales Seen Plunging in April as Restrictions Tightened**

(Reuters) - Canadian retail sales most likely plunged by 5.1% in April, Statistics Canada said on Friday, a fall that analysts said coincided with provincial efforts to fight a third wave of COVID-19.4

Statscan also said March retail trade rose by 3.6% from February, thanks in part to higher sales at building material and garden equipment and supplies dealers. Analysts in a Reuters poll had forecast a 2.3% increase.

Statscan cited the "rapidly evolving economic situation" as a reason for predicting the April decline but did not give details. The estimate was calculated based on responses received from 46% of companies surveyed.

"The strength in March seems to have been more than fully reversed in April as much of the country moved back into lockdown," said Stephen Brown, senior Canadian economist at Capital Economics.

The Canadian dollar, which has been flirting with six-year highs against the U.S. dollar, held onto earlier gains and was trading up 0.1% on the day at C$1.2040 to the greenback, or 83.06 U.S. cents.

Royce Mendes, senior economist at CIBC Capital Markets, said markets were unlikely to react to the preliminary April data since they had already predicted a slowdown.

Statscan said that, based on respondent feedback, 2.1% of retailers were closed at some point in March. The average length of the closure was less than one day.

"This represented a widespread reopening of the economy between the second and third waves of the pandemic," it said.

**Bank of Montreal Earnings Beat Estimates, Adds Mortgage Safeguards**

(Reuters) - Bank of Montreal (BMO) kicked off Canadian lenders' second-quarter results reporting by strongly beating analysts' estimates on Wednesday as it set aside fewer provisions than expected and its capital markets unit swung to a profit.5

Canada's fourth-largest lender is also manually adjudicating more mortgages in areas with rapidly growing house prices and is stress testing its broader loan portfolios against higher interest rates, in addition to individual borrowers, Chief Risk Officer Pat Cronin said on an analyst call.

The measures at BMO, whose loan growth in recent quarters has been driven almost entirely by mortgages, similar to other Canadian banks, come as Canada's central bank

---


sounds alarm bells about risks due to rapid house price appreciation and regulators tighten lending requirements.

BMO is taking extra precautions while issuing mortgages in red-hot housing markets.

"But ultimately, our mortgages and loans are (based on) the borrower's ability to pay, not the house price," Cronin added.

As signs of an economic recovery emerge with COVID-19 vaccinations picking up, Canadian banks are continuing their better-than-expected run with loan losses remaining low. Strong trading activity and deal-making have also been a boon in recent quarters.

Bank of Montreal shares rose 0.25% to C$123.93 in morning trading in Toronto, versus a 0.4% gain in the Toronto stock benchmark, after touching an all-time intraday high on Tuesday. The Canadian bank benchmark was on track for a record close on Wednesday.

Investors had been expecting lenders to beat estimates.

BMO released C$95 million ($78.5 million) of reserves on performing loans, compared with provisions of C$705 million a year ago. The total provisions of C$60 million were nearly a quarter of what analysts had expected.

BMO's capital markets unit posted adjusted profit of C$547 million, from a C$68 million loss a year earlier, while wealth management earnings more than doubled to C$346 million.

But commercial loans fell nearly 15% year-on-year, while consumer lending grew 3.3%, driven almost entirely by mortgages.

The higher qualifying rate for mortgages, set to take effect on June 1, is expected to affect about 5% to 10% of borrowers, executives said on the call.

BMO reported net income excluding one-off items of C$3.13 per share, compared with analysts' expectations of C$2.77.

**Bank of Canada Seen Cutting Bond Purchases Further as Lockdowns Ease**

(Reuters) - Canada's trailblazing central bank is likely to cut its bond-buying program again this year, possibly as soon as July, as provinces ease curbs to contain the coronavirus pandemic and inflation pressures build, analysts said.  

Strategists from half of Canada's six largest banks expect the Bank of Canada to dial back its bond purchases to C$2 billion ($1.65 billion) per week or less - from the current level of C$3 billion per week - at the central bank's July policy announcement, while the remainder see a reduction in October.

By April next year or earlier, purchases are likely to be C$1 billion per week or less, and continue for some time to offset the amount of bonds maturing on the central bank's balance sheet, the analysts said this week.

---

In April, the BoC became the first major central bank to cut back on pandemic-era money-printing stimulus programs and signaled it could begin raising its key interest rate from the current floor of 0.25% in the second half of next year.

It said further cuts to bond purchases would be guided by its assessment of the "strength and durability" of economic recovery.

"When we get to July we will be presumably through these third-wave lockdowns and the economy looks to be further along its path towards full recovery," said Andrew Kelvin, chief Canada strategist at TD Securities. That would imply "just a little bit less support from the BoC is needed," he added.

In recent days, Quebec, British Columbia and Ontario, Canada's three most populous provinces, have announced plans to ease restrictions.

Despite lockdowns, Canadian inflation rose in April at the fastest annual pace in a decade, moving above the top of the BoC's target range of 1% to 3%. While that could be put down to a comparison with weak prices one year ago, not so for a monthly rise that was hotter than expected.

The central bank is due to have in hand the May inflation report as well as quarterly business and household surveys before its July meeting.

The surveys are likely "to further reinforce upside pressure on consumers' and businesses' inflation expectations," said Derek Holt, vice president of capital markets economics at Scotiabank.

The U.S. Federal Reserve has not signaled it is ready to dial back quantitative easing but that may not deter the BoC. Canada's economy is "importing some easing from the Fed," Kelvin said. "The more QE that the Federal Reserve does, the less QE the BoC needs to do."