The COVID-19 pandemic has created unprecedented challenges for compliance professionals around the world, including those 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.

IN THIS OVERVIEW

FEDERAL AND PROVINCIAL COVID-19 LEGISLATION AND REGULATIONS

Federal Regulations
➢ Regulations Amending the Canada Labour Standards Regulations (COVID-19), No 2, SOR/2020-242

FEDERAL AND PROVINCIAL REGULATORS - COVID-19 UPDATES

Federal Regulators
➢ Bank of Canada

SROs, EXCHANGES AND SECURITIES REGULATORS
➢ Investment Industry Regulatory Organization of Canada (IIROC)

OTHER NEWS AND SUMMARIES
➢ Amid Surging Second Coronavirus Wave, Canada to Unveil More Spending
➢ Royal Bank of Canada sees risky road to recovery ahead

---

1 This COVID-19 Coverage was compiled by Thomson Reuters Regulatory Intelligence editorial staff and other contributors.
COVID-19 COVERAGE - CANADA

FEDERAL AND PROVINCIAL COVID-19 LEGISLATIONS AND REGULATIONS

FEDERAL REGULATIONS

Regulations Amending the Canada Labour Standards Regulations (COVID-19), No 2, SOR/2020-242

The amendments temporarily extend, by up to an additional three months, certain time periods set out in the Canada Labour Standards Regulations, Can. Reg. 986 to give employers more time to recall employees who have been laid off due to the COVID-19 pandemic. Specifically,

- the period of three months or less set out in paragraph 30(1)(c) and extended under subsection 30(1.1) will be further extended by three months for employees laid off prior to March 31, 2020, and to March 31, 2021, for employees laid off between the period of March 31, 2020, and December 31, 2020;
- the fixed date or fixed period in the written notice given under subparagraph 30(1)(d)(i) and extended under subsection 30(1.2) will be further extended by three months or until March 31, 2021, whichever occurs first, for employees laid off prior to March 31, 2020, and to March 31, 2021, for employees laid off between the period of March 31, 2020, and December 31, 2020, and where the fixed date or fixed period specified in the written notice occurs before March 31, 2021. This amendment clarifies that the six-month period provided under subparagraph 30(1)(d)(i) is maintained such that if the fixed date or fixed period specified in the written notice is within six months after the lay-off date and occurs on or after March 31, 2021, employers will have until that date to recall their employees.

The Regulations came into force November 9, 2020.

FEDERAL AND PROVINCIAL REGULATORS – COVID-19 UPDATES

Federal Regulators

Bank of Canada


The Bank of Canada have published a Staff working paper entitled 'A Macroeconomic Model of an Epidemic with Silent Transmission and Endogenous Self-isolation' by Antonio Diez de los Rios. The Paper studies the interaction between epidemics and economic decisions in a model where (1) agents allocate their time to market and home production and social and home leisure, (2) these activities differ in their degree of contagiousness, (3) some infected individuals are indistinguishable from susceptible individuals, and (4) agents are not necessarily rational. For baseline parameter values for the COVID-19 pandemic, the author found that agents partially self-isolate by allocating more time to home activities and that the effective reproduction number of the disease stabilizes at one.
Detection and isolation of infected individuals severely mitigate the recession caused by the pandemic. For more information see the link here.

**Staff Discussion Paper 2020-12 – 2020 US Neutral Rate Assessment** (December 1, 2020)

The Bank of Canada has published the 2020 US Neutral Rate Assessment by James Bootsma, Thomas J. Carter, Xin Scott Chen, Chris Hajzler and Argy Amtysov. This paper presents Bank of Canada staff’s current assessment of the US neutral rate, along with a newly developed set of models on which that assessment is based. The overall assessment is that the US neutral rate currently lies in a range of 1.75 to 2.75 percent. This represents a decline of 50 basis points relative to the range judged at the time of the Bank’s last neutral rate update in April 2019. Roughly half of this decline reflects an assessment of conditions prevailing in late 2019 and is thus unrelated to the COVID-19 pandemic. The other half reflects the balance of several key channels through which the COVID-19 shock is likely to influence US interest rates over the years ahead, including its impacts on potential output growth, inequality, demand for safe assets and the level of US government debt. Results from the new models specifically point to upward pressure from higher government debt being more than offset by downward pressure from lower potential output growth, higher inequality and heightened demand for safe assets. For more information see the link here.

**Summary of Comments - Fall 2020 Debt Management Strategy Consultations** (November 30, 2020)

The Bank of Canada has announced the publication of the Fall 2020 Debt Management Strategy Consultations Summary in conjunction with the release of the Government of Canada’s Fall Economic Statement 2020. In September and October 2020, officials from the Department of Finance and the Bank of Canada consulted with government securities distributors, institutional investors and other interested parties on issues related to the design and operation of the Government of Canada's domestic debt program for 2020-21 in the context of the current COVID-19 pandemic. Comments received during these consultations will be taken into consideration as the debt management strategy is adjusted in the future. For more information see the link here.


The Bank of Canada has issued a staff working paper, which looks at the heterogeneous effects of COVID-19 on Canadian Household Consumption, Debt and Savings. This paper examines how differences in households’ spending patterns and changes in employment due to COVID-19 shape debt accumulation and unplanned savings.

This staff working paper uses the Survey of Household Spending to document how consumption expenditures on different goods vary with household income. This is done through the Bank of Canada’s agent-based simulation, constructing wealth, debt and income for a set of households using the Survey of Financial Security. Shocks are then input to (1) household spending groups based on high-frequency spending data and (2) income based on Labor Force Survey estimates of unemployment and reduced hours across households. Finally, the document tracks how these shocks affect households’ wealth and debt, accounting for Canada Emergency Response Benefits (CERB) payments and mortgage deferrals.

The Working Paper finds that different effects on households across the income
distribution. Low-income households have the highest risk of unemployment, but CERB provides a relatively high replacement of previous income. Middle-income households that lost jobs see the fastest rise in debt, as CERB only partially replaced income lost due to unemployment. High-income households have a lower probability of unemployment in this crisis and on average accumulated unplanned savings. For more information see the link here.

SROs, EXCHANGES AND SECURITIES REGULATORS

Investment Industry Regulatory Organization of Canada (IIROC)

IIROC Notice 20-0258 Covid-19 Related Exemptive Relief Applications Received and Exemptions Granted to November 30, 2020 (December 3, 2020)

IIROC has issued a notice stating that on March 26, 2020, the IIROC Board of Directors approved the offering of exemptive relief in a number of areas relating to hardships Dealer Members are experiencing in complying with related IIROC Dealer Member Rules (DMRs) as a result of the their preparation for, or in response to, the effects of the COVID-19 pandemic. To facilitate timely consideration of each exemption application, the Board has also approved the delegation of limited discretion to certain IIROC senior staff (Decision Makers) to assess and decide upon each firm exemption application. The Board has approved an extension of staff’s authority to provide relief until March 31, 2021. The Board has also authorized staff to extend existing exemptions until June 30, 2021. For more information see the link here.

OTHER NEWS AND SUMMARIES

Amid Surging Second Coronavirus Wave, Canada to Unveil More Spending

(Reuters) - Canada on Monday will unveil new spending plans and detail the cost of its emergency support measures as a harsh second wave of COVID-19 infections forces renewed health restrictions across the country.²

The so-called Fall Economic Statement will be the first fiscal planning document drafted by Finance Minister Chrystia Freeland, who took over the role in August. Canada did not draft a budget this year due to uncertainty caused by the pandemic.

The document will include initial investments on green stimulus measures and there will be a “down payment” on a national childcare plan announced in September, sources said last week.

It is also expected to include new COVID-19 relief measures for hard-hit sectors. Freeland will plot what the government considers a sustainable path forward, focusing investments that are most likely to spur growth, sources said.

However, the ongoing emergency spending will likely mean a higher deficit than the C$343.2 billion ($264.4 billion) forecast in July.

---

“We don’t really know what the take-up on the new aid programs is thus far,” said Benjamin Reitzes, Canadian rates and macro strategist at BMO Economics.

Canada is in the middle of a severe second coronavirus wave with the seven-day rolling average of new cases well over 5,000 despite clamp downs.

But an economic rebound over the summer and recent promising vaccine news has brightened the medium-term outlook, and economists expect bigger stimulus spending will come in the 2021/22 budget due to be published during the first few months of next year.

The government “is in a good position. (It) can spend more before raising alarm bells,” said Rebekah Young, director of fiscal and provincial economics at Scotiabank. “If they table a trajectory of debt going up and up, that could create some concerns, particularly from rating agencies.”

Royal Bank of Canada sees risky road to recovery ahead (Regulatory Intelligence) - The Royal Bank of Canada (RBC) expects a gradual return to economic growth for Canada and the United States in 2021, but remains concerned about emergent and elevated risks related to unwinding of COVID-19 control measures, withdrawal of government support, cybersecurity threats, Canadian real estate instability, global trade uncertainty, and growing geopolitical tensions, the bank said in its 2020 annual report.³

Canada's implementation of investment client-focused reforms over the next year will also impact some operations, it added.

Canada's economy will likely contract by 5.6 percent in calendar 2020, due to COVID-19 containment measures enacted in the first half of the year, RBC said. While easing of these measures in the summer spurred a "sharp, but partial, rebound," the pandemic's year-end resurgence has slowed recovery, the bank noted, adding that the re-imposition of controls posed a "significant risk" to economic performance.

RBC expressed confidence that the Bank of Canada's "exceptional government income support," quantitative easing, and low overnight interest rate will continue for an extended period. "Low rates, government support programs, and the gradual winding down of measures to combat the spread of COVID-19 are expected to ultimately result in a partial recovery in the economy in 2021," the annual report said.

Turning to the United States, RBC noted the U.S. economy's initial rebound has been "rapid, but partial," with unemployment still double pre-pandemic levels. "Moving forward, we expect a more gradual recovery, and forecast real GDP will partially retrace the 2020 decline in calendar 2021," the bank said.

Main risks

RBC outlined the following economic and operations risk drivers, which it said could affect its business in the year ahead.

³ Daniel Seleanu, Royal Bank of Canada sees risky road to recovery ahead, Thomson Reuters Regulatory Intelligence (December 4, 2020) at: http://go-ri.tr.com/RpwyjN.
• **Paying for stimulus, low interest rates**: Risks are emerging around how countries will seek to balance their budgets recoup the unprecedented stimulus measures they introduced to cope with the COVID-19 pandemic, the bank noted. It also cited potential implications from a prolonged, low interest rate environment, such as exacerbating wealth inequality and extending retirement ages.

• **Cybersecurity**: COVID-19 has amplified cyber risk, primarily through increased malicious activity, such as phishing campaigns, malware-embedded mobile apps, and targeting of vulnerabilities created by work-from-home arrangements. "Resulting implications could include business interruptions, service disruptions, financial loss, theft of intellectual property and confidential information, litigation, enhanced regulatory attention and penalties, as well as reputational damage," RBC said.

• **Canadian housing and household indebtedness**: The existing housing affordability crisis in key Canadian markets, along with near-record household debt, could be further aggravated if the pandemic worsens, if economic recovery proves sluggish, and/or if relief programs expire, the bank said. Such factors could result in higher credit losses and negatively impact RBC’s lending portfolio, it added. Other emerging risks included growing uncertainty surrounding the real estate rental market, changing consumer preferences and work arrangements, and the continued impact on industries significantly affected by the pandemic.

• **Geopolitical uncertainty**: Persistent trade tensions, policy changes, and uncertainties pertaining to Brexit and "the political direction of the U.S., U.K. and Europe," continue impacting global growth prospects and market sentiment, RBC noted. "The post-pandemic future of global trade remains uncertain, as countries may look to decrease reliance on the global supply chain, and the impact of Brexit in Europe remains uncertain as the U.K. and Europe have yet to finalize a Brexit deal," it said. "The changing political landscape in Hong Kong and tensions between China and its neighbors add further to global and economic uncertainty."

• **Canadian client-focused reforms**: Securities regulators will bring into force long-planned amendments, known as the Client Focused Reforms, throughout 2021. They aim to increase conduct standards by enhancing core requirements related to conflicts of interest, suitability, product knowledge, know-your-client requirements, and by introducing new rules covering relationship disclosure, training, and recordkeeping. "The requirements will primarily impact our personal and commercial banking and wealth management platforms," RBC noted.