



Legislative Bulletin

April 14, 2015

New in Parliament

This week, Parliament is adjourned for a second consecutive week. The House of Commons will resume sitting on Monday, April 20 and the Senate will resume sitting on Tuesday, April 21.

The week will start with the long-awaited presentation of the 2015 budget on Tuesday. Since January, Finance Minister Joe Oliver has been downplaying the possibility of any new initiatives in the budget. More specifically, officials from the Department of Finance have signalled to Canadian Central that the dramatic drop in government revenues caused by lower oil prices is making it very difficult for even modest measures like the capital growth tax credit to be included in the budget. Despite this, Canadian Central will be analysing the budget closely for signs that the government has heard the system's message that "My Credit Union Matters!"

In the two sitting weeks of the end of March and the beginning of April, Ottawa remained principally focused on the new anti-terrorist legislation ([Bill C-51](#)) that will have no particular impact on credit unions.

Of interest to the financial services sector are two private members' bills that were introduced on Thursday, April 2nd. First, NDP MP Anne-Marie Day introduced Bill [C-663, An Act to amend the Bank Act, the Cooperative Credit Associations Act and the Trust and Loan Companies Act \(charges for keeping an account in Canada\)](#), which intends to limit the fees that federally regulated financial institutions can charge for transactions insufficient funds. Second, NDP MP Peggy Nash introduced Bill [C-665, An Act to amend the Bank Act \(international remittance transfer fees\)](#), which intends to limit the fees banks can charge on personal remittance transfers to 5% of the total value of the transfer. These two private members' bills have little chance to proceed further as Ms. Day has already used up her opportunity to promote private member's legislation in this parliamentary session, while Ms. Nash has to wait several months before one of her four private member's legislation has a chance to be debated.

In Committees

On March 26, Canadian Central's Director of Financial Sector Policy Marc-André Pigeon and Senior Policy Analyst Rob Martin appeared before the House industry committee to speak to Bill S-4, Digital Privacy Act. Click [here](#) to read Canadian Central's opening remarks to the committee.



Canadian Central reaffirmed its support of Bill **C-21, the Red Tape Reduction Act** in a **written submission presented to the Senate national finance committee** on March 31. As mentioned in previous Legislative Bulletin, this legislation proposes to enshrine a “one-for-one” rule requiring regulators to offset administrative burden cost increases from new regulatory changes, with equal reductions to existing regulations. Canadian Central had previously voiced support for the legislation in a **written submission tabled to the House government operations and estimates** committee last December.

In the Canada Gazette

In accordance with regulatory requirements (*Disclosure on Continuance Regulations (Federal Credit Union)*) related to becoming a federal credit union, a **notice** has been published in the *Canada Gazette* on every Saturday since March 21 to inform members of Caisses populaires acadiennes in New Brunswick of changes to the deposit insurance coverage that would apply to their deposits in the event that the amalgamated caisses populaires continue as a federal credit union.¹ These changes reflect current statutory requirements from the *Bank Act* and the *Canada Deposit Insurance Corporation Act*.

The main changes to the deposit insurance regime are the following:

- During the 180-day transition period following the “continuation date,” members at the Caisses populaires acadiennes would continue to have deposit insurance coverage of \$250,000 per eligible deposit category. This is the current level of New Brunswick deposit insurance;
- After the 180 day transition period, these funds will be subject to Canada Deposit Insurance Corporation (CDIC) coverage of \$100,000 per eligible deposit category;
- Members with eligible fixed-term deposits would continue to receive the same \$250,000 worth of coverage through to the maturity of their term; and
- Any new eligible deposits issued after continuance will be subject to CDIC coverage of \$100,000 per eligible deposit category.
- The Gazette notice also references a situation where members have deposits with more than one of the merging credit unions/caisses populaires. In this situation, members would continue to benefit from coverage by CDIC as if the merged credit unions were still legally distinct entities during the transition period that followed the continuance date.

The notice also indicates that the transitional coverage discussed above could be modified by changes to the legislative framework governing federal credit unions, notably those announced in early 2014 (e.g., the possibility of extended deposit insurance coverage). For more information on this, please click [here](#).

In other news, on March 21, the *Canada Gazette* published **proposed regulations for the governance structure of the Canadian Payments Association** (CPA) that elaborate on

¹ Members of the Caisses populaires acadiennes will be voting on a proposal to migrate to the federal level in mid-April.

legislative change to the *Canadian Payments Act* that were passed in Bill C-43 in December 2014. As a reminder, the changes implemented in December were as follows:

- The size of the Board of Directors will be reduced to 13 members; prior to these amendments the CPA board was comprised of 16 members.
- The number of independent directors will increase from 3 to 7; and they will be elected by members rather than appointed by the Minister of Finance.
- The number of member directors will be reduced from 12 to 5; and they will continue to be elected by CPA members.
- The President of the CPA will become an ex officio director.
- There will no longer be alternate directors and the Bank of Canada (who used to chair the Board) will no longer be represented on the Board of Directors; the Board will instead be chaired by an independent director.

The proposed regulations from Saturday's Gazette elaborate on these changes in the following ways:

1. Establish criteria used to define what it means to be one of the seven independent directors.
2. Require that two out of the three Board seats allocated to direct participants in CPA clearing and settlement systems must be held by banks that have been designated as domestic systemically important banks (D-SIBs) by the Superintendent of Financial Institutions (i.e. the six big banks).
3. Require that CPA member directors be senior executive officers in their organizations.

The regulatory changes will come into force by July 2015 and compliance with the regulations will be monitored by the Department of Finance Canada. Stakeholders may provide comments on these proposed regulations within 30 days after the date of publication of this notice, which means that comments are due by April 20. Comments can be sent to Lisa Pezzack, Director, Financial Sector Division, Department of Finance, at lisa.pezzack@fin.gc.ca.

Consultation

On April 13, the Department of Finance released a consultation document seeking the views of stakeholders on the payment system oversight. The document focuses on the extension of regulatory oversight to include national non-bank retail payment systems that are not covered by the current regulatory framework. Specifically the paper is seeking views on:

- How to define the category of national retail payment systems for the purposes of oversight;
- The types of risk that should be addressed by oversight measures.;
- The payment systems and payment service providers that should fall within the scope of oversight.
- The form oversight should take and how it should be implemented.

Canadian Central is preparing a submission to this consultation and has requested comments and feedback from its Legislative Affairs Committee by May 15, 2015. All comments on these consultations can be sent to Rob Martin (martin@cucentral.com).



The Department of Finance will also be consulting on these matters with payment's system stakeholders through the Finance Canada Payments Consultative Committee (FinPay). Canadian Central is a member of FinPay.

The deadline for responding to the consultation document is June 5th, 2015.

Government announcements

On April 13, Finance Minister Joe Oliver **announced** an update to the Code of Conduct for the Credit and Debit Card Industry that expands the coverage and protections to merchants offered by the voluntary code. Among other things, the enhanced Code of Conduct will establish:

- A new requirement that the interchange rate reductions announced by Visa Canada and MasterCard Canada in November 2014 will be fully passed-through to merchants, or merchants can cancel their contract without penalty;
- A new complaints handling process available to merchants with Code-related complaints;
- Enhanced disclosure requirements that will require plain language disclosure in information summary boxes in merchant contracts of key contract terms and conditions and merchant fees;
- Greater flexibility for merchants to exit their contracts without penalty, including a right to provide notice of non-renewal at any point up to 90 days prior to contract expiry, and limiting automatic renewal of contracts to six-month increments;
- A new disclosure requirement for credit card issuers, to inform consumers that apply for premium credit cards that the use of these cards can impose higher merchant fees;
- New branding requirements for premium cards, to make these cards more easily identifiable to merchants at the point of sale;
- New consumer protections for mobile payment users, to ensure that consumers will have full and unrestricted control of the default settings on their mobile wallets and devices;
- New protections for merchants who choose not to upgrade to contactless terminals and for those that choose to cancel any such upgrades.