

## Spring Sitting of Parliament Underway

On March 31, the 2<sup>nd</sup> Session of Canada's 39<sup>th</sup> Parliament launched into its spring sitting. Barring the defeat of the Government, Parliament will sit for eight of the next ten



weeks. Parliament is scheduled to rise for the summer recess on June 6. The spring session welcomes four new MPs (three Liberals and one Conservative) to the House of Commons elected in by-elections which took place on March 17. Of note, newly elected MP Martha Hall Findlay

(Willowdale, Ont.) was appointed Associate Finance Critic of the Liberal Party and will take a seat on the House of Commons Standing Committee on Finance.

Of interest to credit unions, the House Finance Committee will hold hearings on the asset backed commercial paper issue. Liberal finance critic John McCallum's motion to hold twelve hours of hearings on the subject was passed by the Committee on April 2. The Committee will examine: (i) whether federal regulators and other stakeholders could have done a better job in anticipating the crisis and/or reducing its costs; and (ii) what action the federal government, federal regulators and other stakeholders are taking so as to reduce the likelihood of experiencing a similar crisis in the future.

Mr. McCallum has indicated that he would like the Committee to hear from provincial regulators, OSFI, the Investment Dealers Association, rating agencies and representatives from the ombudservice dealing with the chartered banks. The hearings in Ottawa will be scheduled to take place following the April 25 vote by investors on the Crawford Panel's proposal to restructure the \$33 billion in

frozen investments. In addition, the Finance Committee has agreed to hear from retail and institutional investors at a meeting scheduled for April 10.

## Bill C-531, An Act to amend the Currency Act and the Royal Canadian Mint Act (abolition of the cent)

On April 2, NDP MP Pat Martin introduced a private members' bill in the House of Commons which proposes "that one cent coins will not be legal tender beginning on January 1 of the year immediately following the year in which the enactment is assented to..."

The Bill would require retailers to round cash transaction amounts up or down to the nearest five or ten cent amount. Debit and credit card transactions would not be rounded. Mr. Martin's Bill supports the idea that the penny is a nuisance for retailers and expensive to produce and ship around the country.

Conservative MP and House Finance Committee member Rick Dykstra introduced a motion supporting the Bill, calling on the Finance Committee to review Canada's coinage system "with a special emphasis on the one cent coin." The motion calls for a study involving input from businesses, consumers, charities and other relevant individuals and organizations. The Finance Committee passed Mr. Dykstra's motion on April 7.

The full text of the private members' bill may be viewed at: [http://www2.parl.gc.ca/content/hoc/Bills/392/Private/C-531/C-531\\_1/C-531\\_1.PDF](http://www2.parl.gc.ca/content/hoc/Bills/392/Private/C-531/C-531_1/C-531_1.PDF)

## AgriInvest Program Update

Throughout February and March, Agriculture and Agri-food Canada (AAFC) examined different ways the new AgriInvest program could be delivered in 2008. In late 2007, AAFC had indicated the government intended to hold the 2008 AgriInvest program producer deposits and matching government funds until January 1, 2009. At that time the funds were then to be transitioned to a newly created

### SPRING AGENDA

Tax-free Savings  
Accounts Meeting  
April 16, Conference Call

Legislative Affairs  
Committee Meeting  
April 17, Conference Call

Canadian Conference of  
Credit Union Executives  
May 3-7, Ottawa

AML Public/Private  
Advisory Committee  
May 15, Ottawa

“AgrilInvest Deposit Account” at the producer’s financial institution of choice. However, in January 2008, the government indicated that there will be no deposit account required with the government for 2008 as the government realized it did not have the capacity to administer such accounts. At that time AAFC indicated that it wished to see financial institutions (FIs) play a role in administering deposit accounts in 2008.

In response to this proposal, Canadian Central, Canadian Bankers Association and representatives from individual chartered banks signalled to the government that if FIs are to play any role in program delivery in 2008 the program requirements would have to be simple and not place significant costs on credit unions or banks. To that end, the banks and credit unions recommended that FIs simply be allowed to inform AAFC that the producer has the necessary deposit funds (even a line of credit) within the FI to participate in the for the program year. No new account would need to be opened until properly segregated AgrilInvest accounts were opened in early 2009.

AAFC has indicated that federal and provincial governments have accepted the model recommended by FIs in which they would simply notify government that producers have sufficient funds in existing accounts (not specific AgrilInvest accounts) to allow the matching government funds for the first year. This approach will allow for the development of the infrastructure for year two where the FIs would hold both Fund 1 and Fund 2 in a specific AgrilInvest accounts.

In early April, a conference call with all interested FIs will take place to outline further details as to how they see the program working during this year and to set out some timelines to develop the infrastructure required to deliver the program in future years.

### **Data Breach Notification Proposal - *Personal Information Protection and Electronic Documents Act (PIPEDA)***

In late March, Industry Canada released a proposed model that would govern the data breach notification process for entities covered by PIPEDA. The proposed model is a working document designed to help structure a consultative process with stakeholders.

Under the proposed model a data breach notification requirement will be embedded in PIPEDA and will correspond to the current scope, and application of the Act.

Notification of data breaches will be required when an organization determines that there is a high risk of significant harm resulting from the breach. Notification of a data breach must be made to affected individuals as a matter of course. According to the proposed model, notification of data breaches must take place as soon as is reasonably possible following detection of the breach.

In the case of a significant breach, organizations will be required to report to the Office of the Privacy Commissioner (OPC) and possibly credit reporting agencies in a prescribed format. To allow for necessary oversight of the data breach notification requirement in PIPEDA, the OPC will review the information provided on the data breach. In cases where the organization made a determination not to notify individuals, and where the OPC was not in agreement with that decision, more information may be requested and the OPC may advise the organization to notify.

According to the proposed model, information about data breaches may be compiled by the OPC and made publicly available in an aggregate form such as the Annual Report to Parliament on PIPEDA. Industry Canada has invited stakeholders to participate in a roundtable discussion on the proposed model on April 11 in Ottawa.

Canadian Central's Legislative Affairs Committee is reviewing the proposed model and will provide comment to Industry Canada through a formal submission.

### **Mortgage Insurance Review**

The Department of Finance has decided to proceed with a review of the government guarantee of mortgage insurers.

Specifically, the Department is working to further define and clarify the limits to the scope of the current government guarantee of mortgage insurers. Recent developments in the U.S. mortgage market and the entry of new mortgage insurers into Canada are the drivers behind this development.

On April 2, Department officials briefed members of the National Lenders Committee on the details of the review. The Department was also seeking to glean a credit union system perspective on how possible changes to the government guarantee program may impact lending in the credit union system and on provincial approaches to mortgage insurance requirements.

During the meeting officials indicated they are examining how a number of issues impact risk including:

- ◆ Allowable Loan-to-Value ratio;
- ◆ Allowable mortgage amortization periods;
- ◆ Requirements concerning the documentation of mortgage agreements;
- ◆ Mortgage insurance backing for complex or structured products; and
- ◆ Use of credit scoring when determining eligibility for mortgage insurance backing.

The National Lenders Committee will meet on April 8 to develop a credit union system position on potential changes to the government guarantee.

### Provincial Centrals and AML-ATF Regulations

In early March, the Department of Finance issued a letter to all provincial Centrals indicating the Federal Government is reconsidering the coverage of credit union Centrals under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the Act) and its regulations.

Currently, the Federal Government does not consider credit union Centrals to be reporting entities under the Act. However, Finance Canada is concerned that some Centrals may offer financial products and services directly to the public (i.e. persons or entities other than member credit unions), placing them at risk of being used by money launderers and terrorist financiers. To close this gap in

Canada's anti-money laundering and anti-terrorist financing regime, the Department of Finance has proposed to subject Centrals to the same requirements under the Act as credit unions and *caisse populaires* when they provide products or services directly to the public.

Based on feedback from the provincial Centrals, Canadian Central's Government Relations Office provided a submission to the Department outlining the current activities carried out by credit union central organizations.

The Department is reviewing the feedback and will be consulting with the credit union system as it develops regulations to govern provincial Central organizations if and when they enter into business activities that involve providing goods and services directly to the public.

### Incidental Selling of Insurance

On February 27, Canadian Council of Insurance Regulators and Canadian Insurance Services Regulatory Organizations issued a consultation document entitled *Incidental Selling of Insurance* (ISI). The document outlines a significant number of issues of concern for regulators in regard to the incidental selling of insurance. For example, some areas of concern relate to such issues as whether there are adequate incentives to sellers of ISI to ensure that products are suitable for the specific consumer, whether exclusions, restrictions and limitations associated with such insurance policies are understandable and amenable to self assessment, and whether post claim underwriting is a fair and acceptable practice in relation to such products.

Canadian Central's Legislative Affairs Committee has discussed issues raised in the document and will provide a submission in response to the consultation by the end of April.

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