



## **COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)**

### **MEETING OF THE FINANCIAL SERVICES COMMITTEE**

**OTTAWA, 12 JUNE 2019**

### **JOINT REPORT**

The second meeting of the CETA Financial Services Committee took place in Ottawa on June 12, 2019. Canadian participants included officials from the Department of Finance Canada, the Office of the Superintendent of Financial Institutions (OSFI), the Bank of Canada and the Canada Deposit Insurance Corporation (CDIC). The EU was represented by officials from the European Commission's Directorate General for Financial Stability, Financial Services and Capital Markets Union of the European Commission, the Single Resolution Board (SRB), the European Central Bank (Banking Supervision), and the Delegation of the European Union to Canada.

#### **Priorities**

The meeting began with a discussion of financial sector regulatory developments and policy priorities. Canada provided an overview of macro-prudential actions taken to mitigate vulnerabilities associated with high levels of household debt and further strengthen mortgage underwriting standards and provided a high-level overview of Canada's policy work in key areas such as fintech, open banking, payments, consumer protection, financial stability and capital markets. The European Commission delivered an update on its work to implement the Banking Union and Capital Markets Union.

#### **Resolution, Stress-Testing and Basel III**

Parties emphasized the importance of ongoing resolution planning work and stress-testing the resiliency of financial institutions to possible economic and systemic shocks. Canada's resolution authority, CDIC, provided an overview of Canada's new Canadian resolution planning by-law and the SRB updated Canada on the latest developments in the EU, including the common backstop to the Single Resolution Fund. The parties also discussed the implementation of Basel III standards. The European Commission provided updates on the future roadmap for implementation and Canada provided an update on implementation timelines and efforts underway to adapt standards to its domestic system.

#### **Lunch**

Over lunch, the parties discussed recent developments in financial services trade and multilateral institutions such as the G7, G20 and the Financial Stability Board.

## **Capital Markets**

The European Commission updated Canada on the European Supervisory Authorities review, the investment firm review, the proposed directive and regulation for covered bonds and its equivalence work. The European Commission informed Canada of a proposal to repeal equivalence decision 2012/630/EU regarding the Canadian framework on credit agencies, after it concluded that the Canadian framework no longer complied with the new European Union regulation on credit rating agencies. The Commission explained that the impact on Canadian companies would be very limited. Canada noted its interest in working with the EU to achieve equivalence for its strong covered bond regulatory regime. The EU indicated that it may consider whether to introduce a third country regime for covered bonds in the process of reviewing the relevant legislation in 2022. Canada provided a brief update on the ongoing joint work among the federal government and participating provinces and territories to establish the Cooperative Capital Markets Regulatory System.

## **Financial Innovation, Payments and Consumers**

Parties exchanged updates on their respective approaches to financial technologies, open banking, modernization in payments infrastructure and consumer protection. Parties recognized the importance of international cooperation in cybersecurity to secure the stability of the financial system. The European Commission presented an update on its implementation of cybersecurity recommendations from the European Supervisory Authorities (ESAs) in the context of the EU's FinTech Action Plan. Canada highlighted its active engagement in a number of international cyber initiatives, including the G7 cyber expert group, and the creation of a new technology risk division in OSFI to work with financial institutions. On open banking, Canada highlighted the creation of an Advisory Committee by the Minister of Finance and the release of the Canadian Digital Charter.

## **Sustainable Finance**

The European Commission presented an update on its action plan on sustainable finance and emphasized the importance of the international community coming to an agreed taxonomy. Canada indicated its interest in the proposal in light of Canada's Expert Panel on Sustainable Finance releasing its final report.

## **Conclusion**

Parties recognized the value of the Financial Services Committee as a forum for sharing knowledge on financial sector regulation and deepening Canada-European Union cooperation in this area. Parties expect to meet again in Brussels in the summer of 2020 and, in the interim, work to expand ongoing engagement on the topics discussed.