

## RADAR

July 20, 2023



### Message From the Editor

- This issue covers the three-week period from June 30 to July 20, 2023.
- This week we would like to highlight the launch of the BC Financial Services Authority's (BCFSA's) consultation on Natural Catastrophes and Climate-Related Risks. Among other matters, BCFSA is seeking feedback related to pension related measures that it may introduce.

### WEALTH SOLUTIONS

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#### All – CSA – Crypto

On July 6, 2023, the Canadian Securities Administrators (CSA) published Staff Notice 81-336, *Guidance on Crypto Asset Investment Funds that are Reporting Issuers* (Notice).

This notice relates to investment funds that seek to invest in crypto assets, either directly or indirectly under National Instrument 81-102 *Investment Funds* (NI 81-102) (Public Crypto Asset Funds).

This Notice:

- provides an overview of the Public Crypto Asset Funds market in Canada and clarifies the current securities regulatory requirements applicable to Public Crypto Asset Funds
- discusses key findings from reviews of Public Crypto Asset Funds conducted by CSA staff, including fund liquidity, exchange-traded mutual fund (ETF) structural matters and custody
- outlines CSA staff expectations for stakeholders with respect to matters that could impact existing and future Public Crypto Asset Funds, specifically concerning:
  - liquidity, valuation and other considerations with respect to potentially investing in crypto assets other than bitcoin and ether, which are currently the only crypto assets accepted as investments for Public Crypto Asset Funds
  - expectations for custodians of crypto assets (Crypto Custodian) to meet standard of care obligations under NI 81-102

- issues relating to staking of crypto assets or other similar yield-generating activities within Public Crypto Asset Funds
- know-your-product (KYP), know-your-client (KYC) and suitability obligation issues with respect to Public Crypto Asset Funds

Source: [Staff Notice 81-336 Guidance on Crypto Asset Investment Funds that are Reporting Issuers](#)  
[81-102 - Investment Funds](#)

## British Columbia – Climate Risk

On July 19, 2023, the BC Financial Services Authority (BCFSA) launched a consultation on Natural Catastrophes and Climate-Related Risks.

A discussion paper outlines the material risk that natural catastrophes and climate-related risks pose to the financial services sector in British Columbia (BC), with impacts to each of the segments BCFSA regulates, including pension plans.

With respect to pensions, BCFSA is proposing that pension plan administrators should identify, measure, and manage physical and transition risks to their investment portfolios. BCFSA proposes that for transition risk, the standardized scenarios developed by the federal Office of the Superintendent of Financial Institutions (OSFI) and the Bank of Canada (BoC) could be used to help inform the scenario analysis conducted by BC pension plan administrators to ensure comparability, with necessary modifications that reflect unique characteristics of the BC environment. BCFSA acknowledges that not all pension plans have the internal capacity to conduct a full analysis.

- What are the key considerations and challenges for pension plans to identify, measure, and manage physical and transitions risks?
- What are your views on scenario analysis and stress testing to assess a pension plan's exposure to physical and transition risks in its investment portfolio?
- What should BCFSA consider as part of our approach to scenario analysis and stress testing for pension plan administrators?

BCFSA is proposing that pension plan administrators increase disclosures in alignment with each of the Financial Stability Board's Task Force on Climate-related Disclosures (TCFD) pillars of governance, strategy, risk management and metrics and targets. These disclosures should be reliable, verifiable, and objective which will may eventually require third-party assurance.

- Should disclosures be voluntary or mandatory? Why?
- Should disclosures be standardized, or should pension plans have discretion to decide for themselves how to report?
- What are the challenges associated with meeting disclosure requirements in alignment with TCFD?

Comments can be submitted until November 30, 2023.

Source: [News Release](#)  
[Consultation](#)  
[Advisory](#)

## Manitoba – Financial Advisors/Planners

On July 5, 2023, the Manitoba government has issued a consultation paper to gather public input on a proposal to implement legislation that would ensure individuals using the titles 'financial planner' or 'financial adviser' are sufficiently qualified.

Title protection legislation would prohibit individuals from using the titles 'financial planner' and 'financial adviser' unless qualified to do so. The Department of Finance is seeking feedback on the advisability of such legislation, as well as submissions on specific questions regarding the structure of such a regulatory regime.

Comments can be submitted until September 30, 2023.

Source: [News Release](#)  
[Consultation Paper](#)

## Ontario – JSPPs and SOMEPPs

On July 21, 2023, the Ministry of Finance published the following proposed amendments to Regulation 909 under the *Pension Benefits Act*:

### Jointly Sponsored Plans (JSPPs)

- currently, certain JSPPs are temporarily exempt from the solvency funding concerns test; this exemption provides that these JSPPs are only required to file their valuations once every three years, regardless of their solvency funded status
- this exemption is set to expire on January 1, 2024
- this amendment proposes to extend this temporary exemption to January 1, 2025, to provide additional time to bring forward a proposal for a new permanent funding concerns test

### Specified Ontario Multi-Employer Pension Plans (SOMEPPs)

- SOMEPPs that can reduce benefits, have been subject to temporary rules since 2007, including an exemption from solvency funding

- the intent was for these plans to operate under temporary rules until a permanent framework for target benefit pension plans could be implemented
- these rules are set to expire on January 1, 2024
- this amendment proposes to extend these temporary rules to January 1, 2025, as an interim step, to allow for the completion of the target benefit consultation process (commenced March 2023) and development of the target benefit regulatory regime

Comments on the proposed amendments can be submitted until September 4, 2023.

Source: [Proposed Amendment to Ontario Regulation 909 under the Pension Benefits Act - Extend for One Year the Temporary Rules for Specified Ontario Multi-Employer Pension Plans](#)

[Proposed Amendment to Ontario Regulation 909 under the Pension Benefits Act - Extend for One Year the Temporary Exemption from the Solvency Concerns Test for Certain Jointly Sponsored Pension Plans for Filing Annual Valuation Reports](#)

## Contact Us

If you would like further information on any of these topics, please contact your Aon consultant at [canada.retirement@aon.com](mailto:canada.retirement@aon.com).

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