

**August 23, 2018**

### **Canadian securities regulators issue guidance on bail-in debt regime**

**Toronto** – The Canadian Securities Administrators (CSA) today published two notices outlining CSA staff’s views regarding the implementation of the bail-in debt regime for domestic systemically important banks (D-SIBs), which include Canada’s six largest banks, and for Quebec’s Desjardins Group. The first notice [46-309](#) addresses the distribution or trade of bail-in debt to investors and the second notice [81-331](#) provides guidance for investment fund issuers that may invest in bail-in debt.

Under the new federal bail-in debt regime, which comes into force on September 23, 2018, if the Office of the Superintendent of Financial Institutions (OSFI) determines that a D-SIB is no longer viable, then the federal government may turn control of the D-SIB to the Canada Deposit Insurance Corporation (CDIC). As the appointed receiver, CDIC has the authority to convert all, or a portion of the D-SIB’s bail-in debt (D-SIB Bail-in Debt), into common shares to recapitalize the bank.

“We are publishing these two notices to provide greater clarity for persons offering this type of investment, including the expectations about disclosure and the associated risks,” said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. “To protect investors from the potential risks of investing in bail-in debt, registered dealers must comply with regulatory requirements and investment fund managers must understand the risks.”

[CSA Staff Notice 46-309 \*Bail-in Debt\*](#) clarifies that bail-in debt has additional risks to investors that are distinct from the risks of other types of “unsubordinated debt”. The notice also clarifies that, subject to specific exemptions, the trading or distribution of bail-in debt by persons or companies in the business of trading in securities to investors located in Canada must be done through a registered dealer and in accordance with relevant investor protection requirements under [National Instrument 31-103 \*Registration Requirements, Exemptions and Ongoing Registration Requirements\*](#) (NI 31-103).

[CSA Staff Notice 81-331 \*Investment Funds Investing in Bail-in Debt\*](#) clarifies that D-SIB Bail-in Debt is an eligible investment for a money market fund only if the D-SIB Bail-in Debt continues to meet the prescribed eligibility requirements applicable to money market funds, to ensure the safety and liquidity of such fund’s portfolio assets. The notice also outlines other requirements for investment fund managers that will or may hold D-SIB Bail-in Debt, including the requirement that they fully understand and take into consideration key features and risks of D-SIB Bail-in Debt to their investment funds.

CSA staff will continue to monitor developments regarding the implementation of the bail-in debt regime and will consider whether additional guidance is needed in this area.

Both notices can be found on CSA members' websites.

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

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