

### Did you know?

If your business has certain eligible financial contracts (EFCs)<sup>1</sup> (including derivatives, securities lending and borrowing, repo and reverse repo agreements) with a CDIC member institution, including a Canadian bank, there are important rules to follow.

Canadian banks cannot enter into, amend or renew EFCs with your business unless you take one of the actions below. There are limited exemptions.

These are the same requirements imposed in every other major banking jurisdiction (e.g. US, UK, EU, Japan).

### What is the CDIC EFC By-law?

The *Canada Deposit Insurance Corporation Eligible Financial Contracts By-law* (EFC By-law) helps to ensure orderly resolution of a Canadian bank in the unlikely event of its failure.

The EFC By-law requires that EFCs (i) not governed by Canadian law or (ii) made with non-Canadian counterparties include provisions to respect the stay of proceedings enforced during resolution.

The procedural stays temporarily restrain counterparties from exercising certain close-out rights, in many cases for as little as two business days.

### Is your business exempt?

EFCs with certain counterparties are exempt from EFC By-law compliance.

These include EFCs with:

- a. a central bank
- b. a multi-lateral development bank
- c. the government of a foreign country, including its departments and agencies, and
- d. a central counterparty.

For a complete description of available exemptions, consult the EFC By-law.

### How to ensure compliance



Compliance is simple. If your EFC with a Canadian bank does not include recognition of a temporary stay in resolution, you can amend the agreement to do so.



As a safe harbour, you can ensure all of your EFCs with every Canadian bank are compliant by adhering to the Canadian Jurisdictional Modular Protocol, which has been established between Canadian authorities and the International Swaps and Derivatives Association, Inc. (the ISDA JMP).

### Learn more



To learn more about CDIC, the EFC By-law and your obligations, please reach out your Canadian counterparty contact or visit [cdic.ca/efc](https://cdic.ca/efc).

<sup>1</sup> An eligible financial contract is an agreement defined under subsection 39.15(9) of the *Canada Deposit Insurance Corporation Act* and section 2 of the *Eligible Financial Contract Regulations (Canada Deposit Insurance Corporation Act)* and part of a class of eligible financial contracts prescribed under section 3 of the *Canada Deposit Insurance Corporation Eligible Financial Contracts By-law*.