Guidelines for Member Institutions

Policy and Procedures for Compliance with Data and System Requirements By-law (DSRB)

May 2021

Contents

1. Introduction

The Data and System Requirements By-law (DSRB) requires members to implement a method of identifying, capturing, organizing, and producing deposit liability data. The objective is to ensure that in the event of failure, the member institution has certain data readily available and organized properly to allow CDIC to undertake a resolution.

Pursuant to the DSRB, member institutions (MIs) are required to develop, maintain, and adhere to policies and procedures to ensure compliance with the DSRB.

This guidance aims to assist MIs in the development of robust policies and procedures necessary to promote ongoing compliance with the DSRB, by setting out the key elements that are expected to be reflected in such policies and procedures.

2. Policies and Procedures

Pursuant to Section 2(3) of the DSRB, MIs are required to develop, maintain, and adhere to policies and procedures to ensure compliance with the DSRB. Management is also expected to periodically review the effectiveness of the policies and procedures, and communicate information pertaining to significant risks that could impact ongoing compliance with the DSRB to senior management in a timely manner.

The policies and procedures should clearly describe the requirements for maintaining compliance and include the risk factors, governance elements, and controls needed to meet them. The procedures should describe in detail the actions performed by the MI to adhere to the policies, and identify the staff tasked with executing those actions to achieve ongoing compliance with the requirements.

Policies and procedures should be applied consistently, communicated effectively, and be reviewed and tested regularly. Without limiting the foregoing, the policies and procedures are expected to include:

2.1 Scope and Purpose

A description of the scope and intended purpose of the document, including the name of the document, and the division(s) or individuals to which it applies.

2.2 Ownership and Monitoring

A description of how the policies and procedures are communicated to staff, how the organization monitors adherence with the policy, and how compliance with the policies and procedures are enforced.

A description of the roles and responsibilities assigned to individuals with respect to:

- maintaining and updating the policies and procedures;
- approval of the policies and procedures; and
- monitoring to ensure ongoing compliance and adherence with the policies and procedures.

2.3 Data Extraction Process

a. A detailed explanation of each step, from inception to the end, performed in the creation of a full production deposit data extract including the processes to:
   - determine the deposits eligible for CDIC insurance;
   - ensure depositors are correctly aggregated across sub-systems and insurance categories;
   - ensure that the correct insurance category is assigned to each deposit; and
   - calculate accrued interest up to an "as at" date for each account.

b. Indication of the time when the end of day processing of deposit transactions commences and ends at the beginning and the end of the month.

c. Indication of which steps in the data extraction process are automated versus manual.

d. Process controls in place to ensure data accuracy and completeness.

e. A flow diagram depicting each step of the data extraction process.

f. Process followed to provide the deposit data extract to CDIC within the required timeframe under DSRB of 6 hours after the determination time.

g. Identification of key risks and the controls in place to mitigate the risks that key resources are unavailable, processing capability is negatively impacted, etc.).

2.4 Validation and Reconciliation

To ensure completeness of the total number of deposit accounts and the amount of deposits and accrued interest appearing in a data extract, the policies and procedures document should detail:

- The process for reconciling deposit data extracts with financial records e.g. General Ledger accounts for deposits appearing in the trial balance;
- Roles/titles of individual(s) responsible to perform and document the reconciliation;
- The timing of when the reconciliation is performed;
- Roles/titles of individual(s) responsible to review, approve and sign-off on the reconciliation; and
- The extent to which reconciliation is a manual or automated process.

2.5 Application of CDIC Holds

With respect to the requirement that an MI be capable of temporarily preventing withdrawals of deposits or any portion of them according to the account type within six hours after receiving instructions from CDIC, the procedures should include the following:

- The process to apply and determine account balances that are eligible to be placed on a full or partial hold (as per CDIC's instructions, full or partial holds can be placed on account balances available at the completion of the end of day processing (plus any authorized overdraft));
- The process to clearly identify the accounts that may not be subject to full or partial holds e.g. clearing accounts;
- The process to update and replace existing holds as per the instructions from CDIC and the person responsible to receive and process updated Hold Files;
- The process for implementing holds set out in the Hold File within 6 hours of receiving the hold file from CDIC;

- The process to release account holds and how the account balance available to the depositor will be determined; and
- The accountability to approve and release holds and determine accessible account balance to depositors.

2.6 Application of Channel Holds

Policies and procedures for the application of channel holds should outline the following in detail:

- A description of the various types of channels that may be used by the MI's clients to initiate transactions, for example:
  - Branch/in-person banking
  - Telephone banking
  - Electronic channels such as internet banking, automated teller machine (ATM), mobile banking and point of sale network
  - Under their credit facilities affecting their deposits.
- The process to execute and maintain channel holds as per CDIC instructions (MIs must be able to prevent depositors from initiating or authorizing new transactions through the above channels, when a CDIC hold is active).
- The process to ensure that regularly scheduled transactions, such as pre-authorized debit and credits are allowed to proceed in a normal manner and not affected by channel holds.
- The process to receive CDIC's instructions to release the channel holds and the person(s) accountable to process these instructions.

2.7 Governance – Roles and Responsibilities for Certification

The steps involved in preparing and submitting the annual compliance certification to CDIC pursuant to the DSRB should be documented in detail. This should include:

- Clear roles and responsibilities for:
  - Preparing annual attestations
  - Reviewing, approving, and signing off annual attestations
  - Submitting the attestation to CDIC
- The process and controls that are followed to ensure that the attestation is accurate and complete, including the timing and frequency of any independent review (external consultants and/or Internal Audit etc.)
- The timing for the annual submission.

2.8 Other Information

CDIC recommends including the following information in the policies and procedures that will enable CDIC to obtain insights into the control environment and data governance process.

2.8.1 Third-party service providers involved in the Data Extraction Process

To manage the risks associated with outsourcing arrangements, policies and procedures should provide the following details:

- A list of third-party vendors that provide IT systems and services to the MI.
- The role of each vendor in the data extraction process or the type of IT services provided e.g. processing and extraction of data, IT security service, cloud service, etc., and an indication as to the relative criticality of the service provider / vendor in the process.
- An indication that the MI identifies and manages its outsourcing risk associated with Material Outsourcing Arrangement in accordance with the OSFI guidelines "Outsourcing of Business Activities, Functions and Processes" (https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b10.aspx).

The procedures may include details for security, and connectivity/data transmission protocols/standards used by the vendors and MIs.

2.8.2 Deposit Data Hosting

- Physical location of the IT servers e.g. within Canada or outside Canada
- Process of data back-ups, as well as the type and location of data back-up center
- Disaster Recovery Process
- Frequency and accountability for testing disaster recovery plan and document its results e.g. Recovery Time Objective (RTO) and Recovery Point Objective (RPO) for critical applications and systems for deposit liabilities.
- An indication whether the member institution has the capabilities of generating/viewing the DSR deposit data extract remotely (i.e. working from home).

2.8.3 Transmission of Information to CDIC

The detailed steps involved in communicating and transmitting deposit data extracts to CDIC that may include:

- The accountable person who will receive and process CDIC's request for a data extract;
- An overview of the way information is communicated to CDIC (e.g. it must be done electronically via a secured portal, and in the format requested by CDIC);
- The process and controls in place to ensure that accurate and complete data is transmitted to CDIC; and
- The persons/functions accountable for resolving the data anomalies identified in the data extract.

2.8.4 Contact Information

The procedures should include the contact information of the individual(s) (primary and secondary/backup) who can be contacted by CDIC for any requests or questions regarding the policies and procedures.

Appendix I: Requirements under the Data and System Requirements By-law

Section 2 of the DSRB includes the obligations of the MIs under the By-law. It mainly focuses on an MI's ability to provide deposit data to CDIC within the required timeframe.

Capabilities

2 (1) For the purpose of facilitating the Corporation's exercise of its functions under section 14 of the Act or in the event that an order is made under any of paragraphs 39.13(1)(a) to (c) of the Act, every member institution must be capable of:

> (a) producing the following data, as of the determination time, in relation to its deposit liabilities — other than those posted in the records of a foreign branch of the member institution — and providing that data or making it available to the Corporation in a usable format no later than the time referred to in subsection (2):
>
> > (i) data that enables the Corporation to identify and contact each depositor and ascertain their preferred official language and their province of residence
> >
> > (ii) data that enables the Corporation to identify and group those deposit liabilities by:
> >
> > > (A) unique depositor;
> > > (B) eligibility to be insured by the Corporation;
> > > (C) insurance category; and
> > > (D) account type
> >
> > (iii) the interest accrued and payable in relation to each deposit liability as of the determination date
>
> (b) temporarily preventing withdrawals of deposit liabilities or any portion of them according to account type within six hours after receiving instructions from the Corporation.

Time limit — provision of data

2 (2) The member institution must be capable of providing or making available to the Corporation the data referred to in paragraph (1)(a) no later than

> (a) in the case of the data referred to in subparagraphs (1)(a)(i) and (ii),
>
> > (i) if the determination time occurs on or after the determination date, the earlier of
> >
> > a. six hours after the determination time; and
> > b. 4:00 p.m. on the day after the determination date

(ii) if the determination time occurs before the determination date, 4:00 p.m. on the day after the determination date

(b) in the case of the data referred to in subparagraph (1)(a)(iii),

(i) if the determination time occurs on or after the determination date, the earlier of

a. 30 hours after the determination time; and
b. 4:00 p.m. on the second day after the determination date

(ii) if the determination time occurs before the determination date, 4:00 p.m. on the second day after the determination date.

Section 2(3) of the DSRB states that the member institution must develop and implement policies and procedures to ensure that it has the capabilities referred to in subsections (1) and (2).