ISDA Resolution Stay Jurisdictional Modular Protocol

Canadian Jurisdictional Module

FAQs

ISDA has prepared this list of frequently asked questions to assist in your consideration of the CANADIAN JURISDICTIONAL MODULE to the ISDA RESOLUTION STAY JURISDICTIONAL MODULAR PROTOCOL (the ISDA Jurisdictional Modular Protocol).

THESE FREQUENTLY ASKED QUESTIONS DO NOT PURPORT TO BE AND SHOULD NOT BE CONSIDERED A GUIDE TO OR AN EXPLANATION OF ALL RELEVANT ISSUES OR CONSIDERATIONS IN CONNECTION WITH THE CANADIAN JURISDICTIONAL MODULE. PARTIES SHOULD CONSULT WITH THEIR LEGAL ADVISERS AND ANY OTHER ADVISER THEY DEEM APPROPRIATE PRIOR TO USING OR ADHERING TO THE CANADIAN JURISDICTIONAL MODULE. ISDA ASSUMES NO RESPONSIBILITY FOR ANY USE TO WHICH ANY OF ITS DOCUMENTATION MAY BE PUT.

These FAQs address the following questions:

- What is the purpose of the Canadian Jurisdictional Module?
- How does adherence to the Canadian Jurisdictional Module and the ISDA Jurisdictional Modular Protocol work?
- How does the Canadian Jurisdictional Module relate to the Canadian Regulation?
- Why are certain terms in italics and quotation marks?
- What agreements are Covered Agreements under the Canadian Jurisdictional Module?
- What entities are Regulated Entities under the Canadian Jurisdictional Module?
- When does the Canadian Jurisdictional Module become effective?
- What are the compliance dates for the Canadian Regulation?
- How do I sign up to the Canadian Jurisdictional Module?

The ISDA Jurisdictional Modular Protocol is designed to facilitate market participants’ compliance with regulations regarding contractual stays in financial contracts governed by third-country law in different jurisdictions. As regulations are adopted in a jurisdiction, a “Jurisdictional Module” to the ISDA Jurisdictional Modular Protocol can be published that includes operational provisions based on the text of that regulation and aimed at enabling parties to comply with those requirements. A party can adhere to a particular Jurisdictional Module by submitting an Adherence Letter for such Jurisdictional Module. Each Jurisdictional Module is considered individually. For more information on the ISDA Jurisdictional Modular Protocol and adherence to the ISDA Jurisdictional Modular Protocol, please see the general FAQs for the ISDA Jurisdictional Modular Protocol.
The Canadian Jurisdictional Module was published as a Jurisdictional Module to the ISDA Jurisdictional Modular Protocol on 28 July 2022.

What is the purpose of the Canadian Jurisdictional Module?

The Canadian Jurisdictional Module was created to allow market participants to comply with the Canada Deposit Insurance Corporation Eligible Financial Contracts By-law, SOR/2022-55 (the Canadian Regulation) regarding contractual stays in certain financial contracts that are governed by the law of a third country or to which at least one of the parties is neither an individual resident in Canada nor a “Canadian entity” (as such term is defined in section 2 of the Bank Act (Canada), S.C. 1991, c. 46). Adhering Parties will be able to adhere to the Canadian Jurisdictional Module and identify themselves as either “Regulated Entities” that are subject to the Canadian Regulation or “Module Adhering Parties” that are adhering for the purpose of satisfying the regulatory requirements applicable to their counterparties under the Canadian Regulation.

How does adherence to the Canadian Jurisdictional Module and the ISDA Jurisdictional Modular Protocol work?

Does a Module Adhering Party have to amend its Covered Agreements with all Regulated Entities?

No, a Module Adhering Party has the ability to choose the Regulated Entity or Regulated Entities it would like to amend its Covered Agreements with when it adheres to the Canadian Jurisdictional Module. Once a Module Adhering Party chooses to amend its agreements with a particular Regulated Entity, that Regulated Entity is defined as a “Regulated Entity Counterparty” with respect to that particular Module Adhering Party and to the Canadian Jurisdictional Module.

Module Adhering Parties have multiple options for how they can choose the Regulated Entity or Regulated Entities they would like to amend their Covered Agreements with.

How can a Module Adhering Party choose which Regulated Entities it will amend its Covered Agreements with?

A Module Adhering Party with respect to the Canadian Jurisdictional Module may choose the Regulated Entity or Regulated Entities it would like to amend its Covered Agreements with by choosing between the following three options in its Adherence Letter:

1. **All Regulated Entities**: Under this option, a Module Adhering Party identifies every Adhering Party that has identified itself as a “Regulated Entity” with respect to the Canadian Jurisdictional Module to be a Regulated Entity Counterparty with respect to it. That means that the Module Adhering Party is agreeing to amend all of the relevant Covered Agreements with all of the Regulated Entities that have adhered or will adhere in the future to the Canadian Jurisdictional Module.

2. **All G-SIBs**: Under this option, a Module Adhering Party identifies any current or future Regulated Entity with respect to the Canadian Jurisdictional Module that is part of a banking group that has been designated by the Financial Stability Board as a “global systemically important bank” (G-SIB), as of the date of the publication of the Canadian...
Jurisdictional Module, as a Regulated Entity Counterparty with respect to it. This election would include Regulated Entities within such G-SIB group that subsequently adhere to such Jurisdictional Module but not Regulated Entities that are members of banking groups that are subsequently identified as G-SIBs.

3. **Entity-by-Entity:** Under this option, the Module Adhering Party chooses to identify one or more Regulated Entities with respect to the Canadian Jurisdictional Module as Regulated Entity Counterparties with respect to it. The Module Adhering Party can notify each Regulated Entity that it identifies as a Regulated Entity Counterparty, either through ISDA Amend (functionality to be available in due course) or by sending a bilateral “Module Adherence Notice” directly to such Regulated Entity. Note that a Module Adhering Party that chooses to identify one or more Regulated Entities as Regulated Entity Counterparties with respect to it may choose between Regulated Entities in the same banking group within the Canadian Jurisdictional Module.

Note that a Module Adhering Party can elect both option 2 to identify all G-SIB Regulated Entities as its Regulated Entity Counterparties and option 3 to identify additional Regulated Entities as its Regulated Entity Counterparties.

*Once I submit my Adherence Letter, is my adherence to the Canadian Jurisdictional Module complete or are there any other steps I have to take?*

Depending on the elections you make as a Module Adhering Party, you may be required to send notices to Regulated Entity Counterparties after you submit your Adherence Letter to complete your adherence to the Canadian Jurisdictional Module.

**Entity-by-Entity Designation**

If you adhere as a Module Adhering Party and elect to identify Regulated Entity Counterparties on an “Entity-by-Entity” basis (i.e., option 3 above), you need to take steps to identify Regulated Entity Counterparties. You can do this either (1) through ISDA Amend (functionality to be available in due course) or (2) by sending a bilateral “Module Adherence Notice” to each Regulated Entity Counterparty. **Your contracts will not be amended until the date you notify a Regulated Entity that it is a Regulated Entity Counterparty with respect to you.**

If you wish to use ISDA Amend to identify one or more specific Regulated Entities as Regulated Entity Counterparties with respect to you, you may do so by using the ISDA Amend website. To use the ISDA Amend website, you will need to have an account with ISDA Amend, log in and complete the steps necessary to make Entity-by-Entity elections.

If you wish to identify one or more specific Regulated Entities as Regulated Entity Counterparties with respect to you by sending such Regulated Entity or Regulated Entities bilateral Module Adherence Notices, rather than through ISDA Amend, such notices must at a minimum (1) identify the Module Adhering Party and the Jurisdictional Module and (2) identify the Regulated Entity as a Regulated Entity Counterparty with respect to the Module Adhering Party. ISDA has published a sample Module Adherence Notice that Module Adhering Parties can use to make Entity-by-Entity elections.
Adherence as an Agent on Behalf of Clients

If you are an agent adhering on behalf of “some but not all” clients, you must either identify the clients on whose behalf you are adhering in an annex to your Adherence Letter (which will be made public on the ISDA website) or send a list to each Regulated Entity Counterparty with respect to such clients identifying the clients on whose behalf you are adhering.

If you are an agent adhering on behalf of “all” clients that you represent, you may, but are not required to, identify the clients on whose behalf you are adhering, either in an annex to your Adherence Letter (which will be made public on the ISDA website) or by sending a list of the clients on whose behalf you are adhering to each Regulated Entity Counterparty with respect to such clients.

If you wish to use ISDA Amend to notify your Regulated Entity Counterparties of the clients on whose behalf you are adhering, you may do so by using the ISDA Amend website. To use the ISDA Amend website, you will need to have an account with ISDA Amend, log in and complete the steps necessary to provide Regulated Entity Counterparties with the lists of clients on whose behalf you are adhering.

If you wish to bilaterally notify your Regulated Entity Counterparties of the clients on whose behalf you are adhering, ISDA has published a sample Underlying Funds Notice that agents can use to notify their Regulated Entity Counterparties of the clients on whose behalf they are adhering.

How does the Canadian Jurisdictional Module relate to the Canadian Regulation?

The Canadian Jurisdictional Module is intended to facilitate compliance with the Canadian Regulation. The provisions of the Canadian Jurisdictional Module that amend Covered Agreements are based on the provisions of the Canadian Regulation. Note, however, that as discussed in Question 4 of the general FAQs for the ISDA Jurisdictional Modular Protocol, amendments in a Jurisdictional Module, including the Canadian Jurisdictional Module, are made to Covered Agreements on a “retrospective” and “prospective” basis, even if this is not required by the Canadian Regulation.

Parties should consult with their legal advisers and any other adviser they deem appropriate to understand the requirements of the Canadian Regulation.

Why are certain terms in italics and quotation marks?

Words and phrases in quotation marks and italics have the meaning given in the Canadian Regulation. The Canadian Jurisdictional Module is interpreted in accordance with the Canadian Regulation.

What agreements are Covered Agreements under the Canadian Jurisdictional Module?

Canadian Regulated Agreements, as defined under the Canadian Jurisdictional Module, are Covered Agreements under the Canadian Jurisdictional Module.
A Canadian Regulated Agreement is an “eligible financial contract” (as such term is defined in the Canadian Regulation) that (a) contains provisions permitting the taking of an action referred to in paragraph 39.15(7)(a), (b) or (f) of the Canada Deposit Insurance Corporation Act, RSC, 1985, c. C-3 by a party other than an Excluded Counterparty and (b) is not governed by Canadian law or at least one of the other parties to it is neither an individual who is resident in Canada nor a “Canadian entity” (as such term is defined in section 2 of the Bank Act (Canada), S.C. 1991, c. 46).

An Excluded Counterparty is (i) Her Majesty in right of Canada, (ii) the government of a foreign country, (iii) a central bank, (iv) a “clearing house” (as such term is defined in the Canadian Regulation) or (v) a “central counter-party” (as such term is defined in the Canadian Regulation).

What entities are Regulated Entities under the Canadian Jurisdictional Module?

A Regulated Entity under the Canadian Jurisdictional Module is a member of the class consisting of all “federal member institutions” (as such term is defined in the Canadian Regulation) that is prescribed for the purpose of subsection 39.15(7.4) of the Canada Deposit Insurance Corporation Act, RSC, 1985, c. C-3.

When does the Canadian Jurisdictional Module become effective?

The amendments under the Canadian Jurisdictional Module become effective on the later of the applicable compliance date for a Module Adhering Party and a Regulated Entity Counterparty under the Canadian Regulation and the “Implementation Date” with respect to a Module Adhering Party and a Regulated Entity Counterparty.

Even if a party adheres to the Canadian Jurisdictional Module prior to the applicable compliance date under the Canadian Regulation, amendments will not be made by the Canadian Jurisdictional Module until required under the Canadian Regulation.

What are the compliance dates for the Canadian Regulation?

The compliance date with respect to a Covered Agreement, shall be

(i) The later of the Implementation Date and October 1, 2023, if at least one of the parties to the Covered Agreement (other than the Regulated Entity Counterparty) is (A) a “federal member institution” (as defined in the Canadian Regulation) or an “affiliate of a federal member institution” (as defined in the Canadian Regulation) or (B) an institution that has been identified by the Financial Stability Board as a global systemically important bank or an affiliate of an institution that has been so identified; or

(ii) if clause (i) is not applicable, the later of the Implementation Date and October 1, 2024.
How do I sign up to the Canadian Jurisdictional Module?

Please see the general ISDA Jurisdictional Modular Protocol FAQs for information on adherence to Jurisdictional Modules and the ISDA Jurisdictional Modular Protocol.