Regulatory and legislative advisory

Title	Substantial Investments - Appendix B.2
Category	Regulatory and legislative
Date	June 30, 2015
Sector	Bank Act Cooperative Credit Associations Act Insurance Companies Act Trust and Loan Companies Act

Appendix B.2 – Life Companies and IHCs

Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA.

Notes:

In this Appendix,

- **LifeCo** refers to a life company;
- other abbreviations and capitalized terms have the meaning ascribed to them on pages 1 and 2 of the Advisory; and
- references to provisions are to those of the ICA.

Where an entity is in default with respect to a loan that:

1. an LifeCo or its subsidiary has made to the entity, the LifeCo or the subsidiary may acquire all or any of the shares of, or ownership interests in, (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in holding shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loan was made; or

2. an IHC's subsidiary has made to the entity, the IHC may, through its subsidiary, acquire a substantial investment in (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in the holding of shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loans was made. [499(1) and 975(1)]

Despite (a) and (b) above, where a foreign government, or an entity controlled by a foreign government, is in default with respect to a loan from, or debt obligations held by, a LifeCo or a subsidiary of an IHC, the IHC, via its subsidiary, or the LifeCo may acquire all or any of the shares of, or ownership interests in, the entity or any other entity designated by the foreign government, if the acquisition is part of a debt restructuring program [499(5) and 975(4)]. The LifeCo or IHC may hold those shares or ownership interests for a period specified by the Superintendent, including for an indeterminate period [499(6) and 975(5)].

Holding period:

With respect to (a) and (b) above:

- the LifeCo or IHC may hold control of, or a substantial investment in, the entity for **5 years** [499(2) and 975(2)] or longer where the Superintendent grants an extension [499(4) and 975(3)]; and
- where the entity is not a PE only because the LifeCo or IHC did not obtain the Superintendent's or the Minister's approval under section 495 or 971, the LifeCo or IHC may hold control of, or a substantial investment in, the entity for an **indeterminate period** where the LifeCo or IHC, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent's or the Minister's approval [493(6), (7) and 495; 969(5), (6) and 971] or (b) obtains the Minister's approval [499(7) and 975(6)].

Temporary investment [493(3)(a) and 498; 969(3)(a) and 974]	A LifeCo or an IHC may acquire control of, or acquire or increase a substantial investment in, any entity as a temporary investment [498(1) and 974(1)]. **Holding period:** • Where the entity is not a PE only because the LifeCo or IHC did not obtain the Minister's approval under subsection 495(7) or 971(5), the LifeCo or IHC may hold control of, or a substantial investment in, the entity for (a) **90 days**, or (b) **over 90 days** where the LifeCo or IHC requests, within 90 days of acquiring control of, or acquiring or increasing a substantial investment in, the entity, the Minister's approval to extend the holding period [498(4) and 974(3)]. At the LifeCo or IHC's request, the Minister may (a) allow the LifeCo or IHC to reclassify the investment under the PE category [493(6), (7) and 495(7); 969(5), (6) and 971(5)] or (b) extend the holding period, including for an indeterminate period [498(4) and 974(3)]. • Where the entity is not a PE only because the LifeCo or IHC did not obtain the Superintendent's approval under subsection 495(8) or 971(6), the LifeCo or IHC may hold control of, or a substantial investment in, the entity for **2 years** or such other period specified by the Superintendent [498(1) and 974(1)]. At the LifeCo or IHC's request, the Superintendent may (a) allow the LifeCo or IHC to reclassify the investment under the PE category [493(6), (7) and 495(8); 969(5), (6) and 971(6)] or (b) extend the holding period for one or more finite periods [498(3) and 974(2)] or for an indeterminate period [498(5) and 974(4)]. • In all other cases, the LifeCo or IHC may hold control of, or a substantial investment in, the entity for **2 years** or such other period specified by the Superintendent [498(1) and 974(1)]. At the LifeCo or IHC's request, the Superintendent may extend the holding period for one or more finite periods [498(3) and 974(2)].

Loan workout

[493(3)(b) and 499; 969(3)(b) and 975]

Where an entity is in default with respect to a loan that:

1. an LifeCo or its subsidiary has made to the entity, the LifeCo or the subsidiary may acquire all or any of the shares of, or ownership interests in, (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in holding shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loan was made; or
2. an IHC's subsidiary has made to the entity, the IHC may, through its subsidiary, acquire a substantial investment in (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in the holding of shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loans was made. [499(1) and 975(1)]

Despite (a) and (b) above, where a foreign government, or an entity controlled by a foreign government, is in default with respect to a loan from, or debt obligations held by, a LifeCo or a subsidiary of an IHC, the IHC, via its subsidiary, or the LifeCo may acquire all or any of the shares of, or ownership interests in, the entity or any other entity designated by the foreign government, if the acquisition is part of a debt restructuring program [499(5) and 975(4)]. The LifeCo or IHC may hold those shares or ownership interests for a period specified by the Superintendent, including for an indeterminate period [499(6) and 975(5)].

Holding period:

With respect to (a) and (b) above:

- the LifeCo or IHC may hold control of, or a substantial investment in, the entity for **5 years** [499(2) and 975(2)] or longer where the Superintendent grants an extension [499(4) and 975(3)]; and
- where the entity is not a PE only because the LifeCo or IHC did not obtain the Superintendent's or the Minister's approval under section 495 or 971, the LifeCo or IHC may hold control of, or a substantial investment in, the entity for an **indeterminate period** where the LifeCo or IHC, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent's or the Minister's approval [493(6), (7) and 495; 969(5), (6) and 971] or (b) obtains the Minister's approval [499(7) and 975(6)].

Realization of a security interest [493(3)(c) and 500; 969(3)(c) and 976]	A LifeCo or an IHC may, through the realization of a security interest held by the LifeCo or a subsidiary of the LifeCo or IHC, acquire control of, or acquire or increase a substantial investment in, any entity [500(1) and 976(1)]. **Holding period:** • The LifeCo or IHC may hold control of, or a substantial investment in, the entity for **5 years** [500(2) and 976(2)] or longer where the Superintendent grants an extension [500(4) and 976(3)]. • Where the entity is not a PE only because the LifeCo or IHC did not obtain the Superintendent's or the Minister's approval under section 495 or 971, the LifeCo or IHC may hold control of, or a substantial investment in, the entity for an **indeterminate period** where the LifeCo or IHC, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent's or the Minister's approval [493(6), (7) and 495; 969(5), (6) and 971] or (b) obtains the Minister's approval [500(5) and 976(4)].