



Volume 1, Issue 1

February/March 2013

CAFII Regulatory Issues And Perspectives Newsletter

FEDERAL/NATIONAL

March Is Fraud Prevention Month

March is Fraud Prevention Month; and on February 28, the federal Competition Bureau announced that it will be participating in a variety of initiatives aimed at helping Canadians protect themselves when faced with fraud. This year's Fraud Prevention Month theme is consumer empowerment, and the Bureau is encouraging Canadians to become informed and proactive in the fight against fraud.

"Consumers must be able to participate in today's economy with confidence," said Interim Commissioner of Competition John Pecman. "Consumers and businesses have an important role to play in stopping fraud, by arming themselves with the facts and reporting fraud when they encounter it."

The Competition Bureau is Chair of the Fraud Prevention Forum, which includes more than 125 private sector firms, consumer and volunteer groups, government agencies and law enforcement organizations that have banded together to help combat fraud and raise awareness. During Fraud Prevention Month, Forum members will participate in a number of activities across the country designed to raise awareness among consumers and businesses about the dangers of fraud.

One of the tools the Bureau has developed for educating consumers and businesses about fraud, and how to report it, is the *Canadian Edition of the Little Black Book of Scams*. Available on the Bureau's website, improvements are being made this year to improve the book's accessibility.

Also the Competition Bureau will be announcing its Top Two '2 Good 2 B True' Scams, as part of the first '2 Good 2 B True Day', on Tuesday, March 12. On that day, social media users will be encouraged to talk about scams using "#2Good2BTrue", in addition to "#FPM2013".

FRAUD: Recognize It. Report It. Stop It.

Anti-Money Laundering/Anti-Terrorist Financing Regulations Approved

On February 13, the Financial Transactions and Reports Analysis Centre (FINTRAC) announced that amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act's Regulations had been approved.

The changes will take effect on February 1, 2014. More information about each change will be available in updates to the FINTRAC Guidelines in the fall of 2013.

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The approved Regulations take into account and reflect concerns expressed by CAFII during the Department of Finance's 2012 Consultation on Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime.

To read more, click [here](#).

The Government accepted CAFII's arguments that the Regulations should be structured to continue to exempt insurance products of immaterial (or no) cash value to the client, and those below a \$10,000 threshold for the cost of an annuity or insurance policy.

Removing that exemption, for products that pose very little AML/ATF risk, would have created a significant barrier to transactions carried out using alternate distribution channels such as e-commerce and telephone. And it also would have made it uneconomic to offer a number of important insurance products to the underserved middle market of Canadians: consumers whose insurance needs are too small to attract the personal attention of an individual broker.

On March 8, CAFII wrote to Nicholas Burbidge, Senior Director, AML and Compliance Division at Office of the Superintendent of Financial Institutions, to thank him for OSFI's willingness to engage with the industry and listen to stakeholder concerns, with a view to achieving the best possible outcome that balances AML/ATF risk with both consumer protection and business efficiency considerations.

The dialogue with OSFI permitted CAFII to explain

- the benefits of the existing AML/ATF exemptions to a sizeable segment of the Canadian population which constitutes an under-served market for life insurance and related products;
- the negligible AML/ATF risk associated with retention of the exemptions; and
- the significant risks to product distribution – and hence, consumer protection – associated with their removal.

CANADIAN COUNCIL OF INSURANCE REGULATORS

CCIR Considers National Database -- Would Allow Users To Find Out If An Insurance Agent Has Faced Disciplinary Action

In January, Investment Executive reported the following:

Insurance advisors who have been sanctioned for misconduct could soon see that enforcement activity recorded in a centralized, Canada-wide database, as regulators aim to make it easier for consumers to identify those advisors who have breached the rules.

To read more, click [here](#).

The Canadian Council of Insurance Regulators (CCIR) has established a committee to explore the feasibility of this kind of national database. The idea is to allow consumers, regulators and firms to search a single database to determine whether an insurance advisor has faced disciplinary action in any province across the country. The database would include listings for both life and property and casualty agents.

*"I think this is a way that we can help consumers better ascertain whether the agent that they're dealing with is reputable; that [the agent is] not on a disciplinary action list," says Grant Swanson, executive director of licensing and market conduct at the **Financial Services Commission of Ontario (FSCO)**.*

Under the current system, information about disciplinary action is scattered among multiple databases across the country, as this task is handled by provincial insurance regulators. Thus, even if an advisor is licensed in multiple jurisdictions, details of any disciplinary action against that advisor appear only on the website of the regulator in the province in which the misconduct took place.

"It's time-consuming," says Swanson, "for the public and the industry to conduct a search to determine whether there's been disciplinary action against an individual. There are a lot of websites to go to."

The CLHIA is urging the CCIR to take the national database concept even further by including not only disciplinary details but also licensing information for all insurance agents, as this information is also dispersed among different databases across the country.

Regulators might consider that in the future, Swanson says, but the focus right now is squarely on agents who have faced disciplinary action: "Generally, that's where the risk is. We've focused on where the largest immediate benefit could be obtained."

Despite the broad support for the national database, the committee responsible for the project must overcome a variety of technological, legal and operational hurdles in order to implement the database. For example, from a legal perspective, access to information laws vary slightly among the provinces, so regulators must ensure the database is constructed in compliance with the laws of each province.

From an operational standpoint, there are challenges associated with distinguishing between agents with the same name: regulators want to avoid having an advisor with a clean record mistaken for one with a history of misconduct.

To address this issue, the Alberta Insurance Council (AIC) is pushing for each insurance advisor across the country to be assigned a unique registration number.

IAIS/IMF Audit of Canada Around Insurance Core Principles

CCIR has shared with CAFII the news that, likely due to limited time and resources, the auditors/reviewers from the International Monetary Fund (IMF) will be taking a sample-based approach to Canada.

They'll be looking at just Ontario and Quebec, and the other provinces and territories will get off lightly. The auditors will be on-site beginning in June, and working mainly out of Ottawa. They'll be looking at a wide range of financial system areas including banking, securities, clearing, solvency, and insurance.

How much time they'll have to focus on market conduct in insurance is unknown, but because the Insurance Core Principles (ICPs) are new, they may give that area a generous amount of time.

So Ontario (FSCO) and Quebec (AMF) are having to devote a lot of time and resources now to self-assessment processes against the ICPs; and their CCIR colleagues are providing support and encouragement.

CANADIAN INSURANCE SERVICE REGULATORY ORGANIZATIONS (CISRO)

CISRO Provides Update On Harmonized Life Insurance Licensing Qualification Program

CISRO's LLQP Committee, chaired by Ron Fullan, Executive Director of Saskatchewan's Insurance Council, provided a comprehensive update on the Harmonized Life Insurance Licensing Qualification Program (LLQP) at a Stakeholder Information Session held at the FSCO office in Toronto on January 17.

To read more, click [here](#).

At this information session, Fullan and LLQP Committee colleagues from B.C., Alberta, Ontario, Quebec, and New Brunswick updated attendees on the following:

- the harmonized LLQP's features, program governance, and development/implementation timeline;
- progress to date in developing the new program;
- stakeholder feedback and CISRO responses;
- their stakeholder engagement plan; and
- next steps in the process.

The Committee's Powerpoint presentation is posted on CISRO's web site at <http://www.cisro-ocra.com/publications/Stakeholder%20Information%20Session%20LLQP%20Jan%202013%20EN.pdf>.

Information will continue to be posted on the CISRO site as the project progresses; and quarterly stakeholder information sessions will also continue. There will be opportunities for written submissions to CISRO at key points in the process. The next quarterly stakeholder information session is scheduled for Tuesday, April 9 in Toronto.

JOINT FORUM OF FINANCIAL MARKET REGULATORS

Role And Future Direction Of The Joint Forum Of Financial Market Regulators

In 2011, the Joint Forum of Financial Market Regulators began a review to determine what its role and future direction should be going forward. The consensus feedback of the constituent organizations (CCIR, CSA, CAPSA, CISRO) was that changes should be made to enhance the value of the Joint Forum. There were concerns regarding resource commitments and the need to align the work of the Joint Forum with the priorities of the individual constituent organizations.

At its September 2012 meeting, the Joint Forum decided that the next step in defining its role and future direction would be to arrange a session in April 2013 with participation from members of the Joint Forum and other senior decision-makers from each of its constituent organizations.

The Spring 2013 Joint Forum meeting will be held on April 10 in Toronto.

ALBERTA

Alberta Insurance Council To Begin Publishing Disciplinary Decisions Effective April 1

On February 25, the Alberta Insurance Council announced that it will begin publishing disciplinary decisions effective April 1, 2013.

The Minister of Finance has issued an order directing the Alberta Insurance Council to publish the decisions of the General, Life and Adjusters' Insurance Councils effective April 1, 2013. There will be a link placed on the web site directing interested parties to the source of the decision.

Alberta Insurance Council Announces Changes To Certificate Expiry, Penalties and Fees Regulation, AR 125/2001

The Alberta Insurance Council recently announced that the Certificate Expiry, Penalties and Fees Regulation has been amended to provide for a single annual renewal date that applies to all classes of certificates. The new renewal term will run from July 1 of one year to June 30 of the following year. All sectors (Life, General and Adjusters) will be transitioned to the new term by June 30, 2014. Fees for the certificate will be prorated during the transitional term.

To read more, click [here](#).

The changes will be phased in over the next year's renewal beginning with the Life and Accident and Sickness agents in December of 2012, with holders receiving a certificate that will expire on June 30, 2014. This is an additional 135 days and the fee for the certificates are prorated accordingly. Continuing Education requirements remain at the current 15 hour requirement.

In April 2013, Adjusters certificate holders will be issued a certificate that will expire on June 30, 2014. This is an additional 30 days and the fee will be prorated for the transitional term. Continuing Education requirements remain at the current 15 hour requirement.

In September 2013, General Insurance Agents will receive a certificate that will expire on June 30, 2014, resulting in a license term that is reduced by approximately four months. The fee for this group of certificates will be reduced on a prorated basis. Continuing Education requirements for general insurance agents are reduced to 10 credit hours during the transitional period and will return to 15 credit hours following the transition.

Complete details of the changes, a table of prorated fees, and links to the regulation can be viewed on the Alberta Insurance Council website at www.abccouncil.ab.ca.

BRITISH COLUMBIA

In late January, the B.C. Government passed an Order-in-Council (OIC) to implement amendments to the province's *Financial Institutions Act* that were passed in 2010.

Two provisions of the OIC are of particular relevance to CAFII members. To read more, click [here](#).

First, the Order brings into force an updated administrative penalty framework set out in section 253.1 of the Act and also enacts a regulation listing provisions of the statute and related regulations for which an administrative penalty may be imposed, along with the maximum penalty for a contravention of each provision. The relevant section reads as follows:

SECTION 34: [*Financial Institutions Act, section 253.1*] replaces an administrative penalty scheme, for which regulations have not yet been enacted, with one that, among other things,

- authorizes the commission to impose monetary penalties for contraventions of prescribed provisions of the Act and regulations and of conditions of business authorizations, orders under certain sections of the Act and undertakings under section 208 and 244 (2) (g) of the Act;
- requires the person to either pay or dispute the penalty within 14 days;
- if a person disputes the penalty, requires the commission to provide an opportunity to be heard, by written submissions only for penalties below specified amounts or by written submissions or oral hearing for penalties above those amounts;
- allows a person to appeal an order, made after a hearing, confirming the penalty, in accordance with existing appeal provisions in the Act;
- authorizes the commission, if a corporation has committed a contravention, to impose, in accordance with the section, an administrative penalty on an officer, director or agent of the corporation who authorized, permitted or acquiesced in the commission of the contravention;
- changes the time limit for imposing an administrative penalty from 6 months to 2 years after the commission first becomes aware of the facts leading to the administrative penalty notice;
- establishes a maximum on the administrative penalty (\$50,000) the commission may impose under the section.

A second change relates to the exemption available for the sale of credit insurance by a lender from the obligation to use a licensed insurance agent, **which has now been expanded to include regulated insurers that themselves advance credit.**

ONTARIO

FSCO Granted New Powers To Impose AMPs In Ontario Insurance Sector

The Financial Services Commission of Ontario (FSCO) recently announced that changes made by the Ontario Government to the province's insurance-related statutes grant it new powers to levy Administrative Monetary Penalties (AMPs) for contraventions of legislation or regulations that occur on or after January 1, 2013.

An AMP is a financial penalty imposed by a regulator such as FSCO, instead of a court, for contraventions of law. AMPs encourage regulatory compliance and prevent financial benefit from violations.

To read more, click [here](#).

The introduction of AMPs is in keeping with the Ontario Government's commitment to modernize financial regulation and regulatory practices. This enforcement tool provides FSCO with more flexibility in assessing appropriate penalties for non-compliance and misconduct in the insurance sector. AMPs also give FSCO an authority similar to other financial services regulators across Canada.

The changes allow FSCO to apply AMPs for existing contraventions that are identified in the AMP regulations. They do not create new compliance requirements.

The contraventions to which an AMP can apply include listed unfair or deceptive acts or practices by any person or entity including insurers, agents, brokers, adjusters and those involved in the provision of goods and services to insurance claimants.

AMPs can be imposed for breaches of orders, undertakings and licence conditions, as well as for contraventions of statutory provisions such as:

- Failure of agent to meet annual continuing education requirements
- Failure of agent to notify Superintendent of address change
- False billing practices
- Failure of insurer to charge authorized rates
- Engaging in prohibited acts and/or practices
- Acting as an agent when unlicensed or suspended
- Other unfair or deceptive acts/practices

The following statutes and regulations contain the provisions regarding AMPs:

- Insurance Act, Ontario Regulation 408/12
- Compulsory Automobile Insurance Act, Ontario Regulation 409/12
- Automobile Insurance Rate Stabilization Act, 2003, Ontario Regulation 410/12

A new Part XVIII.1 of the Insurance Act outlines the procedures for imposing an AMP as well as hearing and appeal processes.

FSCO Holds Pre-Consultation Meetings Around Modernizing Discipline Hearings For Ontario Insurance Agents And Adjusters

On February 14, FSCO held a pre-consultation meeting with CAFII and CLHIA representatives to discuss

- A new model for holding hearings and disciplining insurance agents and adjusters; and
- The Superintendent's authority to issue interim orders and maintain jurisdiction once a disciplinary process is underway.

FSCO's desire is to replace the current Advisory Board (AB) disciplinary model – unique to insurance agents and adjusters in Ontario, and limited to licensing decisions – with the Financial Services Tribunal (FST), which has adjudicative powers with respect to other industry players, as the body that holds hearings and issues orders.

To read more, click [here](#).

Making this change would require changes to the Insurance Act to remove the requirement for the Superintendent to appoint AB panels to conduct hearings. Under the current model for agents and adjusters, an AB prepares a "Findings of Fact" Report following a disciplinary hearing and issues non-binding recommendations for the Superintendent to consider, but the Superintendent is not a "party to" the hearing.

The FST model is seen as a more modern and streamlined disciplinary process as compared to the AB model, which involves more steps and sometimes increased costs, time, and risk of uncertainty and inconsistency. For example, currently an agent or adjuster facing both an Administrative Monetary Penalty (AMP) or fine and licensing discipline must go through two different processes to deal with the same set of facts because the due process for imposing an AMP falls under the FST disciplinary process rather than an AB.

The Superintendent's disciplinary toolbox was expanded recently to include Administrative Monetary Penalties (AMPs) or fines. With this new tool now at its disposal, FSCO intends to make greater use of AMPs, either stand-alone or in combination with licensing sanctions (suspension or revocation).

Another drawback that FSCO highlighted with respect to the current AB model for agents and adjusters is that it is inconsistent with the more explicit and comprehensive powers that the Superintendent has in other regulated sectors. Currently, the Insurance Act doesn't provide the Superintendent with the explicit authority to issue Interim Orders to suspend an agent's or adjuster's license; nor does it ensure that the Superintendent retains jurisdiction after a disciplinary process has begun.

In terms of next steps, after its round of pre-consultation meetings, FSCO plans to release a formal Consultation Paper imminently, which will include an invitation for written submissions by April 15, 2013. The outcomes of that consultation will then be shared with the Government, to inform its decision as to whether to make the changes to the Insurance Act.

FSCO Requests Meeting With CAFII Around Consumer Complaint Handling

On March 1, FSCO contacted CAFII to arrange a meeting to discuss its plan to make changes to its consumer complaint handling timelines to accommodate faster response times to consumers. That meeting has since been confirmed for Thursday, March 21 from 1:30 to 2:30 p.m. at the FSCO office.

QUEBEC

AMF Announces Senior Management Appointment

On February 8, the *Autorité des marchés financiers* (AMF) announced the appointment of Patrick Déry as Superintendent, Solvency, effective February 18.

To read more, click [here](#).

In this role as Superintendent, Solvency, Déry will be responsible for standards and deposit insurance, the supervision of deposit institutions, control of the right to practise and the supervision of insurers. Déry returns to the AMF after previously serving as Superintendent, Client Services, Compensation and Distribution from July 2011 to September 2012.

Déry, who holds a master's degree in economics, also has extensive management experience at the Québec Ministry of Finance. In particular, he served as Assistant Deputy Minister, Federal-Provincial and Financial Policies and was instrumental in managing the impact of the 2007-08 financial crisis on financial institutions operating in Québec.

AMF Strikes Insurance Firms Off Roll; Imposes Penalties Of \$100,000

On January 17, the AMF announced that on December 20, 2012, its Bureau de décision et de révision (the "Bureau") had approved an agreement to deregister Sherpa Holding and Déry Capital inc., as well as impose an administrative penalty of \$50,000 upon each firm.

These insurance firms and their officers set up a scam, which enabled them to sell to targeted clients a life insurance product in which part of the premium paid by the client was reimbursed after the payment had been made to the insurer.

The scam enabled the firms and their officers to sell a life insurance product, typically Universal Life, for a face amount of more than \$1 million, thus earning a commission greater than the amount of the annual premium reimbursed to the client. As a result of this scam, the firms earned significant commissions.



Canadian Association of Financial Institutions in Insurance Appoints Executive Director

The Board of Directors of the Canadian Association of Financial Institutions in Insurance (CAFII) is pleased to announce the appointment of Brendan Wycks, BA, MBA, CAE as Executive Director of the Association, effective immediately.

Brendan brings to CAFII leadership experience with several industry and professional Associations in the areas of government and regulatory relations; self-regulation and protection of the public interest; public and media relations, including national branding campaigns; and delivering compelling member value. He has served as Executive Director of the Marketing Research and Intelligence Association and the Insurance Brokers Association of Canada, and as a staff executive with the Institute of Chartered Accountants of Ontario.

Brendan holds a BA from the University of Western Ontario, an MBA from the University of Toronto, and the Certified Association Executive (CAE) designation from the Canadian Society of Association Executives.

The Canadian Association of Financial Institutions in Insurance (CAFII), established in 1997, is a not-for-profit industry association that represents and provides a voice for financial institutions involved in selling insurance products and services through a variety of distribution methods. CAFII members offer travel, life, health, property and casualty, and creditor's group insurance through call centres, agents and brokers, travel agents, direct mail and the internet. CAFII believes consumers are best served when they have meaningful choice and easy access in the purchase of insurance products and services.

GLOBAL/INTERNATIONAL

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Global Federation Of Insurance Associations Established ... CLHIA Head Elected Inaugural Chair

On October 9, 2012, 32 national insurance industry associations -- representing insurers and re-insurers in 56 countries, and collectively 87 per cent of the world-wide insurance business -- formally established the Global Federation of Insurance Associations (GFIA). The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.

GFIA's founding Canadian members are the Canadian Life and Health Insurance Association (CLHIA) and the Insurance Bureau of Canada (IBC). Frank Swedlove, President of CLHIA, was elected GFIA's inaugural Chair.

"This is a great day for the insurance industry around the world. The Federation will give our associations the ability to respond on a timely basis to international issues affecting our industry and to speak with one voice," said Swedlove. "I am honoured to have the opportunity to be the inaugural chair of the Federation and will strive to ensure that our industry's views are heard."

Welcoming the creation of the federation, Peter Braumüller, Chairman of the executive committee of the **International Association of Insurance Supervisors (IAIS)**, said: "As the global insurance standard-setter, the IAIS values greatly the contributions of **IAIS Observers** -- who represent international institutions, professional associations and insurance and reinsurance companies -- to the development and implementation of IAIS supervisory material. We look forward to working with GFIA and its members as we all continue to promote effective and globally-consistent supervision of the insurance industry."

Under the membership provisions of the GFIA and IAIS, CAFII – as a national Association in the insurance sector – is eligible to become a GFIA member and an IAIS Observer.

The GFIA will be active in commenting on a broad range of issues affecting the international insurance industry, including developments in the systemic risk debate; the work of the IAIS in developing ComFrame, the common framework for the supervision of international groups; market conduct and trade issues; and initiatives in relation to financial inclusion and anti-money laundering.

Chairing the inaugural meeting of the GFIA on October 9 in Washington, DC, Governor Dirk Kempthorne, President and CEO of the American Council of Life Insurers, stated: “This is indeed a historic day. Regulation of the insurance industry is increasingly being set internationally. The establishment of the Global Federation of Insurance Associations will allow the industry to work more closely with international regulators in the development of sound and balanced regulation.”

Further information about GFIA can be found on its web site at www.GFIAinsurance.org.

Global Federation Of Insurance Associations Worried About Regulatory Constraints

On February 27, Investment Executive reported the following:

The insurance industry remains concerned about efforts to designate certain firms as systemically important, which would likely bring additional regulatory constraints.

In a letter to the International Association of Insurance Supervisors (IAIS), the Global Federation of Insurance Associations (GFIA) urges the IAIS to consider the questions raised by the industry as it finalizes the process for identifying global systemically important insurers (G-SIIs).

"Some of the open questions are complex, and need careful consideration as the outcomes are likely to have a significant impact on the targeted entities and thus, we believe, further analysis and exchange with the industry should be allowed for," it says.

In particular, the industry lobby says that it remains concerned about the proposed methodology for identifying G-SIIs, which, it says, will result in insurers being designated "not for the risk they pose to the financial system but because of their size."

To read more, click [here](#).

It also says it believes that "the potential systemic risk posed by certain insurers as a result of activities they engage in should be assessed versus the global financial system as a whole, and not versus other insurance companies, as currently suggested."

And, it maintains that it's not correct to think that insurers could benefit from being on a list of G-SIIs, as this status would give them access to more favourable funding conditions. "GFIA wishes to reiterate its strong opinion that such reasoning is excessively bank-centric and has no rationale in insurance," it says.

Additionally, the letter stresses that the GFIA is worried about the sorts of added regulatory constraints such firms could face.

For example, the group says that it "remains fundamentally concerned" about the possibility of firms facing higher capital requirements to address systemic risk concerns in insurance. It says that tougher capital rules should only be considered as a "last resort for specific activities which are a source of systemic risk."

Banking Rules Under Scrutiny In Canada--EU Trade Talks

... Canada Resisting EU Attempts To Weaken Oversight Of Financial Institutions

The following is an excerpt from a Canadian Press article published on February 27:

A leaked draft of part of the Canada-Europe trade talks shows that Canada's vaunted banking system is on the negotiating table. The Canadian Press has obtained the Feb. 1 version of the services chapter of the Canada-Europe trade deal that Europe has circulated to its member states.

It shows that Canada is struggling to maintain the traditional stringent standards it imposes to ensure financial stability and protect financial services in Canada from foreign control. "EU does not want to exclude financial services from the scope of performance requirements," says notes written into the draft text.

The documents also show that Canada is resisting European Union attempts to weaken oversight of financial institutions — leading to a heavily contested text that is one more obstacle to completing an agreement with Europe soon.

To read more, click [here](#).

Both sides want more access to each other's financial services markets. For Canada, the European market is a huge opportunity for big insurance companies located mainly in Ontario. And Germany in particular has been pushing for more financial services opportunities in Canada.

But the documents show Canada is taking a cautious approach, and will only allow a more open market if Canadian authorities can block business activity that would put the financial system at risk. Canada's caution is bumping up against an aggressive European drive for investor protections that have no strings attached.

Canada wants the text to say: "A party may prevent or limit transfers ... through the equitable, non-discriminatory and good-faith application of measures relating to maintenance of the safety, soundness, integrity or financial responsibility of financial institutions or cross-border financial service suppliers."

But that section of text is in bright red, indicating — like much of the financial services portion of the agreement — that the EU has not yet agreed.

"What the (European) Commission is doing: it feels obliged to wrestle Canada down," said Jan Kleinheisterkamp, a senior lecturer in the law department of the London School of Economics, who follows the investor-protection discussions closely.

Canada also wants to set up a special mechanism that would have governments resolve any disputes that arise from new forays into each other's financial services sector. The draft shows the EU is somewhat open to a version of this idea, but has deep reservations for fear Canada will use the mechanism as an excuse to block legitimate European investment. European officials have not agreed to many parts of the Canadian text in this area.

"EU has concerns about the potential for abuse of such a provision if it were to be used for reasons which are not prudential," notes to the draft text say.

"This is a strategic moment because the EU is setting out its emergent investment policy." At the same time, Europe should realize that for Canada, tinkering with the financial services sector will not be well received, Kleinheisterkamp added.

That's because the federal government speaks frequently about the strength of Canada's financial services, boasting about the oversight that allowed Canada to avoid the worst of the global financial crisis that is still undermining Europe's banks.

In Ottawa, a spokesman for International Trade Minister Ed Fast would not discuss the draft text, but said Canadian insurance companies would have a lot to gain from better access to the European market.

"The strength of Canada's financial institutions throughout the most recent global economic crisis reflects the strength and soundness of Canada's regulatory framework," spokesman Adam Taylor said in an emailed statement.

"In fact, for five straight years the World Economic Forum has said Canada has the soundest banking system in the world."

Canada and Europe had both hoped to sign the comprehensive trade deal by the end of last year, but have still not yet reached agreement on key issues such as drug patents, beef, pork, procurement, investment and automobiles.