



Ruling

Category: Self-dealing

NOTICE*

Subject: Deeming a party to be a related party

No: 2001-03

Issue: To assess whether, under certain circumstances, a company is a related party of a bank for the purposes of subsection 486(5) of the *Bank Act* (BA).

Background: This case involved two separate yet simultaneous transactions. Under Transaction A, an affiliate of the bank proposed to purchase all the outstanding capital stock of an entity. Under Transaction B, which would occur simultaneous with Transaction A, the bank proposed to acquire a portion of the business of the entity. Given that both transactions would occur at the same time, the bank sought OSFI's views on whether, pursuant to subsection 486(5) of the BA, the entity would be deemed to be a related party of the bank in respect of Transaction B.

Considerations: Transactions A and B would occur at the same time. On completion of Transaction A, the entity would become a related party of the bank.

Conclusion: Given that both Transaction A and Transaction B would occur at the same time and that on completion of Transaction A the entity would become a related party of the bank, OSFI concluded that the bank would enter into the transaction with the entity in contemplation of the entity becoming a related party of the bank. Therefore, pursuant to subsection 486(5) of the BA, the entity would be deemed to be a related party of the bank in respect of Transaction B.

Legislative References:

Subsection 486(5) of the BA provides that where, in contemplation of a person becoming a related party of the bank, the bank enters into a transaction with the person, the person is deemed to be a related party of the bank in respect of that transaction.

Table of Concordance:

Section Description	BA	TLCA	ICA	CCAA
Related party of bank	486	474	518	410

The table of concordance makes cross-references to other provisions of federally regulated financial institution legislation that may be of relevance to the reader.

* Rulings describe how OSFI has applied or interpreted provisions of the federal financial institutions legislation, regulations or guidelines to specific circumstances. They do not negate the need to obtain any necessary approval of the transaction under the relevant federal financial institutions legislation. Rulings are not necessarily binding on OSFI's consideration of subsequent transactions as these transactions may raise additional or different considerations. Legislative references in a Ruling are not meant to substitute provisions of the law; readers should refer to the relevant provisions of the legislation, regulation or guideline, including any amendments that came into effect subsequent to the Ruling's publication.