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## CEO's Message



### MARK WHITE

CEO, Financial Services Regulatory Authority of Ontario

It has been four months since the Financial Services Regulatory Authority's official launch and, while there have been challenges, we are pleased with our progress.

FSRA has undertaken an ambitious amount of work during our first year of operation. While work on our year-one priorities was delayed by our June 8th FSRA launch and the need to build resources, FSRA has already delivered on a number of key initiatives across all the regulated sectors, with much more to come in the balance of F19-20 and next fiscal year.

Our early actions to transform the non-securities regulation in Ontario include:

- consultation on proposed changes to syndicated mortgage investment (SMI) oversight to target high-risk SMIs and to reduce burden when sophisticated investors invest in SMIs;
- the Rate Regulatory Advisory Committee's input to inform changes to the auto rate filing process and the issuance of a streamlined 'standard' approach to rate filings;
- more clarity around HST (harmonized sales tax) in auto insurance;
- new technical advisory committees to guide pension supervision, including asset transfers and missing members;
- announcement of an amnesty to clear up pension filing delinquencies before enforcing AMP (administrative monetary penalty) rules commence

- a formal consultation on a new FSRA rule to govern credit unions' advertising of deposit insurance; and
- the development of a framework to provide greater clarity to users on FSRA guidance.

As we continue to implement our year-one priorities and improve our regulatory processes, we have also begun to plan for F20-21. FSRA management has been listening to informal feedback on our progress and priorities, consulting on our progress to date and our proposed priorities and budget for next year, to meet our obligation to submit FSRA's proposed Annual Business Plan to the Minister of Finance by the end of the year.

Our goal is to issue our draft F20-21 priorities and budget by late October for public consultation. We also plan to arrange for our Board to hear directly from stakeholders before we finalize our proposed F20-21 priorities and budget.

We cannot do this alone. I thank the FSRA employees who continue to demonstrate commitment to, and enthusiasm for, our agenda to transform the regulation of non-securities financial services in Ontario. Thank you, as well, to the many stakeholders participating in our consultations, and to the Ministry of Finance, for their openness and candour in helping to shape FSRA's thinking.

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# Members Needed for Stakeholder Advisory Committees

FSRA is committed to an open, transparent and collaborative approach to ensure broad input and perspectives. FSRA's Board of Directors has announced that it will create six Stakeholder Advisory Committees (SACs) to consult with consumer and industry stakeholders on FSRA's priorities and budget, and on proposed rules requiring public input. While FSRA management has multiple avenues for stakeholder engagement and endeavours to fairly portray stakeholder views to our Directors, we see SACs as an important opportunity for diverse feedback to keep our Board directly informed of sector views, issues and perspectives. The SACs will be an important and transparent part of the FSRA stakeholder engagement process.

## SACs have been established for the following sectors:

1. Property and Casualty Insurance, including auto insurer matters
2. Life and Health Insurance, including both insurers and brokers
3. Mortgage Brokers
4. Pensions
5. Health Service Providers, in their role serving auto insurance stakeholders
6. Credit Unions

The [terms of reference](#) include the SACs' mandate and membership criteria. The deadline for application is October 25, 2019. We encourage you to learn more about [the initiative and the application process](#).

# Consumers Needed for New Advisory Panel



## GLEN PADASSERY

Executive Vice President,  
Policy and Chief Consumer Officer

The financial services sector is undergoing significant change and this heightens the importance of regulators understanding and protecting the public interest and fostering innovation. Consumer expectations for choice and services are high, driving new technologies, business models, products and services.

FSRA is committed to ensuring that consumer input and perspectives help to inform our regulatory direction and decisions. The consumer perspective will be embedded across the organization and will be considered in all of FSRA's policy development and supervisory activities.

We will be establishing a Consumer Advisory Panel (CAP) to guide FSRA's Consumer Office in the development of its strategies and the execution of its work across all of the regulated sectors. The CAP's input will help to inform FSRA's approach to understanding different public interest perspectives and its related activities, including consumer-based research, policy support and consumer outreach. The CAP will:

- act as an advisory body to FSRA's Consumer Office to provide ongoing advice from a consumer perspective on proposed FSRA policy-related matters and supervisory approaches;
- provide external input and personal perspective/experience to proposed policy-related matters and supervisory approaches;
- identify topics covered by FSRA's mandate to be considered by FSRA's Consumer Office for consumer policy research, outreach and/or education to enhance consumer protection/confidence in the sectors FSRA regulates; and
- inform the Consumer Office about consumer perspectives when FSRA is rule making, developing policy and taking action to protect consumers.

Please [check our website](#) for the proposed CAP terms of reference including mandate and membership criteria and for the timeline for CAP applications. The deadline to submit a membership application is November 14, 2019.

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## New Standard Guidance Approach

FSRA is responsible for supervising and regulating a broad range of financial service sectors and the guidance framework we inherited from legacy agencies was not always clear and consistent. When FSRA speaks, its stakeholders should understand the nature of its guidance and any obligations or expectations created. Standardizing our approach to guidance will make it easier to do business, easier for the public to understand its rights and make FSRA a more effective regulator.

Our work has been guided by the following proposed principles as the foundation for our approach to issuing and using guidance: accountability; effectiveness; efficiency; adoptability; collaboration and transparency.

FSRA will propose four distinct types of guidance to support requirements set out in legislation, regulations and rules and to inform stakeholders about FSRA's approach to supervision and regulation:

- 1. Interpretation:** Sets out FSRA's view of requirements under law (i.e. legislation, regulations and rules) so that stakeholders are aware of when non-compliance may lead to enforcement or other supervisory action.
- 2. Information:** Indicates FSRA views on topics affecting regulated sectors, such as desirable or undesirable practices or public interest concerns, without creating or interpreting the obligations of regulated persons.
- 3. Approach:** Describes FSRA's internal principles, processes and practices for performing regulatory duties, taking supervisory action or exercising FSRA's discretion or other regulatory powers.
- 4. Decision:** Sets out FSRA's rationale for a specific regulatory decision of precedential value for other parties not involved in the specific matter.

FSRA will use different types of guidance depending on specific circumstances in the regulated sectors and will establish standard structures and styles to help stakeholders easily understand and differentiate between the categories.

FSRA will be consulting on our proposed Guidance Framework. Please [check our website](#) to learn how you may provide input.

## Syndicated Mortgage Investment (SMI) Disclosures



### HUSTON LOKE

Executive Vice President,  
Market Conduct

FSRA is evaluating ways to improve the effectiveness of **syndicated mortgage investment (SMI)** disclosures and provide more protection for SMI investors.

**Our analysis of past syndicated mortgage transactions reveals three factors as key indicators of potential harm to retail investors in SMI investments which are considered to be 'non-qualifying' (NQSMI) under O. Reg. 188/08:**

- High loan-to-value ratio;
- Inclusion of a subordination clause; and
- Inherent conflict of interest among key participants.

FSRA consulted on a proposed supervisory approach that will require mortgage brokerages to provide retail investors in NQSMI with an additional summary disclosure for syndicated mortgage transactions that have one or more of the above-noted indicators. This will ensure that retail investors are more transparently informed of the potential risks associated with the investment they are considering. The brokerage is also required to file the form with FSRA when it is marketing to investors so that FSRA can actively monitor market activity. These high-risk NQSMI transactions will be the target of enhanced FSRA supervisory oversight to monitor whether retail investors are adequately informed and protected.

FSRA also identified that the NQSMI disclosure requirements introduced in July 2018 focused on the nature of the underlying real estate being financed (e.g. is it for 1 to 4 residential properties?) and did not consider the characteristics of the mortgage financing participants. As such, the fulsome disclosures intended to protect retail

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investors in NQSMI are applied equally to sophisticated investors. In our recent consultation, to further our burden-reduction priority, FSRA asked for input on whether the NQSMI disclosures should be equally applied to NQSMI transactions with sophisticated investors.

The public consultation period closed on September 6, 2019. We are reviewing the submissions. Generally, the proposed enhanced disclosures for high-risk NQSMI retail investments were widely supported – and it is clear that there is an opportunity for reducing burden when mortgage brokers are transacting with sophisticated NQSMI investors. We plan to report the results of the consultation and proceed with next steps in October, including the implementation of additional targeted disclosure for high-risk NQSMI retail investments.

## Credit Union Update



**GUY HUBERT**

Executive Vice President,  
Credit Union and Prudential

Provincial DICO by-law no. 3 requires credit unions to tell consumers that the Deposit Insurance Corporation of Ontario (DICO), now amalgamated into FSRA, insures deposits with credit unions. This disclosure applies to all decals, marks, signs, advertisements and marketing materials of credit unions.

DICO by-law no. 3 remains in effect even though DICO has ceased to exist as a separate entity and it is FSRA that insures deposits through the Deposit Insurance Reserve Fund (“DIRF”). FSRA has been granted rule-making power to replace DICO bylaw no. 3 to become an FSRA rule.

On October 10th, FSRA launched a public consultation on a rule proposed to replace by-law no. 3 and to officially implement an updated deposit insurance advertising rule.

## Pension: Approach to Pension Regulation – Guiding Principles



**CAROLINE BLOUIN**

Executive Vice President,  
Pensions

FSRA will be initiating a consultation to seek your feedback on the proposed principles to guide our approach to the supervision and regulation of the pension plans. This consultation will provide an opportunity for you to let FSRA know whether the principles proposed to guide FSRA in its approach are suitable, and whether they resonate fully with you.

These draft principles reflect previous discussions we have held with a variety of stakeholders before and since the inception of FSRA. While these principles explain a FSRA ‘Approach’ under the FSRA guidance framework and do not create expectations for pension plans, once finalized, they will influence FSRA’s rules, other guidance, decisions, policy development, supervisory activities and allocation of regulatory resources.

Details about the consultation will be available later this month. Stay tuned for more information as your feedback will be greatly appreciated.

## Auto Update



**TIM BZOWEY**

Executive Vice President,  
Auto/Insurance Products

Working with the Rate Regulation Working group, FSRA has developed a new Standard Rate Filing process for Ontario insurers. FSRA announced this [new rate filing process on October 9, 2019](#).

FSRA is delivering on its priorities for 2019-20 to provide regulatory changes that will lead to more consumer choice, and greater competition for auto insurance customers in Ontario. New Standard Rate Filing will significantly reduce the time and burden associated with rate filing applications for private passenger auto insurance.

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It provides insurers with a powerful combination of ratemaking flexibility and timely decisions from the regulator including FSRA's 25-day service standard guarantee on all Standard applications. These new features will enable insurers to be more responsive to current market conditions, compete more vigorously for customers and make auto insurance pricing fairer and more accurate. A more dynamic and responsive rate filing process will support the auto insurance rate modernization [described in the government's budget](#) as it will improve market functioning.

FSRA would like to thank **Judith Robertson** and **Richard Nesbitt** for their dedicated service as inaugural members of the FSRA board. We look forward to our continued relationship with Ms. Robertson as she takes on her new role as a Commissioner of the federal government's Financial Consumer Agency of Canada.

Biographical information on all Board Members is available at [www.fsrao.ca/about-fsra/governance](http://www.fsrao.ca/about-fsra/governance).

## Board of Directors Update

FSRA Board Chair Bryan Davies was pleased to announce the appointment of two new members to the Board of Directors in August:



**Joanne  
De Laurentiis**

A seasoned financial services executive, Joanne De Laurentiis' extensive governance experience includes leading multi-stakeholder organizations that represent and advocate on behalf of industry sectors. She served as President and CEO of The Investment Funds Institute of Canada from 2006 until her retirement in July 2016. Ms. De Laurentiis has also served as President and CEO of Credit Union Central of Canada, Mondex Canada and the Interac Association.



**Brent  
Zorgdrager**

As Kindred's Chief Executive Officer from 2010 until January 2019, Brent Zorgdrager oversaw the rebranding of the Kitchener-based co-operative, previously known as the Mennonite Savings and Credit Union. Previously, Mr. Zorgdrager spent 17 years at Manulife Financial in senior finance roles, including CFO of the Group Savings & Retirement Solutions business unit.

## Stakeholder Survey Results

Prior to launch, FSRA issued a stakeholder survey, which received 2,667 responses. Our stakeholders highlighted the importance of having consultations throughout the year and recommended that these consultations be organized by sector. Our stakeholders also noted the importance of FSRA reporting on the outcomes of committee sessions and on how feedback was considered. Digital engagement, including emailed submissions and web-based surveys, is preferred. FSRA is now implementing this feedback into its stakeholder approach.

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