

BY-LAW NO. 1
(“General By-Law”)

A by-law relating generally to the conduct of the business and affairs of
FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

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BE IT ENACTED as a by-law of the Financial Services Regulatory Authority of Ontario, (the “Corporation”) subject to the approval of the Minister of Finance pursuant to section 9 of the Act, as follows:

ARTICLE 1 DESCRIPTION OF BY-LAW

1.1 Definitions

- (a) “Act” means the *Financial Services Regulatory Authority of Ontario Act, 2016*, or any statute which may be substituted therefor, including any regulations made thereunder, as amended from time to time;
- (b) “Board of Directors” means the board of directors of the Corporation; and “Director” means a director of the Corporation appointed by the Lieutenant Governor in Council;
- (c) “By-law” means any by-law of the Corporation in force as amended or restated from time to time;
- (d) “Chair” means the chair of the Board of Directors;
- (e) “Corporation” means Financial Services Regulatory Authority of Ontario, a corporation without share capital;
- (f) “OBCA” means the *Business Corporations Act (Ontario)*, as may be amended from time to time;
- (g) “Minister” means the Minister of Finance or such other member of the Executive Council as may be assigned the administration of the Act under the *Executive Council Act*; “person” includes an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative;
- (h) “Regulations” means those regulations that may be made by the Lieutenant Governor in Council pursuant to Section 21 of the Act;
- (i) “Secretary” means the secretary of the Corporation appointed pursuant to section 8.1;
- (j) “Chief Executive Officer” means the Chief Executive Officer of the Corporation appointed under section 8.1;
- (k) “Officer” means the Chief Executive Officer or such other Officers as the Board of Directors may appoint from among the Corporation’s employees as it considers necessary.

1.2 Interpretation

All terms which are contained in this By-law and in all other by-laws of the Corporation hereafter passed and which are not defined herein but which are defined in the Act shall have the meaning given to such terms in the Act unless the context requires otherwise. Words importing the singular number also include the plural and vice-versa. All specific references herein to Officers shall be to the Officers of the Corporation holding such office. The headings used in this By-law are for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

ARTICLE 2 BUSINESS OF THE CORPORATION

2.1 The Corporation

The Corporation is a corporation without share capital established by the Act under the name Financial Services Regulatory Authority of Ontario in English and Office ontarien de réglementation des services financiers in French.

2.2 Fiscal Year

Unless otherwise determined by the Board of Directors, the fiscal year of the Corporation shall end on March 31 in each year.

2.3 Head Office

The head office of the Corporation shall be in the City of Toronto, in the Province of Ontario. The Corporation may maintain offices in such other places in the Province of Ontario as the Board of Directors may determine.

2.4 Seal

The Corporation may, but need not, have a seal, the form of which may be adopted and changed by the Board of Directors.

2.5 Execution of Instruments

Any two Officers or Directors may sign documents, deeds, transfers, assignments, contracts, obligations, certificates and any other similar instrument on the Corporation's behalf relating to the Corporation's business and affairs. The Board of Directors shall have power from time to time by resolution to appoint an Officer or Officers or any other person or persons authorized by the Board of Directors on behalf of the Corporation to sign specific contracts, documents and instruments, or classes of contracts, documents and instruments.

2.6 Counterparts Permitted

Any notice, resolution, requisition, statement or other document required or permitted to be executed by more than one person for the purposes of the Act or any Regulations may be executed in several documents each of which when executed by one or more of such persons shall be deemed to constitute one document for the purposes of the Act and any Regulations.

2.7 Banking Arrangements

The banking business of the Corporation, or any part thereof, shall be transacted with such bank, trust company or other firm or body corporate as the Board of Directors may designate, appoint

or authorize from time to time and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more Officers or other persons as the Board of Directors may designate, direct or authorize from time to time and to the extent thereby provided.

The Board of Directors shall have power to authorize expenditures on behalf of the Corporation, from time to time, and to make expenditures for the purpose of furthering the objects of the Corporation.

ARTICLE 3 BOARD OF DIRECTORS

3.1 Powers and Duties of the Board of Directors

Subject to the Act and any Regulations, the Board of Directors shall supervise the management of the Corporation's affairs.

The Board of Directors may also, from time to time, make such policies as it may deem necessary or desirable for the better management, operation and maintenance of the Corporation, provided however that any such policy shall not be inconsistent with the Act, the Regulations or this By-law.

3.2 Composition and Appointment

The Directors shall be appointed by the Lieutenant Governor in Council, on the recommendation of the Minister and in accordance with the Act and the Regulations. The Board of Directors shall consist of at least three and not more than 11 Directors. A person who is an Officer or employee of the Corporation is ineligible to be a Director of the Corporation.

3.3 Administer the Authority's Affairs

The Board of Directors may administer the affairs of the Corporation in all things and make or cause to be made for the Corporation, in its name, any kind of contract which the Corporation may lawfully enter into and, save as hereinafter provided, generally, may exercise all such other powers and do all such other acts and things as the Corporation is by its by-laws, the Act or otherwise authorized to exercise and do.

3.4 Remuneration and Expenses

The Directors shall be paid such remuneration as determined by the Lieutenant Governor in Council. The Directors shall be reimbursed their reasonable expenses that the Lieutenant Governor in Council determines, or as may be set out in applicable Management Board of Cabinet directives or applicable policies of the Corporation.

3.5 Vacancies

Vacancies on the Board of Directors shall be filled by the Lieutenant Governor in Council on the recommendation of the Minister subject to the requirements of the Act.

3.6 Ceasing to Hold Office

A Director may resign from his or her position as such by notice in writing delivered or sent to the Secretary and such resignation shall become effective at the time the Secretary receives such notice or at the time specified in such notice, whichever is later.

A Director ceases to hold office when,

- (a) his or her term has expired without renewal; or
- (b) he or she has been removed from office by the Lieutenant Governor in Council.

ARTICLE 4 COMMITTEES OF THE BOARD OF DIRECTORS

4.1 Committees of Directors

The Board of Directors may at any time, by resolution, appoint and dissolve standing or special committees as it may deem advisable.

4.2 Mandate and Powers of Committees

- (a) Board committees shall study, review and make recommendations to the Board on any matter as directed by the Board.
- (b) No committee shall have the power to act for the Board or exercise any of the Board's powers unless otherwise specified in the By-laws or the committee's mandate.
- (c) Subject to the Act and any Regulations and by-laws, the Board of Directors may delegate any power or duty to a committee of Directors except the power to:
 - a. approve the Corporation's budget, including the budget for capital expenditures and staffing;
 - b. approve the Corporation's business plan, annual report and financial statements;
 - c. establish a conflict of interest policy and procedures for monitoring and managing any conflicts of interest that arise;
 - d. establish a code of conduct applicable to the Corporation's Directors, Officers, employees, agents and other persons;
 - e. approve recommendations regarding the remuneration of Directors;
 - f. appoint a Chief Executive Officer;
 - g. set the remuneration for Officers;
 - h. appoint an auditor;
 - i. establish committees of the Board of Directors;

- j. fill a vacancy in a committee of the Board of Directors;
- k. make, amend or repeal by-laws; and
- l. establish a statement of investment policies and procedures and approve other investment policies, standards and procedures.

4.3 Committee Governance

Each committee of the Board of Directors shall have a mandate approved by the Board of Directors. The business of any committee shall be governed in accordance with this mandate including, without limitation: election or appointment of members and chair; duties and authority; notice, minutes and Board reporting requirements; and, quorum and other operating procedures.

ARTICLE 5 BOARD OF DIRECTORS' MEETINGS

5.1 Notice of Meetings

5.1.1 Notice of any regular or special meeting of the Board of Directors shall be given in writing and sent by mail, electronic mail or facsimile at least two (2) days prior to the meeting. There shall be at least six meetings per year of the Board of Directors. No error or omission in giving notice of any meeting of the Board of Directors or any adjourned meeting of the Board of Directors shall invalidate such meeting or make void any proceedings taken thereat and any Director may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken thereat.

5.1.2 Notwithstanding subsection 5.1.1, the two-day notice requirement shall not apply in the event of an emergency, in which case the Chair should give as much prior notice by any method of telecommunications as is practicable. An "emergency" means an unusual or sudden circumstance that requires a meeting to be held without delay as determined by the Chair of the Board of Directors, or as defined by resolution of the Board of Directors. Waiver of notice contemplated by subsection 5.1.1 shall not be required for an emergency meeting for the meeting to be a validly constituted meeting as long as a quorum of the Board of Directors is present at the emergency meeting.

5.2 Quorum

A majority of appointed Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The Chair shall be included in the determination of quorum. Notwithstanding vacancies, a quorum of Directors may exercise all of the powers of the Board of Directors.

5.3 Place of Meetings

Meetings of the Board of Directors shall be held at the head office of the Corporation or elsewhere in Ontario as the Board of Directors may determine. The Board of Directors may, by resolution, authorize the holding of meetings outside Ontario.

5.4 Calling of Special Meetings

Special meetings of the Board of Directors shall be held from time to time at such place, on such day and at such time as the Chair of the Board of Directors may determine, or upon the written request of a majority of Directors.

5.5 Action by the Board of Directors

The Board of Directors shall exercise its powers by or pursuant to a by-law or resolution passed at a meeting of Directors at which a quorum is present. Action approved by a majority of the number of the Directors present at any meeting of the Board or any Committee thereof, at which a quorum is present shall be the act of the Board or any Committee thereof.

5.6 Conduct of Meetings

Meetings shall be conducted in accordance with this By-law and any procedural guidelines adopted by the Board of Directors from time to time.

5.7 Votes

Each Director shall be entitled to one vote. At all meetings of the Board of Directors, any question shall be decided by a majority of the votes cast on the question. Any question at a meeting of the Board of Directors shall be decided by a show of hands unless a ballot is required or demanded. In case of an equality of votes, the motion shall be defeated.

5.8 Chair of the Board of Directors

(a) Appointment of Chair

The Lieutenant Governor in Council shall, on the recommendation of the Minister, designate a member of the Board of Directors to be its Chair.

(b) Acting Chair

If the Chair is absent at any meeting of the Board of Directors or if the office of the Chair is vacant, one of the Directors present who is chosen to so act by the Directors present shall preside and have all the powers, duties and functions of the Chair.

(c) Duties of the Chair

The duties of the Chair shall include, without limitation, the following:

- (a) set the agenda for all meetings of the Board of Directors;
- (b) preside at all meetings of the Board of Directors at which the Chair is present and able and ensure the meetings are conducted in accordance with the by-laws and Board policies;
- (c) to commence the meetings of the Board of Directors by taking the chair and calling the Directors to order as soon as a quorum is present;
- (d) ensure all minutes are an accurate reflection of the meeting by signing them when approved;
- (e) sign all documents requiring the Chair's signature; and
- (f) perform such other duties as may from time to time be determined by the Board of Directors.

5.9 Secretary

The Secretary shall send notices of meetings of the Board of Directors or a committee of the Board when directed to do so and shall record all minutes of meetings, proceedings and votes in the minute book of the Corporation. The Secretary shall have charge of the minute book of the Corporation and any other documents of the Corporation, as may be determined from time to time by the Board, and be the custodian of the corporate seal of the Corporation, if any.

5.10 Adjournment

Any meetings of the Board of Directors may be adjourned to any time and from time to time and such business may be transacted at such adjourned meeting. Notice of an adjourned meeting of the Board of Directors is not required if the time and place of the adjourned meeting is announced at the original meeting. A meeting of the Board of Directors may be postponed by the Secretary, upon consultation with the Chair, until a later time or date simply by notifying Directors verbally or otherwise prior to the meeting.

5.11 Conflicts of Interest

Subject to and in accordance with section 132 of the OBCA, the Act and any Regulations and in the absence of an express policy of the Corporation relating to conflicts of interest, a Director or Officer of the Corporation who is a party to a material contract or transaction or proposed material contract or transaction with the Corporation, or is a Director or an Officer of or has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the Corporation, shall disclose in writing to the Chair, or in the case of the Chair to the Board of Directors, or request to have entered in the minutes of meetings of the Board of Directors the nature and extent of such Director's or Officer's interest, and any such Director shall remove himself or herself from the portion of any meeting during which such matter is to be discussed and shall refrain from voting in respect thereof unless otherwise permitted by the OBCA, the Act or any Regulations.

5.12 Conduct

The Board of Directors has plenary authority for the conduct of members of the Board of Directors at its meetings. The Board of Directors may, by resolutions, enact rules relating to conduct and establish consequences for breaching such rules.

ARTICLE 6 BOARD OF DIRECTORS' MEETINGS BY TELEPHONE OR OTHER ELECTRONIC MEANS

6.1 Meetings by Telephone or Other Electronic Means

Any Director may participate in a meeting of the Board of Directors or any committee thereof by means of telephone, electronic (including email) or other communication facilities that permit all persons participating in the meeting to communicate simultaneously and instantaneously, and a Director participating in such a meeting by such means is deemed for the purposes of this By-Law to be present at the meeting.

The Board of Directors shall be entitled to attend meetings by telephone or other electronic means, and to sign documents electronically, subject to and in accordance with section 2.5 of this By-Law.

The Secretary shall minute the proceedings of such meetings in accordance with regular practice and any action approved or any resolution passed under this paragraph by a majority of the number of Directors participating in such a meeting at which a quorum is present shall be valid without any further authorization or formality.

6.2 Transacting Business by Written Resolutions

A resolution in writing signed by all of the Directors entitled to vote on that resolution at a meeting of the Board of Directors is as valid as if it had been passed at a meeting of the Board of Directors.

ARTICLE 7 PROTECTION OF BOARD MEMBERS AND OFFICERS

7.1 Insurance

(a) Pursuant to section 136 of the OBCA, the Corporation may purchase and maintain insurance for the benefit of Directors and Officers against any liability incurred by the individual:

- (i) in the individual's capacity as a Director or Officer of the Corporation; or
- (ii) in the individual's capacity as a Director or Officer, or a similar capacity, of another entity, if the individual acts or acted in that capacity at the Corporation's request.

7.2 Immunity from Civil Action

Pursuant to section 19(1) of the Act, no action or other civil proceeding shall be commenced against a Director, employee or agent of the Corporation for an act done in good faith in the exercise or performance or intended exercise or performance of a power or duty under this Act or the regulations made under this Act or under the by-laws of the Corporation or for neglect or default in the exercise or performance in good faith of the power or duty.

ARTICLE 8 OFFICERS

8.1 Appointment of Officers

The Board of Directors shall appoint a Chief Executive Officer who shall be responsible for the management and administration of the Corporation, subject to the supervision and direction of the Board.

The Board of Directors may from time to time appoint from among the Corporation's employees other Officers, including a treasurer and a secretary of the Corporation, and may specify the duties of and, in accordance with this By-law and subject to the provisions of the Act and any Regulations, delegate to such Officers powers to manage the business and affairs of the Corporation.

No director of the Corporation may be appointed as an Officer or may be an employee of the Corporation.

8.2 Remuneration of Officers

Subject to section 9 of the Act, the remuneration of Officers of the Corporation shall be determined from time to time by the Board of Directors.

8.3 Powers and Duties of Officers

All Officers appointed by the Board of Directors shall have authority for and perform all powers and duties incident to their respective offices and such other powers and duties respectively as may have been assigned to them by the Board of Directors.

8.4 Conflict of Interest

Subject to and in accordance with section 132 of the OBCA, the Act and any Regulations and in the absence of an express policy of the Corporation relating to conflicts of interest, Officers shall disclose an interest in any material contract or transaction or proposed material contract or transaction with the Corporation in accordance with the Act, the Regulations and section 5.11 of this By-law. The Board of Directors shall establish a conflict of interest policy and procedures for monitoring and managing any conflicts of interest that arise.

ARTICLE 9 AMENDMENT OF BY-LAWS

9.1 Amendment of By-laws

Subject to section 9 of the Act, the by-laws of the Corporation may be repealed or amended by by-law, on the approval of the majority of the Board of Directors. The repeal or amendment of a by-law does not have any impact on actions taken under the authority of such by-law before such by-law was repealed or amended.

ARTICLE 10 AUDITORS

10.1 Auditors

The Corporation shall appoint annually one or more auditors licensed under the *Public Accounting Act, 2004* to audit the financial statements of the Corporation for each fiscal year. The auditor shall hold office until the Board of Directors appoints a replacement. The remuneration of the auditor shall be fixed by the Board of Directors. The auditor shall report on the audit work to the Board of Directors, or to a committee of the Board as may be directed by the Board of Directors from time to time.

Pursuant to subsection 17(3) of the Act, The Auditor General of Ontario may also audit the financial statements of the Corporation.

**ARTICLE 11
BOOKS AND RECORDS**

11.1 Books and Records

The Board of Directors shall see that the necessary books and records of the Corporation required by the by-laws of the Corporation or by any applicable law, are regularly and properly kept by the Corporation.

This By-law shall become effective on the date approved by the Minister of Finance.

Bryan Davies, Chair

Kathryn Bouey

Judith Robertson

APPROVED the ____ day of _____, 2017

THE HONOURABLE CHARLES SOUSA
MINISTER OF FINANCE