

Burden Reduction Progress Update

March 2020

FSRA

Financial Services Regulatory
Authority of Ontario

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Overview

Regulation that is proportionate, risk-based, and outcomes-focused helps to protect consumers, and enhances Ontario's economy and regulated businesses. Unnecessary or unclear guidance increases costs and reduces innovation.

With a heightened focus on burden reduction and regulatory effectiveness, FSRA is implementing cross-sector and sector-specific priorities that further our legislated mandate, protect the public interest and drive regulatory transformation in alignment with the government's vision.

In the short time since FSRA launched, we have made substantial progress in reducing regulatory burden for Ontario's financial services providers and consumers. Some of our early achievements include, but are not limited to, the following:

- **Inherited guidance review:**
Reducing all inherited guidance by 51%
- **Data collection and filing:**
Streamlining of filings by eliminating unused/underutilized data
- **Service standards:**
Developing a new service standards framework based on customer service principles, best practices and a timely review process to ensure standards remain relevant.

FSRA will continue to seek to reduce regulatory burden for the sectors we regulate and modernize systems and processes, as we fulfill our mandate in 2020-21.

1. Inherited Guidance Review

Reduce all inherited guidance to only necessary and relevant guidance.

2. Data Collection and Filing

Review and streamline data and filing requirements to eliminate unused/underutilized data where possible.

3. Service Standards

Establish meaningful service standards.

Inherited Guidance Review

When FSRA assumed the regulatory duties of the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO) on June 8, 2019, over one thousand pieces of guidance were inherited. We conducted a thorough review, guided by the premise that all active guidance should be relevant and current.

As a result of that review, FSRA realized a **51% reduction in inherited guidance items**, a decrease from 1,039 pieces to 505 pieces.

Table 1: Reducing active guidance for all our sectors

Sector	Original Items Reviewed (June 2019)	Active (Nov 2019)	Items Removed	Savings Percentage
Auto	409	128	281	69%
CUCP	83	60	23	28%
HSP	49	36	13	27%
Insurance	154	42	112	73%
Mortgage	48	37	11	23%
Pensions	289	195	94	33%
Superintendent (CEO)	7	7	0	0%
TOTAL	1039	505	534	51%

Further savings and reductions are anticipated as FSRA continues to review all active guidance for alignment with the new guidance framework.

A New Guidance Framework

Our sectors have asked for greater clarity regarding the actions we require from them, as well as for streamlining of processes. In particular, sectors identified a need for:

- More guidance and rules on conduct to address non-compliance.
- More transparency on regulatory actions and collaboration with the sectors.
- More flexible guidance and rule-making to facilitate transactions and innovation.
- Support for stronger and more streamlined licensing and conduct requirements that are aligned to industry standards and best practices.
- Support for expediting review for priority guidance.
- A fundamental re-evaluation of the licensing framework.
- Revised guidance that is updated and more tailored to Credit Union situations and needs.

In response to these needs, FSRA has developed a consistent principles-based regulatory guidance framework to streamline, clarify and update current guidance. Applying these principles to a variety of guidance items helped us to realize that we can standardize the types of guidance for all sectors and make it a more efficient system.

The demarcation of four types of guidance (Interpretation, Information, Approach, and Decision) will assist with this work. By standardizing our guidance, the public, new entrants and incumbents will better understand what is legally binding, what is FSRA's interpretation or application of law, and what information is designed to be helpful or precedential.

Data Collection and Filing

Industry partners voiced a number of concerns about duplicative reporting requirements, unnecessary data collection and burdensome filing requirements, in addition to a perceived lack of timely analysis and reporting back of the data collected. FSRA committed to review current data and filing requirements to reduce burden on regulatory sectors, increase transparency and information sharing, and enhance industry benchmarking and analytics.

While our strategic approach is to evaluate all FSRA data and data collection tools, our first step was to confirm, with input from the sectors, the high priority tools and data to be investigated immediately. The need for the data (in whole and in part) and data collection tools were assessed using the following five criteria:

1. Is there a justifiable need to collect the data?
 - Is the data being collected for dissemination to stakeholders?
 - Is the data needed for regulation or policy development?
2. Are we sure there is no valid substitute for the data from other existing sources?
3. Can we revise the data or tool to reduce burden to industry?

Our review of our data collection and filings requirements is ongoing, and we are making progress:






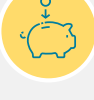
- **25% and 38% reductions in data collection requirements**, respectively, for the Annual Information Returns (AIRs) for the mortgage brokering sector and health service provider sector.
- **Streamlined the process for insurers** to apply for an auto insurance rate change by creating a more simplified filing process.
- **Ongoing streamlining of filings in the pension sector**, eliminating over 400 form submissions annually.

These reductions will reduce the costs of compliance with FSRA's regulatory requirements, resulting in important ongoing savings for industry and consumers.

Success Story: New Standard Filing for Auto Insurance

The new Standard Filing for auto insurance came into effect in October 2019. It provides a more flexible rate application process that helps insurers to be more responsive to current market conditions. It also makes auto insurance pricing offered to consumers more competitive, fair and accurate. The new Standard Filing includes a 25-day service standard guarantee on all Standard applications, which significantly reduces the time and burden associated with rate filing applications for private passenger auto insurance without relaxing oversight.

Table 2: Reducing filing requirements for all our sectors

Sector	Reduced filing requirements in:
 Auto insurance / P&C	<ul style="list-style-type: none"> • Auto Insurance Rate Annual Filing • Annual Statement of Market Conduct filing (jointly with the Canadian Council of Insurance Regulators)
 Credit Unions / Caisse Populaires	<ul style="list-style-type: none"> • Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) risk-based approach workbook for Credit Unions/Caisses Populaires (jointly with FINTRAC) • Sample size required for review of loan files for credit risk management purposes
 Health Service Provider	<ul style="list-style-type: none"> • Health Service Provider Annual Information Return (AIR)
 Life & Health Insurance	<ul style="list-style-type: none"> • Annual Statement of Market Conduct filing (jointly with the Canadian Council of Insurance Regulators)
 Mortgage Brokering	<ul style="list-style-type: none"> • Mortgage Brokering Annual Information Return (AIR) • Mortgage Administration Annual Information Return (AIR)
 Pensions	<ul style="list-style-type: none"> • Filing requirements associated with a frozen defined-benefit pension plan based on specific facts • Working to review low-risk and low-impact statutory form filings submissions • Working to review prescribed filings and filing periods

Service Standards

Service standards are integral to good service and effectively managing our performance.

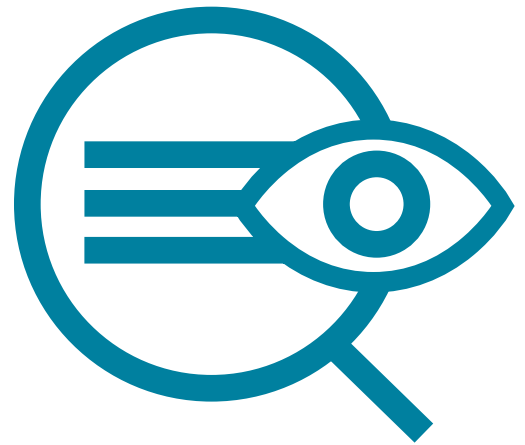
Effective standards will:

- clarify expectations;
- drive service improvement;
- contribute to results-based management;
- reinforce accountability; and
- improve transparency.

FSRA is committed to increasing transparency and accountability for the delivery of regulatory activities by working with stakeholders to develop and implement services standards that measure our effectiveness in meeting our objectives and those of our stakeholders.

Based on stakeholder feedback, our inherited service standards were perceived as lacking accountability, responsiveness and transparency. They were also not aligned with organizational priorities. FSRA began work to create meaningful standards for the highest priority services that could be measured in each of our sectors. This included developing new customer service principles, best practices, and a review process to ensure standards remain relevant.

We look forward to sharing new service standards later in 2020.



Stakeholder Quotes

“We are supportive of the cross-sector priorities, particularly those relating to reducing regulatory burden without having a negative impact on investor protection.”

– [Canadian Advocacy Council of CFA Societies Canada](#)

“We have been impressed with the progress to date, and look forward to continuing to work collaboratively on advancing insurance priorities that deliver for consumers and reduce the regulatory burden for business.”

– [Intact Financial Corporation](#)

“FSRA is off to an excellent start with its ambitious transformation mandate, committed to doing the right things and doing things right. FSRA listens and is interested in and supportive of client innovations. We applaud its ambition to transition to a principles-based regulatory approach that will facilitate innovation, and allow regulated entities the flexibility to meet regulatory intent at a lower overall cost to consumers.”

– [Desjardins General Insurance Group](#)

“CARP applauds FSRA and the government of Ontario for taking proactive steps to support innovation and reduction of red tape in the pension sector.”

– [CARP](#)

“By focusing on supporting plan flexibility, reviewing prudential framework, and burden reduction, HOOPP believes FSRA is heading in the right general direction to improve pension regulation in Ontario.”

– [Healthcare of Ontario Pension Plan](#)

“We support FSRA’s objective of ‘efficient, effective regulation and supervision by ensuring that the benefits justify the internal and external costs of regulation’.”

– [Kawartha Credit Union](#)

FSRA's Guidance Principles

Accountable (Internal)

Our guidance supports delivery on FSRA's legislative mandate and its vision for financial safety, fairness and choice in Ontario.

Accountable (External)

Regulated persons must put in place processes, controls and procedures to meet the expectations expressed in FSRA's guidance.

Effective

Our approach to developing guidance is supported by good governance practices, sectoral expertise and high professional standards.

Efficient

We will develop and maintain guidance that is relevant, proportionate to risks being addressed and minimizes regulatory burden.

Adaptable

We respond to the dynamic nature of the regulated sectors by providing future-focused guidance and proactively identifying market trends requiring new or revised guidance.

Collaborative

FSRA consults stakeholders regarding guidance that creates compliance obligations and cooperates with other regulators to identify opportunities for improvement and harmonization.

Transparent

FSRA sets well-understood expectations for regulated persons through clear and organized guidance.

Four Types of Guidance

Interpretation

Sets out FSRA's view of requirements under its legislative mandate (i.e. legislation, regulation and rules). Non-compliance can lead to enforcement or supervisory action.

Information

Provides information from FSRA on certain topics, such as best or good practices, without creating compliance obligations for regulated persons.

Approach

Describes FSRA's internal principles, processes and practices for supervisory action and application of CEO discretion.

Decision

Sets out FSRA's determination and underlying reasoning for specific regulatory issues. This has precedential value for others not involved as parties to the specific matter under consideration.

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