

Test and Learn Environments (TLEs) & Other Innovation Tools



Financial Services Regulatory
Authority of Ontario



Ontario

Overview

- FSRA's Test and Learn Environments
 - Overview & Guiding Principles
 - Applying for a TLE
 - TLE Testing
- Other FSRA tools to support Innovation

The logo for the Financial Services Regulatory Authority of Ontario (FSRA) features the letters "FSRA" in a large, bold, blue sans-serif font.

Financial Services Regulatory
Authority of Ontario



FSRA's Test and Learn Environments (TLEs)

- The **Test and Learn Environments (TLEs)** provide customized “safe spaces” for testing new or improved products, services and business models in the following FSRA regulated sectors:
 - Property and Casualty Insurance
 - Life and Health Insurance
 - Credit Unions and Caisses Populaires
 - Loan and Trust
 - Mortgage Brokers
 - Health Service Providers (as they relate to Auto Insurance)
 - Financial Planners and Advisors
- TLEs allow for experimentation to gauge the market response to new innovations with tailored safeguards and parameters to ensure consumer protection.
- TLEs enable participants to test in real-market conditions (within set parameters) for a limited time for activities that would otherwise not be permitted under the current regulatory framework.
- TLEs are open to all market participants, including both incumbents registered with FSRA and new entrants (see Appendix A for definitions).

FSRA's [Innovation Framework](#) sets clear expectations and guiding principles to help financial services innovators bring innovative products to market while also maintaining consumer confidence.

- **Safe:** All TLEs will have parameters that protect consumers and markets from unreasonable risk and avoidable harm.
- **Directly beneficial to the public:** The opportunity must benefit the public and consumers through innovation and modernization.
- **Feasible:** Innovation opportunities must have a ready-to-test solution that can leverage FSRA's existing regulatory tools to support innovation.
- **Adaptable:** TLEs are adaptable to the relevant sectors FSRA regulates (see slide 4 for list).
- **Deliberate:** TLEs expand and adjust FSRA's risk tolerance to encourage innovation and modernization by the relevant sectors.
- **Fair:** TLEs ensure that opportunities for testing are made available to incumbents and startups alike.
- **Transparent:** Testing will be based on clearly defined processes and reporting requirements.
- **Collaborative:** Cross-jurisdictional and cross-sectoral partnerships with provincial, national, industry associations, and innovation hubs will be considered where feasible.
- **Accountable:** FSRA will maintain accountability to the public and the sectors by reporting on how it has used its tools to support innovation, where innovation has been successful and not successful.

There are three key things that should be clearly explained in the TLE intake and application process:



A clearly defined objective on how your innovation may have a positive impact on innovation and offers consumer benefits



Identify an area you want to experiment with or an area of regulation you need support with.



A proposed innovation opportunity / solution.

Thinking about applying?

Prior to completing a TLE application, please consider the following key questions:



Click the link below
for the
[TLE Application](#)

- ✓ What are you proposing to test?
 - Identify an issue or problem and the proposed solution
- ✓ How will the proposed opportunity promote innovation or modernization?
- ✓ What is the regulatory barrier (e.g., specific section of legislation, regulation, or rule)?
 - Struggling with this? Reach out to the Innovation Office.*
- ✓ What are the anticipated consumer impacts and benefits?
 - Does it alleviate a pain point, offer more choice, potential savings, etc?
- ✓ What are the intended outcomes?
- ✓ What are the potential risks involved with testing? How will these be mitigated?

Applications will be reviewed for completeness and alignment with TLE principles and criteria.

What's involved in a TLE Testing Project?

All approved TLE projects have the following key components:



Custom-designed test environment unique to each innovation opportunity



Well defined test parameters and guardrails



Testing and validation requirements

- Collaboratively developed Testing Agreement and Testing Plan
 - Consumer protection measures and consumer disclosure
 - Risk mitigation measures



Test data & Outcomes for reporting

- Data collection requirements and metrics (maintaining confidentiality of proprietary information)

FSRA has discretion to pause or halt a test at any time to reassess.

How experimenting in a TLE may help you

- **Access to a low-risk testing environment** to measure market response to the innovation and practice data-driven design
- **Opportunity for early identification of flaws**, unintended consequences and compliance issues, limiting the downside of innovation risk
- **Open and clear dialogue with the regulator** to reduce uncertainty and aid in identifying applicable regulations and pathways to approval
- **Reduced costs associated with navigating the regulatory landscape** and remedying compliance issues
- **Expedited and lower-cost route to market** due to reduced regulatory uncertainty

Supplementary regulatory tools:

- Statutory Interpretation
- Regulatory Discretion
- Orders
- Licensing Conditions



Other regulatory tools to support innovation

FSRA's Legal Tools to Support Innovation

- FSRA's Innovation Office is able to support innovation opportunities through:
 - Exemptive authority granted to the FSRA CEO by the Government of Ontario
 - Discretionary powers and associated legal tools
- FSRA may consider other tools to support innovation opportunities in financial services sectors where exemptive relief is unavailable.
- Discussions with FSRA's Innovation Office may be required to determine the Innovation Tool(s) that would best facilitate a specific proposed innovation opportunity and advise on considerations or subsequent steps.

Additional Tools to support Innovation

- 1 Statutory Interpretation
- 2 Regulatory Discretion
- 3 Orders
- 4 Licensing Conditions

Please note: There is no established or intended hierarchy for the use of the Innovation Tools.

Statutory Interpretation

- As a principles-based regulator, FSRA may interpret a provision in a manner to achieve the following outcomes,
 - foster innovation in accordance with s. 3(2)(c) of the FSRA Act,
 - promote high standards of business conduct in accordance with s. 3(2)(a) of the FSRA Act, and
 - protect the rights and interests of consumers in accordance with s. 3(2)(b) of the FSRA Act.
- If the provision has open texture, vagueness or ambiguity, then FSRA may apply a layered interpretation which takes into account additional background and context, including relevant FSRA statutory objects under s. 3 of the *Financial Services Regulatory Authority of Ontario Act, 2016* (the “FSRA Act”).
- Under a layered interpretation, an innovation opportunity may be carried out on a time limited or indefinite basis.

Regulatory Discretion

- The sector statutes may provide FSRA with significant regulatory discretion over certain areas.
- FSRA may exercise regulatory discretion to facilitate innovation opportunities that are consistent with FSRA's,
 - principles based and outcomes focused approach to regulation; and
 - statutory objects, including fostering innovation under the FSRA Act or related sector statutes.
- Please refer to the following examples for how FSRA may exercise regulatory discretion to promote innovation:
 - [Innovative Auto Insurance Products – Subscriptions \(“IAIP-S”\)](#)
 - [Territories Test and Learn Environment](#)

Orders

- Section 15(1) of the *Insurance Act* provides that the Chief Executive Officer (“CEO”) must determine matters under their authority by order and may make an order subject to conditions.
- Some provisions under the *Insurance Act* allow the CEO to issue an order with specific and tailored terms to facilitate an obstructed innovation opportunity.
- Orders can only be used to support innovation in the insurance sector if the innovation opportunity falls within the scope of an area the CEO has authority over.

Licensing Conditions

- FSRA may permit a regulated entity to innovate through licence conditions.
- FSRA may also issue a time-limited and scope restricted conditional licence to a non-licensee to test an innovation.
- Licence conditions are only available for the insurance and mortgage brokering sectors.
- FSRA can change or revoke licence conditions, provided FSRA follows the applicable statutory process.
- Note: FSRA does not have the authority to issue licences for insurance brokers as this falls under the authority of the Registered Insurance Brokers of Ontario.

How do I engage with FSRA to discuss?

If you would like to learn more or discuss any of the innovation tools, please reach out to FSRA's Innovation Office at innovation@fsrao.ca.

- Meet with FSRA's Innovation Office to discuss the proposed innovation opportunity and identify the regulatory barrier
- The Innovation Office will review and evaluate the details
- FSRA will determine which innovation tool(s) are appropriate, if any
- If one of the tools are deployed, FSRA may share its decision in the manner it deems most appropriate

**We look forward to innovating
together.**

Innovation@fsrao.ca



Appendix

The following terms are used to refer to the TLE-eligible or participating entities:

- **Market Participants:** An entity or person licensed by FSRA to engage in the business of a FSRA regulated financial services sector, or an entity or person which is not licensed by FSRA but is operating in a FSRA regulated financial services sector
- **Applicants:** Market Participants that are in the process of applying to or have submitted application for a TLE
- **TLE (or Test) Participants:** Applicants that have been admitted into a TLE

Appendix B – Fee Structure

Part 10 – Innovation Office Fees – FSRA Rule 2022 – 001 Assessments and Fees

Test and Learn Environment Application Review:

- \$50/hour per hour of review up to a maximum amount of \$5,000 per application (or review).

Meeting with or requests for written feedback from FSRA initiated by the inquiring party for all matters relating to an intake form:

- \$0 for the initial meeting; and
- \$500 per meeting or request for written feedback.

Meetings with or requests for written feedback from FSRA initiated by deemed frequent inquirers for all matters relating to an intake form:

- \$1000 per meeting or request for written.

FSRA may:

- (a) Waive fees based on: (i) the size, nature, or complexity of the applicant or the application, and (ii) documented extenuating circumstances provided by the applicant;
- (b) Set a maximum of subsequent meetings or requests for written feedback;
- (c) With the inquiring party's express consent, exceed the maximum amount of fees, and FSRA must continue to charge the same hourly fee; and
- (d) Determine whether a meeting or request for written feedback from FSRA initiated by an inquiring party constitutes a new innovation opportunity or relates to a previous or ongoing opportunity, and FSRA must provide notice if it intends to charge a fee for a new innovation opportunity.