

FSRA's Guidance on Mortgage Administrators' Financial Filing Requirements

*Mortgage Administrator Responsibilities to
Properly Manage Funds and Mortgage
Investments under Administration*

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Market Conduct, FSRA



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Agenda

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2. Land Acknowledgement
3. Mortgage administrators sector overview
4. Why is FSRA proposing this Guidance?
5. What remains the same?
6. What are the changes and their effective date?
7. How can mortgage administrators prepare?
8. How can auditors prepare?
9. Questions



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Land Acknowledgement

We acknowledge the land we are on is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg (ah-nish-naw-bek), the Chippewa, the Haudenosaunee (hoodt-en-oh-show-nee) and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples.

We acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit and the Williams Treaties signed with multiple Mississaugas and Chippewa bands.



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Mortgage administrator sector overview



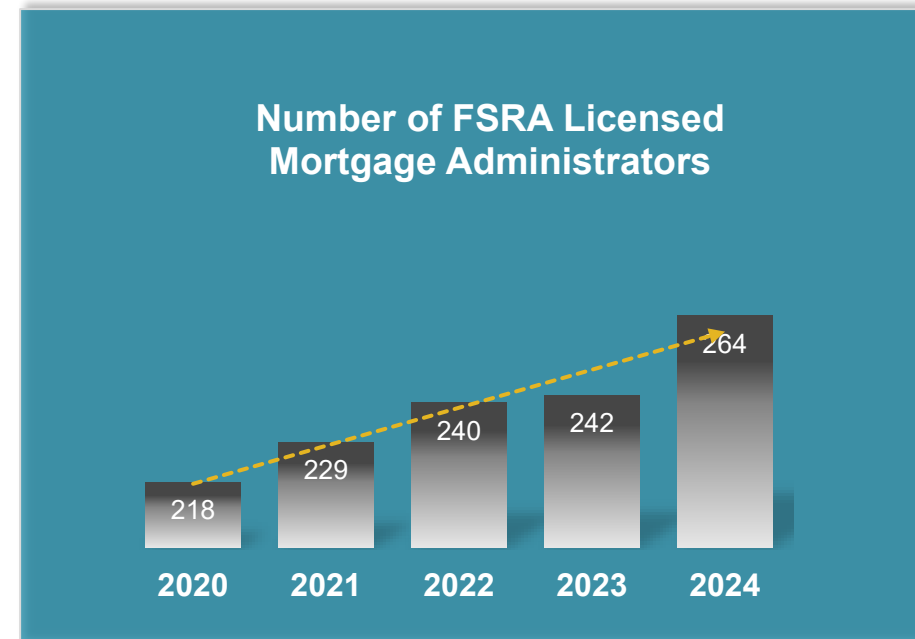
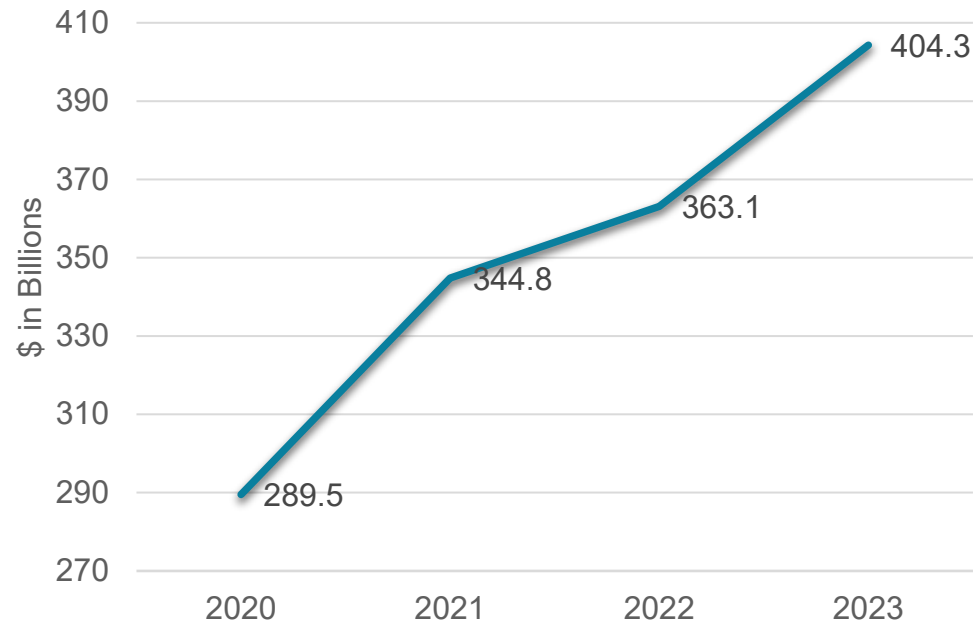
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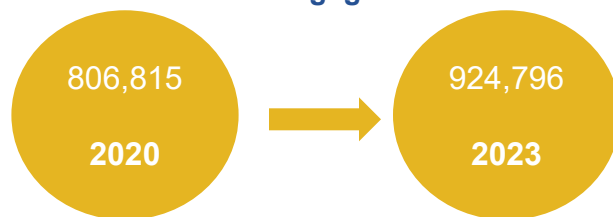


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Total dollar value of mortgages under administration*



Total number of mortgages under administration*



- 40%** increase in total **dollar value** of mortgages under administration
- 15%** increase in total **number** of mortgages under administration
- 21%** increase in total number of FSRA licensed mortgage administrators

* Data extracted from Annual Information Return. It refers to mortgages under administration in Canada.

Purpose and Approach of the Guidance



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Why is FSRA proposing this Guidance?



The sector has **grown tremendously** over the past years which has increased the risk for both administrators and investors/lenders



Increasing amount of deemed trust funds and/or mortgage investments and related funds under administration



The role of the mortgage administrator has **evolved**



Confusion about the financial filing requirements and their intent by some administrators and their auditors



Reinforcing the duties and responsibility of administrators to safeguard consumers' investment in the mortgages under administration

Principles-Based Approach

Effectively focus on desired regulatory outcomes and objectives to be achieved.

Outcome Focused

Ensure fair treatment of consumers to mitigate risk of loss of investors' funds and investments.

Effective and Risk-Based

Focus on the biggest consumer protection risk while leveraging work of external auditor.

Transparent

Communicate and clarify regulatory expectations to industry.

What remains unchanged?



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Mortgage administrators are required to provide FSRA with **three filings 90 days** from the end of the administrator's fiscal year



O. Reg. 193/08
s. 3(1)(a)

1. Audited Financial Statements

O. Reg. 193/08
s. 3(1)(b)

2. Management Letter

- Auditor's report on books, records and accounts

O. Reg. 193/08
s. 3(1)(c)

3. Auditor's Reasonable Assurance Report

- Auditor's report on compliance with trust account and assets and liabilities under administration requirements

What remains the same?

The required specifics of the financial filings remain unchanged:



Filings Requirements

- Filed with FSRA **even where there were no** mortgages under administration in the reporting year.
- Chartered Professional Accountant (CPA) who audits the financial statements **must also be the auditor** preparing the other two required reports.
 - Management Letter
 - Reasonable Assurance Report on Compliance
- Financial filings should be sent by email at ccoupdates@fsrao.ca



Financial Statement

- Must be prepared by a licensed public accountant.
 - Directory for Public Accounting Licensing status available on the [CPA Ontario website](#)
- The financial statements must be prepared in accordance with GAAP as set out in the *Handbook of Chartered Professional Accountants*.

What are the changes and their effective dates?



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What are the changes and their effective dates?

Management Letter on Internal Controls Regarding Financial Reporting for Fiscal Years Ending on or after the guidance effective date (November 27, 2023)

MBLAA Section	Previous Interpretation	Current Interpretation	Applicable Fiscal Period
O. Reg. 193/08 s. 3(1)(b)	<ul style="list-style-type: none">Confirm and notify FSRA and its predecessor that the administrator's auditor will not issue a management letter; orProvide FSRA and its predecessor with a management letter issued by the administrator's auditor	Auditor's communication or the administrator's confirmation required where no deficiencies in internal controls were noted	For fiscal years ending on or after the guidance effective date (November 27, 2023)

What are the changes and their effective dates?

Auditor's Reasonable Assurance Report – Applicable Standards for Fiscal Years Ending on or after the guidance effective date (November 27, 2023)

MBLAA Section	Previous Interpretation	Current Interpretation	Applicable Fiscal Period
O. Reg. 193/08 s. 3(1)(c)	Completed using the Direct Engagements standards CSAE 3001 and CSAE 3531	Completed using the Attestation Engagement standards CSAE 3000 and CSAE 3530	For fiscal years ending on or after the guidance effective date (November 27, 2023)

Auditor's Reasonable Assurance Report – MBLAA Provisions

MBLAA Section	Previous Interpretation	Current Interpretation	Applicable Fiscal Period
O. Reg. 193/08 s. 3(1)(c)	Provides auditor's reasonable assurance on the administrator's compliance with requirements relating to trust account and assets and liabilities under administration under O. Reg. 189/08	Provides auditor's reasonable assurance on the administrator's compliance with sections 33 - 39 of O. Reg. 189/08 relating to Managing Deemed Trust Funds PLUS Other relevant requirements relating to handling of funds and recordkeeping as follows:	Fiscal year ending before December 31, 2024 Fiscal years ending after December 31, 2024



Sections relating to handling of funds and recordkeeping:

- s. 23 Payments to lender, investor
- S. 24 Payment on redemption of mortgage
- S. 28 Duty to have financial guarantee
- S. 29 – 31 Various record keeping requirements
- S. 32 Monthly reconciliation, certain financial matters

How can mortgage administrators prepare?



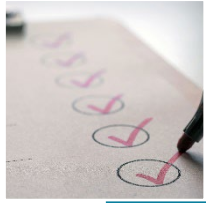
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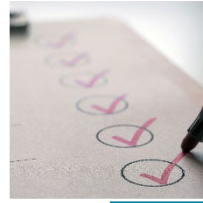
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How can mortgage administrators prepare?



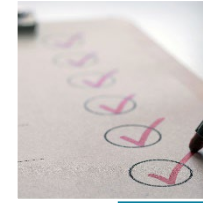
Plan

- Review [Mortgage Administrators' Financial Filing Requirements Guidance](#) and detailed filing requirements.
- Prepare the Statement of Compliance for the auditor.



Collaborate

- Share a copy of the guidance and applicable MBLAA Legislation with your auditors.
- Discuss document requests and the time required for the engagement with your auditor.



Be Timely

- Coordinate with your auditor to ensure required reports can be completed and filed on time.

Contact FSRA if you have questions about your financial reporting obligations.

How can auditors prepare?



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Plan

- Familiarize yourself with the financial filing requirements under MBLAA.
- Review the [Mortgage Administrators' Financial Filing Requirements Guidance](#) for specific information on the reports' requirements.



Confirm

- Ensure the **scope of audit engagement** is set with reference to the Mortgage Administrators' Financial Filing Requirements Guidance.



Well-Timed

- Plan the audit engagement with **sufficient time** in case discussion or additional information is to be requested from your client.

Contact FSRA if you have questions about the financial reporting obligations.

Questions?

Thank You

If you have any questions, please email MBConduct@fsrao.ca

A recording of this webinar, transcript, copy of this presentation deck and answers to questions will be posted to the [webinars](#) page on FSRA website.