

Approach



Effective Date: June 26, 2025

Identifier: No. GR0012APP

Guidance on the Use of Proceeds from Enforcement under Ontario Regulation 554/21

Purpose

The Guidance on the Use of Proceeds from Enforcement Under Ontario Regulation 554/21 (the “Guidance”) sets out the Financial Services Regulatory Authority of Ontario’s (“FSRA’s”) internal processes and practices with respect to its use and administration of money it receives from administrative monetary penalties (“AMPs”) and enforcement proceedings orders or settlements other than orders for costs (collectively, “Proceeds from Enforcement”), including FSRA’s internal assessment process.¹

¹ FSRA retains the discretion to change any of the processes and practices described in this Guidance.

Scope

This Guidance affects FSRA’s regulated entities, grant recipients, grant applicants, consumers, credit union members, pension plan members and pension plan beneficiaries.

Rationale and background

In addition to FSRA’s approach as outlined in this Guidance, FSRA’s internal practices and procedures with respect to use of proceeds from enforcement comply with all applicable requirements and expectations, including those set out in the Government of Ontario’s Transfer Payment Accountability Directive and Transfer Payment Operational Policy.

Ontario Regulation 554/21 (the “Regulation”) under the *Financial Services Regulatory Authority of Ontario Act, 2016* permits FSRA to retain revenue from administrative monetary penalties² and enforcement proceeding orders or settlements, other than orders for costs, for the purposes set out in the Regulation.

The Regulation requires that FSRA only use Proceeds from Enforcement for the purposes³:

(a) funding research or educational initiatives to enhance financial literacy, financial awareness, knowledge of rights and obligations or the informed decision making of consumers or pension plan beneficiaries;

(b) funding research or educational initiatives that,

(i) enhance the knowledge or understanding of persons or entities carrying on business in the regulated sectors, including activities, operations, regulatory obligations or market trends in the regulated sectors, and

² See [GR0013APP \(“Enforcement: General Administrative Monetary Penalties Guidance”\)](#) for information about how the Chief Executive Officer (“CEO”) of FSRA and the CEO’s delegates approach general administrative monetary penalties and determine appropriate general administrative monetary penalty amounts.

³ Please refer to s. 2(1) of O. Reg. 554/21.

(ii) have the goal of,

(A) improving the protection of consumers,

(B) protecting and safeguarding the pension benefits and rights of pension plan beneficiaries,

(C) promoting the good administration of pension plans, or

(D) improving compliance by persons or entities carrying on business in the regulated sectors; or

(c) enhancing knowledge or information about the regulated sectors.

The Regulation requires that FSRA make all reasonable efforts to use Proceeds from Enforcement in relation to the specific regulated sector that the money came from or proportionately across multiple regulated sectors, including the regulated sector that the money came from.⁴

The Regulation requires FSRA to report in its annual financial statements:⁵

- a breakdown of the Proceeds from Enforcement from each regulated sector; and
- the purposes for which the Proceeds from Enforcement from each regulated sector were used by FSRA and how those purposes were fulfilled or advanced.

⁴ Please refer to s. 2(2) of O. Reg. 554/21.

⁵ Please refer to s. 3 of O. Reg 554/21.

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Funding internal and third-party initiatives

FSRA may use Proceeds from Enforcement to fund internal and/or third-party initiatives that align with at least one of the purposes set out in the Regulation, such as funding a research or educational initiative to enhance financial literacy.

Internal proposals may include FSRA initiating, conceptualizing and proposing an initiative, and allocating Proceeds from Enforcement for use by FSRA. Internal proposals may involve FSRA retaining the services of appropriate third parties.

“Grants” or “Grant funding” refers to a funding vehicle that uses Proceeds from Enforcement for third-party initiatives. This type of funding may include:

- Proposals in Response to Public Outreach – When FSRA indicates on its website that FSRA is open to accepting proposals for funding, third-party applicants may submit proposals for project funding. Grants may be awarded in response to unsolicited funding requests from third-party organizations for self-initiated projects (i.e., projects initiated and conceptualized by a third party).
- Proposals in Response to Targeted Outreach – Grants may be awarded further to FSRA conceiving an opportunity and then identifying one or more third parties whose knowledge, experience and resources qualify them to pursue the initiative via invitation for proposal. FSRA, in its sole discretion, assesses and determines whether the third party’s knowledge, experience and resources qualify them for the initiative.

All proposals, including internal proposals and Grant funding proposals, will be subject to eligibility and evaluation protocols and controls as FSRA in its discretion determines. Making a request or proposal for funding does not guarantee that a Grant or other allocation of Proceeds from Enforcement will be awarded by FSRA.

Proceeds from Enforcement may vary from year to year. Actual funds available, as well as annual variability in the future, will be considered by FSRA in decision-making on funding and on

potential carry-over of available funds from one period to the next. FSRA may decide, in its sole discretion, to retain and hold over Proceeds from Enforcement for allocation at a future date.

Grant funding amount, duration and timing

Grant funding may be awarded on a shared-cost basis. For example, FSRA may award 75% of total project costs while applicants contribute 25% of the total project costs in cash or in-kind.

FSRA will accept Grant funding proposals for time-limited periods. FSRA will disclose key dates and deadlines for applications, as well as any key areas of interest that it is seeking to address through Grant funding.

FSRA may decide not to open any window for Grant proposals in a given year. Consideration by FSRA as to whether to accept and fund proposals during a given year will be at FSRA's discretion and may depend on several factors, including the availability of Proceeds from Enforcement that have not already been allocated and FSRA's priorities as set out in its most current Annual Business Plan.

Grant funding application process

FSRA's assessment of Grant funding proposals will consist of an eligibility assessment followed by a more detailed initiative assessment by an evaluation committee. FSRA may seek advice from third parties, including its Consumer Advisory Panel, to inform its consideration of Grant funding proposals.

Eligibility Assessment

FSRA will review proposals to make an eligibility determination using the following criteria:

- Proposal meets at least one of the required purposes described in the Regulation;
- Proposal does not further the commercial interests of the applicant's membership or key stakeholders;
- Proposal duration is no more than two years;

- Scope of proposal is limited to Ontario and is for the benefit of Ontarians;
- Applicant has a not-for-profit organization structure;
- Applicant has been incorporated in Ontario or Canada for at least one year; and
- Applicant maintains appropriate insurance coverage.⁶

Grant funding proposals should include information FSRA can use to complete the eligibility assessment. Only eligible proposals will move to the initiative assessment stage. FSRA, in its discretion, may work with applicants to revise or supplement their proposals with additional information to support the eligibility assessment.

Initiative Assessment

The initiative assessment will focus on, amongst other factors, the merits of the initiative and quality of the proposal. An evaluation committee made up of FSRA employees will carry out the initiative assessment. The evaluation committee will review and evaluate eligible proposals and make recommendations for funding.

In assessing eligible initiatives' merits, the evaluation committee will consider the following attributes, and any additional factors that FSRA considers relevant:

⁶ Appropriate insurance coverage is determined by FSRA in its discretion by considering, amongst other circumstances and factors, the nature of the program or event being funded by Proceeds from Enforcement. FSRA typically expects \$2 million in coverage for general liability; \$2 million in coverage for errors and omissions; and \$2 million in coverage for cyber risk and is open to discussing specific expectations with applicants based on their proposal.

Attribute	Success Indicators in Application
Alignment	<ul style="list-style-type: none"> • Alignment with the required purposes set out in the Regulation. • Alignment with FSRA’s statutory objects under section 3 of the <i>Financial Services Regulatory Authority of Ontario Act, 2016</i>. • Scope of the proposal is limited to a specific FSRA-regulated sector or multiple FSRA-regulated sectors. • Alignment with FSRA’s strategic direction as outlined in its most recent Annual Business Plan.
Value	<ul style="list-style-type: none"> • Clear, specific and measurable target outcomes for the proposal. • Explanation of how the proposal would provide good value for money, including a cost/benefit analysis or benchmarking against other examples where possible (FSRA expects cost/benefit analysis to be proportionate to the funding amount requested).

Delivery	<ul style="list-style-type: none">• Clear, specific deliverables associated with the proposal.• Credible plan for completing deliverables on time and within proposed budget.• Relevant skills and expertise in the project team responsible for completing deliverables, including plans for building skills and expertise where any gaps exist.• Identification of risks to successful completion of the deliverables and how the applicant will mitigate those risks.
Communication	<ul style="list-style-type: none">• Credible plan for communicating with FSRA over the course of the proposed initiative, including ad hoc communication, identification of opportunities for collaboration or cross-promotion, progress reporting, and identification of issues or risks.• Demonstrated capacity to produce a final report on the project, including a summary impact statement, financial information, and measurement of outcome and output (i.e., deliverables).

Grant funding proposals should include any information FSRA can use to complete the initiative assessment.

Costs for Grant Funding

FSRA may consider the types of costs associated with the Grant funding proposals. FSRA welcomes proposals that seek Grant funding to cover costs that are directly tied to the work involved in the proposed initiative and the required purposes under the Regulation. For example, direct costs may include project development and implementation costs, project administration and coordination, salaries for personnel and consultants/contractors who are working on the initiative, translation, and promotion and marketing that is necessary for or that supports the effectiveness of the initiative.

Partnerships for Grant Funding

At FSRA's sole discretion, applicants are permitted to partner with other organizations, acting in the capacity of co-applicants, to meet project objectives.

Distribution of Grant Funds

An award of Grant funding is contingent upon successful negotiation of a Grant agreement with FSRA within a reasonable time. If a grantee and FSRA cannot successfully negotiate a Grant agreement within a reasonable time, as determined by FSRA, the funding will not be released. After a Grant agreement is executed, funds may be disbursed in instalments based on a payment schedule and associated performance and reporting requirements set out in the Grant agreement.

Reporting

The Proceeds from Enforcement will be forecasted, collected, tracked, and reported in accordance with FSRA's fiscal management policies and requirements under the Regulation.

To promote transparency, FSRA will disclose decisions to allocate Grant funding to specific projects on its website and will report back on the impact of those projects after they are completed.

Effective date and future review

This version of the Guidance became effective on June 26, 2025. FSRA expects to review the guidance by June 26, 2030.

About this guidance

This document is consistent with [FSRA's Guidance Framework](#). As Approach Guidance, it describes FSRA's internal principles, processes and practices for supervisory action and application of Chief Executive Officer discretion. Approach Guidance may refer to compliance obligations but does not in and of itself create a compliance obligation. Visit [FSRA's Guidance Framework](#) to learn more.

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